

***ANNUAL COMPREHENSIVE
FINANCIAL REPORT***

of the

City of Sealy, Texas

**For the Year Ended
September 30, 2021**

Prepared by:

Finance Department

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Director of Finance

City of Sealy, Texas

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INTRODUCTORY SECTION

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CITY OF SEALY, TEXAS

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March 31, 2022

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, 2021.

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.

BrooksWatson & Co., PLLC, Certified Public Accountants, has issued an unmodified (“clean”) opinion on the City of Sealy’s financial statements for the year ended September 30, 2021. 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 13.3 square miles and a population of 6,839 according to the 2020 U.S. Census. This population figure is an increase of almost 14 percent from the 2010 U.S. Census figure of 6,019.

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 #2, and Sealy Development Authority. These are legally separate entities, which are reported as 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. The City adopts an annual appropriated budget for its general, debt service, most special revenue, and utility funds. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with their respective budget. The City did not adopt a budget for the Texas grant, downtown revitalization, or the municipal jury funds.

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 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.

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. In its recent review of the city's economic environment, S&P Global Ratings revised its outlook from negative to stable and affirmed its A+ long-term rating and underlying rating on the city's outstanding general obligation debt and combination tax and surplus revenue certificates of obligation. The rating reflected S&P's view of the city's (a) adequate economy, with access to a broad and diverse metropolitan statistical area, yet moderately concentrated tax base; (b) strong management with good financial policies and practices; (c) weak budgetary performance; (d) strong budgetary flexibility; (e) very strong liquidity; (f) very weak debt and contingent liability position; (g) environmental, social, and governance risks relative to its economy, management, financial measures, and debt and liability profile, and (h) social risks posed by the COVID-19 pandemic to public health and safety.

According to the U.S. Bureau of Labor Statistics, the unemployment rate for Austin County was 4.8 percent in September 2021, compared to a rate of 7.1 percent in September 2020 (not seasonally adjusted). Job retention and the creation of new working positions are top priorities as the city plans to usher in growth. As of September 2021, fiscal year-to-date sales tax collections were up 6.62% compared to 2020, with the twelve-month moving average approximately 5.92% higher than the same time period in the prior year. Through January 2022, Sealy's fiscal year-to-date sales tax collections reveal a twelve-month moving average of 13.06% higher than this same time period last year.

As part of two of the City's current economic development agreements, a portion of this increase may be related to Hailiang Copper Texas, Inc., and Hendrix Manufacturing's participation in the Texas Direct Payment Permit program, which, during the construction phases, authorizes the direct payment permit holder to pay applicable state and local use taxes directly to the State of Texas and local taxing jurisdiction per Texas Rule 3.288 of the Texas Administrative Code.

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 addition, Sika had determined that onsite pretreatment of wastewater was required for the project. In accordance with the development agreement, the city agreed to make seven equal annual payments to Sika in an aggregate amount equal to the lesser of \$300,000 or 50% of the actual capital cost of constructing the wastewater pretreatment facility. The cost of the facility was \$298,698, which equates to an annual capital construction grant payment of \$42,671.

In August 2017, Prasek's 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 twenty years from the base year, whichever occurs first. The provision for property tax rebates applies to real property and tangible personal property located on Prasek's premises each year. This rebate is limited to seven years and provides for specific rebate percentages each year.

China-based Hailiang Copper Texas, Inc., 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. In 2019, the City of Sealy and the Sealy Economic Development Corporation entered into an economic development agreement with Hailiang Copper Texas, Inc., for the public purposes of economic development to stimulate the local economy, develop and diversify the City's economy, reduce unemployment, stimulate business and commercial activity in the city, and develop or expand transportation and commerce to and through the city. Hailiang Copper Texas, Inc., will construct a copper tubing manufacturing facility with a capital improvement investment of \$165 million, which includes fixed assets and equipment worth \$134 million and \$30 million in working capital, and will participate in the Texas Direct Payment Permit program to generate sales tax revenue to the State of Texas and local taxing jurisdiction for qualifying purchases. The company is expected to bring 250 jobs to Sealy, phased in over the next few years. In exchange, the City of Sealy agreed to rebate specified percentages of ad valorem property taxes it collects on the real property, improvements, and personal property for a period of seven years, during calendar years 2021 through 2027. The Sealy Economic Development Corporation pledged a conditional infrastructure and reimbursement grant to Hailiang Copper Texas, Inc., which provides for incentives of up to \$75,000, if the requirements of job creation and development and construction obligations are met by Hailiang Copper Texas, Inc.

In September 2019, South Korean-based Remitite announced that it had purchased land on Pyka Road, northwest of the Hailiang Copper Texas, Inc., site and plans to build a manufacturing plant in Sealy. Remitite America is a maker of adhesives and sealants for the oil and gas industry. Based on information provided by the company, it plans to invest \$8.2 million in its facility and projects \$12 million per year in sales, eventually reaching \$102 million annually. The facility plans to employ 550 people over time.

In October 2019, the city's economic development corporation (EDC) entered into a performance agreement with a developer to construct utility infrastructure necessary for the development of an approximate 45-acre tract of land near the intersection of Rice Field Road and FM 3013 (Dove Landing). The project site was to be subdivided into approximately 130 lots for the construction and sale of single-family homes. In exchange for the \$300,000 forgivable loan from the EDC, the developer agreed to construct water, sewer, and gas utility infrastructure to the development in accordance with the city's specifications and approval.

In October 2019, the EDC entered into a performance agreement with a developer to construct utility infrastructure necessary for the development of an approximate 75-unit multifamily apartment community on Highway 90 West (Harvest Moon Apartments). The grant payment of \$122,250 from the EDC was to be used to reimburse the developer for the costs of constructing infrastructure for water service and municipal utility services and to pay the city to satisfy park land dedication requirements, the drainage credit fee, and water and sewer tap fees. In addition, the EDC agreed to reimburse the developer for property taxes levied on the property, not to exceed \$20,000 for tax year 2021 and not to exceed \$20,000 for tax year 2022.

In June 2020, the EDC entered into a performance agreement with Hendrix Industries, Inc., to provide economic development incentives of \$205,000 for targeted infrastructure to promote new business development of a manufacturing facility for the construction of quartz countertops. Hendrix is the first quartz slab manufacturer in the State of Texas. The estimated capital investment of the project is \$36,000,000 and includes a 139,000-square-foot manufacturing plant. Hendrix Manufacturing, Inc., will participate in the Texas Direct Payment Permit program during the construction phases, authorizing the permit holder to pay applicable state and local use taxes directly to the State of Texas and local taxing jurisdiction per Texas Rule 3.288 of the Texas Administrative Code, and will create 50-150 new onsite, full-time jobs over five (5) years.

In 2021, the City of Sealy granted Hendrix Interests, LLC's request for tax abatement relief through a Chapter 312 tax abatement agreement to encourage development of the project that will generate new ad valorem property taxes and employment opportunities in the community. Tax abatement will commence on January 1, 2023, and will be in effect until December 31, 2029. Hendrix Industries, Inc., is located on the northeast corner of the FM 3013 and FM 3538 intersection. The groundbreaking ceremony in honor of Hendrix Industries was held on December 17, 2021.

After a brief pause, the City of Sealy's Main Street Program resumed in 2020 to meet the goal of downtown revitalization. Since then, several downtown buildings have been rehabilitated or received façade improvements. Several buildings are under new ownership, new businesses have opened or are in the process of opening, and a few existing businesses have expanded. Fresh façades and murals can be seen in several locations of downtown, with more projects in the planning phases. The downtown district safety handrail project was completed and generously funded by donations from community businesses and philanthropists. Sealy Main Street will be hosting its first annual art and film festival, *BATTLE FOR THE ARTS* (BOTA), this April 28 through May 1, 2022, which will embrace the arts while bringing tourism to the City of Sealy. The Sealy Area Historical Society's Museum Park on Main Street is in the planning phase for an expansion project to recreate a historically accurate streetscape experience at the park. The Society will be hosting its annual Spring Fest at 211 East Main Street on April 9, 2022.

Blinn College is in its 16th 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 resuming activity at the campus, post-pandemic, 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. Blinn provides educational programs to meet the skilled staff

needs of new and existing businesses in the community. The Sealy campus offers a full associates degree and other opportunities for educational advancement.

Sealy's housing market is expanding to include single- and multi-family projects, which are currently under development or in the planning phase. New single-family subdivisions include Dove Landing, located at FM 3013 at Rice Field Road; Hunters Crossing, located on FM 2187 by Sealy Elementary; Westward Pointe, a D. R. Horton development that will be located on FM 3013 at Harrison Road; Cane Crossing, located on FM 3538 at Rexville Road; Bullinger Creek, which will be located on Sens Road; and Riverwood Village, which will be located on Eagle Lake Road near State Highway 90. New multi-family developments include Harvest Moon and The Retreat at Sealy, both located on State Highway 90; Sealy Oaks on S. Circle Street; and Evelyn Court on Schmidt Road.

New businesses include an outlet store, RV park, auto parts store, retail shopping center, bar and grill restaurant, bakery, cellular store, and a non-profit establishment, among others.

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 or economic fluctuations, while yet providing quality service levels to the public. The government has established a target of 25 percent of total annual operating expenditures/expenses as its goal. At the end of the fiscal year, unassigned fund balance in the general fund was at 4.4 percent of total operating expenditures, which illustrates a decrease from the prior year rate of 5 percent. The unrestricted net position for all enterprise funds combined was at 32 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 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.

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

In 2008, the city created Public Improvement District (PID) No. 1 as a means to finance and construct public improvements that would serve to promote the construction of single-family dwellings within subdivisions on the north side of the city. The public improvements included in the service and assessment plan would confer a special benefit to properties within the PID and would consist of the construction of water lines, sanitary sewer lines, storm sewers, paving, parks, public landscaping, recreational amenities, erosion control, contingency provisions, engineering services, financing costs, and administrative and legal services for the PID. The public improvements would be funded upfront by the developers of the residential subdivisions within the PID. Under development agreements between the developers and the city, the developers would be entitled to receive reimbursement of the public improvement costs, subject to limitations contained in the agreements. Overall, management's goal is to establish and maintain effective relationships with developers as they seek to invest in the community, with a priority to develop a commercial corridor along Interstate 10.

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. The city will need to outline present and future community needs and projected growth patterns and identify the roles it will play in meeting those future community needs. With this in mind, construction of the city's new wastewater treatment facility is now complete. In addition, the city has installed 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.

In September 2021, the city refunded its Combination Tax and Revenue Certificates of Obligation, Series 2011, in advance of their maturities to reduce total net present value debt service. Consequently, the city issued General Obligation Refunding Bonds, Series 2021, in the principal amount of \$1,140,000 at an interest rate of 1.06% for a term of five years. The net present value savings expressed as a percentage of the refunded obligations was 6.04%, with net present value savings of \$66,735.

Relevant Financial Policies

During the year, available resources were sufficient to fund expenditures for all funds. In light of a recent utility rate study commissioned by the city, utility rates were set at levels sufficient to at least partially cover direct and indirect operating costs, meet debt obligations and all legal restrictions of applicable bond covenants, allow for planned pay-as-you-go funding for capital improvements, and provide an adequate level of working capital. 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 overhead service costs, such as administration, finance, legal, information technology services, and other costs as appropriate. 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 formally 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 constructed 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. To alleviate traffic congestion on Interstate 10, TxDOT is initiating a lane expansion project through the city. The project is currently underway and will 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. The Interstate 10 expansion is scheduled for completion in the fall of 2022.

Due to a shortage of essential public facilities, being water tap connections, city council approved an ordinance to enact a 120-day development moratorium, followed by a 180-day extension of the moratorium. The moratorium affects only residential and commercial property, which is specifically related to a shortage of essential public facilities, being water tap connections. Certain low-impact development projects, as defined by the ordinance, may be considered for taps as available. A new water well and raw water main has been designed and engineered by Strand Associates, Inc., and a bid for construction was approved on March 15, 2022. The city was notified of approvals from Bluebonnet Groundwater

Conservation District and Texas Commission on Environmental Quality on March 21, 2022. The well will be constructed in downtown Sealy, adjacent to the Sealy Area Historical Society's Museum Park. The city is anticipating having the pilot hole for the well drilled by mid-June, which will provide information on the viability of the site, the quality of the water, and the capacity of the well.

City council approved funding for a master utility study, which launched in January 2022. This study includes surveying the city's water, gas, and sewer infrastructure sizes, inventory, and overall condition and capacity. The findings will be used to plan short- and long-term capital improvement needs of Sealy's critical infrastructure and to determine whether a recommendation of impact fee adjustment is necessary by city council.

The city-funded State Highway 36 sanitary sewer extension project to install 9,640 linear feet of a six- and eight-inch gravity sewer, force main extension, and a 200-gallon-per-minute lift station along State Highway 36 North is in progress. To date, the only costs that have been incurred include engineering and title research fees. Project construction will not commence until all necessary utility easements have been obtained. The total project is estimated to cost \$1,307,000 and is being funded with debt proceeds from the Series 2018 Combination Tax and Revenue Certificates of Obligation. As of September 30, 2021, a total of \$204,764 has been expended on the project.

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 received grant funding of \$1,993,387 from the Texas General Land Office through the 2016 Community Development Block Grant Disaster Recovery program. The grant required the city to contribute one percent of the grant amount as matching funds. As of September 30, 2021, a total of \$1,182,780 had been expended on two drainage projects within a low-to-moderate income area located on the east side of the city:

- Flows along the west side of Front Street were directed to the south from the storm sewer on 8th Street to Jason Street (3,665 linear feet). This project included grading of the ditch, driveway cross culverts, and roadway repair and restoration and provided conveyance relief to the alleyway ditch.
- The alleyway ditch was reconstructed from the outfall located south of 8th Street to U.S. Highway 90 (1,785 linear feet). This project included reshaping the ditch, providing a concrete trickle channel for conveyance, one driveway culvert crossing, and restoration.

In November 2019, the Texas Department of Agriculture had notified the city that it had been approved for grant funding of \$350,000 through the Texas Community Development Block Grant Program (TxCDBG), which is federally funded by the U.S. Department of Housing and Urban Development. The project being funded will replace aging, failing gravity sanitary sewer lines in the area of Oak Park Drive, Frydek Road, Depriest Street, and Nelson Street. It will consist of (a) replacing an existing 3,265 linear feet of six-inch sanitary sewer line, replacing 13 sanitary sewer concrete manholes, three mainline cleanouts, and 40 service connections; (b) installing 1,200 linear feet of four-inch service line; and (c) the removal and abandonment of existing lines, manholes, and service connections. The project is estimated to cost \$402,500 and will require the city to provide matching funds of \$52,500. As of September 30, 2021, a total of \$406,323 had been expended on the project. The original TxCDBG grant funds were inadequate to complete the project, but new a new grant opportunity through American Rescue Plan Act (ARPA) became available. An engineering contract with Strand Associates, Inc., was approved by city council on March 15, 2022, for this grant project, which would fund the remaining 1,950 linear feet of force main and 800 linear feet of gravity sanitary sewer replacements along Old San Felipe Road between Depriest Street and Hill Street. This ARPA grant will also fund improvements to the N. 3rd Street lift station, including replacing the piping, installing a new generator, and installing a third submersible pump.

In August 2017, Hurricane Harvey caused extremely high winds with heavy rains, which caused power outages throughout the city. Area residents experienced intermittent power interruptions threatening public health, safety, and welfare. As a result, the city needed to conduct water infrastructure improvements to facilitate the proper functioning of critical water system components to reduce the risk of electrical loss in emergency situations and ensure the distribution of potable water during periods of power outages. In October 2018, the Texas General Land Office notified the city that it had been awarded U.S. Department of Housing and Urban Development funding of \$194,936 through the state's Community Development Block Grant – Disaster Recovery grant program. The funds are to be utilized to install a new generator for the water pump station located at Well Site #7 on Silliman Street. This project is estimated to cost \$356,750, which calls for the city to contribute matching funds of \$161,814 toward the project, which is nearing completion.

The city has recently applied for grant funds through a hazard mitigation grant opportunity, which, if awarded, will fund five (5) gas-powered generators at various critical infrastructure locations.

The Walmart Distribution Center sewer upsize project was recently approved. Currently, the trunk sewer's capacity is limited in its ability to take on increased capacity because of downstream limitations. These limitations will only allow 102 additional connections to be tied into the trunk sewer. The city recently awarded a construction contract, valued at \$232,575, to replace two segments, approximately 500 linear feet, to increase the ability of the trunk sewer to accept increased flows. These improvements will allow the trunk sewer to receive flows from up to 954 additional connections. The project is being funded with debt proceeds from the Series 2018 Combination Tax and Revenue Certificates of Obligation.

Awards and Acknowledgments

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 annual comprehensive financial report for the fiscal year ended September 30, 2020. This was the 27th year that the 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 annual comprehensive 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 annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to 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,

A handwritten signature in blue ink that reads "Kimbra Hill". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Kimbra Hill
City Manager

A handwritten signature in blue ink that reads "Steven W. Kutra". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Steven W. Kutra
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Sealy
Texas**

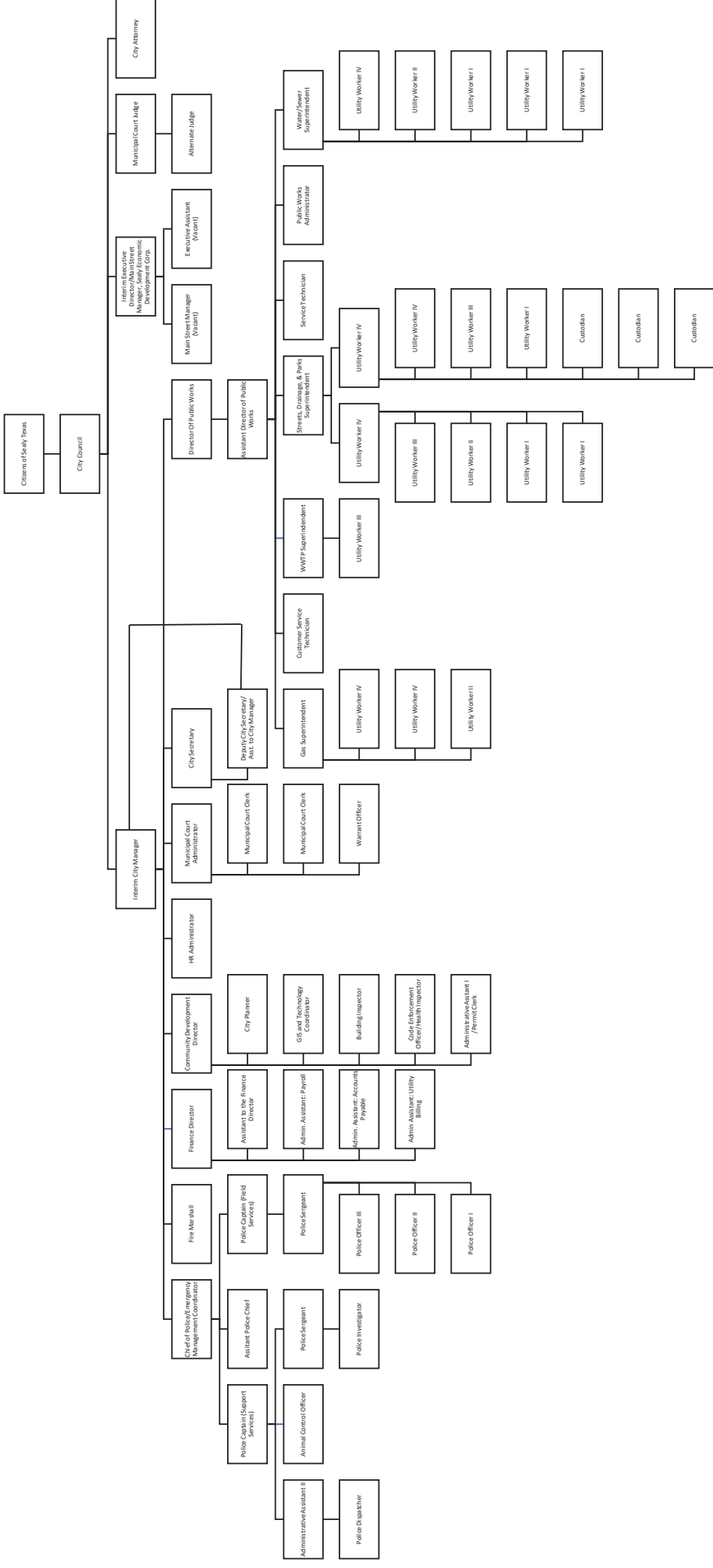
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morill

Executive Director/CEO

Organizational Chart for the City of Sealy



City of Sealy, Texas
LIST OF ELECTED AND APPOINTED OFFICIALS
September 30, 2021

Elected Officials	Position
Carolyn Bilski	Mayor
Dee Anne Lerma	Council Member, Place 1
Chris Noack	Council Member, Place 2
Bradley Miller	Council Member, Place 3
Yvonne Johnson	Council Member, Place 4
Edward Zapalac	Council Member, Place 5
Adam Burttschell	Council Member, Place 6
Appointed Officials	Position
Kimbra Hill	City Manager
Chrissy McGee	Community Development
John M. Campos	Director Municipal Court Judge
Tim Kirwin	City Attorney
Steven W. Kutra	Director of Finance
Mercedes Bencomo	City Secretary
Fawn Mackey	Municipal Court Administrator
Chelsea Humes	Interim SEDC Executive Director
Jay Reeves	Chief of Police
Rudy Flores	Director of Public Works

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2021, 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

The City's 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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 entity'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 entity'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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note V.D to the financial statements, the City restated its beginning net position/fund balance within governmental activities and nonmajor governmental funds to properly include three special revenue funds that were omitted in the prior year financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in other postemployment benefits liability and related ratios, and budgetary comparison information for the general fund 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates 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 accompanying supplementary information is 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
March 31, 2022

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

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City of Sealy, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2021

As management of the City of Sealy, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-viii of this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2021 by \$21,856,816.
- The City's total net position increased by \$2,752,743. The majority of the City's net position is invested in capital assets and restricted for specific purposes.
- The City's governmental funds reported combined ending fund balances of \$1,774,644 at September 30, 2021, a decrease of \$92,769 from the prior fiscal year; this includes an increase of \$88,561 in the general fund, an increase of \$39,221 in the debt service fund, a decrease of \$1,019,258 in the Texas grant fund, and an increase of \$798,707 in the nonmajor funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$270,977 or 4% of total general fund operating expenditures.
- The City's outstanding bonds and certificates of obligation payable decreased by \$1,335,000 (excluding premiums) from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$28,490,532, including premiums.
- The City's net pension liability totaled \$1,747,186 as of year end.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to 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 financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

City of Sealy, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is 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 non-financial 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.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal 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. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, culture and recreation, health and welfare, public safety, and highways and streets. The business-type activities of the City include water and sewer, gas, and solid waste operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Sealy Economic Development Corporation, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 22-27 of this report.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial 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 fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

City of Sealy, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

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 nineteen 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, and Texas grant fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

The City adopts an annual appropriated budget for its general, debt service, most special revenue, and utility funds. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with their respective budget. The City did not adopt a budget for the Texas grant, downtown revitalization, or the municipal jury funds.

The basic governmental fund financial statements can be found on pages 28-37 of this report.

Proprietary Funds

The City maintains two different 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 an enterprise fund to account for its water/sewer, gas, and solid waste service operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for health insurance expenses. This internal service fund has been included with governmental activities on the government-wide financial statements.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, gas, and solid waste funds since they are considered major funds of the City.

The basic proprietary fund financial statements can be found on pages 38-43 of this report.

City of Sealy, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

Component Unit

The City maintains the accounting and financial statements for one component unit. The Sealy Economic Development Corporation ("SEDC") is a discretely presented component unit displayed on the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 49-86 of this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Sealy, Texas, assets exceed liabilities by \$21,856,816 as of September 30, 2021, in the primary government.

The largest portion of the City's net position, \$18,947,189, reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

City of Sealy, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2021			2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 4,455,664	\$ 10,051,359	\$ 14,507,023	\$ 2,992,377	\$ 10,471,961	\$ 13,464,338
Capital assets, net	12,273,442	30,021,020	42,294,462	11,702,508	30,062,879	41,765,387
Total Assets	16,729,106	40,072,379	56,801,485	14,694,885	40,534,840	55,229,725
Deferred Outflows of Resources	379,529	84,567	464,096	387,326	83,597	470,923
Other liabilities	2,577,474	1,688,996	4,266,470	1,971,986	1,619,902	3,591,888
Long-term liabilities	20,154,862	10,435,897	30,590,759	21,601,824	10,786,403	32,388,227
Total Liabilities	22,732,336	12,124,893	34,857,229	23,573,810	12,406,305	35,980,115
Deferred Inflows of Resources	447,747	103,789	551,536	502,855	113,605	616,460
Net Position:						
Net investment in capital assets	(6,435,218)	25,382,407	18,947,189	(7,434,274)	25,371,058	17,936,784
Restricted	1,764,700	-	1,764,700	1,591,301	-	1,591,301
Unrestricted	(1,400,930)	2,545,857	1,144,927	(3,151,481)	2,727,469	(424,012)
Total Net Position	\$ (6,071,448)	\$ 27,928,264	\$ 21,856,816	\$ (8,994,454)	\$ 28,098,527	\$ 19,104,073

Current and other assets for business-type activities decreased by \$420,602 primarily as a result of available monetary funds used to pay down long-term debt obligations. Current and other assets for governmental activities increased by \$1,463,287 primarily due to greater cash on hand and grants receivable, which resulted in increased net position over the course of the year. Long-term liabilities for governmental activities decreased by \$1,446,962 due to current year principal payments and refunded bonds outweighing new bond issuances. Long-term liabilities for business-type activities decreased by \$350,506 due to current year principal payments and reduction of net pension liability.

City of Sealy, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

Statement of Activities:

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

	For the Year Ended September 30, 2021			For the Year Ended September 30, 2020		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 1,043,658	\$ 8,445,939	\$ 9,489,597	\$ 1,024,298	\$ 5,970,375	\$ 6,994,673
Operating grants	1,352,971	-	1,352,971	693,722	42,700	736,422
Capital grants	994,367	337,035	1,331,402	300,000	400,000	700,000
General revenues:						
Property tax	2,256,908	-	2,256,908	3,219,283	-	3,219,283
Sales tax	2,023,889	-	2,023,889	1,872,591	-	1,872,591
Franchise and local taxes	1,918,212	-	1,918,212	1,796,276	-	1,796,276
Investment income	3,117	11,297	14,414	9,790	74,515	84,305
Other revenues	275,015	309,136	584,151	272,388	206,948	479,336
Total Revenues	9,868,137	9,103,407	18,971,544	9,188,348	6,694,538	15,882,886
Expenses						
General government	2,246,885	-	2,246,885	2,291,998	-	2,291,998
Public safety	3,458,000	-	3,458,000	3,724,580	-	3,724,580
Highways and streets	775,721	-	775,721	732,214	-	732,214
Health and welfare	124,548	-	124,548	139,857	-	139,857
Culture and recreation	640,758	-	640,758	605,929	-	605,929
Interest and fiscal charges	634,641	404,295	1,038,936	768,195	413,690	1,181,885
Water and sewer	-	2,826,100	2,826,100	-	2,393,574	2,393,574
Gas	-	3,275,924	3,275,924	-	1,456,763	1,456,763
Solid waste	-	1,831,929	1,831,929	-	1,761,678	1,761,678
Total Expenses	7,880,553	8,338,248	16,218,801	8,262,773	6,025,705	14,288,478
Change in Net Position Before Transfers	1,987,584	765,159	2,752,743	925,575	668,833	1,594,408
Transfers	935,422	(935,422)	-	-	-	-
Total	935,422	(935,422)	-	-	-	-
Change in Net Position	2,923,006	(170,263)	2,752,743	925,575	668,833	1,594,408
Beginning Net Position	(8,994,454)	28,098,527	19,104,073	(9,920,029)	27,429,694	17,509,665
Ending Net Position	\$ (6,071,448)	\$ 27,928,264	\$ 21,856,816	\$ (8,994,454)	\$ 28,098,527	\$ 19,104,073

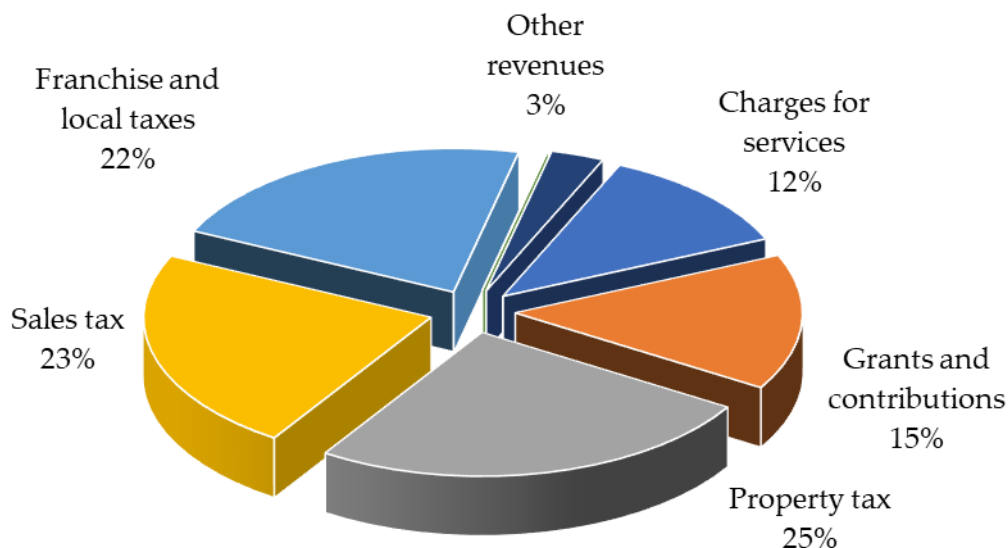
City of Sealy, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

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

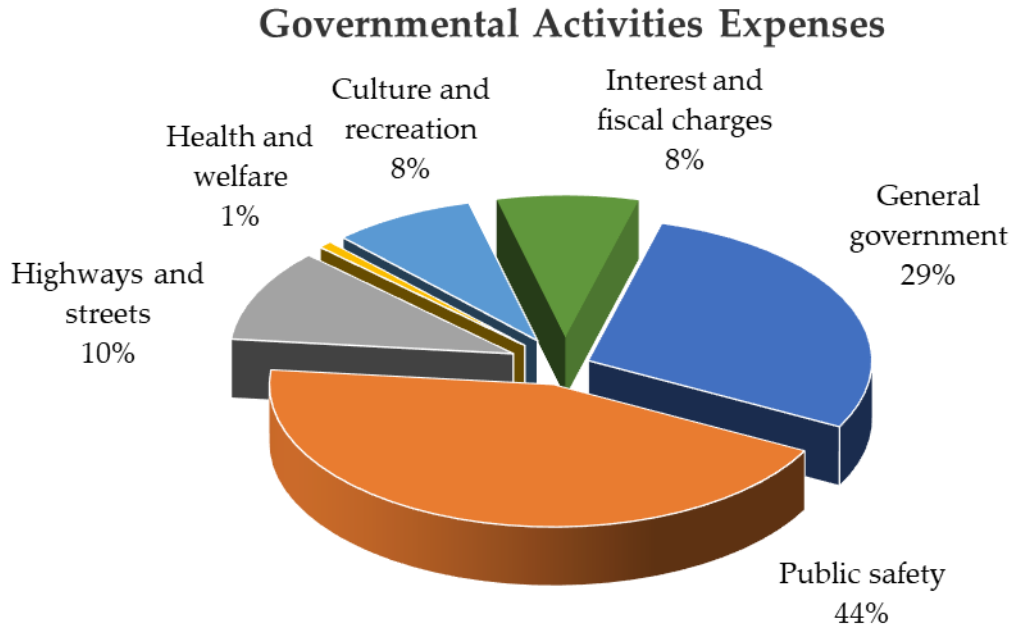
Governmental Activities Revenues



For the year ended September 30, 2021, revenues from governmental activities totaled \$9,868,137. Property tax, sales tax, and franchise tax were the City's largest general revenue sources. Overall revenue decreased \$679,789 or less than 1% from the prior year. Grants increased primarily due to nonrecurring federal grants received through the American Rescue Plan and the CDBG programs in the current year to help assist the City's response to COVID-19 and street infrastructure. Property tax revenues decreased by \$962,375 or 30% primarily due to a significant decrease in the I&S tax rate. The City has budgeted certain debt payments out of other fund revenues during the current fiscal year. Sales tax and franchise tax revenue increased by \$151,298 and \$121,936, respectively due to economic growth fueled by local purchases. All remaining revenues remained relatively consistent with the previous year.

City of Sealy, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

This graph shows the governmental function expenses of the City:

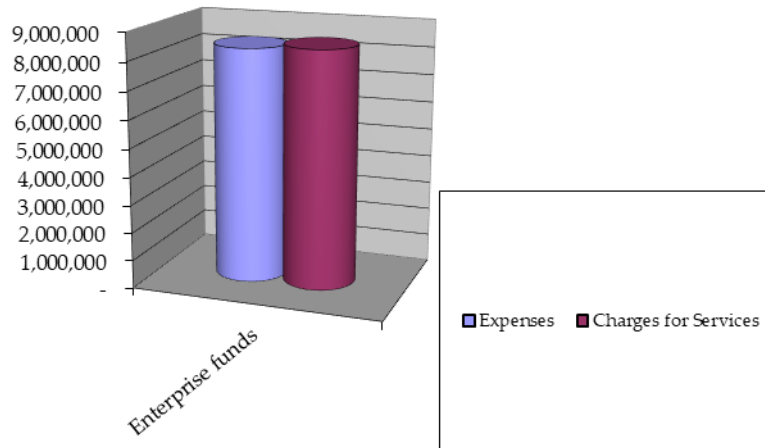


For the year ended September 30, 2021, expenses for governmental activities totaled \$7,880,553. This represents a decrease of \$382,220 or 5% from the prior year. The City's largest functional expense is public safety totaling \$3,458,000. Public safety expenses decreased by \$266,580 or 7% primarily due to a reduction in personnel costs, annual depreciation, and vehicle maintenance related expenses in the current year. Highways and streets increased by \$43,507 or 6% due to greater electricity costs and nonrecurring equipment maintenance expenses in the current year. Interest and fiscal charges decreased by \$133,554 or 17% primarily due to long-term debt obligations approaching maturity. All remaining expenses remained relatively consistent with the previous year.

City of Sealy, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

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

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2021, charges for services by business-type activities totaled \$8,445,939. This is an increase of \$2,475,564 or 41% from the previous year. This increase directly relates to greater utility service charge rates compared to the prior year due to the winter freeze. The City's consumption of gas increased by 142% over the course of the year.

Total expenses increased \$2,312,543 or 38% to a total of \$8,338,248. This increase is primarily attributed to greater natural gas purchases in the current year. Solid waste expenses and interest and fiscal charges remained consistent with the previous year. Water and sewer increased by \$432,526 or 18% primarily due to greater personnel costs, water meter supplies, and annual depreciation expenses. Gas utility expenses increased by \$1,819,161 or 125% primarily as a result of greater natural gas purchases, consistent with the City's increased consumption and demand over the course of the year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At September 30, 2021, the City's governmental funds reported combined fund balances of \$1,774,644, a decrease of \$92,769 in comparison with the prior year. Approximately 46% of this amount, \$814,840, constitutes *unassigned fund deficit*. The remainder of the fund balance is either *nonspendable, restricted or committed* to indicate that it is 1) not in spendable form 2) assigned or 3) restricted for particular purposes \$2,589,484.

City of Sealy, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)

September 30, 2021

As of the end of the year the general fund reflected a total fund balance of \$430,860. Of this, \$159,883 is considered restricted for public safety and PEG funds and \$270,977 is unassigned. General fund balance increased by \$88,561. This increase is attributed to the City incurring less than expected expenditures and other financing uses.

As a measure of the general fund's liquidity, it may be useful to compare total unassigned fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$270,977 is 4% of total general fund operating expenditures.

The debt service fund had an ending fund balance of \$627,671 as of year end. Total fund balance increased by \$39,221 from the prior year primarily due to bond proceeds received in the current year.

The Texas grant fund had an ending fund deficit of \$1,085,445. This represents a decrease of \$1,019,258, which is a direct result of significant capital outlay expenditures not being offset with revenue during the current year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the City's most significant proprietary fund, the water and sewer fund, totaled \$26,684,194. Total unrestricted net position at the close of the fiscal year amounted to \$2,545,857 and a total increase in net position of \$170,263 from the previous year. Total investment in capital assets, net of related debt of was \$25,382,407, and capital assets, net of depreciation totaled \$30,021,020.

GENERAL FUND BUDGETARY HIGHLIGHTS

Supplemental budget amendments were approved during the fiscal year decreasing total budgeted expenditures by \$1,603,735 and decreasing total revenues by \$1,487,080. The primary reasons for the budget revision were due to lower than expected revenue from sales taxes and contributions and donations. Budgeted expenditures were decreased to account for actual operating results of the year. Total budgeted revenues of \$6,890,503 were greater than actual revenues of \$6,806,172, resulting in a total negative revenue variance of \$84,331. The majority of this variance is a result of actual contributions and donations being under the final budget. Total budgeted expenditures of \$6,767,073 were greater than actual expenditures of \$6,728,452, resulting in a total positive expenditure variance of \$38,621.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$12,273,442 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$30,021,020 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure.

City of Sealy, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

Major capital asset events during the current year include the following:

- Front Street improvements totaling \$996,900.
- Downtown revitalization improvements for \$33,966.
- North water plant improvements totaling \$50,190.
- Downtown well updates for \$42,000.
- Purchased GLO generator for well #7 for \$28,600.
- Sewer improvements totaling \$376,001.
- Purchase of sewer machine for \$52,274.
- Purchase of police vehicle for \$34,915.
- Purchase of security cameras for the police department for \$17,810.

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

LONG-TERM DEBT

The City's outstanding bonds and certificates of obligation payable decreased by \$1,065,000 (excluding premiums) from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$28,490,532, including premiums. The City's outstanding notes payable and capital lease obligations totaled \$1,941,026.

All of the City's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the enterprise/utility system. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Property tax rates and revenues:

- The maintenance and operations (M&O) portion of the 2021 tax rate (i.e., the portion that provides funding for the general fund) was increased from \$0.19469 to \$0.19651 per \$100 taxable valuation. Based on 2021 property values, this increase will provide 4.6% more in M&O tax revenue than last year's budget. This increase will raise M&O taxes on a \$100,000 home by approximately \$8.65.
- The interest and sinking (I&S) portion of the tax rate (i.e., the portion that provides funding for the upcoming year's general obligation debt service payments) was decreased from \$0.07525 to \$0.06924 per \$100 taxable valuation. The debt service payments on existing combination tax and revenue certificates of obligation issued by the city to finance water, sewer, and natural gas assets had previously been included in the I&S tax rate calculation. However, these portions of

City of Sealy, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

the debt service payments are now being funded by utility revenues within the respective enterprise funds. As of the beginning of the fiscal year, the principal amount of total municipal debt obligations secured by property taxes is \$27,355,000.

- The total property tax rate decreased from \$0.26994 to \$0.26575 per \$100 taxable valuation. This was a total tax rate decrease of \$0.00419, or 1.55%. However, this year's budget will raise more total property tax revenue than last year's budget by \$191,093, or 9.2%. The property tax revenue to be raised from new property added to the tax roll this year is \$50,450.

Franchise fees:

- 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: 23.39%
 - Sewer: 20.69%
 - Gas: 10.02%
 - Solid waste: 23.00%

Utility rates, revenues, and infrastructure maintenance:

- For the 2022 budget year, the City has implemented increased utility rates based upon the structures contained in 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, increased rate adjustments are to be gradually phased in over several years to lessen the immediate impact on customers.

City personnel:

- In approving the final budget, the city council voted to remove appropriations for employee merit pay increases from each city department and place all funds into a "reserved for merit increases" line item within the non-departmental section of each respective fund. Employee performance evaluations would continue as usual during the year, and council would evaluate the city's financial condition at fiscal year end to determine whether any or all employee merit increases could be reappropriated to the departments and disbursed at that time.

Capital expenditures:

- Capital outlay items that annual budgeted revenues and other financing sources will fund include:

City of Sealy, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)

September 30, 2021

- a vehicle and computer equipment for the planning and community development department;
 - the city hall roof replacement project and a portable generator for city hall to operate internet and phone services during power outages;
 - the acquisition and deployment of network backup storage and operating system software and licenses for the information technology services department;
 - a fence around the public works barn;
 - street paving and drainage improvements and associated engineering services;
 - a forklift for the streets, parks, mechanic, water, sewer, and gas departments;
 - additional improvements to Scranton Park;
 - a new laptop for meter reading for the water and gas departments;
 - an aluminum trench box, diesel generator, trash pump, and compactor for the mini excavator for the water, sewer, and gas departments; and
 - a DO and PH meter, microscope, online DO monitoring system, and sampler for the wastewater treatment plant.
- In lieu of purchasing vehicles this year, the police, planning, 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.

Current economic environment:

- 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 will balance establish city priorities against available resources while seeking to maintain essential public programs and levels of service.
- Department directors proposed budgets for their respective departments. The city manager and city council 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 city was able to prepare the general fund budget in which estimated revenues and other financing sources exceeded appropriations and other financing uses by about \$23,000. These savings were transferred to a newly-created emergency reserve fund.
- Proceeds remaining from the issuance of certificates of obligation in late 2018 will fund engineering and construction costs to extend sewer utility lines along Highway 36 North, to construct a water plant on the north side of the city, to construct a water well and raw water main downtown, and to replace a sewer main serving the area near a distribution center. Additional projects include the development of a comprehensive master utility service plan and a master drainage plan. Capital projects authorized for expenditure by bond covenants include 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.

City of Sealy, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

- The city's economic development corporation (the "corporation") has agreed to underwrite up to \$30,000 towards city park/pool maintenance and operations and \$30,000 toward the city's personnel costs in providing administrative services to the corporation. The corporation has budgeted \$73,340 to fund improvement grants for businesses within the city's historic downtown district and \$255,728 in business incentives to new developments occurring in the city. The corporation has also contractually agreed to contribute up to \$79,563 towards the upcoming year's debt service payments for the city's Series 2020 General Obligation Refunding Bonds. In addition, the corporation will continue to provide funding of over \$90,000 towards personnel and operational costs of the Sealy Main Street Program.
- Management is insulating operations from one-time service disruptions that could occur relative to episodic severe weather events. The city has been awarded grants to fund two capital projects related to such events:
 - A new power generator is in the process of being installed for Silliman Street Water Well #7 to maintain service in events of power outages.
 - Major drainage improvements between Front and Fowlkes Streets to help prevent flooding hazards in the area are nearing completion.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. 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/>.

FINANCIAL STATEMENTS

City of Sealy, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 2,573,243	\$ 8,402,596	\$ 10,975,839
Restricted cash	44,534	1,271	45,805
Receivables, net	1,977,288	1,483,242	3,460,530
Inventories	-	17,840	17,840
Internal balances	(146,410)	146,410	-
Due from component unit	7,009	-	7,009
Total Current Assets	4,455,664	10,051,359	14,507,023
Capital assets:			
Non-depreciable	2,654,422	964,760	3,619,182
Net depreciable capital assets	9,619,020	29,056,260	38,675,280
Total Noncurrent Assets	12,273,442	30,021,020	42,294,462
Total Assets	16,729,106	40,072,379	56,801,485
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	14,703	-	14,703
Pension outflows	327,811	75,987	403,798
OPEB outflows	37,015	8,580	45,595
Total Deferred Outflows of Resources	379,529	84,567	464,096

See Notes to Financial Statements.

Component Unit
Sealy Economic
Development
Corporation

\$	1,275,160
	-
	173,813
	-
	-
	-
	1,448,973

	-
	-
	-
	1,448,973

	-
	-
	-
	-

City of Sealy, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2021

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 1,116,433	\$ 660,009	\$ 1,776,442
Customer deposits	-	293,368	293,368
Accrued interest payable	43,115	34,630	77,745
Compensated absences, current	260,186	32,653	292,839
Long-term debt due within one year	1,157,740	668,336	1,826,076
Due to primary government	-	-	-
Total Current Liabilities	2,577,474	1,688,996	4,266,470
Noncurrent liabilities:			
Net pension liability	1,418,398	328,788	1,747,186
OPEB liability	166,872	38,681	205,553
Compensated absences, noncurrent	28,910	3,628	32,538
Long-term debt due in more than one year	18,540,682	10,064,800	28,605,482
Total Noncurrent Liabilities	20,154,862	10,435,897	30,590,759
Total Liabilities	22,732,336	12,124,893	34,857,229
<u>Deferred Inflows of Resources</u>			
Pension inflows	443,372	102,775	546,147
OPEB inflows	4,375	1,014	5,389
Total Deferred Inflows of Resources	447,747	103,789	551,536
<u>Net Position</u>			
Net investment in capital assets	(6,435,218)	25,382,407	18,947,189
Restricted for:			
Municipal court	223,762	-	223,762
Public safety	133,817	-	133,817
Debt service	627,671	-	627,671
Tourism	417,327	-	417,327
Capital improvement	5,776	-	5,776
Park land dedication	11,891	-	11,891
TIRZ	5,281	-	5,281
Child safety	8,726	-	8,726
Municipal drainage	287,846	-	287,846
Forfeited property	42,603	-	42,603
Economic development	-	-	-
Unrestricted	(1,400,930)	2,545,857	1,144,927
Total Net Position (Deficit)	\$ (6,071,448)	\$ 27,928,264	\$ 21,856,816

Component Unit
Sealy Economic
Development
Corporation

\$	54,015
	-
	-
	8,964
	-
	7,009
	69,988
	-
	-
	996
	-
	996
	70,984
	-
	-
	-
	-
	-
	-
	-
	-
	-
	-
	-
	1,377,989
	-
\$	1,377,989

City of Sealy, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,246,885	\$ 66,372	\$ 1,200,921	\$ -
Public safety	3,458,000	644,068	149,000	-
Highways and streets	775,721	333,218	-	994,367
Health and welfare	124,548	-	-	-
Culture and recreation	640,758	-	3,050	-
Interest and fiscal charges	634,641	-	-	-
Total Governmental Activities	<u>7,880,553</u>	<u>1,043,658</u>	<u>1,352,971</u>	<u>994,367</u>
Business-Type Activities				
Water and sewer	3,230,395	3,646,076	-	337,035
Gas	3,275,924	2,934,839	-	-
Solid waste	1,831,929	1,865,024	-	-
Total Business-Type Activities	<u>8,338,248</u>	<u>8,445,939</u>	<u>-</u>	<u>337,035</u>
Total Primary Government	<u>\$ 16,218,801</u>	<u>\$ 9,489,597</u>	<u>\$ 1,352,971</u>	<u>\$ 1,331,402</u>
Component Unit				
Economic development	\$ 834,085	\$ -	\$ -	\$ -
Total Component Unit	<u>\$ 834,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes
Property tax
Sales tax
Franchise and local taxes
Investment income
Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position (Deficit), as restated

Ending Net Position (Deficit)

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Sealy Economic Development Corporation
Governmental Activities	Business-Type Activities	Total	
\$ (979,592)	\$ -	\$ (979,592)	\$ -
(2,664,932)	-	(2,664,932)	-
551,864	-	551,864	-
(124,548)	-	(124,548)	-
(637,708)	-	(637,708)	-
(634,641)	-	(634,641)	-
(4,489,557)	-	(4,489,557)	-
-	752,716	752,716	-
-	(341,085)	(341,085)	-
-	33,095	33,095	-
-	444,726	444,726	-
(4,489,557)	444,726	(4,044,831)	-
			(834,085)
			(834,085)
2,256,908	-	2,256,908	-
2,023,889	-	2,023,889	989,545
1,918,212	-	1,918,212	-
3,117	11,297	14,414	1,397
275,015	309,136	584,151	95,014
935,422	(935,422)	-	-
7,412,563	(614,989)	6,797,574	1,085,956
2,923,006	(170,263)	2,752,743	251,871
(8,994,454)	28,098,527	19,104,073	1,126,118
\$ (6,071,448)	\$ 27,928,264	\$ 21,856,816	\$ 1,377,989

City of Sealy, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2021

	General	Debt Service	Texas Grant Fund
<u>Assets</u>			
Cash and cash equivalents	\$ 210,020	\$ 628,803	\$ -
Receivables, net	425,537	35,633	994,367
Due from other funds	360,401	-	-
Due from component unit	7,009	-	-
Restricted cash	-	-	-
Total Assets	\$ 1,002,967	\$ 664,436	\$ 994,367
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 517,674	\$ -	\$ 585,604
Due to other funds	-	1,132	499,841
Total Liabilities	517,674	1,132	1,085,445
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	43,533	35,633	-
Unavailable revenue - liens	10,900	-	-
Unavailable revenue - grant receivable	-	-	994,367
Unavailable revenue - special assessments	-	-	-
Total Deferred Inflows of Resources	54,433	35,633	994,367
<u>Fund Balances</u>			
Restricted for:			
Debt service	-	627,671	-
Public safety	133,817	-	-
PEG fees	26,066	-	-
Capital improvement	-	-	-
Tourism	-	-	-
TIRZ	-	-	-
Child safety	-	-	-
Municipal court	-	-	-
Municipal drainage	-	-	-
Park land dedication	-	-	-
American rescue plan act	-	-	-
Forfeited property	-	-	-
Unassigned reported in:			
General fund	270,977	-	-
Special revenue funds	-	-	(1,085,445)
Total Fund Balances	430,860	627,671	(1,085,445)
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 1,002,967	\$ 664,436	\$ 994,367

See Notes to Financial Statements.

Nonmajor Governmental	Total Governmental Funds
\$ 1,707,841	\$ 2,546,664
521,751	1,977,288
-	360,401
-	7,009
44,534	44,534
<u>\$ 2,274,126</u>	<u>\$ 4,935,896</u>

\$ 13,155	\$ 1,116,433
5,838	506,811
<u>18,993</u>	<u>1,623,244</u>

-	79,166
-	10,900
-	994,367
453,575	453,575
<u>453,575</u>	<u>1,538,008</u>

-	627,671
-	133,817
-	26,066
5,776	5,776
417,327	417,327
5,281	5,281
8,726	8,726
223,762	223,762
287,846	287,846
11,891	11,891
798,718	798,718
42,603	42,603

-	270,977
(372)	(1,085,817)
<u>1,801,558</u>	<u>1,774,644</u>

<u>\$ 2,274,126</u>	<u>\$ 4,935,896</u>
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City of Sealy, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2021

Fund Balances - Total Governmental Funds	\$ 1,774,644
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Adjustments for the Statement of Net Position:

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

Capital assets - non-depreciable	2,654,422
Capital assets - net depreciable	9,619,020

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

Property taxes	79,166
Liens	10,900
Grant receivable	994,367
Special assessments	453,575

Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.

Deferred charge on refunding	14,703
Pension outflows	327,811
OPEB outflows	37,015

Internal service funds are used by management to charge the cost of certain activities, such as insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

Net position - governmental activities	26,579
--	--------

Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

OPEB inflows	(4,375)
Pension inflows	(443,372)

Some liabilities, including bonds payable and compensated absences, are not reported as liabilities in the governmental funds.

Net pension liability	(1,418,398)
OPEB liability	(166,872)
Accrued interest	(43,115)
Bond premium	(730,677)
Compensated absences	(289,096)
Non-current liabilities due in one year	(1,157,740)
Non-current liabilities due in more than one year	(17,810,005)

Net Position of Governmental Activities	\$ (6,071,448)
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See Notes to Financial Statements.

City of Sealy, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS (Page 1 of 2) For the Year Ended September 30, 2021

	General	Debt Service	Texas Grant Fund
<u>Revenues</u>			
Property tax	\$ 1,519,921	\$ 621,189	\$ -
Sales tax	2,023,889	-	-
Franchise and local taxes	1,736,072	-	-
Property rentals	10,425	-	-
License and permits	333,218	-	-
Charges for services	83,788	-	-
Fines and forfeitures	580,773	-	-
Contributions and donations	120,582	-	-
Intergovernmental	328,397	73,910	-
Investment income	501	1,120	-
Other revenues	68,606	-	-
Total Revenues	6,806,172	696,219	-
<u>Expenditures</u>			
City council	34,310	-	-
City manager	405,675	-	-
Building services	242,157	-	-
Mechanic shop	71,992	-	-
Finance	521,011	-	-
Municipal court	283,047	-	-
Information technology	127,881	-	-
City secretary	201,927	-	-
Police	2,722,310	-	-
Planning and community development	605,289	-	-
Fire marshal	55,728	-	-
Highways and streets	648,841	-	-
Animal control	59,382	-	-
Human resources	102,716	-	-
Swimming pool	71,970	-	-
Nondepartmental	121,306	-	3,500
Parks and recreation	401,760	-	-
Tourism	-	-	-
Capital outlay	11,801	-	1,015,758
Debt service			
Principal	37,970	990,000	-
Interest	1,379	602,573	-
Bond issuance costs	-	33,904	-
Total Expenditures	6,728,452	1,626,477	1,019,258
Excess of Revenues Over (Under) Expenditures	77,720	(930,258)	(1,019,258)

Nonmajor Governmental	Total Governmental Funds
\$ 127,850	\$ 2,268,960
-	2,023,889
182,140	1,918,212
-	10,425
-	333,218
-	83,788
63,295	644,068
-	120,582
798,614	1,200,921
1,496	3,117
213,177	281,783
<u>1,386,572</u>	<u>8,888,963</u>
-	34,310
-	405,675
-	242,157
-	71,992
-	521,011
25,222	308,269
-	127,881
-	201,927
1,861	2,724,171
-	605,289
-	55,728
-	648,841
-	59,382
-	102,716
-	71,970
90,939	215,745
-	401,760
124,548	124,548
24,122	1,051,681
261,403	1,289,373
63,204	667,156
-	33,904
<u>591,299</u>	<u>9,965,486</u>
795,273	(1,076,523)

City of Sealy, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS (Page 2 of 2) For the Year Ended September 30, 2021

	General	Debt Service	Texas Grant Fund
<u>Other Financing Sources (Uses)</u>			
Transfers in	\$ -	\$ 935,422	\$ -
Transfers (out)	(3,434)	-	-
Bond issuance	-	1,140,000	-
Proceeds from sales of capital assets	14,275	-	-
Payment to refunding escrow agent	-	(1,105,943)	-
Total Other Financing Sources (Uses)	10,841	969,479	-
Net Change in Fund Balances	88,561	39,221	(1,019,258)
Beginning fund balances	342,299	588,450	(66,187)
Ending Fund Balances	\$ 430,860	\$ 627,671	\$ (1,085,445)

See Notes to Financial Statements.

Nonmajor Governmental	Total Governmental Funds
\$ 328,041	\$ 1,263,463
(324,607)	(328,041)
-	1,140,000
-	14,275
-	(1,105,943)
<u>3,434</u>	<u>983,754</u>
798,707	(92,769)
1,002,851	1,867,413
<u>\$ 1,801,558</u>	<u>\$ 1,774,644</u>

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City of Sealy, Texas

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

For the Year Ended September 30, 2021

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

Net changes in fund balances - total governmental funds	\$ (92,769)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,104,065
Depreciation expense	(533,131)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(12,052)
Special assessments	(4,308)
Grant receivable	994,367

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.

Pension expense	186,438
OPEB expense	(17,310)
Compensated absences	54,925
Accrued interest	17,767
Amortization of deferred charges on refunding	(2,596)
Amortization of bond premium	52,191

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

Principal payments	1,027,970
Bonds issued	(1,140,000)
Bonds refunded	1,105,000
Developer payable, net	248,295

Internal service funds are used by management to charge the cost of insurance to individual funds. The net revenue of certain activities of internal

(65,846)

Change in Net Position of Governmental Activities	\$ 2,923,006
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See Notes to Financial Statements.

City of Sealy, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

PROPRIETARY FUND

September 30, 2021

	Water and Sewer	Gas	Solid Waste
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 7,605,751	\$ 688,252	\$ 108,593
Restricted cash	1,171	100	-
Receivables, net	613,023	522,483	345,505
Other receivables	2,231	-	-
Inventories	8,733	8,457	650
Due from other funds	924,054	-	-
Total Current Assets	9,154,963	1,219,292	454,748
<u>Noncurrent Assets</u>			
Capital assets:			
Non-depreciable	895,385	7,375	62,000
Net depreciable capital assets	27,742,276	1,313,984	-
Total Noncurrent Assets	28,637,661	1,321,359	62,000
Total Assets	37,792,624	2,540,651	516,748
<u>Deferred Outflows of Resources</u>			
Pension outflows	49,011	26,976	-
OPEB outflows	5,534	3,046	-
Total Deferred Outflows of Resources	54,545	30,022	-

See Notes to Financial Statements.

Total Enterprise Funds	Internal Service Fund Self- Insurance
\$ 8,402,596	\$ 26,579
1,271	-
1,481,011	-
2,231	-
17,840	-
924,054	-
<u>10,829,003</u>	<u>26,579</u>
964,760	-
29,056,260	-
<u>30,021,020</u>	<u>-</u>
<u>40,850,023</u>	<u>26,579</u>
75,987	-
8,580	-
<u>84,567</u>	<u>-</u>

City of Sealy, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

PROPRIETARY FUND

September 30, 2021

	Water and Sewer	Gas	Solid Waste
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable	\$ 195,172	\$ 164,179	\$ 237,305
Accrued expenses	30,048	10,296	23,009
Customer deposits	165,298	128,070	-
Current maturities of long-term debt	419,212	249,124	-
Compensated absences, current	22,371	10,282	-
Accrued interest	34,630	-	-
Due to other funds	-	300,000	477,644
Total Current Liabilities	866,731	861,951	737,958
<u>Noncurrent Liabilities</u>			
Long-term debt, noncurrent	9,989,800	75,000	-
Compensated absences, noncurrent	2,486	1,142	-
Net pension liability	212,066	116,722	-
OPEB liability	24,949	13,732	-
Total Liabilities	11,096,032	1,068,547	737,958
<u>Deferred Inflows of Resources</u>			
Pension inflows	66,289	36,486	-
OPEB inflows	654	360	-
Total Deferred Inflows of Resources	66,943	36,846	-
<u>Net Position</u>			
Net investment in capital assets	23,999,048	1,321,359	62,000
Unrestricted	2,685,146	143,921	(283,210)
Total Net Position	\$ 26,684,194	\$ 1,465,280	\$ (221,210)

See Notes to Financial Statements.

Total Enterprise Funds	Internal Service Fund
\$ 596,656	\$ -
63,353	-
293,368	-
668,336	-
32,653	-
34,630	-
777,644	-
<u>2,466,640</u>	<u>-</u>
10,064,800	-
3,628	-
328,788	-
38,681	-
<u>12,902,537</u>	<u>-</u>
102,775	-
1,014	-
<u>103,789</u>	<u>-</u>
25,382,407	-
2,545,857	26,579
<u>\$ 27,928,264</u>	<u>\$ 26,579</u>

City of Sealy, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2021

	Water and Sewer	Gas	Solid Waste
<u>Operating Revenues</u>			
Water revenue	\$ 1,928,996	\$ -	\$ -
Sanitation revenue	-	-	1,865,024
Sewer revenue	1,377,545	-	-
Gas revenue	-	2,890,311	-
Tap and impact fees	259,601	44,528	-
Service charges	-	-	-
Penalties and interest	79,934	-	-
Other revenue	65,607	243,529	-
Total Operating Revenues	3,711,683	3,178,368	1,865,024
<u>Operating Expenses</u>			
Personnel services - water	498,573	-	-
Personnel services - sewer	228,554	-	-
Personnel services - gas	-	396,810	-
Material and supplies - water	114,459	-	-
Material and supplies - sewer	29,148	-	-
Material and supplies - gas	-	30,157	-
Other services - water	585,808	-	-
Other services - sewer	520,628	-	-
Other services	-	2,799,964	1,829,494
Claim payments and fees	-	-	-
Depreciation	848,930	46,647	-
Total Operating Expenses	2,826,100	3,273,578	1,829,494
Operating Income (Loss)	885,583	(95,210)	35,530
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	9,986	1,311	-
Interest expense	(404,295)	(2,346)	(2,435)
Total Nonoperating Revenues (Expenses)	(394,309)	(1,035)	(2,435)
Income (Loss) Before Transfers	491,274	(96,245)	33,095
<u>Transfers</u>			
Capital grants	\$ 337,035	\$ -	\$ -
Transfers (out)	(915,778)	(19,644)	-
Change in Net Position	(87,469)	(115,889)	33,095
Beginning net position	26,771,663	1,581,169	(254,305)
Ending Net Position	\$ 26,684,194	\$ 1,465,280	\$ (221,210)

See Notes to Financial Statements.

Total Enterprise Funds		Internal Service Fund Self- Insurance	
\$	1,928,996	\$	-
	1,865,024		-
	1,377,545		-
	2,890,311		-
	304,129		-
	-		971,363
	79,934		-
	309,136		-
	8,755,075		971,363
	498,573		-
	228,554		-
	396,810		-
	114,459		-
	29,148		-
	30,157		-
	585,808		-
	520,628		-
	4,629,458		-
	-		1,037,209
	895,577		-
	7,929,172		1,037,209
	825,903		(65,846)
	11,297		-
	(409,076)		-
	(397,779)		-
	428,124		(65,846)
\$	337,035	\$	-
	(935,422)		-
	(170,263)		(65,846)
	28,098,527		92,425
\$	27,928,264	\$	26,579

City of Sealy, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2021

	Water and Sewer	Gas	Solid Waste
<u>Cash Flows from Operating Activities</u>			
Receipts from customers and users	\$ 3,693,227	\$ 2,822,957	\$ 1,837,764
Payments to suppliers and contractors	(2,138,069)	(2,202,334)	(1,726,736)
Payments for insurance claims	-	-	-
Payments to employees for salaries and benefits	(772,681)	(419,912)	-
Net Cash Provided (Used) by Operating Activities	782,477	200,711	111,028
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers (out)	(915,778)	(19,644)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(915,778)	(19,644)	-
<u>Cash Flows from Capital and Related Financing Activities</u>			
Purchases of capital assets	(584,703)	(209,153)	-
Capital grants	337,035	-	-
Principal paid on capital debt	(400,705)	-	-
Interest and fiscal charges paid on capital debt	(428,110)	(2,346)	(2,435)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,076,483)	(211,499)	(2,435)
<u>Cash Flows from Investing Activities</u>			
Interest on investments	9,986	1,311	-
Net Cash Provided by Investing Activities	9,986	1,311	-
Net Increase (Decrease) in Cash and Cash Equivalents	(1,199,798)	(29,121)	108,593
Beginning cash and cash equivalents	8,806,720	717,473	-
Ending Cash and Cash Equivalents	\$ 7,606,922	\$ 688,352	\$ 108,593

See Notes to Financial Statements.

Total Enterprise Funds	Internal Service Fund Self- Insurance
\$ 8,353,948	\$ 971,363
(6,067,139)	-
-	(1,105,937)
(1,192,593)	-
1,094,216	(134,574)
(935,422)	-
(935,422)	-
(793,856)	-
337,035	-
(400,705)	-
(432,891)	-
(1,290,417)	-
11,297	-
11,297	-
(1,120,326)	(134,574)
9,524,193	161,153
\$ 8,403,867	\$ 26,579

City of Sealy, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2021

	<u>Water and Sewer</u>	<u>Gas</u>	<u>Solid Waste</u>
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income (Loss)	\$ 885,583	\$ (95,210)	\$ 35,530
Adjustments to reconcile operating income to net cash provided (used):			
Depreciation	848,930	46,647	-
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(48,428)	(366,956)	(27,260)
Due from other funds	(566,938)	-	-
Increase (Decrease) in:			
Accounts payable and accrued expenses	(263,772)	21,165	18,082
Customer deposits	29,972	11,545	-
Gas supplier	-	324,124	-
Compensated absences	(38,446)	(1,814)	-
Due to other funds	(57,316)	282,498	84,676
Deferred Outflows of Resources:			
Pension outflows	(90)	3,264	-
OPEB outflows	(2,793)	(1,351)	-
Deferred Inflows of Resources:			
Pension inflows	(2,866)	(6,262)	-
OPEB inflows	(398)	(290)	-
Net pension liability	(7,896)	(19,246)	-
OPEB liability	6,935	2,597	-
Net Cash Provided (Used) by Operating Activities	\$ 782,477	\$ 200,711	\$ 111,028
<u>Schedule of Non-Cash Capital and Related</u>			
Capital lease issuance	\$ 59,862	\$ -	\$ -

See Notes to Financial Statements.

Total Enterprise Funds	Internal Service Fund Self- Insurance
\$ 825,903	\$ (65,846)
895,577	-
(442,644)	-
(566,938)	-
(224,525)	(68,728)
41,517	-
324,124	-
(40,260)	-
309,858	-
3,174	-
(4,144)	-
(9,128)	-
(688)	-
(27,142)	-
9,532	-
<u>\$ 1,094,216</u>	<u>\$ (134,574)</u>
\$ 59,862	\$ -

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City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

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

B. 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, highways and streets, health and welfare, culture and education, and general government.

For financial reporting purposes, management has considered all potential component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criteria used are as follows:

Financial Accountability – The primary government is deemed to be financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing

City of Sealy, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

board, a governing board appointed by a higher level of government or a jointly appointed board.

Discretely Presented Component Unit

Sealy Economic Development Corporation ("SEDC")

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.

The SEDC does not prepare separate financial statements; however, the presentations in the basic financial statements and the other supplementary information are a complete presentation.

Blended Component Units

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. The PID does not prepare separate financial statements. The PID is presented as a nonmajor governmental fund in the basic financial statements and is considered a complete presentation of this component unit.

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

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 does not prepare separate financial statements. The TIRZ is accounted for as a special revenue fund, with the City's financial oversight. This is considered a complete presentation of this component unit.

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 TIRZ does not prepare separate financial statements. The Authority is reported as a special revenue fund, with the City's financial oversight. This is considered a complete presentation of this component unit.

C. Basis of Presentation - Government-Wide and Fund 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 government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has one discretely presented component unit and is shown in separate columns in the government-wide financial statements.

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

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its fiduciary funds and 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. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following governmental funds:

General Fund

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.

Debt Service Fund

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.

Texas Grant Fund

The Texas grant fund is used to account for revenues and expenditures related to the CDBG grants received from the state of Texas. This fund is considered to be major for reporting purposes.

Additionally, the government reports the following fund types:

Special Revenue Funds

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 the PID #1, hotel/motel occupancy tax fund, TIRZ #2 fund, chapter 59

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

forfeited property 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 authority fund. These special revenue funds are considered nonmajor funds for reporting purposes.

The government reports the following major proprietary funds:

Water and Sewer Fund

The water and sewer fund is used to account for the operations that provide water and sewer services.

Gas Fund

The gas fund is used to account for the operations that provide gas services.

Solid Waste Fund

The solid waste fund is used to account for the operations that provide solid waste collection and disposal services.

The proprietary funds are used to account for those operations that are financed and operated in a manner similar to private business or where the council had decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

Additionally, the government reports the following fund types:

Internal Service Funds

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 government 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

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

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 transfers in the business-type activities column.

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

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

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 government.

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

E. Assets, Liabilities, Deferred Outflows / Inflows, and Fund Equity or Net Position

1. Deposits and 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.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for “money market investments” and “2a7-like pools.” Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools’ share price.

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

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

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

2. Fair Value

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories of supplies are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

5. 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. Capital assets are defined by the government, 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 their acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

City of Sealy, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Intangibles	7 - 10 years
Machinery and equipment	3 - 10 years
Distribution and collection systems	10 - 70 years
Improvements other than buildings	10 - 70 years
Buildings	10 - 50 years

6. Deferred Outflows / Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government 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 two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Net Position Flow Assumption

Sometimes the government 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

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

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 government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund Balance Flow Assumptions

Sometimes the government 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 government'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. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

9. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government 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 government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the city manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

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.

The City's fund balance policy requires a minimum of unassigned fund balance in the general fund equal to 25% of annual operating expenditures. The City was below this policy as of the end of the year.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, 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. Issuance costs are expensed when incurred.

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

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

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.

12. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

13. Estimates

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

F. 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

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

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 by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature which affects the method of property assessment and tax collection in the City. This legislation, with certain exceptions, exempts intangible personal property and household goods. In addition, this legislature creates a "Property Tax Code" and provides, among other things, for the establishment of county-wide appraisal districts and for a State Property Tax Board which commenced operation in January 1980. The appraisal of property within the City is the responsibility of the Williamson County Tax Appraisal District. The Appraisal District is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment ratios. The value of real property within the Appraisal District must be reviewed at least every four years. The City, at its own expense, may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on property within the City limits. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements and revaluation, exceeds the rate of the previous year by more than eight percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than eight percent above the rate of the previous year.

3. Compensated 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

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

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.

4. 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 public utility fund, airport fund, cemetery operating, and sanitation funds are charges to customers for sales and services. The public utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service 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 non-operating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

City of Sealy, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 level in the approved budgets. 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, 2021. Other special revenue funds have budgets for management purposes.

A. Expenditures Over Appropriations

For the year ended September 30, 2021, total expenditures exceeded appropriations at the legal level of control as follows:

General Fund:

City council	\$ 375
Information technology	747
City secretary	45
Nondepartmental	609

B. Deficit Fund Balances

As of September 30, 2021, the solid waste fund, the Texas grant fund, and the public improvement district #1 fund had deficit fund balances of \$221,210, \$1,085,445, and \$372, respectively. The City plans to increase service rates, reduce expenditures, and transfer funds to offset these deficits in the future.

C. Restricted Net Position

The City records restricted net position on amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation. Total restricted fund balance for governmental funds was \$2,589,484, of which, \$232,488 is restricted by enabling legislation.

City of Sealy, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2021, the primary government had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
External investment pools	\$ 5,367	0.10
Total value	<u>\$ 5,367</u>	
Portfolio weighted average maturity		0.10

As of September 30, 2021, the component unit had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
External investment pools	\$ 1,075	0.10
Total value	<u>\$ 1,075</u>	
Portfolio weighted average maturity		0.10

The primary government and its component units may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposits, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987.

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 in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2021, the market values of pledged securities and FDIC exceeded bank balances for the primary government. The SEDC's deposits were under collateralized by \$698,868 as of year end.

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

City of Sealy, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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 rate 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. There were no limitations or restrictions on withdrawals.

TexStar

TexSTAR has been established for governmental entities pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR's governing body is a five-member Board consisting of three representatives of participants and one member designated by each of the co-administrators. The Board holds legal title to all money, investments, and assets and has the authority to employ personnel, contract for services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TexSTAR. Board oversight of TexSTAR is maintained through daily, weekly, and monthly reporting requirements. TexSTAR is rated AAAM by Standard & Poor's. The City's fair value position is stated at the value of the position upon withdrawal. There were no limitations or restrictions on withdrawals.

City of Sealy, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

B. Receivables

The following comprise receivable balances of the primary government at year end:

	Primary Government				
	General	Debt Service	Texas Grant Fund	Nonmajor Governmental	Enterprise Funds
Property taxes	\$ 43,533	\$ 35,633	-	-	\$ -
Sales tax	347,626	-	-	-	-
Special assessments	-	-	-	453,575	-
Mixed beverage tax	2,321	-	-	-	-
Accounts, net	309,469	-	-	30,663	1,528,700
Other	24,729	-	994,367	44,304	2,231
Allowance	(302,141)	-	-	(6,791)	(47,689)
Total	\$ 425,537	\$ 35,633	\$ 994,367	\$ 521,751	\$ 1,483,242

The following comprise receivable balances of the component unit at year end:

	Component Unit
	Economic Development
Sales tax	\$ 173,813
	\$ 173,813

City of Sealy, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Additions	Retirements/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 1,481,174	\$ -	\$ -	\$ 1,481,174
Construction in progress	174,595	1,008,497	(9,844)	1,173,248
Total capital assets not being depreciated	<u>1,655,769</u>	<u>1,008,497</u>	<u>(9,844)</u>	<u>2,654,422</u>
Capital assets, being depreciated:				
Buildings	6,589,123	-	-	6,589,123
Improvements other than buildings	7,148,672	43,723	9,844	7,202,239
Machinery and equipment	2,430,163	51,845	(34,915)	2,447,093
Total capital assets being depreciated	<u>16,167,958</u>	<u>95,568</u>	<u>(25,071)</u>	<u>16,238,455</u>
Less accumulated depreciation				
Buildings	(2,194,087)	(162,573)	-	(2,356,660)
Improvements other than buildings	(2,154,602)	(202,673)	-	(2,357,275)
Machinery and equipment	(1,772,530)	(167,885)	34,915	(1,905,500)
Total accumulated depreciation	<u>(6,121,219)</u>	<u>(533,131)</u>	<u>34,915</u>	<u>(6,619,435)</u>
Net capital assets being depreciated	<u>10,046,739</u>	<u>(437,563)</u>	<u>9,844</u>	<u>9,619,020</u>
Total Capital Assets	<u><u>\$ 11,702,508</u></u>	<u><u>\$ 570,934</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,273,442</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 13,856
Public safety	127,093
Street	215,838
Parks and recreation	176,344
Total Governmental Activities Depreciation Expense	<u><u>\$ 533,131</u></u>

City of Sealy, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Additions	Retirements/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 187,940	\$ -	\$ -	\$ 187,940
Construction in progress	17,160,625	164,676	(16,548,481)	776,820
Total capital assets not being depreciated	<u>17,348,565</u>	<u>164,676</u>	<u>(16,548,481)</u>	<u>964,760</u>
Capital assets, being depreciated:				
Buildings and improvements	222,581	-	-	222,581
Distribution and collection systems	21,020,340	569,905	16,548,481	38,138,726
Machinery and equipment	1,313,717	119,137	-	1,432,854
Total capital assets being depreciated	<u>22,556,638</u>	<u>689,042</u>	<u>16,548,481</u>	<u>39,794,161</u>
Less accumulated depreciation				
Buildings and improvements	(350,613)	(8,063)	-	(358,676)
Distribution and collection systems	(8,258,600)	(840,868)	-	(9,099,468)
Machinery and equipment	(1,233,111)	(46,646)	-	(1,279,757)
Total accumulated depreciation	<u>(9,842,324)</u>	<u>(895,577)</u>	<u>-</u>	<u>(10,737,901)</u>
Net capital assets being depreciated	<u>12,714,314</u>	<u>(206,535)</u>	<u>16,548,481</u>	<u>29,056,260</u>
Total Capital Assets	<u><u>\$ 30,062,879</u></u>	<u><u>\$ (41,859)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,021,020</u></u>

Depreciation was charged to business-type activities as follows:

Water and sewer	\$ 848,930
Gas	46,647
Total Business-type Activities Depreciation Expense	<u><u>\$ 895,577</u></u>

City of Sealy, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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, 2021. In general, the City uses the general and debt service fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Refunded</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:						
Bonds, notes and other payables:						
Certificates of Obligation	\$ 13,945,000	\$ -	\$ (505,000)	\$ (1,105,000)	\$ 12,335,000	\$ 385,000
General Obligation Bonds	4,400,000	1,140,000	(485,000)	-	5,055,000	645,000
Less deferred amounts:						
For premiums	782,868	-	(52,191)	-	730,677	-
Total Bonds Payable	<u>19,127,868</u>	<u>1,140,000</u>	<u>(1,042,191)</u>	<u>(1,105,000)</u>	<u>18,120,677</u>	<u>1,030,000</u>
Developer payable	1,409,138	13,108	(261,403)	-	1,160,843	89,305
Sales tax payable	430,975	-	(31,155)	-	399,820	31,155
Capital leases	23,897	-	(6,815)	-	17,082	7,280
Total	<u>\$ 20,991,878</u>	<u>\$ 1,153,108</u>	<u>\$ (1,341,564)</u>	<u>\$ (1,105,000)</u>	<u>\$ 19,698,422</u>	<u>\$ 1,157,740</u>
Long-term liabilities due in more than one year					<u>\$ 18,540,682</u>	
Business-Type Activities:						
Certificates of Obligation	\$ 10,345,000	\$ -	\$ (380,000)	\$ -	\$ 9,965,000	\$ 400,000
Less deferred amounts:						
For premiums	428,670	-	(23,815)	-	404,855	-
Total Bonds Payable	<u>10,773,670</u>	<u>-</u>	<u>(403,815)</u>	<u>-</u>	<u>10,369,855</u>	<u>400,000</u>
Capital Leases	-	59,862	(20,705)	-	39,157	19,212
Payable to West Texas Gas	-	324,124	-	-	324,124	249,124
Total	<u>\$ 10,773,670</u>	<u>\$ 383,986</u>	<u>\$ (424,520)</u>	<u>\$ -</u>	<u>\$ 10,733,136</u>	<u>\$ 668,336</u>
Long-term liabilities due in more than one year					<u>\$ 10,064,800</u>	

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund. In addition, capital leases are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset.

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

	Governmental Activities
Certificates of Obligation:	
2015 Certificates of Obligation issued February 1, 2015 due in annual installments through September 30, 2035, bearing interest rates ranging from 2% to 4%, payable March 1 & September 1.	\$ 12,335,000
Total Certificates of Obligation	\$ 12,335,000
General Obligations:	
2016 General Obligation Bonds issued March 1, 2016 due in annual installments through September 30, 2023 bearing an interest rate of 1.58%, payable March 1 & September 1.	\$ 195,000
2020 General Obligation Bonds issued June 10, 2020 due in annual installments through March 1, 2032, bearing an interest rate of 1.32%, payable March 1 & September 1.	3,720,000
2021 General Obligation Bonds issued September 9, 2021 due in annual installments through September 01, 2026, bearing an interest rate of 1.06%, payable March 1 & September 1.	1,140,000
Total General Obligation Bonds	\$ 5,055,000
Less deferred amounts:	
Premiums	\$ 730,677
Capital Leases Payable:	17,082
Developer payable	1,160,843
Sales tax payable	399,820
Total Long-term Debt	\$ 19,698,422

City of Sealy, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

	<u>Business - Type Activities</u>
Certificates of Obligation:	
2008 Certificates of Obligations issued September 11, 2008 due in annual installments through September 30, 2038, bearing interest rates ranging from 2% to 5%, payable March 1 & September 1.	\$ 9,965,000
Total Certificates of Obligation	\$ 9,965,000
Less deferred amounts:	
Premiums	404,855
Capital Leases Payable:	39,157
Due to West Texas Gas	324,124
Total Other	\$ 768,136
Total Long-term Debt	\$ 10,733,136

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

The annual requirements to amortize the City's long-term activities debt issues outstanding at year ending were as follows:

Certificates of Obligation

Year ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2022	\$ 385,000	\$ 479,250	\$ 400,000	\$ 403,669	\$ 1,667,919
2023	400,000	463,850	420,000	383,669	1,667,519
2024	420,000	447,850	445,000	362,669	1,675,519
2025	435,000	431,050	465,000	340,419	1,671,469
2026	450,000	413,650	490,000	317,169	1,670,819
2027	765,000	395,650	515,000	292,669	1,968,319
2028	795,000	365,050	540,000	266,919	1,966,969
2029	820,000	340,200	565,000	239,919	1,965,119
2030	845,000	314,600	595,000	211,669	1,966,269
2031	1,295,000	280,800	615,000	192,331	2,383,131
2032	1,350,000	229,000	635,000	172,344	2,386,344
2033	1,400,000	175,000	655,000	151,706	2,381,706
2034	1,460,000	119,000	675,000	128,781	2,382,781
2035	1,515,000	60,600	700,000	105,156	2,380,756
2036	-	-	725,000	80,656	805,656
2037	-	-	750,000	55,281	805,281
2038	-	-	775,000	28,094	803,094
Total	\$ 12,335,000	\$ 4,515,550	\$ 9,965,000	\$ 3,733,119	\$ 30,548,669

General Obligation Bonds

Year ending September 30	Governmental Activities	
	Principal	Interest
2022	\$ 645,000	\$ 64,000
2023	660,000	55,911
2024	670,000	47,355
2025	680,000	39,213
2026	690,000	30,952
2027	420,000	22,572
2028	425,000	17,028
2029	430,000	11,418
2030	435,000	5,742
Total	\$ 5,055,000	\$ 294,191

City of Sealy, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Capital Leases

Year ending September 30	Governmental Activities	
	Principal	Interest
2022	\$ 7,280	\$ 913
2023	7,777	416
2024	2,025	22
Total	\$ 17,082	\$ 1,352

Capital Leases

Year ending September 30	Business-Type Activities	
	Principal	Interest
2022	\$ 19,212	\$ 1,494
2023	19,945	761
Total	\$ 39,157	\$ 2,255

Governmental activities had assets under capital lease had a net book value of \$21,541 at year end. Business-type activities had assets under capital lease had a net book value of \$47,890 at year end.

Sales Tax Payable

Year ending September 30	Governmental Activities	
	Principal	Interest
2022	\$ 31,155	\$ -
2023	31,155	-
2024	31,155	-
2025	31,155	-
2026	31,155	-
2027	31,155	-
2028	31,155	-
2029	31,155	-
2030	31,155	-
2031	31,155	-
2032	31,155	-
2033	31,155	-
2034	25,960	-
Total	\$ 399,820	\$ -

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

Developer payable

<u>Year ending</u> <u>Sept. 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 89,305	\$ 30,449
2023	72,325	29,036
2024	72,325	27,623
2025	72,325	26,210
2026	72,325	24,797
2027 - 2031	361,034	102,818
2032 - 2036	308,177	67,855
2037 - 2041	93,374	33,191
2042 - 2046	19,653	6,400
Total	<u><u>\$ 1,160,843</u></u>	<u><u>\$ 348,379</u></u>

On February 13, 2008 the City created the Sealy PID No. 1 ("PID") along with LHQ Development to provide infrastructure for single family units in the Sealy Homestead subdivision. The PID does not have a separate Board and is functionally governed by the City Council, along with a third-party administrator. The City is responsible for the management of the annual assessments, to collect, and to distribute the PID assessments to the developer as reimbursement. Total assessment per lot is \$6,898.92. Payments are required to be made annually over 25 years and accrue interest at 7% which equals \$592 year per property or \$14,800 if paid out over the complete term. Property owners have the ability to pay off the levy at any time without penalty. The assessments were based on the initial estimate of developer costs. Developer costs are to be reimbursed to LHQ on an annual basis. The City is not obligated in any manner to reimburse the developer costs and all repayments are to be paid from PID collections. In addition, the City can retain 5% of all collections for administrative costs. As of the end of the year, the developer payable and special assessments receivable totaled \$430,896 and \$453,575, respectively.

In January 2005, the City created the Sealy TIRZ No. 2 ("TIRZ") within 315 acres of the City of Sealy. The Board is comprised of 7 members, 5 of which are City Council members. The remaining two members are reserved for other taxing units. The TIRZ is considered to be a blended component unit of the City. The duration of the zone will terminate on December 31, 2034 (30 years). The purpose of the zone is to finance reimbursements for costs associated with the design and construction of water/sewer/natural gas lines and facilities to facilitate the development of new residential properties. The residential development, Sealy Homestead Neighborhood, is fully included in the TIRZ boundaries. On July 16, 2016, the TIRZ signed a development agreement with LQH Development pay for certain infrastructure improvements to enhance the ability of the land for residential use. The approved developer costs are to be reimbursed from future TIRZ collections, subject to certain restrictions. The developer reimbursements, shall accrue interest from the date the payment is made for a maximum of 5 years at an interest rate of prime +1%. Repayment of

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

the advances shall begin at the earliest date TIRZ revenues are received and available (increment property tax revenue received by the City). The payments are to solely come from TIRZ revenue and the City has no obligation to repay these funds at any point. As of the end of the year, the developer payable totaled \$729,947.

Due to West Texas Gas

	Business-type Activities	
	Principal	Interest
2022	\$ 249,124	\$ -
2023	75,000	-
Total	\$ 324,124	\$ -

The City agreed to pay West Texas Gas \$324,124, which represents the settled amount of disputed unpaid invoices that arose from freezing conditions during the winter weather event in February 2021. An initial payment of \$24,124 is payable no later than December 30, 2021. Subsequent monthly payments of \$25,000 will be due through December 2022.

E. Other Long-term Liabilities

The following is a summary of changes in the City's other long-term liabilities for the year ended. In general, the City uses the general and proprietary funds to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 344,021	\$ 289,096	\$ (344,021)	\$ 289,096	\$ 260,186
Total Governmental Activities	\$ 344,021	\$ 289,096	\$ (344,021)	\$ 289,096	\$ 260,186
Other Long-term Liabilities Due in More than One Year				\$ 28,910	
Business-Type Activities:					
Compensated Absences	\$ 76,541	\$ 36,281	\$ (76,541)	\$ 36,281	\$ 32,653
Total Business-Type Activities	\$ 76,541	\$ 36,281	\$ (76,541)	\$ 36,281	\$ 32,653
Other Long-term Liabilities Due in More than One Year				\$ 3,628	
Component Unit Activities					
Compensated Absences	\$ 6,323	\$ 3,849	\$ (212)	\$ 9,960	\$ 8,964
Total Component Unit Activities	\$ 6,323	\$ 3,849	\$ (212)	\$ 9,960	\$ 8,964
Other Long-term Liabilities Due in More than One Year				\$ 996	

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

F. Current Year Debt Refunding

On September 9, 2021, the City issued \$1,140,000 worth of GO Refunding Bonds, Series 2021. The bonds will be used to pay \$1,105,000 of 2011 Certificates of Obligation. The reacquisition price exceeded the net carrying amount of the old debt by \$943. This current refunding reduced its total debt service payments by \$68,572 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$66,735. The new debt has a payoff date of September 1, 2026.

G. Deferred Charges on Refunding

Deferred charges resulting from the issuance of series 2016 and series 2020 general obligation refunding bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding bonds. Current year balances for governmental activities totaled \$14,703. Current year amortization expense for governmental activities totaled \$2,596.

H. Interfund Transactions

The compositions of interfund balances as of the year ended September 30, 2021 were as follows:

Due from (receivable fund):	Due to (payable fund):					Total
	Debt Service	Texas Grant Fund	Nonmajor Governmental	Gas	Solid Waste	
General	\$ 1,132	\$ 353,431	\$ 5,838	\$ -	\$ -	\$ 360,401
Water and sewer	-	146,410	-	300,000	477,644	924,054
Total	\$ 1,132	\$ 499,841	\$ 5,838	\$ 300,000	\$ 477,644	\$ 1,284,455

As of September 30, 2021, the EDC recorded a payable balance due to the general fund of \$7,099.

Interfund receivables and payables are used to cover operational and capital expenditures. All balances are expected to be resolved in the subsequent year.

Transfers In:	Transfers Out:				Total
	General	Water & Sewer	Gas	Nonmajor Governmental	
Debt service	\$ -	\$ 915,778	\$ 19,644	\$ -	\$ 935,422
Nonmajor governmental	3,434	-	-	324,607	328,041
Total	\$ 3,434	\$ 915,778	\$ 19,644	\$ 324,607	\$ 1,263,463

Transfers between funds were primarily to support construction projects, debt payments and operation of funds. During the year, the EDC received \$96,214 from the general fund.

City of Sealy, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

V. 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 over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which 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.

C. Defined Benefit Pension Plans

1. Plan Description

The City of Sealy, Texas participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. 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 (CAFR) that can be obtained at www.tmr.com.

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

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

2. 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 payments 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% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

Plan provisions for the City were as follows:

	<u>Plan Year 2020</u>	<u>Plan Year 2019</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%, Transfers	0%, Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI
Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	43
Active employees	<u>70</u>
Total	<u>144</u>

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Sealy, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Sealy, Texas were 14.86% and 13.31% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$574,363, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75%
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum 16 mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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, GRS 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). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	<u>10.0%</u>	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. 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 Total Pension Liability.

City of Sealy, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/19	\$ 17,727,126	\$ 15,795,728	\$ 1,931,398
Changes for the year:			
Service cost	653,429	-	653,429
Interest	1,203,680	-	1,203,680
Change in benefit terms	-	-	-
Difference between expected and actual experience	32,430	-	32,430
Changes of assumptions	-	-	-
Contributions – employer	-	600,134	(600,134)
Contributions – employee	-	282,695	(282,695)
Net investment income	-	1,198,983	(1,198,983)
Benefit payments, including refunds of emp. contributions	(443,078)	(443,078)	-
Administrative expense	-	(7,758)	7,758
Other changes	-	(303)	303
Net changes	1,446,461	1,630,673	(184,212)
Balance at 12/31/20	\$ 19,173,587	\$ 17,426,401	\$ 1,747,186

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 4,805,418	\$ 1,747,186	\$ (725,107)

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.

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the City recognized pension expense of \$354,844.

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

At September 30, 2021, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between projected and actual earnings	\$ -	\$ (444,704)
Changes in actuarial assumptions	-	(929)
Difference between expected and actual economic experience	-	(100,514)
Contributions subsequent to the measurement date	403,798	-
Total	<u>\$ 403,798</u>	<u>\$ (546,147)</u>

The City reported \$403,798 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
2021	\$	(190,071)
2022		(77,658)
2023		(253,260)
2024		(25,158)
2025		-
Thereafter		-
	<u>\$</u>	<u>(546,147)</u>

Other Postemployment Benefits

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

City of Sealy, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

The City offers supplemental death to:	Plan Year 2020	Plan Year 2019
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	12
Active employees	70
Total	102

The City's contributions to the TMRS SDBF for the years ended 2021 and 2020 were \$1,746, \$784, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates
(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2019	0.02%	0.02%	100.0%
2020	0.02%	0.02%	100.0%
2021	0.05%	0.05%	100.0%

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2020, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Sealy, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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% and female rates multiplied by 103%. 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 males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% 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 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.00%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

1% Decrease (1.00%)	Current Single Rate Assumption 2.00%	1% Increase (3.00%)
\$ 258,517	\$ 205,553	\$ 165,580

City of Sealy, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/19	\$ 158,172
Changes for the year:	
Service Cost	10,904
Interest	4,489
Difference between expected and actual experience	1,896
Changes of assumptions	30,900
Benefit payments	(808)
Net changes	47,381
Balance at 12/31/20	\$ 205,553

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$23,755.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes in actuarial assumptions	\$ 44,078	-
Difference between expected and actual experience	-	(5,389)
Contributions subsequent to measurement date	1,517	-
Total	\$ 45,595	\$ (5,389)

The City reported \$1,517 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2022.

City of Sealy, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:		
2021	\$	8,362
2022		8,252
2023		6,385
2024		9,996
2025		5,420
Thereafter		274
	\$	<u>38,689</u>

D. Restatement

The City restated its beginning net position/fund balance within governmental activities and nonmajor governmental funds to properly include three special revenue funds that were omitted in the prior year audit report. The below tables summarize the changes to net position/fund balance as a result of this correct.

	<u>Governmental Activities</u>	<u>Nonmajor Govt Funds</u>
Prior year ending net position/ fund balance, as reported	\$ (9,013,217)	\$ 917,901
Report three nonmajor special revenue funds	18,763	18,763
Restated beginning net position/fund balance	<u>\$ (8,994,454)</u>	<u>\$ 936,664</u>

E. Subsequent Events

There were no material subsequent events through March 31, 2022, the date the financial statements were issued.

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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property tax	\$ 1,476,297	\$ 1,519,292	\$ 1,519,921	\$ 629
Sales tax	2,511,000	2,013,205	2,023,889	10,684
Franchise and local taxes	1,853,320	1,736,125	1,736,072	(53)
Property rentals	27,900	10,765	10,425	(340)
License and permits	633,941	333,136	333,218	82
Charges for services	77,850	82,915	83,788	873
Fines and forfeitures	560,000	581,515	580,773	(742)
Contributions and donations	786,250	216,796	120,582	(96,214)
Intergovernmental	445,000	328,398	328,397	(1)
Investment income	4,275	385	501	116
Other revenues	1,750	67,971	68,606	635
Total Revenues	8,377,583	6,890,503	6,806,172	(84,331)
<u>Expenditures</u>				
Current:				
City council	157,055	33,935	34,310	(375) *
City manager	320,087	407,197	405,675	1,522
Building services	244,820	244,635	242,157	2,478
Mechanic shop	91,192	75,567	71,992	3,575
Finance	598,614	528,454	521,011	7,443
Municipal court	333,409	285,479	283,047	2,432
Information technology	127,829	127,134	127,881	(747) *
City secretary	217,367	201,882	201,927	(45) *
Police	3,156,210	2,729,496	2,722,310	7,186
Planning and community development	808,968	606,086	605,289	797
Fire marshal	65,632	60,842	55,728	5,114
Highways and streets	853,595	652,669	648,841	3,828
Animal control	133,832	61,277	59,382	1,895
Human resources	132,971	103,516	102,716	800
Parks and recreation	499,785	405,030	401,760	3,270
Swimming pool	127,000	71,977	71,970	7
Nondepartmental	197,248	120,697	121,306	(609) *
Capital outlay	297,000	11,851	11,801	50

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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Debt service				
Principal	\$ 6,815	\$ 37,970	\$ 37,970	\$ -
Interest	1,379	1,379	1,379	-
Total Expenditures	8,370,808	6,767,073	6,728,452	38,621
Revenues Over (Under)				
Expenditures	6,775	123,430	77,720	(45,710)
Other Financing Sources (Uses)				
Transfers (out)	-	(90,965)	(3,434)	87,531
Proceeds from sale of capital assets	-	14,275	14,275	-
Total Other Financing Sources (Uses)	-	(76,690)	10,841	87,531
Net Change in Fund Balance	\$ 6,775	\$ 46,740	88,561	\$ 41,821
Beginning fund balance			342,299	
Ending Fund Balance			\$ 430,860	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* Expenditures exceeded appropriations at the legal level of control.

City of Sealy, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended:

	12/31/2020	12/31/2019	12/31/2018
Total pension liability			
Service cost	\$ 653,429	\$ 590,011	\$ 532,076
Interest	1,203,680	1,141,809	1,045,717
Differences between expected and actual experience	32,430	(391,091)	263,291
Changes of assumptions	-	(1,913)	-
Benefit payments, including refunds of participant contributions	(443,078)	(464,737)	(428,212)
Net change in total pension liability	1,446,461	874,079	1,412,872
Total pension liability - beginning	17,727,126	16,853,047	15,440,175
Total pension liability - ending (a)	19,173,587	17,727,126	16,853,047
Plan fiduciary net position			
Contributions - employer	\$ 600,134	\$ 511,705	\$ 443,500
Contributions - members	282,695	245,838	217,555
Net investment income	1,198,983	2,079,239	(408,262)
Benefit payments, including refunds of participant contributions	(443,078)	(464,737)	(428,212)
Administrative expenses	(7,758)	(11,737)	(7,885)
Other	(303)	(353)	(412)
Net change in plan fiduciary net position	1,630,673	2,359,955	(183,716)
Plan fiduciary net position - beginning	15,795,728	13,435,773	13,619,489
Plan fiduciary net position - ending (b)	\$ 17,426,401	\$ 15,795,728	\$ 13,435,773
Fund's net pension liability - ending (a) - (b)	\$ 1,747,186	\$ 1,931,398	\$ 3,417,274
 Plan fiduciary net position as a percentage of the total pension liability	 90.89%	 89.10%	 79.72%
Covered payroll	\$ 4,038,497	\$ 3,511,968	\$ 3,107,922
Fund's net pension liability as a percentage of covered payroll	43.26%	54.99%	109.95%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten calendar years. However, until a full ten-year trend is compiled, only available information is shown.

12/31/2017	12/31/2016	12/31/2015	12/31/2014 ¹
\$ 543,678	\$ 504,172	\$ 456,744	\$ 409,359
958,108	911,239	893,711	828,558
196,601	(311,470)	(338,401)	(54,420)
-	-	90,196	-
(361,136)	(497,549)	(289,278)	(263,614)
1,337,251	606,392	812,972	919,883
14,102,924	13,496,532	12,683,560	11,763,677
15,440,175	14,102,924	13,496,532	12,683,560
\$ 465,980	\$ 474,650	\$ 431,078	\$ 413,490
231,468	205,306	193,185	189,426
1,618,571	728,387	15,394	546,494
(361,136)	(497,549)	(289,278)	(263,614)
(8,385)	(8,221)	(9,375)	(5,704)
(424)	(443)	(464)	(469)
1,946,074	902,130	340,540	879,623
11,673,415	10,771,285	10,430,745	9,551,122
\$ 13,619,489	\$ 11,673,415	\$ 10,771,285	\$ 10,430,745
\$ 1,820,686	\$ 2,429,509	\$ 2,725,247	\$ 2,252,815
88.21%	82.77%	79.81%	82.24%
\$ 3,162,756	\$ 2,932,939	\$ 2,064,559	\$ 2,706,088
57.57%	82.84%	132.00%	83.25%

City of Sealy, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Last Ten Fiscal Years

	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
Actuarially determined employer contributions	\$ 574,363	\$ 579,261	\$ 471,711	\$ 440,063
Contributions in relation to the actuarially determined contribution	\$ 574,363	\$ 579,261	\$ 471,711	\$ 440,063
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 4,181,610	\$ 3,918,177	\$ 3,253,380	\$ 3,037,842
Employer contributions as a percentage of covered payroll	13.74%	14.78%	14.50%	14.49%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes

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
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5% 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 2019 valuation pursuant to an experience study of the period 2014 - 2018

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year.

<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
\$ 460,359	\$ 466,817	\$ 431,638	\$ 412,266
<u>\$ 460,359</u>	<u>\$ 466,817</u>	<u>\$ 431,638</u>	<u>\$ 412,266</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 3,056,848</u>	<u>\$ 3,065,618</u>	<u>\$ 2,779,106</u>	<u>\$ 2,706,088</u>
15.06%	15.23%	15.53%	15.23%

City of Sealy, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM

SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended:

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u> ¹
Total OPEB liability				
Service cost	\$ 10,904	\$ 5,619	\$ 5,905	\$ 5,060
Interest	4,489	4,588	4,529	4,342
Differences between expected and actual experience	1,896	(1,693)	(11,786)	-
Changes of assumptions	30,900	29,144	(10,839)	12,910
Benefit payments, including refunds of participant contributions	(808)	(702)	(932)	(633)
Net change in total OPEB liability	<u>47,381</u>	<u>36,956</u>	<u>(13,123)</u>	<u>21,679</u>
Total OPEB liability - beginning	<u>\$ 158,172</u>	<u>\$ 121,216</u>	<u>\$ 134,339</u>	<u>\$ 112,660</u>
Total OPEB liability - ending	<u><u>\$ 205,553</u></u>	<u><u>\$ 158,172</u></u>	<u><u>\$ 121,216</u></u>	<u><u>\$ 134,339</u></u> ²
 Covered employee payroll	 \$ 4,038,497	 \$ 3,511,968	 \$ 3,107,922	 \$ 3,162,756
 City's total OPEB liability as a percentage of covered employee payroll	 5.09%	 4.50%	 3.90%	 4.25%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten calendar years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits

***COMBINING STATEMENTS AND
INDIVIDUAL FUND SCHEDULES***

City of Sealy, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2021

	Public Improvement District #1	Hotel/Motel Tax	TIRZ #2
<u>Assets</u>			
Cash and cash equivalents	\$ -	\$ 377,174	\$ 5,281
Receivables	453,575	44,304	-
Restricted cash	-	-	-
Total Assets	\$ 453,575	\$ 421,478	\$ 5,281
<u>Liabilities</u>			
Accounts payable	\$ -	\$ 616	\$ -
Due to other funds	372	3,535	-
Total Liabilities	372	4,151	-
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - special assessments	453,575	-	-
Total Deferred Inflows of Resources	453,575	-	-
<u>Fund Balances</u>			
Restricted for:			
Tourism	-	417,327	-
Capital projects	-	-	-
TIRZ	-	-	5,281
Child safety	-	-	-
Municipal court	-	-	-
Municipal drainage	-	-	-
Park land dedication	-	-	-
Forfeited property	-	-	-
American rescue plan act	-	-	-
Unassigned	(372)	-	-
Total Fund Balances	(372)	417,327	5,281
Total Liabilities, Deferred Inflows and Fund Balances	\$ 453,575	\$ 421,478	\$ 5,281

Chapter 59 Forfeited Property	Municipal Drainage	Municipal Technology	Time Payment	Municipal Court Bldg Security
\$ -	\$ 276,277	\$ 12,947	\$ 14,507	\$ 168,527
-	23,872	-	-	-
44,534	-	-	-	-
<u>\$ 44,534</u>	<u>\$ 300,149</u>	<u>\$ 12,947</u>	<u>\$ 14,507</u>	<u>\$ 168,527</u>
<u><u>\$ -</u></u>	<u><u>\$ 12,303</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 236</u></u>	<u><u>\$ -</u></u>
<u>1,931</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,931</u>	<u>12,303</u>	<u>-</u>	<u>236</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	12,947	14,271	168,527
-	287,846	-	-	-
-	-	-	-	-
42,603	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>42,603</u>	<u>287,846</u>	<u>12,947</u>	<u>14,271</u>	<u>168,527</u>
<u>\$ 44,534</u>	<u>\$ 300,149</u>	<u>\$ 12,947</u>	<u>\$ 14,507</u>	<u>\$ 168,527</u>

City of Sealy, Texas
COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2021

	Child Safety	Main Street Program	Park Land Dedication
<u>Assets</u>			
Cash and cash equivalents	\$ 8,726	\$ 3,473	\$ 11,891
Receivables	-	-	-
Restricted cash	-	-	-
Total Assets	\$ 8,726	\$ 3,473	\$ 11,891
<u>Liabilities</u>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Total Liabilities	-	-	-
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - special assessments	-	-	-
Total Deferred Inflows of Resources	-	-	-
<u>Fund Balances</u>			
Restricted for:			
Tourism	-	-	-
Capital projects	-	3,473	-
TIRZ	-	-	-
Child safety	8,726	-	-
Municipal court	-	-	-
Municipal drainage	-	-	-
Park land dedication	-	-	11,891
Forfeited property	-	-	-
American rescue plan act	-	-	-
Unassigned	-	-	-
Total Fund Balances	8,726	3,473	11,891
Total Liabilities, Deferred Inflows and Fund Balances	\$ 8,726	\$ 3,473	\$ 11,891

Downtown Revitalization	Municipal Jury	Local Truancy Prevention	Sealy Deveopment Authority	American Rescue Plan Act	Total
\$ 2,303	\$ 550	\$ 27,467	\$ -	\$ 798,718	\$ 1,707,841
-	-	-	-	-	521,751
-	-	-	-	-	44,534
<u>\$ 2,303</u>	<u>\$ 550</u>	<u>\$ 27,467</u>	<u>\$ -</u>	<u>\$ 798,718</u>	<u>\$ 2,274,126</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,155
-	-	-	-	-	5,838
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,993</u>
-	-	-	-	-	453,575
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>453,575</u>
-	-	-	-	-	417,327
2,303	-	-	-	-	5,776
-	-	-	-	-	5,281
-	-	-	-	-	8,726
-	550	27,467	-	-	223,762
-	-	-	-	-	287,846
-	-	-	-	-	11,891
-	-	-	-	-	42,603
-	-	-	-	798,718	798,718
-	-	-	-	-	(372)
<u>2,303</u>	<u>550</u>	<u>27,467</u>	<u>-</u>	<u>798,718</u>	<u>1,801,558</u>
<u>\$ 2,303</u>	<u>\$ 550</u>	<u>\$ 27,467</u>	<u>\$ -</u>	<u>\$ 798,718</u>	<u>\$ 2,274,126</u>

City of Sealy, Texas

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

For the Year Ended September 30, 2021

	Public Improvement District #1	Hotel/Motel Tax	TIRZ #2
<u>Revenues</u>			
Property tax	\$ -	\$ -	\$ 127,850
Occupancy taxes	-	182,140	-
Intergovernmental	-	-	-
Fines and forfeitures	-	67	-
Investment income	54	447	65
Other income	51,157	-	-
Total Revenues	51,211	182,654	127,915
<u>Expenditures</u>			
Tourism	-	124,548	-
Municipal court	-	-	-
Public safety	-	-	-
General government	2,943	-	20,920
Debt service			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total Expenditures	2,943	124,548	20,920
Revenues Over (Under) Expenditures	48,268	58,106	106,995
<u>Other Financing Sources (Uses)</u>			
Transfers in	-	-	-
Transfers (out)	(97,384)	-	(227,223)
Total Other Financing Sources (Uses)	(97,384)	-	(227,223)
Net Change in Fund Balances	(49,116)	58,106	(120,228)
Beginning fund balances	48,744	359,221	125,509
Ending Fund Balances	\$ (372)	\$ 417,327	\$ 5,281

Chapter 59 Forfeited Property	Municipal Drainage	Municipal Technology	Time Payment	Municipal Court Bldg Security
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	16,393	7,865	19,332
60	376	16	21	257
8,509	134,981	-	-	-
8,569	135,357	16,409	7,886	19,589
-	-	-	-	-
-	-	18,806	5,596	820
1,861	-	-	-	-
-	47,474	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,861	47,474	18,806	5,596	820
6,708	87,883	(2,397)	2,290	18,769
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
6,708	87,883	(2,397)	2,290	18,769
35,895	199,963	15,344	11,981	149,758
\$ 42,603	\$ 287,846	\$ 12,947	\$ 14,271	\$ 168,527

City of Sealy, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2021

	Child Safety	Main Street Program	Park Land Dedication
<u>Revenues</u>			
Property tax	\$ -	\$ -	\$ -
Occupancy taxes	-	-	-
Intergovernmental	-	-	-
Fines and forfeitures	750	-	-
Investment income	13	-	42
Other income	-	40	1,740
Total Revenues	763	40	1,782
<u>Expenditures</u>			
Tourism	-	-	-
Municipal court	-	-	-
Public safety	-	-	-
General government	-	1	19,601
Debt service			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total Expenditures	-	1	19,601
Revenues Over (Under) Expenditures	763	39	(17,819)
<u>Other Financing Sources (Uses)</u>			
Transfers in	-	3,434	-
Transfers (out)	-	-	-
Total Other Financing Sources (Uses)	-	3,434	-
Net Change in Fund Balances	763	3,473	(17,819)
Beginning fund balances	7,963	-	29,710
Ending Fund Balances	\$ 8,726	\$ 3,473	\$ 11,891

Downtown Revitalization	Municipal Jury	Local Truancy Prevention	Sealy Deveopment Authority	American Rescue Plan Act	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,850
-	-	-	-	-	182,140
-	-	-	-	798,614	798,614
-	371	18,517	-	-	63,295
13	-	28	-	104	1,496
16,750	-	-	-	-	213,177
16,763	371	18,545	-	798,718	1,386,572
-	-	-	-	-	124,548
-	-	-	-	-	25,222
-	-	-	-	-	1,861
-	-	-	-	-	90,939
-	-	-	261,403	-	261,403
-	-	-	63,204	-	63,204
24,122	-	-	-	-	24,122
24,122	-	-	324,607	-	591,299
(7,359)	371	18,545	(324,607)	798,718	795,273
-	-	-	324,607	-	328,041
-	-	-	-	-	(324,607)
-	-	-	324,607	-	3,434
(7,359)	371	18,545	-	798,718	798,707
9,662	179	8,922	-	-	1,002,851
2,303	550	27,467	-	798,718	\$ 1,801,558

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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 601,449	\$ 621,429	\$ 621,189	\$ (240)
Intergovernmental	73,910	73,910	73,910	-
Investment income	5,000	1,120	1,120	-
Total Revenues	680,359	696,459	696,219	(240)
Expenditures				
Debt service:				
Principal	504,195	990,677	990,000	677
Interest and fiscal charges	153,633	602,573	602,573	-
Bond issuance costs	-	33,905	33,904	1
Total Expenditures	657,828	1,627,155	1,626,477	678
Excess of Revenues Over (Under) Expenditures	22,531	(930,696)	(930,258)	438
Other Financing Sources (Uses)				
Transfers in	-	935,422	935,422	-
Bond issuance	-	1,140,000	1,140,000	-
escrow agent	-	(1,105,945)	(1,105,943)	2
Total Other Financing Sources (Uses)	-	969,477	969,479	2
Net Change in Fund Balance	\$ 22,531	\$ 38,781	39,221	\$ 440
Beginning fund balance			588,450	
Ending Fund Balance			\$ 627,671	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* 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 HOTEL/MOTEL TAX

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Occupancy taxes	\$ 175,000	\$ 182,135	\$ 182,140	\$ 5
Fines and forfeitures	-	-	67	67
Investment income	1,500	445	447	2
Total Revenues	<u>176,500</u>	<u>182,580</u>	<u>182,654</u>	<u>74</u>
<u>Expenditures</u>				
Tourism	175,850	126,410	124,548	1,862
Total Expenditures	<u>175,850</u>	<u>126,410</u>	<u>124,548</u>	<u>1,862</u>
Net Change in Fund Balance	<u>\$ 650</u>	<u>\$ 56,170</u>	58,106	<u>\$ 1,936</u>
Beginning fund balance			359,221	
Ending Fund Balance			<u>\$ 417,327</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Sealy, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

TIRZ #2

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property tax	\$ -	\$ 127,845	\$ 127,850	\$ 5
Investment income	-	-	65	65
Total Revenues	-	127,845	127,915	70
<u>Expenditures</u>				
General government	-	20,925	20,920	5
Total Expenditures	-	20,925	20,920	5
Excess of Revenues Over (Under) Expenditures	-	106,920	106,995	75
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	-	(227,225)	(227,223)	2
Total Other Financing Sources (Uses)	-	(227,225)	(227,223)	2
Net Change in Fund Balance	\$ -	\$ (120,305)	(120,228)	\$ 77
Beginning fund balance			125,509	
Ending Fund Balance			\$ 5,281	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Sealy, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CHAPTER 59 FORFEITED PROPERTY For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment income	\$ 25	\$ 25	\$ 60	\$ 35
Other income	5,000	8,500	8,509	9
Total Revenues	<u>5,025</u>	<u>8,525</u>	<u>8,569</u>	<u>44</u>
<u>Expenditures</u>				
Public safety	200	1,910	1,861	49
Total Expenditures	<u>200</u>	<u>1,910</u>	<u>1,861</u>	<u>49</u>
Net Change in Fund Balance	<u>\$ 4,825</u>	<u>\$ 6,615</u>	6,708	<u>\$ 93</u>
Beginning fund balance			35,895	
Ending Fund Balance			<u>\$ 42,603</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Sealy, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL MUNICIPAL DRAINAGE

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment income	\$ 100	\$ 100	\$ 376	\$ 276
Other income	135,000	135,000	134,981	(19)
Total Revenues	135,100	135,100	135,357	257
<u>Expenditures</u>				
General government	32,300	47,660	47,474	186
Total Expenditures	32,300	47,660	47,474	186
Excess of Revenues Over (Under) Expenditures	102,800	87,440	87,883	443
Net Change in Fund Balance	\$ 102,800	\$ 87,440	87,883	\$ 443
Beginning fund balance			199,963	
Ending Fund Balance			\$ 287,846	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Sealy, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL MUNICIPAL COURT TECHNOLOGY For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Fines and forfeitures	\$ 21,835	\$ 16,390	\$ 16,393	\$ 3
Investment income	30	30	16	(14)
Total Revenues	<u>21,865</u>	<u>16,420</u>	<u>16,409</u>	<u>(11)</u>
<u>Expenditures</u>				
Court	21,865	19,725	18,806	919
Total Expenditures	<u>21,865</u>	<u>19,725</u>	<u>18,806</u>	<u>919</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>(3,305)</u>	<u>(2,397)</u>	<u>908</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (3,305)</u>	<u>(2,397)</u>	<u>\$ 908</u>
Beginning fund balance			15,344	
Ending Fund Balance			<u>\$ 12,947</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Sealy, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL TIME PAYMENT

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Fines and forfeitures	\$ 4,500	\$ 7,860	\$ 7,865	\$ 5
Investment income	20	20	21	1
Total Revenues	<u>4,520</u>	<u>7,880</u>	<u>7,886</u>	<u>6</u>
<u>Expenditures</u>				
Court	9,522	7,122	5,596	1,526
Total Expenditures	<u>9,522</u>	<u>7,122</u>	<u>5,596</u>	<u>1,526</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,002)</u>	<u>758</u>	<u>2,290</u>	<u>1,532</u>
Net Change in Fund Balance	<u>\$ (5,002)</u>	<u>\$ 758</u>	<u>2,290</u>	<u>\$ 1,532</u>
Beginning fund balance			11,981	
Ending Fund Balance			<u>\$ 14,271</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Sealy, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL MUNICIPAL COURT BUILDING SECURITY

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Fines and forfeitures	\$ 29,230	\$ 19,335	\$ 19,332	\$ (3)
Investment income	170	170	257	87
Total Revenues	29,400	19,505	19,589	84
<u>Expenditures</u>				
Municipal court	29,400	19,505	820	18,685
Total Expenditures	29,400	19,505	820	18,685
Excess of Revenues Over (Under) Expenditures	-	-	18,769	18,769
Net Change in Fund Balance	\$ -	\$ -	18,769	\$ 18,769
Beginning fund balance			149,758	
Ending Fund Balance			\$ 168,527	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Sealy, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CHILD SAFETY

For the Year Ended September 30, 2021

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Fines and forfeitures	\$ -	\$ 750	\$ 750
Investment income	10	13	3
Total Revenues	<u>10</u>	<u>763</u>	<u>753</u>
Excess of Revenues Over (Under) Expenditures	<u>10</u>	<u>763</u>	<u>753</u>
Net Change in Fund Balance	<u>\$ 10</u>	<u>763</u>	<u>\$ 753</u>
Beginning fund balance		7,963	
Ending Fund Balance		<u>\$ 8,726</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Sealy, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MAIN STREET

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Other income	\$ -	\$ -	\$ 40	\$ 40
Total Revenues	-	-	40	40
<u>Expenditures</u>				
General government	-	3,430	1	3,429
Total Expenditures	-	3,430	1	3,429
Excess of Revenues Over (Under) Expenditures	-	(3,430)	39	3,469
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	3,430	3,434	4
Total Other Financing Sources (Uses)	-	3,430	3,434	4
Net Change in Fund Balance	\$ -	\$ -	3,473	\$ 3,473
Beginning fund balance			-	
Ending Fund Balance			\$ 3,473	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Sealy, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL PARK LAND DEDICATION

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Other income	\$ -	\$ 5	\$ 1,740	\$ 1,735
Investment income	5	1,740	42	(1,698)
Total Revenues	5	1,745	1,782	37
<u>Expenditures</u>				
General government	-	19,601	19,601	-
Total Expenditures	-	19,601	19,601	-
Excess of Revenues Over (Under) Expenditures	5	(17,856)	(17,819)	37
Net Change in Fund Balance	\$ 5	\$ (17,856)	(17,819)	\$ 37
Beginning fund balance			29,710	
Ending Fund Balance			\$ 11,891	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Sealy, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL LOCAL TRUANCY PREVENTION For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ -	\$ 18,515	\$ 18,517	\$ 2
Investment income	-	-	28	28
Total Revenues	<u>-</u>	<u>18,515</u>	<u>18,545</u>	<u>30</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>18,515</u>	<u>18,545</u>	<u>30</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 18,515</u>	<u>18,545</u>	<u>\$ 30</u>
Beginning fund balance			8,922	
Ending Fund Balance			<u>\$ 27,467</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Sealy, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL SEALY DEVELOPMENT AUTHORITY For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Expenditures</u>				
Debt service:				
Principal	\$ -	\$ 261,404	\$ 261,403	\$ 1
Interest and fiscal charges	-	63,204	63,204	-
Total Expenditures	-	324,608	324,607	1
 Excess of Revenues				
Over (Under) Expenditures	-	(324,608)	(324,607)	1
 <u>Other Financing Sources (Uses)</u>				
Transfers in	-	324,608	324,607	(1)
Total Other Financing Sources (Uses)	-	324,608	324,607	(1)
 Net Change in Fund Balance	\$ -	\$ -	-	\$ 0
 Beginning fund balance			-	
Ending Fund Balance			\$ -	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Sealy, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

AMERICAN RESCUE PLAN ACT

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ 798,610	\$ 798,614	\$ 4
Investment income	-	-	104	104
Total Revenues	<u>-</u>	<u>798,610</u>	<u>798,718</u>	<u>108</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>798,610</u>	<u>798,718</u>	<u>108</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 798,610</u>	<u>798,718</u>	<u>\$ 108</u>
Beginning fund balance			-	
Ending Fund Balance			<u>\$ 798,718</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Sealy, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PUBLIC IMPROVEMENT DISTRICT #1

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Other revenue	\$ 71,360	\$ 51,120	\$ 51,157	\$ 37
Investment income	60	45	54	9
Total Revenues	71,420	51,165	51,211	46
<u>Expenditures</u>				
General government	2,500	2,500	2,943	443
Total Expenditures	2,500	2,500	2,943	443
Excess of Revenues Over (Under) Expenditures	68,920	48,665	48,268	489
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	(68,920)	(97,385)	(97,384)	1
Total Other Financing Sources (Uses)	(68,920)	(97,385)	(97,384)	1
Net Change in Fund Balance	\$ -	\$ (48,720)	(49,116)	\$ 490
Beginning fund balance			48,744	
Ending Fund Balance			\$ (372)	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

STATISTICAL SECTION

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

Contents	Page
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Financial Trends	120
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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity	130
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These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

Debt Capacity	138
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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information	146
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	149
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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.

City of Sealy, Texas
NET POSITION BY COMPONENT
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Governmental activities				
Net investment in capital assets	\$ (6,435,218)	\$ (7,434,274)	\$ 3,771,894	\$ 5,253,066
Restricted	1,764,700	1,591,301	1,212,962	2,400,331
Unrestricted	<u>(1,400,930)</u>	<u>(3,151,481)</u>	<u>(14,904,885)</u>	<u>(10,520,519)</u>
Total governmental activities net position	<u><u>\$ (6,071,448)</u></u>	<u><u>\$ (8,994,454)</u></u>	<u><u>\$ (9,920,029)</u></u>	<u><u>\$ (2,867,122)</u></u>
Business-type activities				
Net investment in capital assets	\$ 25,382,407	\$ 25,371,058	\$ 6,445,426	\$ 19,904,213
Unrestricted	<u>2,545,857</u>	<u>2,727,469</u>	<u>20,984,268</u>	<u>2,439,901</u>
Total business-type activities net position	<u><u>\$ 27,928,264</u></u>	<u><u>\$ 28,098,527</u></u>	<u><u>\$ 27,429,694</u></u>	<u><u>\$ 22,344,114</u></u>
Primary government				
Net investment in capital assets	\$ 18,947,189	\$ 17,936,784	\$ 10,217,320	\$ 25,157,279
Restricted	1,764,700	1,591,301	1,212,962	2,400,331
Unrestricted	<u>1,144,927</u>	<u>(424,012)</u>	<u>6,079,383</u>	<u>(8,080,618)</u>
Total primary government net position	<u><u>\$ 21,856,816</u></u>	<u><u>\$ 19,104,073</u></u>	<u><u>\$ 17,509,665</u></u>	<u><u>\$ 19,476,992</u></u>

Source: City audited financial records

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 5,724,733	\$ 5,742,788	\$ 5,722,904	\$ 6,060,705	\$ 5,922,681	\$ 7,937,295
2,963,194	3,790,110	4,234,975	1,889,033	2,380,906	2,850,640
<u>(3,909,394)</u>	<u>(4,058,146)</u>	<u>(1,105,908)</u>	<u>(1,724,419)</u>	<u>(1,699,132)</u>	<u>(5,039,321)</u>
<u>\$ 4,778,533</u>	<u>\$ 5,474,752</u>	<u>\$ 8,851,971</u>	<u>\$ 6,225,319</u>	<u>\$ 6,604,455</u>	<u>\$ 5,748,614</u>
\$ 11,391,103	\$ 11,086,756	\$ 11,012,307	\$ 10,516,142	\$ 10,541,614	\$ 10,906,238
<u>2,012,545</u>	<u>1,772,344</u>	<u>1,121,869</u>	<u>1,550,524</u>	<u>2,356,734</u>	<u>2,239,827</u>
<u>\$ 13,403,648</u>	<u>\$ 12,859,100</u>	<u>\$ 12,134,176</u>	<u>\$ 12,066,666</u>	<u>\$ 12,898,348</u>	<u>\$ 13,146,065</u>
\$ 17,115,836	\$ 16,829,544	\$ 16,735,211	\$ 16,576,847	\$ 16,464,295	\$ 18,843,533
2,963,194	3,790,110	4,234,975	1,889,033	2,380,906	2,850,640
<u>(1,896,849)</u>	<u>(2,285,802)</u>	<u>15,961</u>	<u>(173,895)</u>	<u>657,602</u>	<u>(2,799,494)</u>
<u>\$ 18,182,181</u>	<u>\$ 18,333,852</u>	<u>\$ 20,986,147</u>	<u>\$ 18,291,985</u>	<u>\$ 19,502,803</u>	<u>\$ 18,894,679</u>

City of Sealy, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

	2021	2020	2019	2018
Expenses				
Governmental activities:				
General government	\$ 2,246,885	\$ 2,291,998	\$ 2,409,454	\$ 3,392,797
Public safety	3,458,000	3,626,074	2,991,157	2,634,683
Highways and streets	775,721	732,214	710,709	575,469
Health and welfare	124,548	238,363	204,338	204,304
Culture and recreation	640,758	305,929	366,710	365,691
Interest on long-term debt	634,641	768,195	719,056	744,292
Total governmental activities expenses	7,880,553	7,962,773	7,401,424	7,917,236
Business-type activities:				
Water and sewer	3,230,395	2,807,264	2,996,284	1,848,429
Gas	3,275,924	1,456,763	1,677,849	1,530,187
Solid waste	1,831,929	1,761,678	1,763,216	1,605,884
Total business-type activities expenses	8,338,248	6,025,705	6,437,349	4,984,500
Total primary government expenses	\$ 16,218,801	\$ 13,988,478	\$ 13,838,773	\$ 12,901,736
Program Revenues				
Governmental activities:				
Fees, fines, and charges for services				
General government	\$ 66,372	\$ 59,343	\$ 26,016	\$ 31,141
Public safety	644,068	627,689	882,939	647,475
Highways and streets	333,218	337,266	134,694	133,961
Culture and recreation	-	-	31,770	29,984
Operating grants and contributions	1,352,971	693,722	9,577	31,531
Capital grants and contributions	994,367	-	31,100	94,136
Total governmental activities program revenues	3,390,996	1,718,020	1,116,096	968,228
Business-type activities:				
Charges for services:				
Water and sewer	\$ 3,646,076	\$ 2,958,501	\$ 2,462,686	\$ 2,232,268
Gas	2,934,839	1,214,923	1,506,610	1,522,005
Solid waste	1,865,024	1,796,951	1,732,793	1,485,499
Operating grants and contributions	-	42,700	-	2,735
Capital grants and contributions	337,035	400,000	-	-
Total business-type activities program revenues	8,782,974	6,413,075	5,702,089	5,242,507
Total primary government program revenues	\$ 12,173,970	\$ 8,131,095	\$ 6,818,185	\$ 6,210,735

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

City of Sealy, Texas
CHANGES IN NET POSITION (Continued)
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)

	2021	2020	2019	2018
Net (Expenses) Revenue				
Governmental activities	\$ (4,489,557)	\$ (6,244,753)	\$ (6,285,328)	\$ (6,949,008)
Business-type activities	444,726	387,370	(735,260)	258,007
Total primary government net expense	\$ (4,044,831)	\$ (5,857,383)	\$ (7,020,588)	\$ (6,691,001)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	2,256,908	3,219,283	3,117,121	3,011,703
Sales taxes	2,023,889	1,872,591	1,850,992	2,605,788
Franchise fees	1,918,212	1,651,406	1,849,750	1,723,016
Hotel/motel occupancy taxes	-	144,870	179,388	218,868
Investment earnings	3,117	9,790	66,204	171,181
Other revenue	275,015	272,388	140,631	156,347
Gain (loss) on sale of capital assets	-	-	8,342	205,140
Transfers	935,422	-	(5,386,221)	(8,676,498)
Total governmental activities	7,412,563	7,170,328	1,826,207	(584,455)
Business-type activities:				
Investment earnings	11,297	74,515	235,335	5,961
Miscellaneous revenue	309,136	206,948	205,232	-
Gain (loss) on sale of capital assets	-	-	9,160	-
Transfers	(935,422)	-	5,386,221	8,676,498
Total business-type activities	(614,989)	281,463	5,835,948	8,682,459
Total primary government	\$ 6,797,574	\$ 7,451,791	\$ 7,662,155	\$ 8,098,004
Change in Net Position				
Governmental activities	\$ 2,923,006	\$ 925,575	\$ (4,459,121)	\$ (7,533,463)
Business-type activities	(170,263)	668,833	5,100,688	8,940,466
Total primary government	\$ 2,752,743	\$ 1,594,408	\$ 641,567	\$ 1,407,003

Source: City audited financial records

2017	2016	2015	2014	2013	2012
\$ (7,647,871)	\$ (10,401,790)	\$ (5,107,282)	\$ (4,224,742)	\$ (3,132,016)	\$ (3,303,951)
312,137	245,021	241,591	73,916	109,961	148,020
\$ (7,335,734)	\$ (10,156,769)	\$ (4,865,691)	\$ (4,150,826)	\$ (3,022,055)	\$ (3,155,931)
2,889,339	2,784,285	2,040,685	2,065,680	1,989,818	1,855,450
2,424,520	2,114,188	1,985,724	1,765,105	1,114,539	1,198,030
1,454,601	1,157,209	625,959	623,008	610,206	554,902
163,058	166,711	189,056	182,444	181,839	214,035
68,512	26,996	17,597	10,099	10,017	39,264
180,399	1,250,990	1,196,220	197,846	98,956	193,942
-	-	-	-	-	-
(228,777)	(475,808)	178,693	343,818	359,124	(1,337,363)
6,951,652	7,024,571	6,233,934	5,188,000	4,364,499	2,718,260
3,634	4,095	4,612	5,165	4,906	11,465
-	-	-	-	(3,463)	54,434
-	-	-	-	-	-
228,777	475,808	(178,693)	(343,818)	(359,124)	1,337,363
232,411	479,903	(174,081)	(338,653)	(357,681)	1,403,262
\$ 7,184,063	\$ 7,504,474	\$ 6,059,853	\$ 4,849,347	\$ 4,006,818	\$ 4,121,522
\$ (696,219)	\$ (3,377,219)	\$ 1,126,652	\$ 963,258	\$ 1,232,483	\$ (585,691)
544,548	724,924	67,510	(264,737)	(247,720)	1,551,282
\$ (151,671)	\$ (2,652,295)	\$ 1,194,162	\$ 698,521	\$ 984,763	\$ 965,591

City of Sealy, Texas

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Unaudited)

(modified accrual basis of accounting)

	2021	2020	2019	2018
General Fund				
Restricted	159,883	-	21,327	17,589
Nonspendable	-	-	47	62
Unassigned	270,977	342,299	740,745	806,584
Total general fund	<u>\$ 430,860</u>	<u>\$ 342,299</u>	<u>\$ 762,119</u>	<u>\$ 824,235</u>
All Other Governmental Funds				
Restricted	2,429,601	1,591,301	3,035,951	8,030,145
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	(1,085,817)	(66,187)	(27,929)	(66,186)
Total all other governmental funds	<u>\$ 1,343,784</u>	<u>\$ 1,525,114</u>	<u>\$ 3,008,022</u>	<u>\$ 7,963,959</u>

Source: City audited financial records

Notes: The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2010.

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

City of Sealy, Texas

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)

	2021	2020	2019	2018
Revenues				
Property taxes	\$ 2,268,960	\$ 3,224,453	\$ 3,118,789	\$ 2,996,159
Sales taxes	2,023,889	1,872,591	2,724,222	2,574,633
Franchise fees and occupancy taxes	1,918,212	1,796,276	2,029,138	1,941,884
Property rentals	10,425	-	-	-
Licenses and permits	333,218	337,266	128,537	114,214
Fines and forfeitures	644,068	618,593	754,402	533,261
Charges for services	83,788	65,166	26,016	31,141
Intergovernmental	1,200,921	313,517	13,077	125,667
Investment earnings	3,117	9,779	86,193	171,181
Municipal drainage fees	-	9,980	134,694	133,961
Private contributions	-	-	-	-
Contributions from component unit	216,796	388,289	-	-
Other revenue	281,783	244,804	178,991	186,331
Total Revenues	8,985,177	8,880,714	9,194,059	8,808,432
Expenditures				
General government	2,241,527	2,413,884	2,593,850	3,549,762
Public safety	3,473,306	3,169,864	2,744,359	2,481,159
Highways and streets	648,841	479,661	497,487	376,749
Health and welfare	124,548	139,857	41,017	758,444
Culture and recreation	473,730	376,808	354,803	366,134
Capital outlay	1,104,065	720,551	6,721,243	7,709,322
Debt Service:				
Principal	1,289,373	940,979	870,000	845,000
Interest and fiscal charges	667,156	747,973	777,928	802,320
Debt issuance costs	33,904	68,334	-	-
Total Expenditures	10,056,450	9,057,911	14,600,687	16,888,890
Excess of Revenues Over (Under)				
Expenditures	(1,071,273)	(177,197)	(5,406,628)	(8,080,458)
Other Financing Sources (Uses)				
Issuance of debt	1,140,000	4,138,721	-	-
Premium on debt	-	-	-	-
Payment to bond escrow agent	(1,105,943)	(4,041,132)	-	-
Sale of capital assets	14,275	-	8,342	264,237
Transfers in	1,263,463	-	988,398	216,219
Transfers out	(333,291)	-	(310,232)	(1,022,151)
Total Other Financing Sources (Uses)	978,504	97,589	686,508	(541,695)
Net change in fund balances	\$ (92,769)	\$ (79,608)	\$ (4,720,120)	\$ (8,622,153)
Debt service as percentage of noncapital expenditures	21.9%	20.3%	20.9%	17.9%

Source: City audited financial records

2017	2016	2015	2014	2013	2012
\$ 2,871,275	\$ 2,772,206	\$ 2,044,723	\$ 2,125,112	\$ 1,996,879	\$ 1,854,092
2,393,365	2,083,033	1,954,569	2,118,796	1,114,539	1,198,030
1,617,659	1,323,920	815,015	805,452	792,045	798,897
-	-	-	-	-	-
187,028	97,546	81,117	66,999	63,088	59,347
482,792	415,751	45,346	483,592	556,494	497,479
57,849	38,086	369,733	67,043	15,815	18,661
149,388	269,887	887	28,760	6,308	626,789
68,512	26,996	17,597	10,099	10,017	39,264
133,772	131,160	128,187	127,482	125,073	144,978
-	-	-	-	-	104,863
-	-	-	-	260,550	264,300
200,164	1,275,795	1,220,515	237,140	130,152	111,434
8,161,804	8,434,380	6,677,689	6,070,475	5,070,960	5,718,134
3,991,106	6,404,091	1,738,531	1,615,282	882,552	1,286,729
2,739,373	2,671,587	2,073,693	1,955,592	2,026,918	1,952,653
360,931	433,980	307,863	375,228	296,703	334,540
260,397	146,122	88,859	37,091	67,225	63,230
309,857	388,413	302,453	343,132	406,200	359,151
180,667	856,840	410,164	301,673	792,390	5,734,030
825,000	810,000	536,010	714,800	712,988	681,237
822,095	834,898	628,610	367,962	389,069	416,286
-	38,984	192,284	-	-	-
9,489,426	12,584,915	6,278,467	5,710,760	5,574,045	10,827,856
(1,327,622)	(4,150,535)	399,222	359,715	(503,085)	(5,109,722)
-	1,030,000	14,380,000	-	-	-
-	-	1,096,015	-	-	-
-	(1,001,984)	-	-	-	-
-	5,225	-	-	-	-
361,366	1,112,912	1,167,876	1,139,855	404,880	215,086
(361,366)	(1,112,912)	(832,876)	(796,037)	(45,756)	(15,086)
-	33,241	15,811,015	343,818	359,124	200,000
\$ (1,327,622)	\$ (4,117,294)	\$ 16,210,237	\$ 703,533	\$ (143,961)	\$ (4,909,722)
17.7%	14.0%	19.8%	20.0%	23.0%	21.5%

City of Sealy, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Years

	2021	2020	2019	2018
Residential Property	\$ 301,262,898	\$ 297,110,716	\$ 356,498,073	\$ 341,598,384
Commercial Property	487,277,464	607,792,387	515,204,114	430,914,898
Less: Tax Exempt Property	43,129,334	122,596,131	87,723,479	78,376,262
Total Taxable Assessed				
Valuation (1)	<u>\$ 745,411,028</u>	<u>\$ 782,306,972</u>	<u>\$ 783,978,708</u>	<u>\$ 694,137,020</u>
Total Direct Tax Rate	\$ 0.26994	\$ 0.39807	\$ 0.38663	\$ 0.42297

Source: Austin County Appraisal District

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

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

City of Sealy, Texas

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years

City of Sealy:	2021	2020	2019	2018
Operating tax rate	\$ 0.194690	\$ 0.193100	\$ 0.182090	\$ 0.190410
Debt service tax rate	0.075250	0.204970	0.204540	0.232560
Total Direct Rates	\$ 0.269940	\$ 0.398070	\$ 0.386630	\$ 0.422970
Austin County	\$ 0.424560	\$ 0.564230	\$ 0.547900	\$ 0.547900
Sealy Independent School District	1.215800	1.270000	1.390000	1.390000
Austin County Emergency Services District #2	0.100000	0.100000	0.100000	0.100000
Total Rate	\$ 2.010300	\$ 2.332300	\$ 2.424530	\$ 2.460870
Total Assessed Valuation	\$ 745,411,028	\$ 782,306,972	\$ 783,978,708	\$ 694,137,020

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

Source: Tax department records of the various governments.

2017	2016	2015	2014	2013	2012
\$ 0.189620	\$ 0.186300	\$ 0.208670	\$ 0.192680	\$ 0.180280	\$ 0.180280
0.247750	0.263700	0.127980	0.164530	0.175850	0.175850
\$ 0.437370	\$ 0.450000	\$ 0.336650	\$ 0.357210	\$ 0.356130	\$ 0.356130
\$ 0.543500	\$ 0.544300	\$ 0.518300	\$ 0.528300	\$ 0.537900	\$ 0.537900
1.340000	1.260000	1.260000	1.260000	1.260000	1.260000
0.100000	0.100000	0.100000	0.100000	0.069100	0.069900
\$ 2.420870	\$ 2.354300	\$ 2.214950	\$ 2.245510	\$ 2.223130	\$ 2.223930
\$ 645,154,616	\$ 608,172,092	\$ 594,453,531	\$ 585,545,034	\$ 511,631,602	\$ 511,631,602

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City of Sealy, Texas
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Property Taxpayer	2021			2012		
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation
Wal-Mart Stores East US07036	\$ 101,462,500	1	13.61%	\$ 77,130,840	1	15.08%
Enterprise Crude Pipeline LLC	45,853,680	2	6.15%	-	-	-
Valerus Field Solutions	41,648,820	3	5.59%	-	-	-
Whitethorn Pipeline LLC	20,445,690	4	2.74%	-	-	-
International Paper Company	17,020,140	5	2.28%	16,289,888	3	3.18%
Hailiang Copper Texas Inc	16,416,280	6	2.20%	-	-	-
Sika Corporation	12,213,510	7	1.64%	-	-	-
Blencor LLC	8,669,860	8	1.16%	3,730,779	7	0.73%
Maass Flange Corp.	8,005,542	9	1.07%	9,936,607	4	1.94%
Prasek Family Limited Partnership	7,795,528	10	1.05%	-	-	-
BAE Systems	-	-	-	48,773,000	2	9.53%
Wal-Mart Real Estate Business	-	-	-	9,088,554	5	1.78%
Wal-Mart Stores East US07969	-	-	-	6,060,366	6	1.18%
Centerpoint Energy Houston	-	-	-	3,022,326	8	0.59%
BNSF Railway	-	-	-	2,693,720	9	0.53%
DKH Edgewood Apartments LP	-	-	-	2,573,832	10	0.50%
Subtotal	279,531,550		37.50%	179,299,912		35.04%
Other Taxpayers	465,879,478		62.50%	332,331,690		64.96%
Total ⁽¹⁾	\$ 745,411,028		100.00%	\$ 511,631,602		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
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%
2020	2019	0.398070	3,116,069	3,086,538	99.05%
2021	2020	0.269940	2,147,835	2,127,626	99.06%

Source: Austin County Appraisal District

Collected in Subsequent Years		Total Collections to Date	
Amount Collected		Amount Collected	Percentage of Levy
\$	18,696	\$ 1,820,193	99.90%
	20,925	1,952,165	99.93%
	16,917	2,089,696	99.91%
	13,787	1,998,829	99.87%
	21,262	2,731,080	99.86%
	29,211	2,819,361	99.83%
	42,069	2,927,226	99.70%
	21,396	3,019,511	99.64%
	15,226	3,101,764	99.54%
	-	2,127,626	99.06%

City of Sealy, Texas

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	2021	2020	2019	2018
Governmental Activities:				
General obligation bonds	\$ 5,055,000	\$ 4,400,000	\$ 380,000	\$ 470,000
Certificates of obligation	12,335,000	13,945,000	18,790,000	19,570,000
Tax notes	-	-	-	-
Sales tax payable	399,820	430,975	462,130	493,285
Developer payable	1,160,843	1,409,138	1,364,856	-
Capital leases	17,082	23,897	-	-
Issuance discounts/premiums	730,677	782,868	840,903	899,404
Subtotal	19,698,422	20,991,878	21,837,889	21,432,689
Business-Type Activities:				
Other payables	324,124	-	-	-
Certificates of obligation	9,965,000	10,345,000	10,585,000	-
Capital leases	39,157	-	-	-
Issuance discounts/premiums	404,855	428,670	452,485	-
Subtotal	10,733,136	10,773,670	11,037,485	-
Total Primary Government	\$ 30,431,558	\$ 31,765,548	\$ 32,875,374	\$ 21,432,689
Personal Income (2)	\$ 380,837	\$ 329,711	\$ 331,490	\$ 328,650
Percentage of Total Personal Income:				
Governmental activities	5.17%	6.37%	6.59%	6.52%
Business-type activities	2.82%	3.27%	3.33%	0.00%
Population (1)	6,839	6,450	6,441	6,365
Debt Per Capita:				
Primary Government	\$ 4,450	\$ 4,925	\$ 5,104	\$ 3,367

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

(1) Data source: U.S. Census Bureau, American Community Survey 5-Year Estimates Data Profiles

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

(amounts expressed in thousands of dollars)

2017	2016	2015	2014	2013	2012
\$ 660,000	\$ 845,000	\$ -	\$ 40,000	\$ 175,000	\$ 300,000
20,225,000	20,865,000	22,475,000	8,535,000	8,890,000	9,260,000
-	-	-	-	170,000	335,000
524,440	-	-	-	-	-
-	-	-	-	-	-
-	-	-	56,010	110,809	163,797
957,905	1,016,406	1,074,907	37,393	37,605	37,445
22,367,345	22,726,406	23,549,907	8,668,403	9,383,414	10,096,242
-	-	-	-	-	-
-	-	-	-	-	-
15,857	48,557	80,244	110,948	140,702	81,476
-	-	-	-	-	-
15,857	48,557	80,244	110,948	140,702	81,476
\$ 22,383,202	\$ 22,774,963	\$ 23,630,151	\$ 8,779,351	\$ 9,524,116	\$ 10,177,718
\$ 318,233	\$ 314,622	\$ 320,232	\$ 290,495	\$ 269,270	\$ 266,686
7.03%	7.22%	7.35%	2.98%	3.48%	3.79%
0.00%	0.02%	0.03%	0.04%	0.05%	0.03%
6,320	6,222	6,181	6,130	6,072	6,011
\$ 3,542	\$ 3,660	3,823	1,432	1,569	1,693

City of Sealy, Texas

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

	2021	2020	2019	2018
Estimated Actual Taxable Value of Property	\$ 745,411,028	\$ 782,306,972	\$ 783,978,708	\$ 694,137,020
General obligation bonds	\$ 5,055,000	\$ 4,400,000	\$ 380,000	\$ 470,000
Certificates of obligation	13,065,677	14,727,868	19,630,903	20,469,404
Less: amounts available in debt service fund	628,803	588,450	542,573	482,174
Total	\$ 17,491,874	\$ 18,539,418	\$ 19,468,330	\$ 20,457,230
Percentage of Estimated Actual Taxable Value of Property	2.35%	2.37%	2.48%	2.95%
Population (1)	6,839	6,450	6,441	6,365
Per Capita	\$ 2,558	\$ 2,874	\$ 3,023	\$ 3,214

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

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

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 645,154,616	\$ 608,172,092	\$ 594,453,531	\$ 585,545,034	\$ 572,320,986	\$ 511,631,602
\$ 660,000	\$ 845,000	\$ -	\$ 40,000	\$ 175,000	\$ 300,000
21,182,905	21,881,406	23,549,907	8,572,393	8,927,605	9,297,445
419,301	383,540	356,181	323,136	295,730	259,628
<u>\$ 21,423,604</u>	<u>\$ 22,342,866</u>	<u>\$ 23,193,726</u>	<u>\$ 8,289,257</u>	<u>\$ 8,806,875</u>	<u>\$ 9,337,817</u>
3.32%	3.67%	3.90%	1.42%	1.54%	1.83%
6,320	6,222	6,222	6,320	6,365	6,441
\$ 3,390	\$ 3,591	\$ 3,728	\$ 1,312	\$ 1,384	\$ 1,450

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City of Sealy, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2021

Government Unit	Debt Outstanding	Estimated Percentage Applicable*	Amount Applicable to Primary Government
Austin County	\$ 26,745,000	30.574%	\$ 8,177,016
Sealy Independent School District	48,850,000	69.926%	34,158,851
Subtotal, overlapping debt			42,335,867
City Direct Debt		100.000%	19,698,422
Total Direct and Overlapping Debt			\$ 62,034,289
Population (1)			6,839
Overlapping Debt Per Capita			\$ 6,190
Direct and Overlapping Debt Per Capita			\$ 9,071

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

	2021	2020	2019	2018
Legal debt limit ⁽¹⁾	\$ 10,063,049	\$ 10,561,144	\$ 10,583,713	\$ 9,370,850
Total net debt applicable to limit	945,197	991,726	1,105,285	1,165,054
Legal debt margin	<u>\$ 9,117,852</u>	<u>\$ 9,569,418</u>	<u>\$ 9,478,428</u>	<u>\$ 8,205,796</u>
Total net debt applicable to the limit as a percentage of legal debt limit	9.39%	9.39%	10.44%	12.43%

Legal Debt Margin Calculation

Assessed value	\$ 745,411,028	\$ 782,306,972	\$ 783,978,708	\$ 694,137,020
Legal debt limit ⁽¹⁾	10,063,049	10,561,144	10,583,713	9,370,850
Net debt applicable to limit:				
General obligation bonds	709,000	108,060	97,426	200,428
Certificates of obligation	864,250	1,471,366	1,549,681	1,446,050
Tax anticipation notes	-	-	-	-
Fiscal agent and other fees	750	750	750	750
Less: amount set aside for repayment of general obligation debt	<u>628,803</u>	<u>588,450</u>	<u>542,572</u>	<u>482,174</u>
Total net debt applicable to limit	945,197	991,726	1,105,285	1,165,054
Legal debt margin	<u>\$ 9,117,852</u>	<u>\$ 9,569,418</u>	<u>\$ 9,478,428</u>	<u>\$ 8,205,796</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%.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 8,709,587	\$ 8,210,593	\$ 8,025,123	\$ 7,904,858	\$ 7,726,333	\$ 6,907,027
<u>1,227,794</u>	<u>1,261,358</u>	<u>787,652</u>	<u>701,015</u>	<u>747,716</u>	<u>779,284</u>
<u><u>\$ 7,481,793</u></u>	<u><u>\$ 6,949,235</u></u>	<u><u>\$ 7,237,471</u></u>	<u><u>\$ 7,203,843</u></u>	<u><u>\$ 6,978,617</u></u>	<u><u>\$ 6,127,743</u></u>
14.10%	15.36%	9.81%	8.87%	9.68%	11.28%
\$ 645,154,616	\$ 608,172,092	\$ 594,453,531	\$ 585,545,034	\$ 572,320,986	\$ 511,631,602
8,709,587	8,210,323	8,025,123	7,904,858	7,726,333	6,907,027
198,351	195,352	41,400	140,956	135,019	257,519
1,447,994	1,448,796	1,099,333	703,990	728,450	605,758
-	-	-	176,205	177,227	172,885
750	750	3,100	3,000	2,750	2,750
<u>419,301</u>	<u>383,540</u>	<u>356,181</u>	<u>323,136</u>	<u>295,730</u>	<u>259,628</u>
<u>1,227,794</u>	<u>1,261,358</u>	<u>787,652</u>	<u>701,015</u>	<u>747,716</u>	<u>779,284</u>
<u><u>\$ 7,481,793</u></u>	<u><u>\$ 6,948,965</u></u>	<u><u>\$ 7,237,471</u></u>	<u><u>\$ 7,203,843</u></u>	<u><u>\$ 6,978,617</u></u>	<u><u>\$ 6,127,743</u></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⁾
2012	6,011	266,686	44,366	40.6	2,646	7.10%
2013	6,072	269,270	44,346	40.6	2,650	6.00%
2014	6,130	290,495	47,389	40.6	2,752	5.80%
2015	6,181	320,232	51,809	40.7	2,762	4.70%
2016	6,222	314,622	50,566	40.6	2,845	4.60%
2017	6,320	318,233	50,353	37.0	2,830	4.40%
2018	6,365	328,650	51,634	40.0	2,840	4.90%
2019	6,441	331,490	51,466	40.7	2,991	3.30%
2020	6,450	329,711	51,118	41.3	2,803	7.10%
2021	6,839	380,837	55,686	37.4	2,832	5.50%

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)

(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	2021			2012		
	Percentage of Total			Percentage of Total		
	Employees ⁽¹⁾	Reported	Rank	Employees ⁽¹⁾	Reported	Rank
Wal-Mart Distribution Center	1,000	49.43%	1	735	29.79%	1
SNC-Lavalin	-	0.00%	2	-	-	-
Sealy Independent School District	359	17.75%	3	348	14.11%	3
Wal-Mart Super Center	229	11.32%	4	236	9.57%	4
International Paper Company	102	5.04%	5	96	3.89%	6
Acme Brick Company	101	4.99%	6	93	3.77%	7
Gulf States Toyota	95	4.70%	7	86	3.49%	8
BAE Systems	-	-	-	650	26.35%	2
Blencor, LLC	34	1.68%	9	105	4.26%	5
Rinker Materials	-	-	-	62	2.51%	9
City of Sealy, Texas	73	3.61%	8	56	2.27%	10
Contech Engineering (Rinker bldg)	30	1.48%	10	-	-	
	<u>2,023</u>	<u>100.00%</u>		<u>2,467</u>	<u>100.00%</u>	

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

Source: Sealy Economic Development Corporation

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City of Sealy, Texas

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION

Last Ten Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Governmental Activities:</u>										
General government	24.00	25.50	22.00	21.00	22.00	21.50	14.75	13.40	11.50	15.50
Public safety										
Police										
Officers	23.00	23.00	21.00	20.00	21.00	18.00	19.00	19.00	18.00	17.00
Civilians	2.00	2.00	2.00	1.00	1.50	1.50	1.00	1.00	1.00	1.00
Inspection	3.00	3.00	3.50	3.50	4.00	4.00	3.50	3.00	3.80	4.00
Fire marshal	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.10	0.20	-
Highways and streets	5.00	5.00	5.50	4.50	3.00	3.00	3.00	3.00	3.00	4.00
Health and welfare	1.00	1.00	0.50	0.50	0.50	0.00	1.00	0.50	1.00	1.00
Culture and recreation	2.00	2.00	2.50	2.50	3.00	2.00	2.00	2.00	2.00	1.00
<u>Business-Type Activities:</u>										
Water and sewer	8.00	8.00	8.00	5.50	4.00	5.00	9.43	11.25	11.10	8.50
Gas	5.00	5.00	5.00	5.50	2.00	3.00	4.82	5.25	5.20	3.00
Solid waste	-	-	-	-	-	-	0.50	0.50	1.20	0.50
Total City Positions	<u>73.50</u>	<u>75.00</u>	<u>70.50</u>	<u>64.50</u>	<u>61.50</u>	<u>58.50</u>	<u>59.50</u>	<u>59.00</u>	<u>58.00</u>	<u>55.50</u>

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

	2021	2020	2019	2018
City of Sealy				
Population	6,839	6,450	6,441	6,365
Square miles	13	13	13	13
Budgeted full time employees	68	71	63	56
Function				
Police				
Physical arrests	323	331	506	309
Parking violations	12	76	18	27
Traffic violations	6,421	5,288	8,498	6,023
Inspections				
Number of permits issued	840	1,034	1,390	732
Inspections	1,980	1,624	1,360	1,175
Highways and Streets				
Street resurfacing (miles)	-	2.0	1.5	-
Culture and recreation				
Community center rentals	15	86	205	187
Park pavilion rentals	47	35	94	79
Water				
New connections	85	48	21	19
Service connections	3,270	2,207	2,183	2,159
Water main breaks	8	9	13	7
Average daily consumption (thousands of gallons)	822	856	847	955
Sewer				
New connections	83	50	18	8
Service connections	2,091	2,022	2,016	1,987
Average daily sewer treatment (thousands of gallons)	840	518	590	540
Gas				
New connections	79	27	15	12
Service connections	1,386	1,374	1,364	1,351
Gas main breaks	2	2	-	-
Average daily gas consumption (hundreds of cubic feet)				
Residential and commercial	1,113	1,687	1,106	1,926
Industrial	3,737	3,626	4,000	4,063

Source: Various City departments

2017	2016	2015	2014	2013	2012
6,320	6,222	6,181	6,130	6,072	6,011
13	13	13	13	12	12
53	51	53	52	51	56
447	441	454	310	407	288
12	30	41	73	90	4
4,179	4,542	3,424	5,636	6,510	5,715
885	757	901	958	654	716
1,158	1,345	1,266	1,269	1,194	982
-	-	-	3.0	3.0	-
377	419	434	573	696	564
108	125	127	120	169	221
25	22	10	18	25	19
2,142	2,126	2,094	2,096	2,079	2,044
-	0	4	12	3	18
840	922	763	896	941	856
8	20	7	11	12	8
1,987	1,972	1,942	1,944	1,934	1,918
599	622	685	610	527	578
14	15	12	15	18	12
1,364	1,350	1,350	1,357	1,354	1,341
-	-	-	-	-	-
1,333	1,528	1,788	2,000	1,529	2,211
3,545	3,999	3,566	3,395	3,517	2,973

City of Sealy, Texas

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Years

	2021	2020	2019	2018
Function				
Public safety				
Police				
Stations	1	1	1	1
Patrol units	10	10	8	7
Highways and streets				
Streets (miles)	65	64	64	64
Streetlights	661	661	661	630
Culture and recreation				
Park acreage	53	53	53	53
Parks	5	5	5	5
Pavilions	2	2	2	2
Community centers	2	2	2	2
Water				
Water mains (miles)	73	73	72	72
Fire hydrants	441	364	338	338
Ground storage tanks	3	3	3	3
Elevated storage tanks	3	3	3	3
Maximum daily capacity (thousands of gallons)	3,384	3,384	3,384	3,384
Sewer				
Sanitary sewers (miles)	69	46	46	46
Treatment plants	1	1	1	1
Maximum daily treatment capacity (thousands of gallons)	2,000	2,000	975	975
Gas				
Gas mains (miles)	54	50	47	44

Source: Various City departments

2017	2016	2015	2014	2013	2012
1 7	1 7	1 7	1 7	1 7	1 7
64 630	64 630	64 630	64 630	64 558	62 550
53 5 2 2	53 5 2 2	52 5 2 2	52 5 2 2	36 5 2 2	36 5 2 2
72 338 3 3	72 338 3 3	72 332 3 3	72 332 3 3	72 333 3 2	72 312 3 2
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	44