

***ANNUAL COMPREHENSIVE  
FINANCIAL REPORT***

**of the**

**City of Sealy, Texas**

**For the Year Ended  
September 30, 2022**

Prepared by:

Finance Department

Krystal Sodolak  
Director of Finance



# City of Sealy, Texas

## TABLE OF CONTENTS

September 30, 2022

### INTRODUCTORY SECTION

Letter of Transmittal	i
GFOA Certificate of Achievement for Excellence in Financial Reporting	iv
Organizational Chart	x
List of Elected and Appointed Officials	xi

### FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	7

#### Basic Financial Statements

##### **Government-Wide Financial Statements**

Statement of Net Position	24
Statement of Activities	28

##### **Fund Financial Statements**

###### **Governmental Funds:**

Balance Sheet	30
Reconciliation of the Balance Sheet to the Statement of Net Position- Governmental funds	33
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds	34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	39

###### **Proprietary Funds:**

Statement of Net Position	40
Statement of Revenues, Expenses, and Changes in Fund Net Position	44
Statement of Cash Flows	46

Notes to Financial Statements	51
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### REQUIRED SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual – General Fund	96
Schedule of Changes in Net Pension Liability and Related Ratios	98
Schedule of Employer Contributions to Pension Plan	100
Schedule of Changes in OPEB Liability and Related Ratios	102

## **INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

Combining Balance Sheet – Nonmajor Governmental Funds	106
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	110
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Debt Service Fund	114
Hotel/Motel Tax Fund	115
TIRZ #2	116
Chapter 59 Forfeited Property Fund	117
Municipal Drainage Fund	118
Municipal Court Technology Fund	119
Time Payment	120
Municipal Court Building Security Fund	121
Child Safety Fund	122
Main Street Fund	123
Park Land Dedication	124
Local Truancy Prevention	125
Sealy Development Authority	126
American Rescue Plan Act	127
Public Improvement District #1	128
Municipal Jury	129

## **STATISTICAL SECTION**

Net Position by Component	132
Changes in Net Position	134
Fund Balances, Governmental Funds	138
Changes in Fund Balance, Governmental Funds	140
Assessed Value and Estimated Actual Value of Taxable Property	142
Property Tax Rates – Direct and Overlapping Governments	144
Principal Property Tax Payers	147
Property Tax Levies and Collections	148
Ratios of Outstanding Debt by Type	150
Ratio of General Bonded Debt Outstanding	152
Direct and Overlapping Governmental Activities Debt	155
Legal Debt Margin Information	156
Demographic and Economic Statistics	158
Principal Employers	159
Full-Time Equivalent City Employees by Function/Program	161
Operating Indicators by Function/Program	162
Capital Asset Statistics by Function/Program	164

## ***INTRODUCTORY SECTION***

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# CITY OF SEALY, TEXAS

415 Main Street  
P. O. Box 517  
Sealy, Texas 77474

Phone (979) 885-3511 • Fax (979) 885-3513

[www.ci.sealy.tx.us](http://www.ci.sealy.tx.us)

March 31, 2023

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, 2022.

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, 2022. The independent auditors' report is located at the front of the financial section of this report.

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

## **Profile of the Government**

The City of Sealy is a political subdivision located in the southeastern part of Texas and is the largest municipality in Austin County. It is situated approximately 50 miles west of downtown Houston at the crossroads of Interstate Highway 10 and State Highway 36. It was founded in 1879 by George Sealy of Galveston and incorporated on August 16, 1949. An early pioneer, Daniel Haynes, patented one of the first mattresses, which to this day still bears the Sealy name. A good deal of land and resources are available in the region, which makes it an ideal location for development in the future.

The City of Sealy currently has a land area of 13.4 square miles and a population of 6,839 according to the 2020 U.S. Census. This population figure is an increase of almost 30 percent from the 2000 figure of 5,248.

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. Five amendments to the City Charter were approved at the May 7, 2022 general election, as follows: (1) Limitation of the number of terms - Section 3.03 of Article III was amended to remove a partial term being calculated for purposes of term limits; (2) Forfeiture of office - Section 3.07 (B)(4) of Article III of the City Charter was amended so that the language of forfeiture of office be consistent with state law by requiring the Mayor or Councilmember to forfeit his or her office if he or she files as a candidate for nomination or election to any public office as provided for in state law; (3) Filling of vacancies - Section 3.07 (C) of Article III was amended to allow the City Council to fill vacancies on City Council by appointment if the unexpired term is twelve months or less. When a vacancy occurs, such vacancy shall be filled by majority vote of the qualified voters at a special election for such purpose within one hundred twenty (120) days after such vacancy occurs, or at such other time as may be required by law, except in the event that the unexpired term is 12 months or less, City Council may appointment a person to fill the vacancy. Any person elected to fill a vacancy in the office of Mayor or Councilmember shall possess all of the qualifications herein required for office; (4) Canvassing election and declaring results - Section 5.08 of Article V of the City Charter was amended so that the language pertaining to canvassing elections and declaring results is consistent with state law; and (5) Section 9.13 (C) of Article IX was amended to allow City Council to extend the charter review commission's term of office beyond six months, and at the completion of such term a report shall be presented to the City Council, and all records of the proceedings of such commission shall be filed with the City Secretary and shall become a public record. 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, with the exception of the amended Charter provisions which prevent partial terms from being calculated for purposes of term limits. 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, Greater Sealy Little League, Sealy Community Foundation, Sealy Area Historical Society, and Combined Community Action. Accordingly, financial information for these entities themselves is not included in this report.

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



## **Local Economy**

Sealy's location makes it easily accessible from all over Texas via the U.S. and state highway systems. Sealy is a community with a railroad history that has evolved over the years into a center for commercial activity, including manufacturing and distribution plus retail sales and service businesses 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 distribution and retail trade, manufacturing, educational services, construction, agriculture, and agribusiness. 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, mortars, grouts and concrete admixtures, and underground concrete products.

The City of Sealy is currently experiencing a stable economic environment. In its recent review of the city's economic environment, S&P Global Ratings downgraded the City's outstanding general obligation debt and combination tax and surplus revenue certificates of obligation from A+ to A. 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, with deeper-than-expected deficits and general fund balance restatements resulting nominally low reserves; (d) strong budgetary flexibility; (e) very weak debt with no additional debt plans despite utility infrastructure and growth needs; (f) environmental, social, and governance risks relative to its economy, management, financial measures, and debt and liability profile.

According to the U.S. Bureau of Labor Statistics, the unemployment rate for Austin County was 3.8 percent in September 2022, compared to a rate of 4.8 percent in September 2021. Job retention and the creation of new working positions are top priorities as the city plans to usher in growth. As of September 2022, fiscal year-to-date sales tax collections were up 4.74% compared to 2021, with the twelve-month moving average increasing approximately 9.41% higher than the same time the prior year. The most recent Sales and Use Tax Revenue Report, dated February 2023, revealed Sealy's grand total sales collections were 34.72% higher than in February 2022 and the year-to-date collections increased 1.19% over the year-to-date total this time last year.

Hailiang Copper Texas, Inc. and Hendrix Manufacturing participation in the Texas Direct Payment Permit program, which, during the construction phases, authorizes the Texas 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 was 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 the 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. Currently, Sika employs 20 and has added \$7,758,650 in real property value and \$4,962,960 in personal property value since 2016. There are three years remaining of the term of the economic development agreement. As of September 2022, Sika has received \$309,635.93 in economic incentive payments.

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. Prasek's currently employs 89 and has added \$4,553,481 in real property value and \$1,234,899 in personal property value since 2016. There are 2 years remaining of the term of property tax rebates and 17 years remaining of the sales tax grant payments, or until a cap of \$825,000 is reached, whichever occurs first. As of September 2022, Prasek's has received a total of \$134,533.64 in combined property tax rebates and sales tax grant payments.

China-based Hailiang Copper Texas, Inc. decided to locate its business in Sealy. The company purchased the former BAE Systems facility and built 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 Sealy Economic Development Corporation entered into an economic development agreement with Hailiang Copper Texas, Inc. The agreement establishes a program to provide incentives and financial assistance to 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 developing or expanding 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 several 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 \$75,000.00, if requirements of job creation, and development and construction obligations are met by Hailiang Copper Texas, Inc. Hailiang currently employs 49, and has added \$42,949,410 in real property value and \$9,875,320 in personal property value since 2020.

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. The final plat has been approved and the city is awaiting Remitite's submittal of civil plans for review.

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 approximately 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 114 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. As of September 2022, 101 homes have received Certificates of Occupancy, two phases have been built and a third phase is in progress. The development has added approximately \$29,425,000 in ad valorem value to the City of Sealy.

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. The current occupancy of Harvest Moon Apartments is 90%.

In June 2020, the EDC entered into a performance agreement with Hendrix Industries, Inc. to provide economic development incentives of \$205,000.00 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 \$36,000,000.00, and includes 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 create 50-150 new on-site full-time jobs over five (5) years.

July 6, 2021 the City of Sealy granted Hendrix Interests, LLC. request for tax abatement relief by Chapter 312 Tax Abatement Agreement to encourage the 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 be in effect until December 31, 2029. Hendrix Industries, Inc. is located on the northeast corner, at the intersection of FM 3013 at FM 3538. The Groundbreaking Ceremony in honor of Hendrix Industries was held on December 17, 2021. As of September 2022, construction of the manufacturing plant is ongoing but not in full operation.

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 or are in the process of opening, and a few existing businesses have expanded. Fresh facades 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 was generously funded by donations from community businesses and philanthropists. Sealy Main Street hosted an art and film festival, BoTA, Battle fOr The Arts, in the Spring of 2022, which embraced the arts while bringing tourism to the City of Sealy. The Sealy Area Historical Society's Museum Park on Main Street is in the process of rehabilitating historic buildings and the caboose, and is creating a historical streetscape to recreate a historically accurate experience at the park. The Society will be hosting their annual Spring Fest at 211 East Main Street on the second Saturday in April, as well as other annual community events throughout the year.

Blinn College is in its 16<sup>th</sup> 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 associate's 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. As mentioned, a third phase is under development at the Dove Landing single-family subdivision, located at FM 3013 at Rice Field Road. The third phase will add an additional 36 homes, for a total of 114 homes in this development. As of today, 101 Certificates of Occupancy have been issued. Hunters Crossing, located on FM 2187 by Sealy Elementary is completing Phase 1, which will total 75 homes. Westward Pointe, a D. R. Horton development and the City's Municipal Utility District No. 1, located on FM 3013 at Harrison Road, will be a four-phase community with a community recreation center, is completing Phase 1, which will be 126 homes. Phase 2 has a total of 95 homes, and Phases 3 and 4 will add an additional 237 homes. In March, the city approved the plat for 106 homes for the Cane Crossing development, located on FM 3538 at Rexville Road, which is the City's Municipal Utility District No. 2. Riverwood Village, located on Eagle Lake Road near State Highway 90 currently has 14 of 46 homes under construction. 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 Evlyn Court on Schmidt Road, which will be expanding from four (4) units to 16 units.

New businesses and commercial development during 2021-2022 include Burke's Outlet, Sealy RV park, AutoZone, Taco Bell, T Mobile, Ifixandrepair, Baker Enterprises, Highway 36 retail shopping center, Scoops and Scholars, River Hills Restaurant, Ella Bella Salon, Cell Phone Guru, Wild Wild Wash, Dandy Liquor, Sealy Appliance; as well as Wolfpack Bar and Grill, Betsy's Bakery, The Wooden Spool, AIG Mirror and Glass, Mr. Find Properties, The Salon and Sealy Flower Station, which are all located in the downtown district.

## ***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, the unassigned fund balance in the general fund was at 13.5 percent of total operating expenditures, which illustrates a increase from the prior year's rate of 4.4 percent. The unrestricted net position for all enterprise funds combined was at 42 percent of total operating expenses, which is an increase from the previous year's rate of 32 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.

During the 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 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. TIRZ No. 2 terminates on December 31, 2035, or at an earlier time designated by subsequent ordinance, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, notes and other obligations of the Zone, and interest thereon, have been paid in full.

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.

Two Municipal Utility Districts (MUDs) have been created inside the corporate limits of the city in the 2021-2022 fiscal year. A MUD is a political subdivision of the State of Texas that, generally, is created to provide utility services within the MUD boundaries. D. R. Horton's Westward Pointe subdivision, located on FM 3013 at Harrison Road is the City's MUD No. 1, and Cane Crossing, located on FM 3538 at Rexville Road, is the City's MUD No. 2.

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, the 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. During fiscal year 2021-2022, construction began for the City's downtown water well which is funded by Series 2018 Certificates of Obligation funds.

In compliance with Texas Local Government Code Section 395.045, following approval of land use assumptions and a capital improvements plan, City Council approved a resolution adopting impact fees for water and sewer improvements that are attributable to new development in the City's proposed water and sewer impact fee service areas. On January 4, 2022, City Council approved a resolution to amend the water and sewer impact fee service area to include the entire area of the current extraterritorial jurisdiction of the City of Sealy. Impact fees are meant to offset the financial impact a new development places on public infrastructure and serve as an alternative to raising property taxes to pay for new infrastructure.

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.

On June 21, 2022, City Council approved the issuance of Certificates of Obligation by Ordinance in the amount of \$16,790,000.00 to provide all or part of the funds to pay contractual obligations to be incurred for the construction of public works and the purchase of materials, supplies, equipment, machinery, buildings, land and rights-of-way for authorized needs and purposes and for the payment of contractual obligations for professional services, to wit: (i) improvements and repairs to the City's street, road and stormwater drainage system, (ii) improvements and repairs to the City's water, sanitary sewer and wastewater system, (iii) improvements and repairs to the City's gas utility system; and (iv) professional services rendered in connection with the above-listed projects.

During the fiscal year 2021-2022, City Council adopted a Master Fee Schedule for the good of the government to ensure an organized means to inform the public about such fees. New development fees were established to pass the costs of development to the developer. The fee schedule is under constant review by management to ensure that fees are consistent with rates the city is being charged for consultant services, and to ensure that fees are reviewed and recommendations for updates are made to City Council, as needed, to reflect recommendations based off of the results of the utility rate study, as well as other economic studies.

### ***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.

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 complete with the exception of minor tasks to be completed. A new frontage road has been constructed on the north side of Interstate 10 from State Highway 36 to FM 3538. Another frontage road was constructed on the north side of Interstate 10 from Koy Overpass to West Front Street. All frontage roads within this project are 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 initiated a lane expansion project through the city. The project covered 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.

Due to a shortage of essential public facilities, being water tap connections, City Council approved an Ordinance on August 23, 2021 to enact a 120- day Development Moratorium. In compliance with Texas Local Government Code, Chapter 212, the Development Moratorium has followed approved procedures for extensions while the downtown water well and raw water main are under construction. As of today, the Development Moratorium remains in effect. 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. Developers who were previously approved for water capacity reservations, prior to the development moratorium, were excluded from the conditions of the moratorium only for the previously awarded water capacity reservations. A bid for the construction of the water well and water main 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 is being constructed downtown Sealy, adjacent to the Sealy Area Historical Society's Park, and is projected to be completed by mid-July 2023 and will be brought online following approval of all samples and quality standards set by the Texas Commission on Environmental Quality (TCEQ).

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 if a recommendation of impact fee adjustment is necessary by City Council. This study is projected to be completed for approval by City Council by May 2023.

The 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 Highway 36 North is in progress. To date, the only costs that have been incurred include engineering and title research fees. The total project cost of \$1,357,000 will be funded with debt proceeds from the Series 2018 Combination Tax and Revenue Certificates of Obligation. As of September 30, 2022, a total of \$659,308.69 has been expended on the project. As of March of 2023, all right-of-way acquisitions and easements for this project have been obtained and filed. Engineering is in progress. This project follows the previously completed Highway 36 water line extension 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 was awarded grant funds from the Texas General Land Office. A total of \$2,013,320.87 (\$1,993,387.00 in grant funds and \$19,933.87 in matching city funds) through the 2016 Community Development Block Grant Disaster Recovery program had been approved. These funds were 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 will be directed to the south from the storm sewer on 8<sup>th</sup> Street to Jason Street (3,665 linear feet). This project includes grading of the ditch, driveway cross culverts, and roadway repair and restoration and will provide conveyance relief to the alleyway ditch.
- The alleyway ditch will be reconstructed from the outfall located south of 8<sup>th</sup> Street to U.S. Highway 90 (1,785 linear feet). This project includes reshaping the ditch, providing a concrete trickle channel for conveyance, one driveway culvert crossing, and restoration.

In November 2019, the Texas Department of Agriculture 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 consists of the replacement of aging, failing gravity sanitary sewer lines in the area of Oak Park Drive, Frydek Road, Depriest Street, and Nelson Street. It included (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 was estimated to cost \$402,500 and required the city to provide matching funds of \$52,500. As of September 30, 2022, a total of \$59,822.65 had been expended on the project. The original TXCDBG grant funds were inadequate to complete the project, but 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 engineering costs to complete the remaining 1,950 linear feet of force main, 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. 3<sup>rd</sup> Lift Station, including replacing the piping, installing a new generator, and installing a third submersible pump. The city was also seeking grant funds through Texas Department of Agriculture (TDA) through the CDBG for improvements to streets on the east side that were impacted by the sanitary sewer improvement project. As of September 2022, the award of grant



funds in the amount of approximately \$350,000 with a local match of \$52,500 was still pending approval.

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 was estimated to cost \$356,750, which called for the city to contribute matching funds of \$161,814 toward the project. The project was completed during the 2021-2022 fiscal year.

The city applied for FEMA's Hazard Mitigation Grant Program opportunity. If awarded, grant proceeds will fund five (5) gas-powered generators at various critical infrastructure locations. The projected cost of the project is \$678,800 and the city's local match, if awarded, would be \$67,880 which would be funded with debt proceeds from the Series 2018 Combination Tax and Revenue Certificates of Obligation. The city's application is being evaluated by Texas Department of Emergency Management. On March 3, 2023, TDEM requested the city's completion of a survey as part of the assessment process. The city has been informed on March 24, 2023 that this grant application is in step 12 of 22 of the review process.

The Walmart Distribution sewer upsizing project was approved to increase the trunk sewer capacity to take on increased capacity to serve the D R Horton Westward Pointe development. The trunk line would only allow 102 additional connections to be tied into the trunk sewer. The city 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 was funded with debt proceeds from the Series 2018 Combination Tax and Revenue Certificates of Obligation. D R Horton made a financial contribution toward the funding of this project. Those proceeds were credited to the 2018 Combination Tax and Revenue Certificates of Obligation funds.

Additionally, the city submitted a FEMA Hazard Mitigation Grant Program application for consideration of grant funds for drainage mitigation. If awarded, grant proceeds would fund a drainage improvement plan consisting of two detention ponds and storm sewer improvements to mitigate flooding within the Allens Creek watershed between Peschel Lane and Highway 90. Project components include improvements to the Chapman B&PW Park retention pond and downstream improvements to include the replacement of aging and undersized storm sewers along Sunset Avenue and Westview Terrace, as well as a proposed stormwater detention basin being constructed on an approximately one-acre parcel located immediately upstream of Tiger Lane that provides approximately 3.6 acre-feet of flood storage for a 100-year storm event. An additional 48-inch diameter storm sewer detention basin will be constructed around the north side of the school building and will discharge into Allens Creek. The projected cost of the project is approximately \$5,567,400 and if the HMGP DR-4485 application is awarded, the city's local match commitment would be ten percent (\$556,740). On November 15, 2022, City Council passed Resolution 2022-31, which authorized the submission of a grant application for Building Resilient Infrastructure and Communities (BRIC) 2022; requiring the City of Sealy to commit 30 percent local matching funds to secure and compete the FEMA BRIC grant for the Allens Creek Detention Ponds and Sewer Improvements BRIC Subapplication 2022. Should the BRIC application be awarded, the city's local match to secure and complete the project is thirty percent (\$1,670,220), which would be funded with debt proceeds from the Series 2022

Combination Tax and Revenue Certificates of Obligation. On March 2, 2023, the Texas Department of Emergency Management requested additional information as part of the application assessment process. The city was informed on March 24, 2023, that the application is in Step 5 of 22 of the Validation Review.

### **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 comprehensive annual financial report for the fiscal year ended September 30, 2022. This was the 28<sup>th</sup> 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 comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to 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 "Krystal Sodolak". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Krystal Sodolak  
Director of Finance



Government Finance Officers Association

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**City of Sealy  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

September 30, 2021

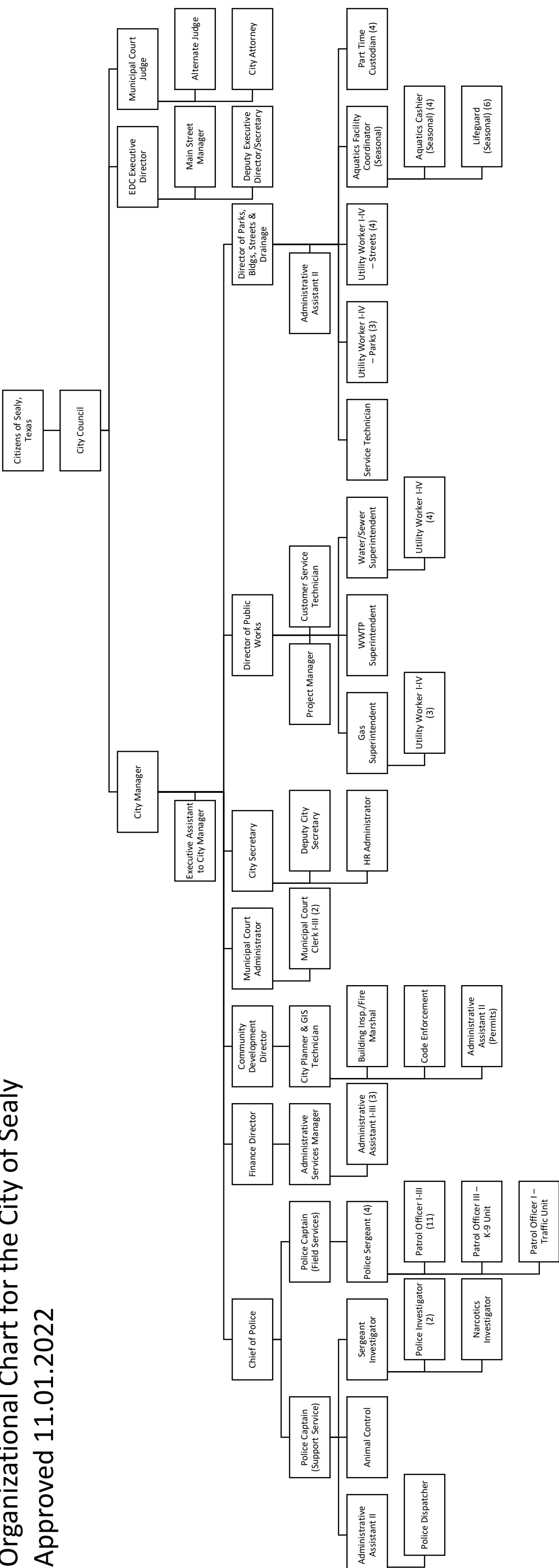
*Christopher P. Morill*

Executive Director/CEO



# Organizational Chart for the City of Sealy

Approved 11.01.2022





# CITY OF SEALY, TEXAS

## MUNICIPAL CENTER

415 Main Street

P. O. Box 517

Sealy, Texas 77474

Phone (979) 885-3511 • Fax (979) 885-3513

[www.ci.sealy.tx.us](http://www.ci.sealy.tx.us)

## City of Sealy List of Elected and Appointed Officials

As of March 20, 2023

### **Elected Officials**

Carolyn Bilski  
Dee Anne Lerma  
Chris Noack  
Bradley Miller  
Yvonne Johnson  
Edward Zapalac  
Adam Burttschell

### **Position**

Mayor  
Council Member, Place 1  
Council Member, Place 2  
Council Member, Place 3  
Council Member, Place 4  
Council Member, Place 5  
Council Member, Place 6

### **Appointed Officials**

Kimbra Hill  
Sandra Vrablec  
Krystal Sodolak  
Jay Reeves  
Chrissy McGee  
Lora Lenzsch  
Tim Kirwin  
Fawn Mackey  
Patrick Parsons  
Stephen Bozich  
Vacant

### **Position**

City Manager  
City Secretary  
Director of Finance  
Chief of Police  
Community Development Director  
Presiding Municipal Court Judge  
City Attorney  
Court Administrator  
Director of Public Works  
Director of Parks/Rec/Buildings/Streets & Drainage  
SEDC Executive Director

## ***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**

#### ***Opinions***

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sealy, Texas, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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. We are required to be independent of City of Sealy, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Emphasis of Matter***

As discussed in footnote D.V., due to the implementation of GASB Statement No. 87, *Leases*, the City restated beginning net position of governmental activities, business-type activities, component unit activities, the water and sewer fund, and the gas fund. In addition, the City restated beginning net position of governmental activities in order to recognize additions to construction -in-progress in the prior year. Our opinion is not modified with respect to these matters.

### ***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 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, 2023 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.  
Certified Public Accountants  
Houston, Texas  
March 31, 2023

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

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# City of Sealy, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### September 30, 2022

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, 2022. 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, 2022 by \$25,378,983.
- The City's total net position increased by \$3,413,705. 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 \$4,115,544 at September 30, 2022, an increase of \$2,340,900 from the prior fiscal year; this includes an increase of \$540,432 in the general fund, an increase of \$22,298 in the debt service fund, an increase of \$897,486 in the Texas grant fund, and an increase of \$880,684 in the nonmajor funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$897,459 or 14% of total general fund operating expenditures.
- The City's outstanding bonds and certificates of obligations increased by \$15,360,000 (excluding premiums) from the prior year. The total bonds and certificates of obligations at the close of the fiscal year were \$44,351,560 including premiums.
- The City's net pension liability totaled \$446,917 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, 2022

The *statement of net position* presents information on all of the City's assets/deferred outflows and liabilities/deferred inflows. 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, 2022

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 downtown revitalization, Texas grant or the American Rescue Plan Act 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 governmental-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, 2022**

### **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 and deferred outflows exceeded liabilities and deferred inflows by \$25,378,983 as of September 30, 2022, in the primary government.

The largest portion of the City's net position, \$20,627,315, 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, 2022**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	2022			2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 5,056,703	\$ 26,644,308	\$ 31,701,011	\$ 4,455,664	\$ 10,051,359	\$ 14,507,023
Capital assets, net	12,867,487	30,450,305	43,317,792	12,827,219	30,089,361	42,916,580
<b>Total Assets</b>	<b>17,924,190</b>	<b>57,094,613</b>	<b>75,018,803</b>	<b>17,282,883</b>	<b>40,140,720</b>	<b>57,423,603</b>
<b>Deferred Outflows of Resources</b>	<b>343,866</b>	<b>73,395</b>	<b>417,261</b>	<b>379,529</b>	<b>84,567</b>	<b>464,096</b>
Other liabilities	652,850	1,163,361	1,816,211	1,419,734	1,020,660	2,440,394
Long-term liabilities	19,287,443	27,581,906	46,869,349	21,755,942	11,174,549	32,930,491
<b>Total Liabilities</b>	<b>19,940,293</b>	<b>28,745,267</b>	<b>48,685,560</b>	<b>23,175,676</b>	<b>12,195,209</b>	<b>35,370,885</b>
<b>Deferred Inflows of Resources</b>	<b>1,123,643</b>	<b>247,878</b>	<b>1,371,521</b>	<b>447,747</b>	<b>103,789</b>	<b>551,536</b>
Net Position:						
Net investment in capital assets	(4,440,579)	25,067,894	20,627,315	(6,324,781)	25,380,430	19,055,649
Restricted	1,879,105	-	1,879,105	1,764,700	-	1,764,700
Unrestricted	(234,406)	3,106,969	2,872,563	(1,400,930)	2,545,859	1,144,929
<b>Total Net Position</b>	<b>\$ (2,795,880)</b>	<b>\$ 28,174,863</b>	<b>\$ 25,378,983</b>	<b>\$ (5,961,011)</b>	<b>\$ 27,926,289</b>	<b>\$ 21,965,278</b>

Current and other assets for business-type activities increased by \$16,592,949 primarily as a result of greater cash on hand, resulting from unspent bond proceeds. Other liabilities for government activities decreased by \$766,884 primarily due to prior year capital project expenses paid during the current year. Long-term liabilities for governmental activities decreased by \$2,468,499 due to current year principal payments. Long-term liabilities for business-type activities increased by \$16,407,357 due to a new bond issuance in the current year for \$16,790,000.

**City of Sealy, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2022**

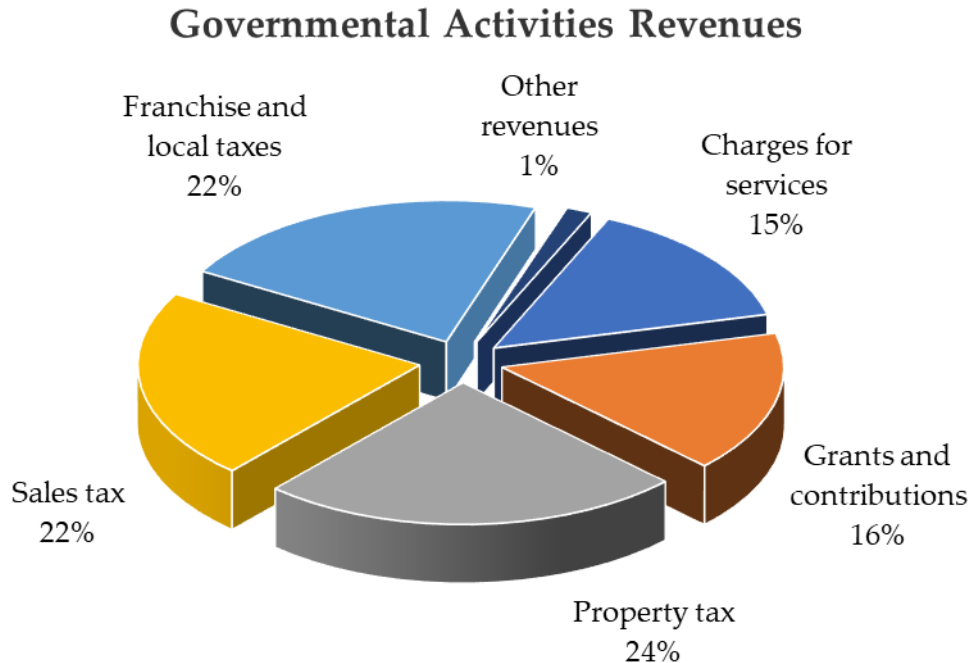
**Statement of Activities:**

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

	For the Year Ended September 30, 2022			For the Year Ended September 30, 2021		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,417,686	\$ 9,413,612	\$ 10,831,298	\$ 1,178,639	\$ 8,445,939	\$ 9,624,578
Operating grants	1,575,734	-	1,575,734	1,352,971	-	1,352,971
Capital grants	-	25,353	25,353	994,367	337,035	1,331,402
General revenues:						
Property tax	2,377,344	-	2,377,344	2,256,908	-	2,256,908
Sales tax	2,127,405	-	2,127,405	2,023,889	-	2,023,889
Franchise and local taxes	2,130,483	-	2,130,483	1,918,212	-	1,918,212
Investment income	8,122	33,784	41,906	3,117	11,297	14,414
Other revenues	144,176	38,711	182,887	140,034	309,136	449,170
<b>Total Revenues</b>	<b>9,780,950</b>	<b>9,511,460</b>	<b>19,292,410</b>	<b>9,868,137</b>	<b>9,103,407</b>	<b>18,971,544</b>
<b>Expenses</b>						
General government	2,207,359	-	2,207,359	2,246,885	-	2,246,885
Public safety	3,371,246	-	3,371,246	3,458,000	-	3,458,000
Highways and streets	655,026	-	655,026	748,309	-	748,309
Health and welfare	104,796	-	104,796	124,548	-	124,548
Culture and recreation	567,473	-	567,473	640,758	-	640,758
Interest and fiscal charges	539,617	906,203	1,445,820	634,641	404,295	1,038,936
Water and sewer	-	3,170,360	3,170,360	-	2,826,100	2,826,100
Gas	-	2,371,581	2,371,581	-	3,275,924	3,275,924
Solid waste	-	1,985,044	1,985,044	-	1,831,929	1,831,929
<b>Total Expenses</b>	<b>7,445,517</b>	<b>8,433,188</b>	<b>15,878,705</b>	<b>7,853,141</b>	<b>8,338,248</b>	<b>16,191,389</b>
<b>Change in Net Position</b>						
<b>Before Transfers</b>	<b>2,335,433</b>	<b>1,078,272</b>	<b>3,413,705</b>	<b>2,014,996</b>	<b>765,159</b>	<b>2,780,155</b>
Transfers	829,698	(829,698)	-	935,422	(935,422)	-
<b>Total</b>	<b>829,698</b>	<b>(829,698)</b>	<b>-</b>	<b>935,422</b>	<b>(935,422)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>3,165,131</b>	<b>248,574</b>	<b>3,413,705</b>	<b>2,950,418</b>	<b>(170,263)</b>	<b>2,780,155</b>
Beginning Net Position	(5,961,011)	27,926,289	21,965,278	(8,911,429)	28,096,552	19,185,123
<b>Ending Net Position</b>	<b>\$ (2,795,880)</b>	<b>\$ 28,174,863</b>	<b>\$ 25,378,983</b>	<b>\$ (5,961,011)</b>	<b>\$ 27,926,289</b>	<b>\$ 21,965,278</b>

**City of Sealy, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2022**

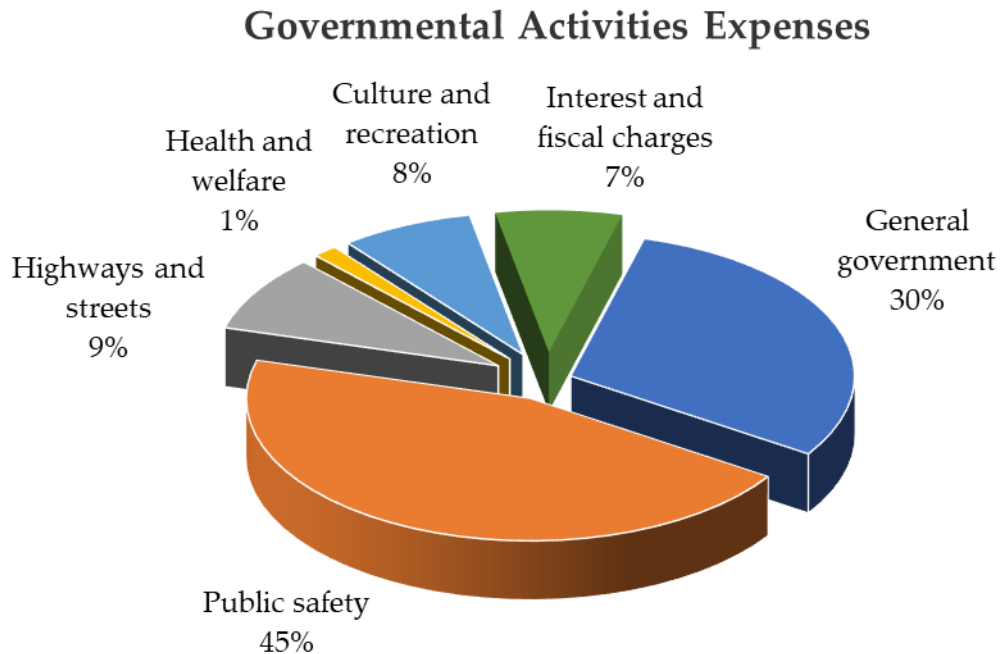
Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.



For the year ended September 30, 2022, revenues from governmental activities totaled \$9,780,950. Property tax, sales tax, and franchise tax were the City's largest general revenue sources. Overall revenue decreased \$87,187 or 1% from the prior year. Grants decreased by \$771,604 primarily due to the nonrecurring capital grants for street improvements received in the prior year. Charges for services increased by \$239,047 or 20% primarily due to greater municipal court fine collections and permits issued due to City growth. Property tax revenues increased by \$120,436 or 5% primarily due to an increase in the general operations tax rate. Sales tax and franchise tax revenue increased by \$103,516 and \$212,271, 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, 2022**

This graph shows the governmental function expenses of the City:



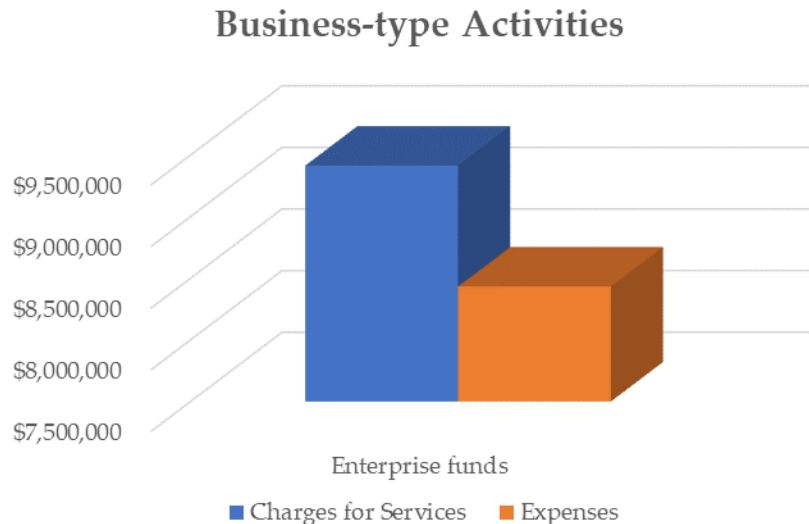
For the year ended September 30, 2022, expenses for governmental activities totaled \$7,445,517. This represents a decrease of \$407,624 or 5% from the prior year. The City's largest functional expense is public safety totaling \$3,371,246. Public safety expenses decreased by \$86,754 or 3%, which is considered consistent with the prior year. Highways and streets decreased by \$93,283 or 12% primarily due to nonrecurring equipment maintenance in the prior year and a reduction in personnel costs. Culture and recreation expenses decreased by \$73,285 or 11% primarily due to greater capitalizable expenses in the current year. In addition, personnel costs declined resulting from the decrease in the City's net pension liability. Interest and fiscal charges decreased by \$95,024 or 15% due to nonrecurring bond issuance costs in the prior year and 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, 2022

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



For the year ended September 30, 2022, charges for services by business-type activities totaled \$9,413,612. This is an increase of \$967,673 or 11% from the previous year. This increase is attributable to greater consumption and higher service rates charged in the current year. In addition, the City's consumption of water and sewer increased by 12% to 16% over the course of the year.

Total expenses increased \$94,940 or 1% to a total of \$8,433,188. This increase is primarily attributed to greater interest charges and waste consumption in the current year. Solid waste increased by \$153,115 or 8% an increase in consumption in the current year. Interest and fiscal charges increased by \$501,908 or 124% due to new debt issuance in the current year and higher interest rates. Water and sewer increased by \$344,260 or 12% primarily due to greater personnel costs, water meter supplies, and annual depreciation expenses. Gas utility expenses decreased by \$904,343 or 28% primarily as a result of a decrease in natural gas purchases and equipment rentals.

## 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, 2022, the City's governmental funds reported combined fund balances of \$4,115,544, an increase of \$2,340,900 in comparison with the prior year. Approximately 17% of this amount, \$709,500, constitutes *unassigned fund balance*. The remainder of the fund balance is either *nonspendable*,

**City of Sealy, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2022**

*restricted or committed* to indicate that it is 1) not in spendable form 2) assigned or 3) restricted for particular purposes \$3,406,044.

As of the end of the year the general fund reflected a total fund balance of \$971,292. Of this, \$73,833 is considered restricted for public safety and PEG funds and \$897,459 is unassigned. General fund balance increased by \$540,432. This increase is attributed to the City incurring less than expected expenditures.

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 \$897,459 is 14% of total general fund operating expenditures.

The debt service fund had an ending fund balance of \$649,969 as of yearend. Total fund balance increased by \$22,298 from the prior year primarily due to transfers received in the current year.

The Texas grant fund had an ending fund deficit of \$187,959. This represents an increase of \$897,486, which is a direct result of federal grant proceeds exceeding capital expenditures over the course of the 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 \$26,799,529. Total unrestricted net position at the close of the fiscal year amounted to \$3,106,969 and a total increase in net position of \$561,110 from the previous year. Total investment in capital assets, net of related debt of was \$25,067,894, and capital assets, net of depreciation totaled \$30,450,305.

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

No supplemental budget amendments were made during the year. Total budgeted revenues of \$7,524,876 were greater than actual revenues of \$7,150,556, resulting in a total negative revenue variance of \$374,320. The majority of this variance is a result of actual intergovernmental revenue and license/permit revenue being under the final budget. Total budgeted expenditures of \$7,501,870 were greater than actual expenditures of \$6,625,834, resulting in a total positive expenditure variance of \$876,036. Four general fund departments exceeded appropriations at the legal level of control.

#### **CAPITAL ASSETS**

As of the end of the year, the City's governmental activities funds had invested \$12,867,487 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$30,450,305 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, 2022**

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

- Front Street improvements totaling \$523,708.
- Westview Drainage improvement totaling \$73,361.
- Leased two Caterpillar Forklifts for \$14,695.
- Animal Control building improvements for \$106,875.
- Downtown water well improvements totaling \$578,816.
- Water Master Plan improvements totaling \$61,993.
- Highway 36 sewer extension totaling \$45,317.
- Purchased a generator for the water plant/lift station for \$16,000.
- Improvements to the utility master plans totaling \$21,500.
- Purchased playground equipment \$35,265.

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 obligations increased by \$15,360,000 (excluding premiums) from the prior year. The total bonds and certificates of obligations at the close of the fiscal year were \$44,351,560 including premiums. The City's outstanding notes payable and lease liabilities totaled \$1,820,117.

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 2022 tax rate (i.e., the portion that provides funding for the general fund) was increased from \$0.19651 to \$0.192627 per \$100 taxable valuation. Based on 2022 property values, this increase will provide 14.7% more in M&O tax revenue than last year's budget. This increase will lower M&O taxes on a \$100,000 home by approximately \$3.88.
- 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 increased from \$0.06924 to \$0.159563 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

# City of Sealy, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2022

assets had previously been included in the I&S tax rate calculation. However, these portions of 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 \$42,715,000.

- The total property tax rate increased from \$0.265750 to \$0.352190 per \$100 taxable valuation. This was a total tax rate increase of \$0.08644, or 32.5%. This budget will raise more revenue from property taxes than last year's budget by an amount of \$1,142,561, which is a 51.82 percent increase from last year's budget. The property tax revenue to be raised from new property added to the tax roll this year is \$122,590.

### 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: 17.05%
  - Sewer: 21.48%
  - Gas: 6.55%
  - Solid waste: 23.85%

### Utility rates, revenues, and infrastructure maintenance:

- For the 2023 budget year, the City has implemented increased certain 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.

### Interfund Transfers:

- The City has budgeted \$986,539 in interfund transfers from the Water and Sewer Enterprise Fund to the general fund to subsidize the approved budget as needed.

# City of Sealy, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)

September 30, 2022

### 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 during the fiscal year 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:
  - 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;
  - street paving and drainage improvements and associated engineering services;
  - additional improvements to Scranton Park;
  - a new laptop for meter reading for the water and gas departments;
  - replace a John Deere Box Blade Tractor for streets, parks, water, sewer, and gas departments;
  - Mechanic vehicle lift;
  - replace zero-turn lawnmower for Parks Dept;
  - 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.

# City of Sealy, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2022

- 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 \$70,926 to fund improvement grants for businesses within the city's historic downtown district and \$246,000 in business incentives to new developments occurring in the city. The corporation has also contractually agreed to contribute up to \$72,194 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.
- The City is poised for growth and expansion in both residential and commercial development and City staff is focused on ensuring the infrastructure is in place to support the citizens of Sealy. Some of the initiatives in progress are listed below.
  - Due to a shortage of essential public facilities, being water tap connections, City Council approved an Ordinance on August 23, 2021 to enact a 120- day Development Moratorium. In compliance with Texas Local Government Code, Chapter 212, the Development Moratorium has followed approved procedures for extensions while the downtown water well and raw water main are under construction. As of March 27, 2023 the Development Moratorium remains in effect. 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 bid for construction of the water well and water main was approved on March 15, 2022 and completion is projected to be mid-July.
  - 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 if a recommendation of impact fee adjustment is necessary by City Council. This study is projected to be completed for approval by City Council by May 2023.
  - The city-funded 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 Highway 36 North is in progress. The total project cost of \$1,357,000 will be funded with debt proceeds from the Series 2018 Combination Tax and Revenue Certificates of Obligation. As of September 30, 2022, a total of \$659,308.69 has been expended on the project. As of March of 2023, all right-of-way acquisitions and easements for this project have been obtained and filed. Engineering is in progress. This project follows the previously completed Highway 36 water line extension 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

# City of Sealy, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2022

passed additional drainage requirements for new construction. To ease the burden of mitigation, the city was awarded grant funds from the Texas General Land Office. A total of \$2,013,320.87 (\$1,993,387.00 in grant funds and \$19,933.87 in matching city funds) through the 2016 Community Development Block Grant Disaster Recovery program had been approved. These funds were 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 will be directed to the south from the storm sewer on 8th Street to Jason Street (3,665 linear feet). This project includes grading of the ditch, driveway cross culverts, and roadway repair and restoration and will provide conveyance relief to the alleyway ditch.
- The alleyway ditch will be reconstructed from the outfall located south of 8th Street to U.S. Highway 90 (1,785 linear feet). This project includes reshaping the ditch, providing a concrete trickle channel for conveyance, one driveway culvert crossing, and restoration.
- In November 2019, the Texas Department of Agriculture 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 consists of the replacement of aging, failing gravity sanitary sewer lines in the area of Oak Park Drive, Frydek Road, Depriest Street, and Nelson Street. It included (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 was estimated to cost \$402,500 and required the city to provide matching funds of \$52,500. As of September 30, 2022, a total of \$59,822.65 had been expended on the project. The original TXCDBG grant funds were inadequate to complete the project, but 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 engineering costs to complete the remaining 1,950 linear feet of force main, 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 Lift Station, including replacing the piping, installing a new generator, and installing a third submersible pump. The city was also seeking grant funds through Texas Department of Agriculture (TDA) through the CDBG for improvements to streets on the east side that were impacted by the sanitary sewer improvement project. As of September 2022, the award of grant funds in the amount of approximately \$350,000 with a local match of \$52,500 was still pending approval.

# City of Sealy, Texas

## *MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*

September 30, 2022

- The city applied for FEMA's Hazard Mitigation Grant Program opportunity. If awarded, grant proceeds will fund five (5) gas-powered generators at various critical infrastructure locations. The projected cost of the project is \$678,800 and the city's local match, if awarded, would be \$67,880 which would be funded with debt proceeds from the Series 2018 Combination Tax and Revenue Certificates of Obligation. The city's application is being evaluated by Texas Department of Emergency Management. On March 3, 2023, TDEM requested the city's completion of a survey as part of the assessment process. The city has been informed that this grant application is in step 12 of 22 of the review process as of March 24, 2023.
- The city applied for the Office of the Governor (Texas OOG) Ballistic Shields Grant for the Sealy Police Department, as of March 27, 2023 the grant reimbursement of the shields is pending approval.

### **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, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 4,226,226	\$ 24,854,907	\$ 29,081,133
Restricted cash	56,625	1,278	57,903
Receivables, net	956,927	1,583,829	2,540,756
Inventories	-	17,840	17,840
Internal balances	(186,454)	186,454	-
Due from component unit	3,379	-	3,379
<b>Total Current Assets</b>	<b>5,056,703</b>	<b>26,644,308</b>	<b>31,701,011</b>
Capital assets:			
Non-depreciable	1,610,948	2,144,305	3,755,253
Net depreciable capital assets	11,256,539	28,306,000	39,562,539
<b>Total Noncurrent Assets</b>	<b>12,867,487</b>	<b>30,450,305</b>	<b>43,317,792</b>
<b>Total Assets</b>	<b>17,924,190</b>	<b>57,094,613</b>	<b>75,018,803</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred charge on refunding	11,164	-	11,164
Pension outflows	298,397	65,827	364,224
OPEB outflows	34,305	7,568	41,873
<b>Total Deferred Outflows of Resources</b>	<b>343,866</b>	<b>73,395</b>	<b>417,261</b>

See Notes to Financial Statements.



Component Unit
Sealy Economic
Development
Corporation

\$	1,640,335
	-
	173,937
	-
	-
	-
	1,814,272

	-
	6,528
	6,528
	1,820,800

	-
	-
	-
	-

# City of Sealy, Texas

## STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2022

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	\$ 382,511	\$ 537,609	\$ 920,120
Customer deposits	-	334,244	334,244
Accrued interest payable	41,441	258,855	300,296
Compensated absences, current	228,898	32,653	261,551
Long-term debt due within one year	1,318,219	600,229	1,918,448
Due to primary government	-	-	-
<b>Total Current Liabilities</b>	<b>1,971,069</b>	<b>1,763,590</b>	<b>3,734,659</b>
Noncurrent liabilities:			
Net pension liability	366,145	80,772	446,917
OPEB liability	181,627	40,067	221,694
Compensated absences, noncurrent	25,433	3,628	29,061
Long-term debt due in more than one year	17,396,019	26,857,210	44,253,229
<b>Total Noncurrent Liabilities</b>	<b>17,969,224</b>	<b>26,981,677</b>	<b>44,950,901</b>
<b>Total Liabilities</b>	<b>19,940,293</b>	<b>28,745,267</b>	<b>48,685,560</b>
<b><u>Deferred Inflows of Resources</u></b>			
Pension inflows	1,115,249	246,026	1,361,275
OPEB inflows	8,394	1,852	10,246
<b>Total Deferred Inflows of Resources</b>	<b>1,123,643</b>	<b>247,878</b>	<b>1,371,521</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	(4,440,579)	25,067,894	20,627,315
Restricted for:			
Municipal court	271,907	-	271,907
Public safety	43,404	-	43,404
Debt service	649,969	-	649,969
Tourism	492,561	-	492,561
Capital improvement	8,741	-	8,741
Park land dedication	66,921	-	66,921
TIRZ	3,768	-	3,768
Child safety	9,575	-	9,575
Municipal drainage	275,634	-	275,634
Forfeited property	56,625	-	56,625
Economic development	-	-	-
Unrestricted	(234,406)	3,106,969	2,872,563
<b>Total Net Position (Deficit)</b>	<b>\$ (2,795,880)</b>	<b>\$ 28,174,863</b>	<b>\$ 25,378,983</b>

Component Unit
Sealy Economic
Development
Corporation

\$	5,434
	-
	-
	8,964
	2,490
	3,379
	<u>20,267</u>

	-
	-
	996
	4,533
	<u>5,529</u>
	<u>25,796</u>

	-
	-
	<u>-</u>
	<u>-</u>

(495)

	-
	-
	-
	-
	-
	-
	-
	-
	-
	1,795,499
	-
\$	<u><u>1,795,004</u></u>

**City of Sealy, Texas**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 2,207,359	\$ 278,231	\$ 1,575,734	\$ -
Public safety	3,371,246	700,175	-	-
Highways and streets	655,026	439,280	-	-
Health and welfare	104,796	-	-	-
Culture and recreation	567,473	-	-	-
Interest and fiscal charges	539,617	-	-	-
<b>Total Governmental Activities</b>	<u>7,445,517</u>	<u>1,417,686</u>	<u>1,575,734</u>	<u>-</u>
<b>Business-Type Activities</b>				
Water and sewer	4,076,563	4,909,013	-	25,353
Gas	2,371,581	2,469,639	-	-
Solid waste	1,985,044	2,034,960	-	-
<b>Total Business-Type Activities</b>	<u>8,433,188</u>	<u>9,413,612</u>	<u>-</u>	<u>25,353</u>
<b>Total Primary Government</b>	<u>\$ 15,878,705</u>	<u>\$ 10,831,298</u>	<u>\$ 1,575,734</u>	<u>\$ 25,353</u>
<b>Component Unit</b>				
Economic development	\$ 636,224	\$ -	\$ -	\$ -
<b>Total Component Unit</b>	<u>\$ 636,224</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	
\$ (353,394)	\$ -	\$ (353,394)	\$ -
(2,671,071)	-	(2,671,071)	-
(215,746)	-	(215,746)	-
(104,796)	-	(104,796)	-
(567,473)	-	(567,473)	-
(539,617)	-	(539,617)	-
(4,452,097)	-	(4,452,097)	-
-	857,803	857,803	-
-	98,058	98,058	-
-	49,916	49,916	-
-	1,005,777	1,005,777	-
(4,452,097)	1,005,777	(3,446,320)	-
			(636,224)
			(636,224)
2,377,344	-	2,377,344	-
2,127,405	-	2,127,405	1,042,630
2,130,483	-	2,130,483	-
8,122	33,784	41,906	3,509
144,176	38,711	182,887	7,480
829,698	(829,698)	-	-
7,617,228	(757,203)	6,860,025	1,053,619
3,165,131	248,574	3,413,705	417,395
(5,961,011)	27,926,289	21,965,278	1,377,609
\$ (2,795,880)	\$ 28,174,863	\$ 25,378,983	\$ 1,795,004

# City of Sealy, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2022

	General	Debt Service	Texas Grant Fund
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 969,729	\$ 649,969	\$ -
Receivables, net	407,765	29,558	-
Due from component unit	3,379	-	-
Restricted cash	-	-	-
<b>Total Assets</b>	<b>\$ 1,380,873</b>	<b>\$ 679,527</b>	<b>\$ -</b>
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	\$ 356,748	\$ -	\$ 1,505
Due to other funds	-	-	186,454
<b>Total Liabilities</b>	<b>356,748</b>	<b>-</b>	<b>187,959</b>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue - property taxes	41,933	29,558	-
Unavailable revenue - liens	10,900	-	-
Unavailable revenue - special assessments	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>52,833</b>	<b>29,558</b>	<b>-</b>
<b><u>Fund Balances</u></b>			
Restricted for:			
Debt service	-	649,969	-
Public safety	43,404	-	-
PEG fees	30,429	-	-
Capital improvement	-	-	-
Tourism	-	-	-
TIRZ	-	-	-
Child safety	-	-	-
Municipal court	-	-	-
Municipal drainage	-	-	-
Park land dedication	-	-	-
American rescue plan act	-	-	-
Forfeited property	-	-	-
Unassigned reported in:			
General fund	897,459	-	-
Special revenue funds	-	-	(187,959)
<b>Total Fund Balances</b>	<b>971,292</b>	<b>649,969</b>	<b>(187,959)</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 1,380,873</b>	<b>\$ 679,527</b>	<b>\$ -</b>

See Notes to Financial Statements.

<b>Nonmajor Governmental</b>	<b>Total Governmental Funds</b>
\$ 2,583,592	\$ 4,203,290
519,604	956,927
-	3,379
56,625	56,625
<u>\$ 3,159,821</u>	<u>\$ 5,220,221</u>
\$ 24,258	\$ 382,511
-	186,454
<u>24,258</u>	<u>568,965</u>
-	71,491
-	10,900
453,321	453,321
<u>453,321</u>	<u>535,712</u>
-	649,969
-	43,404
-	30,429
8,741	8,741
492,561	492,561
3,768	3,768
9,575	9,575
271,907	271,907
275,634	275,634
66,921	66,921
1,496,510	1,496,510
56,625	56,625
-	897,459
-	(187,959)
<u>2,682,242</u>	<u>4,115,544</u>
<u>\$ 3,159,821</u>	<u>\$ 5,220,221</u>

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# City of Sealy, Texas

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

September 30, 2022

<b>Fund Balances - Total Governmental Funds</b>	\$ 4,115,544
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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	1,610,948
Capital assets - net depreciable	11,256,539

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

Property taxes	71,491
Liens	10,900
Special assessments	453,321

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	11,164
Pension outflows	298,397
OPEB outflows	34,305

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	22,936
--	--------

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	(8,394)
Pension inflows	(1,115,249)

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

Net pension liability	(366,145)
OPEB liability	(181,627)
Accrued interest	(41,441)
Bond premium	(678,486)
Compensated absences	(254,331)
Non-current liabilities due in one year	(1,318,219)
Non-current liabilities due in more than one year	(16,717,533)

<b>Net Position of Governmental Activities</b>	<b>\$ (2,795,880)</b>
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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, 2022

	General	Debt Service	Texas Grant Fund
<b><u>Revenues</u></b>			
Property tax	\$ 1,637,689	\$ 601,834	\$ -
Sales tax	2,127,405	-	-
Franchise and local taxes	1,951,402	-	-
Property rentals	23,280	-	-
License and permits	439,280	-	-
Charges for services	94,000	-	-
Fines and forfeitures	627,140	-	-
Contributions and donations	204,519	-	-
Intergovernmental	-	73,052	1,455,759
Investment income	1,662	2,243	-
Other revenues	44,179	-	-
<b>Total Revenues</b>	<b>7,150,556</b>	<b>677,129</b>	<b>1,455,759</b>
<b><u>Expenditures</u></b>			
City council	34,960	-	-
City manager	372,263	-	-
Building services	234,637	-	-
Mechanic shop	48,315	-	-
Finance	533,999	-	-
Municipal court	275,455	-	-
Information technology	138,816	-	-
City secretary	168,186	-	-
Police	2,708,987	-	-
Planning and community development	604,711	-	-
Fire marshal	51,664	-	-
Highways and streets	529,770	-	-
Animal control	39,989	-	-
Human resources	67,413	-	-
Swimming pool	58,493	-	-
Nondepartmental	120,947	-	54,500
Parks and recreation	382,266	-	-
Tourism	-	-	-
Capital outlay	9,034	-	523,708
Debt service			
Principal	227,978	1,030,000	-
Interest	17,951	546,649	-
<b>Total Expenditures</b>	<b>6,625,834</b>	<b>1,576,649</b>	<b>578,208</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>524,722</b>	<b>(899,520)</b>	<b>877,551</b>

<b>Nonmajor Governmental</b>	<b>Total Governmental Funds</b>
\$ 145,496	\$ 2,385,019
-	2,127,405
179,081	2,130,483
-	23,280
-	439,280
197,339	291,339
73,035	700,175
35,000	239,519
801,771	2,330,582
4,217	8,122
76,971	121,150
<u>1,512,910</u>	<u>10,796,354</u>
-	34,960
-	372,263
-	234,637
-	48,315
-	533,999
23,598	299,053
-	138,816
-	168,186
9,199	2,718,186
-	604,711
-	51,664
-	529,770
-	39,989
-	67,413
-	58,493
211,062	386,509
-	382,266
104,796	104,796
-	532,742
145,158	1,403,136
25,343	589,943
<u>519,156</u>	<u>9,299,847</u>
993,754	1,496,507

# 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, 2022

	General	Debt Service	Texas Grant Fund
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	\$ 1,015	\$ 921,818	\$ 19,935
Transfers (out)	-	-	-
Note payable issuance	14,695	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>15,710</b>	<b>921,818</b>	<b>19,935</b>
<b>Net Change in Fund Balances</b>	<b>540,432</b>	<b>22,298</b>	<b>897,486</b>
Beginning fund balances	430,860	627,671	(1,085,445)
<b>Ending Fund Balances</b>	<b>\$ 971,292</b>	<b>\$ 649,969</b>	<b>\$ (187,959)</b>

See Notes to Financial Statements.

<b>Nonmajor Governmental</b>	<b>Total Governmental Funds</b>
\$ 170,501	\$ 1,113,269
(283,571)	(283,571)
-	14,695
(113,070)	844,393
880,684	2,340,900
1,801,558	1,774,644
\$ 2,682,242	\$ 4,115,544

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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, 2022**

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

Net changes in fund balances - total governmental funds	\$ 2,340,900
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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	776,195
Depreciation expense	(735,927)

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

Property taxes	(7,675)
Special assessments	(254)
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	350,962
OPEB expense	(21,484)
Compensated absences	34,765
Accrued interest	1,674
Amortization of deferred charges on refunding	(3,539)
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	1,257,979
Note payable issuance	(14,695)
Developer payable, net	132,049

Internal service funds are used by management to charge the cost of insurance to individual funds. The net revenue of certain activities of internal	(3,643)
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ 3,165,131</b>
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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, 2022

	Water and Sewer	Gas	Solid Waste
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 24,306,056	\$ 548,851	\$ -
Restricted cash	1,178	100	-
Receivables, net	721,031	508,672	351,895
Other receivables	2,231	-	-
Inventories	8,733	8,457	650
Due from other funds	813,188	-	-
<b>Total Current Assets</b>	<b>25,852,417</b>	<b>1,066,080</b>	<b>352,545</b>
<b><u>Noncurrent Assets</u></b>			
Capital assets:			
Non-depreciable	2,053,430	28,875	62,000
Net depreciable capital assets	27,011,470	1,294,530	-
<b>Total Noncurrent Assets</b>	<b>29,064,900</b>	<b>1,323,405</b>	<b>62,000</b>
<b>Total Assets</b>	<b>54,917,317</b>	<b>2,389,485</b>	<b>414,545</b>
<b><u>Deferred Outflows of Resources</u></b>			
Pension outflows	39,230	26,597	-
OPEB outflows	4,510	3,058	-
<b>Total Deferred Outflows of Resources</b>	<b>43,740</b>	<b>29,655</b>	<b>-</b>

See Notes to Financial Statements.



Total Enterprise Funds		Internal Service Fund	
		Self-	Insurance
\$ 24,854,907	\$	22,936	
1,278		-	
1,581,598		-	
2,231		-	
17,840		-	
813,188		-	
<u>27,271,042</u>		<u>22,936</u>	
2,144,305		-	
<u>28,306,000</u>		<u>-</u>	
30,450,305		-	
<u>57,721,347</u>		<u>22,936</u>	
65,827		-	
7,568		-	
<u>73,395</u>		<u>-</u>	

# City of Sealy, Texas

## STATEMENT OF NET POSITION (Page 2 of 2)

### PROPRIETARY FUND

September 30, 2022

	Water and Sewer	Gas	Solid Waste
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	\$ 69,496	\$ 253,259	\$ 133,497
Accrued expenses	31,288	24,461	25,608
Customer deposits	190,589	143,655	-
Current maturities of long-term debt	509,492	90,737	-
Compensated absences, current	22,371	10,282	-
Accrued interest	258,855	-	-
Due to other funds	-	200,000	426,734
<b>Total Current Liabilities</b>	<b>1,082,091</b>	<b>722,394</b>	<b>585,839</b>
<b><u>Noncurrent Liabilities</u></b>			
Long-term debt, noncurrent	26,857,210	-	-
Compensated absences, noncurrent	2,486	1,142	-
Net pension liability	48,137	32,635	-
OPEB liability	23,878	16,189	-
<b>Total Liabilities</b>	<b>28,013,802</b>	<b>772,360</b>	<b>585,839</b>
<b><u>Deferred Inflows of Resources</u></b>			
Pension inflows	146,622	99,404	-
OPEB inflows	1,104	748	-
<b>Total Deferred Inflows of Resources</b>	<b>147,726</b>	<b>100,152</b>	<b>-</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	23,698,226	1,307,668	62,000
Unrestricted	3,101,303	238,960	(233,294)
<b>Total Net Position</b>	<b>\$ 26,799,529</b>	<b>\$ 1,546,628</b>	<b>\$ (171,294)</b>

See Notes to Financial Statements.

<b>Total Enterprise Funds</b>	<b>Internal Service Fund</b>
\$ 456,252	\$ -
81,357	-
334,244	-
600,229	-
32,653	-
258,855	-
626,734	-
<u>2,390,324</u>	<u>-</u>
26,857,210	-
3,628	-
80,772	-
40,067	-
<u>29,372,001</u>	<u>-</u>
246,026	-
1,852	-
<u>247,878</u>	<u>-</u>
25,067,894	-
3,106,969	22,936
<u>\$ 28,174,863</u>	<u>\$ 22,936</u>

# City of Sealy, Texas

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

For the Year Ended September 30, 2022

	Water and Sewer	Gas	Solid Waste
<b><u>Operating Revenues</u></b>			
Water revenue	\$ 2,358,040	\$ -	\$ -
Sanitation revenue	-	-	2,034,960
Sewer revenue	1,822,367	-	-
Gas revenue	-	2,400,897	-
Tap and impact fees	604,494	68,742	-
Service charges	-	-	-
Penalties and interest	124,112	-	-
Other revenue	38,711	-	-
<b>Total Operating Revenues</b>	<b>4,947,724</b>	<b>2,469,639</b>	<b>2,034,960</b>
<b><u>Operating Expenses</u></b>			
Personnel services - water	429,842	-	-
Personnel services - sewer	141,993	-	-
Personnel services - gas	-	422,697	-
Material and supplies - water	160,858	-	-
Material and supplies - sewer	40,144	-	-
Material and supplies - gas	-	55,069	-
Other services - water	766,229	-	-
Other services - sewer	595,655	-	-
Other services	-	1,831,353	1,983,170
Claim payments and fees	-	-	-
Depreciation	1,035,639	59,229	-
<b>Total Operating Expenses</b>	<b>3,170,360</b>	<b>2,368,348</b>	<b>1,983,170</b>
<b>Operating Income (Loss)</b>	<b>1,777,364</b>	<b>101,291</b>	<b>51,790</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Investment income	32,258	1,526	-
Interest expense	(906,203)	(3,233)	(1,874)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(873,945)</b>	<b>(1,707)</b>	<b>(1,874)</b>
<b>Income (Loss) Before Transfers</b>	<b>903,419</b>	<b>99,584</b>	<b>49,916</b>
<b><u>Transfers</u></b>			
Capital grants	25,353	-	-
Transfers in	99,015	21,500	-
Transfers (out)	(910,764)	(39,449)	-
<b>Change in Net Position</b>	<b>117,023</b>	<b>81,635</b>	<b>49,916</b>
Beginning net position	26,682,506	1,464,993	(221,210)
<b>Ending Net Position</b>	<b>\$ 26,799,529</b>	<b>\$ 1,546,628</b>	<b>\$ (171,294)</b>

See Notes to Financial Statements.

Total Enterprise Funds		Internal Service Fund Self- Insurance
\$	2,358,040	\$ -
	2,034,960	-
	1,822,367	-
	2,400,897	-
	673,236	-
	-	-
	124,112	-
	38,711	-
	9,452,323	-
	429,842	-
	141,993	-
	422,697	-
	160,858	-
	40,144	-
	55,069	-
	766,229	-
	595,655	-
	3,814,523	-
	-	3,643
	1,094,868	-
	7,521,878	3,643
	1,930,445	(3,643)
	33,784	-
	(911,310)	-
	(877,526)	-
	1,052,919	(3,643)
	25,353	-
	120,515	-
	(950,213)	-
	248,574	(3,643)
	27,926,289	26,579
\$	28,174,863	\$ 22,936

**City of Sealy, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Page 1 of 2)**  
**For the Year Ended September 30, 2022**

	Water and Sewer	Gas	Solid Waste
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from customers and users	\$ 4,865,007	\$ 2,499,035	\$ 2,028,570
Payments to suppliers and contractors	(1,576,456)	(1,883,177)	(2,135,289)
Payments for insurance claims	-	-	-
Payments to employees for salaries and benefits	(645,247)	(440,654)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>2,643,304</b>	<b>175,204</b>	<b>(106,719)</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Transfers in	99,015	21,500	-
Transfers (out)	(910,764)	(39,449)	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(811,749)</b>	<b>(17,949)</b>	<b>-</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Purchases of capital assets	(1,401,127)	(32,641)	-
Capital grants	25,353	-	-
Proceeds from capital debt	17,367,035	-	-
Principal paid on capital debt	(448,969)	(262,308)	-
Interest and fiscal charges paid on capital debt	(705,793)	(3,233)	(1,874)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>14,836,499</b>	<b>(298,182)</b>	<b>(1,874)</b>
<b><u>Cash Flows from Investing Activities</u></b>			
Interest on investments	32,258	1,526	-
<b>Net Cash Provided by Investing Activities</b>	<b>32,258</b>	<b>1,526</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>16,700,312</b>	<b>(139,401)</b>	<b>(108,593)</b>
Beginning cash and cash equivalents	7,606,922	688,352	108,593
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 24,307,234</b>	<b>\$ 548,951</b>	<b>\$ -</b>

See Notes to Financial Statements.

Total		Internal Service	
Enterprise		Fund	
Funds		Self-	
		Insurance	
\$ 9,392,612		\$ -	
(5,594,922)		-	
-		(3,643)	
(1,085,901)		-	
2,711,789		(3,643)	
120,515		-	
(950,213)		-	
(829,698)		-	
(1,433,768)		-	
25,353		-	
17,367,035		-	
(711,277)		-	
(710,900)		-	
14,536,443		-	
33,784		-	
33,784		-	
16,452,318		(3,643)	
8,403,867		26,579	
\$ 24,856,185		\$ 22,936	

**City of Sealy, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Page 2 of 2)**  
**For the Year Ended September 30, 2022**

	<u>Water and Sewer</u>	<u>Gas</u>	<u>Solid Waste</u>
<b><u>Reconciliation of Operating Income (Loss)</u></b>			
<b><u>to Net Cash Provided (Used) by Operating Activities</u></b>			
Operating Income (Loss)	\$ 1,777,364	\$ 101,291	\$ 51,790
Adjustments to reconcile operating income to net cash provided (used):			
Depreciation	1,035,639	59,229	-
<b>Changes in Operating Assets and Liabilities:</b>			
<b>(Increase) Decrease in:</b>			
Accounts receivable	(108,008)	13,811	(6,390)
Due from other funds	110,866	-	-
<b>Increase (Decrease) in:</b>			
Accounts payable and accrued expenses	(124,436)	103,245	(101,209)
Customer deposits	25,291	15,585	-
Due to other funds	-	(100,000)	(50,910)
Deferred Outflows of Resources:			
Pension outflows	9,781	379	-
OPEB outflows	1,024	(12)	-
Deferred Inflows of Resources:			
Pension inflows	80,333	62,918	-
OPEB inflows	450	388	-
Net pension liability	(163,929)	(84,087)	-
OPEB liability	(1,071)	2,457	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 2,643,304</u></b>	<b><u>\$ 175,204</u></b>	<b><u>\$ (106,719)</u></b>

**Schedule of Non-Cash Capital and Related  
Financing Activities**

Notes issued for capital assets	\$ 14,695	\$ 7,347	\$ -
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See Notes to Financial Statements.



Total Enterprise Funds	Internal Service	
	Fund Self- Insurance	
\$ 1,930,445	\$	(3,643)
1,094,868		-
(100,587)		-
110,866		-
(122,400)		-
40,876		-
(150,910)		-
10,160		-
1,012		-
143,251		-
838		-
(248,016)		-
1,386		-
<u>\$ 2,711,789</u>	<u>\$</u>	<u>(3,643)</u>

\$ 22,042	\$	-
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# City of Sealy, Texas

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

### 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, 2022

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, 2022

#### 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, 2022

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

# City of Sealy, Texas

## *NOTES TO FINANCIAL STATEMENTS, Continued*

### September 30, 2022

funds include the PID #1, hotel/motel occupancy tax fund, TIRZ #2 fund, chapter 59 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, 2022

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 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, 2022

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, 2022**

**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, 2022**

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.

<b>Asset Description</b>	<b>Estimated Useful Life</b>
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 assets 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 assets 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, 2022

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, 2022

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 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, 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. Leases**

Lessee: The City and SEDC is a lessee for noncancellable leases of vehicles and equipment. The City and SEDC recognizes a lease liability and an intangible right-to-use lease asset

# City of Sealy, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2022

(lease asset) in the full-accrual financial statements. The City and SEDC recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City and SEDC initially measure the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City and SEDC determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City and SEDC uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City and SEDC uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City and SEDC is reasonably certain to exercise.

The City and SEDC monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

## **12. 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 the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **13. Other Postemployment Benefits ("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

# City of Sealy, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

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.

### **14. 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 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

# City of Sealy, Texas

## *NOTES TO FINANCIAL STATEMENTS, Continued*

### September 30, 2022

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 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.



# City of Sealy, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

### 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.”

## 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

**City of Sealy, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2022**

appropriations were made for the year ended September 30, 2022. Other special revenue funds have budgets for management purposes.

**A. Expenditures Over Appropriations**

For the year ended September 30, 2022, total expenditures exceeded appropriations at the legal level of control as follows:

General Fund:

Finance	\$ 14,139
Human resources	18,469
Principal	189,543
Interest	17,037

Debt Service Fund:

Principal	\$ 517,285
Interest	403,704

TIRZ #2:

General government	\$ 7,176
Transfers (out)	7,539

Municipal Drainage:

General government	\$ 53,039
Transfers (out)	19,934

Time Payment:

Transfers (out)	\$ 1,015
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Park Land Dedication:

General government	\$ 35,265
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Public Improvement District #1:

General government	\$ 85
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American Rescue Plan Act:

General government	\$ 13,592
Transfers (out)	\$ 92,120

# City of Sealy, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2022

#### B. Deficit Fund Balances

As of September 30, 2022, the solid waste fund and the Texas grant fund had deficit fund balances of \$171,294 and \$187,959, 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 \$3,406,044, of which, \$281,482 is restricted by enabling legislation.

### IV. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

As of September 30, 2022, the primary government had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
External investment pools	\$ 5,401	0.06
Total value	<u>\$ 5,401</u>	
Portfolio weighted average maturity		0.06

As of September 30, 2022, the component unit had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
External investment pools	\$ 1,082	0.06
Total value	<u>\$ 1,082</u>	
Portfolio weighted average maturity		0.06

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

# City of Sealy, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2022

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, 2022, the market values of pledged securities and FDIC exceeded bank balances for the primary government and SEDC.

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

#### **TexPool**

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

**City of Sealy, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2022**

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.

**B. Receivables**

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

	<b>Primary Government</b>				<b>Total</b>
	<b>General</b>	<b>Debt Service</b>	<b>Nonmajor Governmental</b>	<b>Enterprise Funds</b>	
Property taxes	\$ 41,933	\$ 29,558	-	\$ -	\$ 71,491
Sales tax	337,488	-	-	-	337,488
Special assessments	-	-	448,143	-	448,143
Mixed beverage tax	3,811	-	-	-	3,811
Accounts, net	306,898	-	31,295	1,636,368	1,974,561
Other	19,776	-	46,957	2,231	68,964
Allowance	(302,141)	-	(6,791)	(54,770)	(363,702)
<b>Total</b>	<b>\$ 407,765</b>	<b>\$ 29,558</b>	<b>\$ 519,604</b>	<b>\$ 1,583,829</b>	<b>\$ 2,540,756</b>

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

<b>Component Unit</b>	
<b>Economic Development</b>	
Sales tax	\$ 173,937
	<u>\$ 173,937</u>

**City of Sealy, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2022**

**C. Capital Assets**

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

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Retirements/ Reclassifications</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 1,481,174	\$ -	\$ -	\$ 1,481,174
Construction in progress	1,200,661	55,948	(1,126,835)	129,774
Total capital assets not being depreciated	<u>2,681,835</u>	<u>55,948</u>	<u>(1,126,835)</u>	<u>1,610,948</u>
Capital assets, being depreciated:				
Buildings	6,589,123	106,875	-	6,695,998
Improvements other than buildings	7,202,239	551,120	1,126,835	8,880,194
Machinery and equipment	2,447,093	47,557	-	2,494,650
Right-to-use assets	932,156	14,695	-	946,851
Total capital assets being depreciated	<u>17,170,611</u>	<u>720,247</u>	<u>1,126,835</u>	<u>19,017,693</u>
Less accumulated depreciation				
Buildings	(2,356,660)	(164,605)	-	(2,521,265)
Improvements other than buildings	(2,357,275)	(226,536)	-	(2,583,811)
Machinery and equipment	(1,905,500)	(140,470)	-	(2,045,970)
Right-to-use assets	(405,792)	(204,316)	-	(610,108)
Total accumulated depreciation	<u>(7,025,227)</u>	<u>(735,927)</u>	<u>-</u>	<u>(7,761,154)</u>
Net capital assets being depreciated	10,145,384	(15,680)	1,126,835	11,256,539
<b>Total Capital Assets</b>	<u><u>\$ 12,827,219</u></u>	<u><u>\$ 40,268</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,867,487</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 51,360
Public safety	252,804
Street	228,260
Parks and recreation	201,471
Health & welfare	2,032
<b>Total Governmental Activities Depreciation Expense</b>	<u><u>\$ 735,927</u></u>

**City of Sealy, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2022**

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

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Retirements/ Reclassifications</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 187,940	\$ -	\$ -	\$ 187,940
Construction in progress	776,820	1,179,545	-	1,956,365
Total capital assets not being depreciated	<u>964,760</u>	<u>1,179,545</u>	<u>-</u>	<u>2,144,305</u>
Capital assets, being depreciated:				
Buildings and improvements	222,581	-	-	222,581
Distribution and collection systems	38,138,726	-	-	38,138,726
Machinery and equipment	1,372,994	254,223	-	1,627,217
Right-to-use assets	235,359	22,042	-	257,401
Total capital assets being depreciated	<u>39,969,660</u>	<u>276,265</u>	<u>-</u>	<u>40,245,925</u>
Less accumulated depreciation				
Buildings and improvements	(358,676)	(8,063)	-	(366,739)
Distribution and collection systems	(9,099,468)	(994,672)	-	(10,094,140)
Machinery and equipment	(1,279,757)	(51,047)	-	(1,330,804)
Right-to-use assets	(107,156)	(41,086)	-	(148,242)
Total accumulated depreciation	<u>(10,845,057)</u>	<u>(1,094,868)</u>	<u>-</u>	<u>(11,939,925)</u>
Net capital assets being depreciated	<u>29,124,603</u>	<u>(818,603)</u>	<u>-</u>	<u>28,306,000</u>
<b>Total Capital Assets</b>	<u><u>\$ 30,089,363</u></u>	<u><u>\$ 360,942</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,450,305</u></u>

Depreciation was charged to business-type activities as follows:

Water and sewer	\$ 1,035,639
Gas	59,229
<b>Total Business-type Activities Depreciation Expense</b>	<u><u>\$ 1,094,868</u></u>

**City of Sealy, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2022**

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

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Retirements/ Reclassifications</b>	<b>Ending Balances</b>
Capital assets, being depreciated:				
Right-to-use assets	12,231	-	-	12,231
Total capital assets being depreciated	12,231	-	-	12,231
Less accumulated depreciation				
Right-to-use assets	(3,257)	(2,446)	-	(5,703)
Total accumulated depreciation	(3,257)	(2,446)	-	(5,703)
Net capital assets being depreciated	8,974	(2,446)	-	6,528
<b>Total Capital Assets</b>	<b>\$ 8,974</b>	<b>\$ (2,446)</b>	<b>\$ -</b>	<b>\$ 6,528</b>



**City of Sealy, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2022**

**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, 2022. In general, the City uses the general and debt service fund to liquidate governmental long-term liabilities. The City typically utilizes the general and enterprise funds to liquidate the pension/OPEB liabilities.

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Payments</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
Certificates of Obligation	\$ 12,335,000	\$ -	\$ (385,000)	\$ 11,950,000	\$ 400,000
General Obligation Bonds	5,055,000	-	(645,000)	4,410,000	660,000
Less deferred amounts:					
For premiums	730,677	-	(52,191)	678,486	-
Total Bonds Payable	18,120,677	-	(1,082,191)	17,038,486	1,060,000
Developer payable	1,160,843	13,108	(145,157)	1,028,794	67,100
Sales tax payable	399,820	-	(31,155)	368,665	31,155
Notes payable	17,083	14,695	(12,419)	19,359	12,416
Lease liabilities	443,339	-	(184,405)	258,934	147,548
<b>Total</b>	<b>\$ 20,141,762</b>	<b>\$ 27,803</b>	<b>\$ (1,455,327)</b>	<b>\$ 18,714,238</b>	<b>\$ 1,318,219</b>
<b>Long-term liabilities due in more than one year</b>				<b>\$ 17,396,019</b>	
<b>Business-Type Activities:</b>					
Certificates of Obligation	\$ 9,965,000	\$ 16,790,000	\$ (400,000)	\$ 26,355,000	\$ 470,000
Less deferred amounts:					
For premiums	404,855	577,035	(23,816)	958,074	-
Total Bonds Payable	10,369,855	17,367,035	(423,816)	27,313,074	470,000
Lease liabilities	70,320	-	(35,233)	35,087	28,325
Notes payable	39,156	22,042	(26,920)	34,278	26,904
Payable to West Texas Gas	324,124	-	(249,124)	75,000	75,000
<b>Total</b>	<b>\$ 10,803,455</b>	<b>\$ 17,389,077</b>	<b>\$ (735,093)</b>	<b>\$ 27,457,439</b>	<b>\$ 600,229</b>
<b>Long-term liabilities due in more than one year</b>				<b>\$ 26,857,210</b>	
<b>Component Unit Activities:</b>					
Lease liabilities	\$ 9,354	\$ -	\$ (2,331)	\$ 7,023	\$ 2,490
<b>Total</b>	<b>\$ 9,354</b>	<b>\$ -</b>	<b>\$ (2,331)</b>	<b>\$ 7,023</b>	<b>\$ 2,490</b>
<b>Long-term liabilities due in more than one year</b>				<b>\$ 4,533</b>	

# City of Sealy, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2022

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, 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:

	<b>Governmental Activities</b>
<b>Certificates of Obligation:</b>	
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.	\$ 11,950,000
<b>Total Certificates of Obligation</b>	<b>\$ 11,950,000</b>
<b>General Obligations:</b>	
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.	\$ 100,000
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.	3,325,000
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.	985,000
<b>Total General Obligation Bonds</b>	<b>\$ 4,410,000</b>
Less deferred amounts:	
Premiums	\$ 678,486
Lease liabilities	278,293
Developer payable	1,028,794
Sales tax payable	368,665
<b>Total Long-term Debt</b>	<b>\$ 18,714,238</b>

**City of Sealy, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2022**

	<b><u>Business - Type Activities</u></b>
<b>Certificates of Obligation:</b>	
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.	\$ 9,565,000
2022 Certificates of Obligations issued July 1, 2022 due in annual installments through September 30, 2047, bearing interest rates ranging from 4% to 5%, payable March 1 & September 30.	\$ 16,790,000
<b>Total Certificates of Obligation</b>	<b><u>\$ 26,355,000</u></b>
 Less deferred amounts:	
Premiums	958,074
Lease liabilities	69,365
Due to West Texas Gas	75,000
<b>Total Other</b>	<b><u>\$ 1,102,439</u></b>
<b>Total Long-term Debt</b>	<b><u>\$ 27,457,439</u></b>

# City of Sealy, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2022

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

#### Certificates of Obligation

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2023	\$ 400,000	\$ 463,850	\$ 470,000	\$ 1,284,838
2024	420,000	447,850	545,000	1,167,186
2025	435,000	431,050	565,000	1,139,936
2026	450,000	413,650	590,000	1,112,686
2027	765,000	395,650	650,000	1,084,186
2028	795,000	365,050	705,000	1,053,036
2029	820,000	340,200	735,000	1,017,786
2030	845,000	314,600	775,000	981,036
2031	1,295,000	280,800	1,090,000	952,699
2032	1,350,000	229,000	1,130,000	908,961
2033	1,400,000	175,000	1,180,000	863,574
2034	1,460,000	119,000	1,225,000	814,399
2035	1,515,000	60,600	1,275,000	763,274
<b>Total</b>	<b>\$ 11,950,000</b>	<b>\$ 4,036,300</b>	<b>\$ 26,355,000</b>	<b>\$ 17,759,855</b>

#### General Obligation Bonds

<b>Year ending September 30</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
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
<b>Total</b>	<b>\$ 4,410,000</b>	<b>\$ 230,191</b>

# City of Sealy, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2022

#### Lease Liabilities

<b>Year ending September 30</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2023	\$ 147,548	\$ 8,208
2024	85,713	2,653
2025	16,483	663
2026	9,190	133
<b>Total</b>	<b>\$ 258,934</b>	<b>\$ 11,657</b>

#### Lease Liabilities

<b>Year ending September 30</b>	<b>Business-Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2023	\$ 28,325	\$ 1,205
2024	6,762	105
<b>Total</b>	<b>\$ 35,087</b>	<b>\$ 1,310</b>

The City entered into leases to finance the use of vehicles and equipment. The property is classified as right-to-use assets with a total carrying value as of yearend for governmental activities of \$336,743.

The City entered into leases to finance the use of vehicles and equipment. The property is classified as right-to-use assets with a total carrying value as of yearend for business-type activities of \$109,159.

#### Notes Payable

<b>Year ending September 30</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2023	\$ 12,416	\$ 988
2024	6,943	316
<b>Total</b>	<b>\$ 19,359</b>	<b>\$ 1,304</b>

#### Notes Payable

<b>Year ending September 30</b>	<b>Business-Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2023	\$ 26,904	\$ 1,618
2024	7,374	441
<b>Total</b>	<b>\$ 34,278</b>	<b>\$ 2,059</b>

# City of Sealy, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2022

The SEDC entered into a lease to finance the use of a printer. The property is classified as right to use asset with a total carrying value as of yearend for component unit activities of \$6,528.

#### Lease Liabilities

<b>Year ending September 30</b>	<b>Component Unit Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2023	\$ 2,490	\$ 3,390
2024	2,660	220
2025	1,873	47
<b>Total</b>	<b>\$ 7,023</b>	<b>\$ 3,657</b>

#### Sales Tax Payable

<b>Year ending September 30</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
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	-
<b>Total</b>	<b>\$ 368,665</b>	<b>\$ -</b>

# City of Sealy, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2022

#### Developer payable

<u>Year ending</u> <u>Sept. 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 67,100	\$ 29,802
2024	67,100	28,352
2025	67,100	26,902
2026	67,100	25,452
2027	67,100	24,003
2028 - 2032	334,812	98,308
2033 - 2037	241,354	62,447
2038 - 2042	86,034	27,673
2043 - 2046	31,094	4,369
<b>Total</b>	<u><u>\$ 1,028,794</u></u>	<u><u>\$ 327,308</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 \$448,143 and \$425,7361, 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, 2022

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 \$603,058.

#### Due to West Texas Gas

	<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2023	\$ 75,000	\$ -
<b>Total</b>	<b>\$ 75,000</b>	<b>\$ -</b>

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.



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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities:</b>					
Compensated Absences	\$ 289,096	\$ -	\$ (34,765)	\$ 254,331	\$ 228,898
<b>Total Governmental Activities</b>	<u>\$ 289,096</u>	<u>\$ -</u>	<u>\$ (34,765)</u>	<u>\$ 254,331</u>	<u>\$ 228,898</u>
<b>Other Long-term Liabilities Due in More than One Year</b>				<u>\$ 25,433</u>	
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 36,281	\$ -	\$ -	\$ 36,281	\$ 32,653
<b>Total Business-Type Activities</b>	<u>\$ 36,281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,281</u>	<u>\$ 32,653</u>
<b>Other Long-term Liabilities Due in More than One Year</b>				<u>\$ 3,628</u>	
<b>Component Unit Activities</b>					
Compensated Absences	\$ 9,960	\$ -	\$ -	\$ 9,960	\$ 8,964
<b>Total Component Unit Activities</b>	<u>\$ 9,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,960</u>	<u>\$ 8,964</u>
<b>Other Long-term Liabilities Due in More than One Year</b>				<u>\$ 996</u>	

**F. 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 \$11,164. Current year amortization expense for governmental activities totaled \$3,539.

**City of Sealy, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2022**

**G. Interfund Transactions**

The compositions of interfund balances as of the year ended September 30, 2022 were as follows:

		<b>Due to (payable fund):</b>		
		<b>Texas Grant</b>		
<b>Due from (receivable fund):</b>	<b>Fund</b>	<b>Gas</b>	<b>Solid Waste</b>	<b>Total</b>
Water and sewer	\$ 186,454	\$ 200,000	\$ 426,734	\$ 813,188
<b>Total</b>	<b>\$ 186,454</b>	<b>\$ 200,000</b>	<b>\$ 426,734</b>	<b>\$ 813,188</b>

As of September 30, 2022, the EDC recorded a payable balance due to the general fund of \$3,379.

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

		<b>Transfers Out:</b>		
		<b>Water &amp; Sewer</b>	<b>Gas</b>	<b>Nonmajor governmental</b>
<b>Transfers In:</b>				<b>Total</b>
General	\$ -	\$ -	\$ 1,015	\$ 1,015
Debt service	889,264	32,554	-	921,818
Texas Grant	-	-	19,935	19,935
Nonmajor govt.	-	-	170,501	170,501
Water & sewer	-	6,895	92,120	99,015
Gas	21,500	-	-	21,500
<b>Total</b>	<b>\$ 910,764</b>	<b>\$ 39,449</b>	<b>\$ 283,571</b>	<b>\$ 1,233,784</b>

Transfers between funds were primarily used to support construction projects, debt payments and general operations. During the year, the EDC received \$82,351 from the general and debt service fund. The EDC also transferred \$188,193 to the general and nonmajor funds.

**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

# City of Sealy, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2022

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 920 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.tmrs.com](http://www.tmrs.com).

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

#### **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

# City of Sealy, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2022

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 2021</u>	<u>Plan Year 2020</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, 2021 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	48
Active employees	<u>70</u>
<b>Total</b>	<b><u>149</u></b>

### **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.

# City of Sealy, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2022

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 13.31% and 12.74% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$513,961, and were equal to the required contributions.

#### **4. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021 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.

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, 2019 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.

# City of Sealy, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2022

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 2022 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Global Public Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public/Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
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, 2022**

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
<b>Balance at 12/31/20</b>	\$ 19,173,587	\$ 17,426,400	\$ 1,747,187
Changes for the year:			
Service cost	673,311	-	673,311
Interest	1,299,963	-	1,299,963
Change in benefit terms	-	-	-
Difference between expected and actual experience	(166,565)	-	(166,565)
Changes of assumptions	-	-	-
Contributions – employer	-	553,536	(553,536)
Contributions – employee	-	291,116	(291,116)
Net investment income	-	2,272,765	(2,272,765)
Benefit payments, including refunds of emp. contributions	(503,058)	(503,058)	-
Administrative expense	-	(10,511)	10,511
Other changes	-	73	(73)
Net changes	1,303,651	2,603,921	(1,300,270)
<b>Balance at 12/31/21</b>	<b>\$ 20,477,238</b>	<b>\$ 20,030,321</b>	<b>\$ 446,917</b>

**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%
\$ 3,663,898	\$ 446,917	\$ (2,154,957)

**Pension Plan Fiduciary Net Position**

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

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

For the year ended September 30, 2022, the City recognized pension expense of \$68,390.

# City of Sealy, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2022

At September 30, 2022, 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	\$ -	\$ (1,160,264)
Changes in actuarial assumptions	-	(929)
Difference between expected and actual economic experience	-	(200,082)
Contributions subsequent to the measurement date	364,224	-
<b>Total</b>	<b>\$ 364,224</b>	<b>\$ (1,361,275)</b>

The City reported \$364,224 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>		
2022	\$	(335,512)
2023		(511,114)
2024		(283,012)
2025		(231,637)
2026		-
Thereafter		-
	<b>\$</b>	<b>(1,361,275)</b>

#### **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, 2022**

The City offers supplemental death to:	Plan Year 2021	Plan Year 2020
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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and the fund is considered to be unfunded.

**Employees covered by benefit terms**

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	15
Active employees	70
Total	106

The City's contributions to the TMRS SDBF for the years ended 2022 and 2021 were \$1,992 and 1,746, 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
2020	0.02%	0.02%	100.0%
2021	0.05%	0.05%	100.0%
2022	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, 2021, 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, 2022

#### Actuarial assumptions:

The Total OPEB Liability in the December 31, 2021 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	1.84%
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 1.84%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

#### 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 1.84%, 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 (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

1% Decrease (0.84%)	Current Single Rate Assumption 1.84%	1% Increase (2.84%)
\$ 280,370	\$ 221,694	\$ 177,524

**City of Sealy, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2022**

**Changes in the Total OPEB Liability:**

	<u>Total OPEB Liability</u>
<b>Balance at 12/31/20</b>	\$ 205,553
Changes for the year:	
Service Cost	14,140
Interest	4,232
Difference between expected and actual experience	(8,141)
Changes of assumptions	7,989
Benefit payments	(2,079)
Net changes	16,141
<b>Balance at 12/31/21</b>	<u>\$ 221,694</u>

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$26,709.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Changes in actuarial assumptions	\$ 40,445	-
Difference between expected and actual experience	-	(10,246)
Contributions subsequent to measurement date	1,428	-
<b>Total</b>	<u>\$ 41,873</u>	<u>\$ (10,246)</u>

The City reported \$1,428 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, 2023.

# City of Sealy, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2022

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:		
2022	\$	8,227
2023		6,360
2024		9,971
2025		5,395
2026		248
Thereafter		(2)
	\$	<u>30,199</u>

#### D. Restatement

Due to the implementation of GASB Statement No. 87, *Leases*, the City restated beginning net position/fund balance of governmental activities, business-type activities, component unit activities, the water and sewer fund, and the gas fund. In addition, beginning net position of governmental activities was restated in order to recognize additions to construction-in-progress in the prior year. The tables below summarize the changes to net position/fund balance as a result of these corrections.

	Business-Type Activities	Water and Sewer	Gas
Prior year ending net position/ fund balance, as reported	\$ 27,928,264	\$ 26,684,194	\$ 1,465,280
Adoption of GASB 87 (lessee) - lease liabilities	(70,318)	(48,744)	(21,574)
Adoption of GASB 87 (lessee) - right-to-use assets	68,343	47,056	21,287
Restated beginning net position/fund balance	<u>\$ 27,926,289</u>	<u>\$ 26,682,506</u>	<u>\$ 1,464,993</u>

	Governmental Activities
Prior year ending net position/ fund balance, as reported	\$ (6,071,448)
Adoption of GASB 87 (lessee) - lease liabilities	(443,340)
Adoption of GASB 87 (lessee) - right-to-use assets	526,364
Record capital asset additions in CIP	27,413
Restated beginning net position/fund balance	<u>\$ (5,961,011)</u>

**City of Sealy, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2022**

	<b>Component -Unit Activities</b>
Prior year ending net position/ fund balance, as reported	\$ 1,377,989
Adoption of GASB 87 (lessee) - lease liabilities	(9,354)
Adoption of GASB 87 (lessee) - right-to-use assets	8,974
Restated beginning net position/fund balance	<u>\$ 1,377,609</u>

**E. Subsequent Events**

There were no material subsequent events through March 31, 2023, the date the financial statements were issued.

**F. New Accounting Pronouncements**

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 87, entitled *Leases*. Due to the implementation of GASB 87 in the current year, the City recorded right to use assets and lease liabilities.

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## ***REQUIRED SUPPLEMENTARY INFORMATION***

# City of Sealy, Texas

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

### GENERAL FUND (Page 1 of 2)

For the Year Ended September 30, 2022

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Property tax	\$ 1,633,463	\$ 1,637,689	\$ 4,226
Sales tax	2,063,875	2,127,405	63,530
Franchise and local taxes	1,642,221	1,951,402	309,181
Property rentals	6,310	23,280	16,970
License and permits	894,293	439,280	(455,013)
Charges for services	94,654	94,000	(654)
Fines and forfeitures	598,140	627,140	29,000
Contributions and donations	9,370	204,519	195,149
Intergovernmental	517,000	-	(517,000)
Investment income	600	1,662	1,062
Other revenues	64,950	44,179	(20,771)
<b>Total Revenues</b>	<b>7,524,876</b>	<b>7,150,556</b>	<b>(374,320)</b>
<b><u>Expenditures</u></b>			
Current:			
City council	38,205	34,960	3,245
City manager	412,023	372,263	39,760
Building services	247,043	234,637	12,406
Mechanic shop	84,439	48,315	36,124
Finance	519,860	533,999	(14,139) *
Municipal court	289,927	275,455	14,472
Information technology	225,329	138,816	86,513
City secretary	210,587	168,186	42,401
Police	2,771,406	2,708,987	62,419
Planning and community development	648,725	604,711	44,014
Fire marshal	59,697	51,664	8,033
Highways and streets	776,122	529,770	246,352
Animal control	63,588	39,989	23,599
Human resources	48,944	67,413	(18,469) *
Parks and recreation	491,748	382,266	109,482
Swimming pool	132,500	58,493	74,007
Nondepartmental	212,378	120,947	91,431
Capital outlay	230,000	9,034	220,966



# 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, 2022

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Debt service			
Principal	\$ 38,435	\$ 227,978	\$ (189,543) *
Interest	914	17,951	(17,037) *
<b>Total Expenditures</b>	<b>7,501,870</b>	<b>6,625,834</b>	<b>876,036</b>
<b>Revenues Over (Under) Expenditures</b>	<b>23,006</b>	<b>524,722</b>	<b>501,716</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	22,736	1,015	(21,721)
Transfers (out)	(22,736)	-	22,736
Note payable issuance	-	14,695	14,695
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>15,710</b>	<b>15,710</b>
<b>Net Change in Fund Balance</b>	<b>\$ 23,006</b>	<b>540,432</b>	<b>\$ 517,426</b>
Beginning fund balance		430,860	
<b>Ending Fund Balance</b>		<b>\$ 971,292</b>	

#### 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:

	12/31/2021	12/31/2020	12/31/2019
Total pension liability			
Service cost	\$ 673,311	\$ 653,429	\$ 590,011
Interest	1,299,963	1,203,680	1,141,809
Differences between expected and actual experience	(166,565)	32,430	(391,091)
Changes of assumptions	-	-	(1,913)
Benefit payments, including refunds of participant contributions	(503,058)	(443,078)	(464,737)
<b>Net change in total pension liability</b>	<b>1,303,651</b>	<b>1,446,461</b>	<b>874,079</b>
<b>Total pension liability - beginning</b>	<b>19,173,587</b>	<b>17,727,126</b>	<b>16,853,047</b>
<b>Total pension liability - ending (a)</b>	<b>20,477,238</b>	<b>19,173,587</b>	<b>17,727,126</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 553,536	\$ 600,134	\$ 511,705
Contributions - members	291,116	282,695	245,838
Net investment income	2,272,765	1,198,983	2,079,239
Benefit payments, including refunds of participant contributions	(503,058)	(443,078)	(464,737)
Administrative expenses	(10,511)	(7,758)	(11,737)
Other	72	(303)	(353)
<b>Net change in plan fiduciary net position</b>	<b>2,603,920</b>	<b>1,630,673</b>	<b>2,359,955</b>
<b>Plan fiduciary net position - beginning</b>	<b>17,426,401</b>	<b>15,795,728</b>	<b>13,435,773</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 20,030,321</b>	<b>\$ 17,426,401</b>	<b>\$ 15,795,728</b>
<b>Fund's net pension liability - ending (a) - (b)</b>	<b>\$ 446,917</b>	<b>\$ 1,747,186</b>	<b>\$ 1,931,398</b>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	 97.82%	 90.89%	 89.10%
<b>Covered payroll</b>	<b>\$ 4,158,805</b>	<b>\$ 4,038,497</b>	<b>\$ 3,511,968</b>
 <b>Fund's net pension liability as a percentage of covered payroll</b>	 10.75%	 43.26%	 54.99%

### 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.

12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014	<sup>1</sup>
\$ 532,076	\$ 543,678	\$ 504,172	\$ 456,744	\$ 409,359	
1,045,717	958,108	911,239	893,711	828,558	
263,291	196,601	(311,470)	(338,401)	(54,420)	
-	-	-	90,196	-	
(428,212)	(361,136)	(497,549)	(289,278)	(263,614)	
1,412,872	1,337,251	606,392	812,972	919,883	
15,440,175	14,102,924	13,496,532	12,683,560	11,763,677	
16,853,047	15,440,175	14,102,924	13,496,532	12,683,560	
\$ 443,500	\$ 465,980	\$ 474,650	\$ 431,078	\$ 413,490	
217,555	231,468	205,306	193,185	189,426	
(408,262)	1,618,571	728,387	15,394	546,494	
(428,212)	(361,136)	(497,549)	(289,278)	(263,614)	
(7,885)	(8,385)	(8,221)	(9,375)	(5,704)	
(412)	(424)	(443)	(464)	(469)	
(183,716)	1,946,074	902,130	340,540	879,623	
13,619,489	11,673,415	10,771,285	10,430,745	9,551,122	
\$ 13,435,773	\$ 13,619,489	\$ 11,673,415	\$ 10,771,285	\$ 10,430,745	
\$ 3,417,274	\$ 1,820,686	\$ 2,429,509	\$ 2,725,247	\$ 2,252,815	
79.72%	88.21%	82.77%	79.81%	82.24%	
\$ 3,107,922	\$ 3,162,756	\$ 2,932,939	\$ 2,064,559	\$ 2,706,088	
109.95%	57.57%	82.84%	132.00%	83.25%	

# City of Sealy, Texas

## SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

### Last Ten Fiscal Years

	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>
Actuarially determined employer contributions	\$ 513,961	\$ 574,363	\$ 579,261	\$ 471,711
Contributions in relation to the actuarially determined contribution	\$ 513,961	\$ 574,363	\$ 579,261	\$ 471,711
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 3,983,898	\$ 4,181,610	\$ 3,918,177	\$ 3,253,380
Employer contributions as a percentage of covered payroll	12.90%	13.74%	14.78%	14.50%

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	24 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>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
\$ 440,063	\$ 460,359	\$ 466,817	\$ 431,638	\$ 412,266
\$ 440,063	\$ 460,359	\$ 466,817	\$ 431,638	\$ 412,266
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 3,037,842	\$ 3,056,848	\$ 3,065,618	\$ 2,779,106	\$ 2,706,088
14.49%	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>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Total OPEB liability			
Service cost	\$ 14,140	\$ 10,904	\$ 5,619
Interest	4,232	4,489	4,588
Differences between expected and actual experience	(8,141)	1,896	(1,693)
Changes of assumptions	7,989	30,900	29,144
Benefit payments, including refunds of participant contributions	(2,079)	(808)	(702)
<b>Net change in total OPEB liability</b>	<u>16,141</u>	<u>47,381</u>	<u>36,956</u>
<b>Total OPEB liability - beginning</b>	<u>\$ 205,553</u>	<u>\$ 158,172</u>	<u>\$ 121,216</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 221,694</u></u>	<u><u>\$ 205,553</u></u>	<u><u>\$ 158,172</u></u>
 <b>Covered employee payroll</b>	 \$ 4,158,805	 \$ 4,038,497	 \$ 3,511,968
<b>City's total OPEB liability as a percentage of covered employee payroll</b>	5.33%	5.09%	4.50%

### **Notes to schedule:**

<sup>1</sup> 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.

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

<u>12/31/2018</u>	<u>12/31/2017</u> <sup>1</sup>
\$ 5,905	\$ 5,060
4,529	4,342
(11,786)	-
(10,839)	12,910
(932)	(633)
<u>(13,123)</u>	<u>21,679</u>
<u>\$ 134,339</u>	<u>\$ 112,660</u>
<u>\$ 121,216</u>	<u>\$ 134,339</u> <sup>2</sup>
\$ 3,107,922	\$ 3,162,756
3.90%	4.25%

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

**City of Sealy, Texas**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2022**

	Public Improvement District #1	Hotel/Motel Tax	TIRZ #2
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 5,645	\$ 451,115	\$ 3,768
Receivables, net	448,143	41,835	-
Restricted cash	-	-	-
<b>Total Assets</b>	<b>\$ 453,788</b>	<b>\$ 492,950</b>	<b>\$ 3,768</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ -	\$ 389	\$ -
<b>Total Liabilities</b>	<b>-</b>	<b>389</b>	<b>-</b>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue - special assessments	453,321	-	-
<b>Total Deferred Inflows of Resources</b>	<b>453,321</b>	<b>-</b>	<b>-</b>
<b><u>Fund Balances</u></b>			
Restricted for:			
Tourism	-	492,561	-
Capital projects	467	-	-
TIRZ	-	-	3,768
Child safety	-	-	-
Municipal court	-	-	-
Municipal drainage	-	-	-
Park land dedication	-	-	-
Forfeited property	-	-	-
American rescue plan act	-	-	-
<b>Total Fund Balances</b>	<b>467</b>	<b>492,561</b>	<b>3,768</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 453,788</b>	<b>\$ 492,950</b>	<b>\$ 3,768</b>

<b>Chapter 59 Forfeited Property</b>	<b>Municipal Drainage</b>	<b>Municipal Technology</b>	<b>Time Payment</b>	<b>Municipal Court Bldg Security</b>
\$ -	\$ 252,365	\$ 7,895	\$ 21,144	\$ 188,800
-	24,504	5,122	-	-
56,625	-	-	-	-
<u>\$ 56,625</u>	<u>\$ 276,869</u>	<u>\$ 13,017</u>	<u>\$ 21,144</u>	<u>\$ 188,800</u>
<u><u>\$ -</u></u>	<u><u>\$ 1,235</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 403</u></u>	<u><u>\$ -</u></u>
<u>-</u>	<u>1,235</u>	<u>-</u>	<u>403</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	13,017	20,741	188,800
-	275,634	-	-	-
-	-	-	-	-
56,625	-	-	-	-
-	-	-	-	-
<u>56,625</u>	<u>275,634</u>	<u>13,017</u>	<u>20,741</u>	<u>188,800</u>
<u><u>\$ 56,625</u></u>	<u><u>\$ 276,869</u></u>	<u><u>\$ 13,017</u></u>	<u><u>\$ 21,144</u></u>	<u><u>\$ 188,800</u></u>

**City of Sealy, Texas**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2022**

	<b>Child Safety</b>	<b>Main Street Program</b>	<b>Park Land Dedication</b>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 9,575	\$ 5,966	\$ 66,921
Receivables, net	-	-	-
Restricted cash	-	-	-
<b>Total Assets</b>	<b>\$ 9,575</b>	<b>\$ 5,966</b>	<b>\$ 66,921</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue - special assessments	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Fund Balances</u></b>			
Restricted for:			
Tourism	-	-	-
Capital projects	-	5,966	-
TIRZ	-	-	-
Child safety	9,575	-	-
Municipal court	-	-	-
Municipal drainage	-	-	-
Park land dedication	-	-	66,921
Forfeited property	-	-	-
American rescue plan act	-	-	-
<b>Total Fund Balances</b>	<b>9,575</b>	<b>5,966</b>	<b>66,921</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 9,575</b>	<b>\$ 5,966</b>	<b>\$ 66,921</b>

<b>Downtown Revitalization</b>	<b>Municipal Jury</b>	<b>Local Truancy Prevention</b>	<b>Sealy Deveopment Authority</b>	<b>American Rescue Plan Act</b>	<b>Total</b>
\$ 2,308	\$ 968	\$ 48,381	\$ -	\$ 1,518,741	\$ 2,583,592
-	-	-	-	-	519,604
-	-	-	-	-	56,625
<u>\$ 2,308</u>	<u>\$ 968</u>	<u>\$ 48,381</u>	<u>\$ -</u>	<u>\$ 1,518,741</u>	<u>\$ 3,159,821</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,231</u>	<u>\$ 24,258</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,231</u>	<u>24,258</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>453,321</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>453,321</u>
-	-	-	-	-	492,561
2,308	-	-	-	-	8,741
-	-	-	-	-	3,768
-	-	-	-	-	9,575
-	968	48,381	-	-	271,907
-	-	-	-	-	275,634
-	-	-	-	-	66,921
-	-	-	-	-	56,625
-	-	-	-	1,496,510	1,496,510
<u>2,308</u>	<u>968</u>	<u>48,381</u>	<u>-</u>	<u>1,496,510</u>	<u>2,682,242</u>
<u>\$ 2,308</u>	<u>\$ 968</u>	<u>\$ 48,381</u>	<u>\$ -</u>	<u>\$ 1,518,741</u>	<u>\$ 3,159,821</u>

**City of Sealy, Texas**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2022**

	Public Improvement District #1	Hotel/Motel Tax	TIRZ #2
<b><u>Revenues</u></b>			
Property tax	\$ -	\$ -	\$ 145,496
Occupancy taxes	-	179,081	-
Storm drainage fees	-	-	-
Intergovernmental	-	-	-
Contributions and donations	-	-	-
Fines and forfeitures	-	17	-
Investment income	55	932	56
Other income	46,812	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Revenues</b>	46,867	180,030	145,552
	<hr/>	<hr/>	<hr/>
<b><u>Expenditures</u></b>			
Tourism	-	104,796	-
Municipal court	-	-	-
Public safety	-	-	-
General government	2,415	-	20,176
Debt service			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Expenditures</b>	2,415	104,796	20,176
	<hr/>	<hr/>	<hr/>
<b>Revenues Over (Under) Expenditures</b>	44,452	75,234	125,376
	<hr/>	<hr/>	<hr/>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	-	-	-
Transfers (out)	(43,613)	-	(126,889)
	<hr/>	<hr/>	<hr/>
<b>Total Other Financing Sources (Uses)</b>	(43,613)	-	(126,889)
	<hr/>	<hr/>	<hr/>
<b>Net Change in Fund Balances</b>	839	75,234	(1,513)
	<hr/>	<hr/>	<hr/>
Beginning fund balances	(372)	417,327	5,281
	<hr/>	<hr/>	<hr/>
<b>Ending Fund Balances</b>	\$ 467	\$ 492,561	\$ 3,768
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<b>Chapter 59 Forfeited Property</b>	<b>Municipal Drainage</b>	<b>Municipal Technology</b>	<b>Time Payment</b>	<b>Municipal Court Bldg Security</b>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	142,139	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	17,746	11,984	21,222
115	622	23	42	409
23,106	-	-	-	-
23,221	142,761	17,769	12,026	21,631
-	-	-	-	-
-	-	17,699	4,541	1,358
9,199	-	-	-	-
-	135,039	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
9,199	135,039	17,699	4,541	1,358
14,022	7,722	70	7,485	20,273
-	-	-	-	-
-	(19,934)	-	(1,015)	-
-	(19,934)	-	(1,015)	-
14,022	(12,212)	70	6,470	20,273
42,603	287,846	12,947	14,271	168,527
\$ 56,625	\$ 275,634	\$ 13,017	\$ 20,741	\$ 188,800

# City of Sealy, Texas

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

### NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2022

	Child Safety	Main Street Program	Park Land Dedication
<b><u>Revenues</u></b>			
Property tax	\$ -	\$ -	\$ -
Occupancy taxes	-	-	-
Storm drainage fees	-	-	-
Intergovernmental	-	-	-
Contributions and donations	-	-	35,000
Fines and forfeitures	828	-	-
Investment income	21	15	95
Other income	-	7,053	55,200
<b>Total Revenues</b>	<b>849</b>	<b>7,068</b>	<b>90,295</b>
<b><u>Expenditures</u></b>			
Tourism	-	-	-
Municipal court	-	-	-
Public safety	-	-	-
General government	-	4,575	35,265
Debt service			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>4,575</b>	<b>35,265</b>
<b>Revenues Over (Under) Expenditures</b>	<b>849</b>	<b>2,493</b>	<b>55,030</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	-	-	-
Transfers (out)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>849</b>	<b>2,493</b>	<b>55,030</b>
Beginning fund balances	8,726	3,473	11,891
<b>Ending Fund Balances</b>	<b>\$ 9,575</b>	<b>\$ 5,966</b>	<b>\$ 66,921</b>



<b>Downtown Revitalization</b>	<b>Municipal Jury</b>	<b>Local Truancy Prevention</b>	<b>Sealy Deveopment Authority</b>	<b>American Rescue Plan Act</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145,496
-	-	-	-	-	179,081
-	-	-	-	-	142,139
-	-	-	-	801,771	801,771
-	-	-	-	-	35,000
-	416	20,822	-	-	73,035
5	2	92	-	1,733	4,217
-	-	-	-	-	132,171
5	418	20,914	-	803,504	1,512,910
-	-	-	-	-	104,796
-	-	-	-	-	23,598
-	-	-	-	-	9,199
-	-	-	-	13,592	211,062
-	-	-	145,158	-	145,158
-	-	-	25,343	-	25,343
-	-	-	-	-	-
-	-	-	170,501	13,592	519,156
5	418	20,914	(170,501)	789,912	993,754
-	-	-	170,501	-	170,501
-	-	-	-	(92,120)	(283,571)
-	-	-	170,501	(92,120)	(113,070)
5	418	20,914	-	697,792	880,684
2,303	550	27,467	-	798,718	1,801,558
2,308	968	48,381	-	1,496,510	\$ 2,682,242

# 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, 2022

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Property taxes	\$ 595,000	\$ 601,834	\$ 6,834
Intergovernmental	73,052	73,052	-
Investment income	900	2,243	1,343
<b>Total Revenues</b>	<b>668,952</b>	<b>677,129</b>	<b>8,177</b>
<b><u>Expenditures</u></b>			
Debt service:			
Principal	512,715	1,030,000	(517,285) *
Interest and fiscal charges	142,945	546,649	(403,704) *
<b>Total Expenditures</b>	<b>655,660</b>	<b>1,576,649</b>	<b>(920,989)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>13,292</b>	<b>(899,520)</b>	<b>(912,812)</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	-	921,818	921,818
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>921,818</b>	<b>921,818</b>
<b>Net Change in Fund Balance</b>	<b>\$ 13,292</b>	<b>22,298</b>	<b>\$ 9,006</b>
Beginning fund balance		627,671	
<b>Ending Fund Balance</b>		<b>\$ 649,969</b>	

#### 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 HOTEL/MOTEL TAX*

For the Year Ended September 30, 2022

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Occupancy taxes	\$ 167,070	\$ 179,081	\$ 12,011
Fines and forfeitures	-	17	17
Investment income	500	932	432
<b>Total Revenues</b>	<b>167,570</b>	<b>180,030</b>	<b>12,460</b>
<b><u>Expenditures</u></b>			
Tourism	231,162	104,796	126,366
<b>Total Expenditures</b>	<b>231,162</b>	<b>104,796</b>	<b>126,366</b>
<b>Net Change in Fund Balance</b>	<b>\$ (63,592)</b>	<b>75,234</b>	<b>\$ 138,826</b>
Beginning fund balance		417,327	
<b>Ending Fund Balance</b>		<b>\$ 492,561</b>	

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, 2022

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Property tax	\$ 132,320	\$ 145,496	\$ 13,176
Investment income	30	56	26
<b>Total Revenues</b>	<u>132,350</u>	<u>145,552</u>	<u>13,202</u>
<b><u>Expenditures</u></b>			
General government	13,000	20,176	(7,176) *
<b>Total Expenditures</b>	<u>13,000</u>	<u>20,176</u>	<u>(7,176)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>119,350</u>	<u>125,376</u>	<u>6,026</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers (out)	(119,350)	(126,889)	(7,539) *
<b>Total Other Financing Sources (Uses)</b>	<u>(119,350)</u>	<u>(126,889)</u>	<u>(7,539)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>(1,513)</u>	<u>\$ (1,513)</u>
Beginning fund balance		5,281	
<b>Ending Fund Balance</b>		<u>\$ 3,768</u>	

### 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 CHAPTER 59 FORFEITED PROPERTY For the Year Ended September 30, 2022*

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Investment income	\$ 60	\$ 115	\$ 55
Other income	1,070	23,106	22,036
<b>Total Revenues</b>	<b>1,130</b>	<b>23,221</b>	<b>22,091</b>
<b><u>Expenditures</u></b>			
Public safety	15,000	9,199	5,801
<b>Total Expenditures</b>	<b>15,000</b>	<b>9,199</b>	<b>5,801</b>
<b>Net Change in Fund Balance</b>	<b>\$ (13,870)</b>	<b>14,022</b>	<b>\$ 27,892</b>
Beginning fund balance		42,603	
<b>Ending Fund Balance</b>		<b>\$ 56,625</b>	

### 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, 2022

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Storm drainage fees	\$ 140,260	\$ 142,139	\$ 1,879
Investment income	320	622	302
<b>Total Revenues</b>	<u>140,580</u>	<u>142,761</u>	<u>2,181</u>
<b><u>Expenditures</u></b>			
General government	82,000	135,039	(53,039) *
<b>Total Expenditures</b>	<u>82,000</u>	<u>135,039</u>	<u>(53,039)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>58,580</u>	<u>7,722</u>	<u>(50,858)</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers (out)	-	(19,934)	(19,934) *
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(19,934)</u>	<u>(19,934)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 58,580</u>	<u>(12,212)</u>	<u>\$ (70,792)</u>
Beginning fund balance		287,846	
<b>Ending Fund Balance</b>		<u>\$ 275,634</u>	

### 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 MUNICIPAL COURT TECHNOLOGY For the Year Ended September 30, 2022*

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Fines and forfeitures	\$ 18,260	\$ 17,746	\$ (514)
Investment income	20	23	3
<b>Total Revenues</b>	<u>18,280</u>	<u>17,769</u>	<u>(511)</u>
<b><u>Expenditures</u></b>			
Court	20,090	17,699	2,391
<b>Total Expenditures</b>	<u>20,090</u>	<u>17,699</u>	<u>2,391</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(1,810)</u>	<u>70</u>	<u>1,880</u>
<b>Net Change in Fund Balance</b>	<u>\$ (1,810)</u>	<u>70</u>	<u>\$ 1,880</u>
Beginning fund balance		12,947	
<b>Ending Fund Balance</b>		<u>\$ 13,017</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, 2022

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Fines and forfeitures	\$ 7,710	\$ 11,984	\$ 4,274
Investment income	20	42	22
<b>Total Revenues</b>	<b>7,730</b>	<b>12,026</b>	<b>4,296</b>
<b><u>Expenditures</u></b>			
Court	10,676	4,541	6,135
<b>Total Expenditures</b>	<b>10,676</b>	<b>4,541</b>	<b>6,135</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(2,946)</b>	<b>7,485</b>	<b>10,431</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers (out)	-	(1,015)	(1,015) *
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(1,015)</b>	<b>(1,015)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (2,946)</b>	<b>6,470</b>	<b>\$ 9,416</b>
Beginning fund balance		14,271	
<b>Ending Fund Balance</b>		<b>\$ 20,741</b>	

### 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 MUNICIPAL COURT BUILDING SECURITY For the Year Ended September 30, 2022*

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Fines and forfeitures	\$ 19,610	\$ 21,222	\$ 1,612
Investment income	280	409	129
<b>Total Revenues</b>	<b>19,890</b>	<b>21,631</b>	<b>1,741</b>
<b><u>Expenditures</u></b>			
Municipal court	21,000	1,358	19,642
<b>Total Expenditures</b>	<b>21,000</b>	<b>1,358</b>	<b>19,642</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,110)</b>	<b>20,273</b>	<b>21,383</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,110)</b>	<b>20,273</b>	<b>\$ 21,383</b>
Beginning fund balance		168,527	
<b>Ending Fund Balance</b>		<b>\$ 188,800</b>	

### 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, 2022

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Fines and forfeitures	\$ 750	\$ 828	\$ 78
Investment income	10	21	11
<b>Total Revenues</b>	<u>760</u>	<u>849</u>	<u>89</u>
<b><u>Expenditures</u></b>			
Police	5,000	-	5,000
<b>Total Expenditures</b>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(4,240)</u>	<u>849</u>	<u>5,089</u>
<b>Net Change in Fund Balance</b>	<u>\$ (4,240)</u>	<u>849</u>	<u>\$ 5,089</u>
Beginning fund balance		8,726	
<b>Ending Fund Balance</b>		<u>\$ 9,575</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, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Other income	\$ -	\$ 7,053	\$ 7,053	\$ -
Investment income	-	10	15	5
<b>Total Revenues</b>	<b>-</b>	<b>7,063</b>	<b>7,068</b>	<b>5</b>
<b><u>Expenditures</u></b>				
General government	-	7,063	4,575	2,488
<b>Total Expenditures</b>	<b>-</b>	<b>7,063</b>	<b>4,575</b>	<b>2,488</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>-</b>	<b>-</b>	<b>2,493</b>	<b>2,493</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,493</b>	<b>\$ 2,493</b>
Beginning fund balance			3,473	
<b>Ending Fund Balance</b>			<b>\$ 5,966</b>	

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, 2022

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Other income	\$ -	\$ 55,200	\$ 55,200
Contributions and donations	-	35,000	35,000
Investment income	40	95	55
<b>Total Revenues</b>	<b>40</b>	<b>90,295</b>	<b>90,255</b>
<b><u>Expenditures</u></b>			
General government	-	35,265	(35,265) *
<b>Total Expenditures</b>	<b>-</b>	<b>35,265</b>	<b>(35,265)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>40</b>	<b>55,030</b>	<b>54,990</b>
<b>Net Change in Fund Balance</b>	<b>\$ 40</b>	<b>55,030</b>	<b>\$ 54,990</b>
Beginning fund balance		11,891	
<b>Ending Fund Balance</b>		<b>\$ 66,921</b>	

### 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 LOCAL TRUANCY PREVENTION For the Year Ended September 30, 2022*

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Fines and forfeitures	\$ 15,550	\$ 20,822	\$ 5,272
Investment income	20	92	72
<b>Total Revenues</b>	<u>15,570</u>	<u>20,914</u>	<u>5,344</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>15,570</u>	<u>20,914</u>	<u>5,344</u>
<b>Net Change in Fund Balance</b>	<u>\$ 15,570</u>	<u>20,914</u>	<u>\$ 5,344</u>
Beginning fund balance		27,467	
<b>Ending Fund Balance</b>		<u>\$ 48,381</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, 2022*

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Expenditures</u></b>			
Debt service:			
Principal	\$ 162,927	\$ 145,158	\$ 17,769
Interest and fiscal charges	25,343	25,343	-
<b>Total Expenditures</b>	<b>188,270</b>	<b>170,501</b>	<b>17,769</b>
 <b>Excess of Revenues</b>			
<b>Over (Under) Expenditures</b>	<b>(188,270)</b>	<b>(170,501)</b>	<b>17,769</b>
 <b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	188,270	170,501	(17,769)
<b>Total Other Financing Sources (Uses)</b>	<b>188,270</b>	<b>170,501</b>	<b>(17,769)</b>
 <b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
 Beginning fund balance		-	
<b>Ending Fund Balance</b>		<b>\$ -</b>	

### 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, 2022*

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Intergovernmental	\$ -	\$ 801,771	\$ 801,771
Investment income	-	1,733	1,733
<b>Total Revenues</b>	<u>-</u>	<u>803,504</u>	<u>803,504</u>
<b><u>Expenditures</u></b>			
General government	-	13,592	(13,592) *
<b>Total Expenditures</b>	<u>-</u>	<u>13,592</u>	<u>(13,592)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>789,912</u>	<u>789,912</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers (out)		(92,120)	(92,120) *
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(92,120)</u>	<u>(92,120)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>697,792</u>	<u>\$ 697,792</u>
Beginning fund balance		798,718	
<b>Ending Fund Balance</b>		<u>\$ 1,496,510</u>	

### 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 PUBLIC IMPROVEMENT DISTRICT #1 For the Year Ended September 30, 2022*

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Other revenue	\$ 71,360	\$ 46,812	\$ (24,548)
Investment income	60	55	(5)
<b>Total Revenues</b>	<b>71,420</b>	<b>46,867</b>	<b>(24,553)</b>
<b><u>Expenditures</u></b>			
General government	2,500	2,415	(85) *
<b>Total Expenditures</b>	<b>2,500</b>	<b>2,415</b>	<b>(85)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>68,920</b>	<b>44,452</b>	<b>(24,638)</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers (out)	(68,920)	(43,613)	25,307
<b>Total Other Financing Sources (Uses)</b>	<b>(68,920)</b>	<b>(43,613)</b>	<b>25,307</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>839</b>	<b>\$ 669</b>
Beginning fund balance		(372)	
<b>Ending Fund Balance</b>		<b>\$ 467</b>	

### 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 MUNICIPAL JURY*

For the Year Ended September 30, 2022

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Fines and forfeitures	\$ 310	\$ 416	\$ 106
Investment income	-	2	2
<b>Total Revenues</b>	<u>310</u>	<u>418</u>	<u>108</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>310</u>	<u>418</u>	<u>108</u>
<b>Net Change in Fund Balance</b>	<u>\$ 310</u>	418	<u>\$ 108</u>
Beginning fund balance		550	
<b>Ending Fund Balance</b>		<u>\$ 968</u>	

Notes to Other Supplementary Information

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

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## STATISTICAL SECTION

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

Contents	Page
----------	------

Financial Trends	132
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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	142
------------------	-----

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

Debt Capacity	150
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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	158
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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	161
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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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Governmental activities</b>				
Net investment in capital assets	\$ (4,440,579)	\$ (6,324,781)	\$ (7,434,274)	\$ 3,771,894
Restricted	1,879,105	1,764,700	1,591,301	1,212,962
Unrestricted	<u>(234,406)</u>	<u>(1,400,930)</u>	<u>(3,151,481)</u>	<u>(14,904,885)</u>
<b>Total governmental activities net position</b>	<u><u>\$ (2,795,880)</u></u>	<u><u>\$ (5,961,011)</u></u>	<u><u>\$ (8,994,454)</u></u>	<u><u>\$ (9,920,029)</u></u>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 25,067,894	\$ 25,380,430	\$ 25,371,058	\$ 6,445,426
Unrestricted	<u>3,106,969</u>	<u>2,545,859</u>	<u>2,727,469</u>	<u>20,984,268</u>
<b>Total business-type activities net position</b>	<u><u>\$ 28,174,863</u></u>	<u><u>\$ 27,926,289</u></u>	<u><u>\$ 28,098,527</u></u>	<u><u>\$ 27,429,694</u></u>
<b>Primary government</b>				
Net investment in capital assets	\$ 20,627,315	\$ 19,055,649	\$ 17,936,784	\$ 10,217,320
Restricted	1,879,105	1,764,700	1,591,301	1,212,962
Unrestricted	<u>2,872,563</u>	<u>1,144,929</u>	<u>(424,012)</u>	<u>6,079,383</u>
<b>Total primary government net position</b>	<u><u>\$ 25,378,983</u></u>	<u><u>\$ 21,965,278</u></u>	<u><u>\$ 19,104,073</u></u>	<u><u>\$ 17,509,665</u></u>

Source: City audited financial records

2018	2017	2016	2015	2014	2013
\$ 5,253,066	\$ 5,724,733	\$ 5,742,788	\$ 5,722,904	\$ 6,060,705	\$ 5,922,681
2,400,331	2,963,194	3,790,110	4,234,975	1,889,033	2,380,906
(10,520,519)	(3,909,394)	(4,058,146)	(1,105,908)	(1,724,419)	(1,699,132)
<u>\$ (2,867,122)</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>
\$ 19,904,213	\$ 11,391,103	\$ 11,086,756	\$ 11,012,307	\$ 10,516,142	\$ 10,541,614
2,439,901	2,012,545	1,772,344	1,121,869	1,550,524	2,356,734
<u>\$ 22,344,114</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>
\$ 25,157,279	\$ 17,115,836	\$ 16,829,544	\$ 16,735,211	\$ 16,576,847	\$ 16,464,295
2,400,331	2,963,194	3,790,110	4,234,975	1,889,033	2,380,906
(8,080,618)	(1,896,849)	(2,285,802)	15,961	(173,895)	657,602
<u>\$ 19,476,992</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>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 2,207,359	\$ 2,246,885	\$ 2,291,998	\$ 2,409,454
Public safety	3,371,246	3,458,000	3,626,074	2,991,157
Highways and streets	655,026	748,309	732,214	710,709
Health and welfare	104,796	124,548	238,363	204,338
Culture and recreation	567,473	640,758	305,929	366,710
Interest on long-term debt	539,617	634,641	768,195	719,056
<b>Total governmental activities expenses</b>	<u>7,445,517</u>	<u>7,853,141</u>	<u>7,962,773</u>	<u>7,401,424</u>
Business-type activities:				
Water and sewer	4,076,563	3,230,395	2,807,264	2,996,284
Gas	2,371,581	3,275,924	1,456,763	1,677,849
Solid waste	1,985,044	1,831,929	1,761,678	1,763,216
<b>Total business-type activities expenses</b>	<u>8,433,188</u>	<u>8,338,248</u>	<u>6,025,705</u>	<u>6,437,349</u>
<b>Total primary government expenses</b>	<u><u>\$ 15,878,705</u></u>	<u><u>\$ 16,191,389</u></u>	<u><u>\$ 13,988,478</u></u>	<u><u>\$ 13,838,773</u></u>
<b>Program Revenues</b>				
Governmental activities:				
Fees, fines, and charges for services				
General government	\$ 223,031	\$ 66,372	\$ 59,343	\$ 26,016
Public safety	700,175	644,068	627,689	882,939
Highways and streets	439,280	468,199	337,266	134,694
Culture and recreation	-	-	-	31,770
Operating grants and contributions	1,422,541	1,352,971	693,722	9,577
Capital grants and contributions	-	994,367	-	31,100
<b>Total governmental activities program revenues</b>	<u>2,785,027</u>	<u>3,525,977</u>	<u>1,718,020</u>	<u>1,116,096</u>
Business-type activities:				
Charges for services:				
Water and sewer	\$ 4,909,013	\$ 3,646,076	\$ 2,958,501	\$ 2,462,686
Gas	2,469,639	2,934,839	1,214,923	1,506,610
Solid waste	2,034,960	1,865,024	1,796,951	1,732,793
Operating grants and contributions	-	-	42,700	-
Capital grants and contributions	25,353	337,035	400,000	-
<b>Total business-type activities program revenues</b>	<u>9,438,965</u>	<u>8,782,974</u>	<u>6,413,075</u>	<u>5,702,089</u>
<b>Total primary government program revenues</b>	<u><u>\$ 12,223,992</u></u>	<u><u>\$ 12,308,951</u></u>	<u><u>\$ 8,131,095</u></u>	<u><u>\$ 6,818,185</u></u>

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

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

	2022	2021	2020	2019
<b>Net (Expenses) Revenue</b>				
Governmental activities	\$ (4,660,490)	\$ (4,327,164)	\$ (6,244,753)	\$ (6,285,328)
Business-type activities	1,005,777	444,726	387,370	(735,260)
<b>Total primary government net expense</b>	<b>\$ (3,654,713)</b>	<b>\$ (3,882,438)</b>	<b>\$ (5,857,383)</b>	<b>\$ (7,020,588)</b>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Property taxes	2,377,344	2,256,908	3,219,283	3,117,121
Sales taxes	2,127,405	2,023,889	1,872,591	1,850,992
Franchise fees	2,130,483	1,918,212	1,651,406	1,849,750
Hotel/motel occupancy taxes	-	-	144,870	179,388
Investment earnings	8,122	3,117	9,790	66,204
Other revenue	352,569	140,034	272,388	140,631
Gain (loss) on sale of capital assets	-	-	-	8,342
Transfers	829,698	935,422	-	(5,386,221)
<b>Total governmental activities</b>	<b>7,825,621</b>	<b>7,277,582</b>	<b>7,170,328</b>	<b>1,826,207</b>
Business-type activities:				
Investment earnings	33,784	11,297	74,515	235,335
Miscellaneous revenue	38,711	309,136	206,948	205,232
Gain (loss) on sale of capital assets	-	-	-	9,160
Transfers	(829,698)	(935,422)	-	5,386,221
<b>Total business-type activities</b>	<b>(757,203)</b>	<b>(614,989)</b>	<b>281,463</b>	<b>5,835,948</b>
<b>Total primary government</b>	<b>\$ 7,068,418</b>	<b>\$ 6,662,593</b>	<b>\$ 7,451,791</b>	<b>\$ 7,662,155</b>
<b>Change in Net Position</b>				
Governmental activities	\$ 3,165,131	\$ 2,950,418	\$ 925,575	\$ (4,459,121)
Business-type activities	248,574	(170,263)	668,833	5,100,688
<b>Total primary government</b>	<b>\$ 3,413,705</b>	<b>\$ 2,780,155</b>	<b>\$ 1,594,408</b>	<b>\$ 641,567</b>

Source: City audited financial records



2018	2017	2016	2015	2014	2013
\$ (6,949,008)	\$ (7,647,871)	\$ (10,401,790)	\$ (5,107,282)	\$ (4,224,742)	\$ (3,132,016)
258,007	312,137	245,021	241,591	73,916	109,961
\$ (6,691,001)	\$ (7,335,734)	\$ (10,156,769)	\$ (4,865,691)	\$ (4,150,826)	\$ (3,022,055)
3,011,703	2,889,339	2,784,285	2,040,685	2,065,680	1,989,818
2,605,788	2,424,520	2,114,188	1,985,724	1,765,105	1,114,539
1,723,016	1,454,601	1,157,209	625,959	623,008	610,206
218,868	163,058	166,711	189,056	182,444	181,839
171,181	68,512	26,996	17,597	10,099	10,017
156,347	180,399	1,250,990	1,196,220	197,846	98,956
205,140	-	-	-	-	-
(8,676,498)	(228,777)	(475,808)	178,693	343,818	359,124
(584,455)	6,951,652	7,024,571	6,233,934	5,188,000	4,364,499
5,961	3,634	4,095	4,612	5,165	4,906
-	-	-	-	-	(3,463)
-	-	-	-	-	-
8,676,498	228,777	475,808	(178,693)	(343,818)	(359,124)
8,682,459	232,411	479,903	(174,081)	(338,653)	(357,681)
\$ 8,098,004	\$ 7,184,063	\$ 7,504,474	\$ 6,059,853	\$ 4,849,347	\$ 4,006,818
\$ (7,533,463)	\$ (696,219)	\$ (3,377,219)	\$ 1,126,652	\$ 963,258	\$ 1,232,483
8,940,466	544,548	724,924	67,510	(264,737)	(247,720)
\$ 1,407,003	\$ (151,671)	\$ (2,652,295)	\$ 1,194,162	\$ 698,521	\$ 984,763

# City of Sealy, Texas

## FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Unaudited)

(modified accrual basis of accounting)

	2022	2021	2020	2019
<b>General Fund</b>				
Restricted	73,833	159,883	-	21,327
Nonspendable	-	-	-	47
Unassigned	897,459	270,977	342,299	740,745
<b>Total general fund</b>	<b>\$ 971,292</b>	<b>\$ 430,860</b>	<b>\$ 342,299</b>	<b>\$ 762,119</b>
<b>All Other Governmental Funds</b>				
Restricted	3,332,211	2,429,601	1,591,301	3,035,951
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	(187,959)	(1,085,817)	(66,187)	(27,929)
<b>Total all other governmental funds</b>	<b>\$ 3,144,252</b>	<b>\$ 1,343,784</b>	<b>\$ 1,525,114</b>	<b>\$ 3,008,022</b>

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

# City of Sealy, Texas

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

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

	2022	2021	2020	2019
<b>Revenues</b>				
Property taxes	\$ 2,385,019	\$ 2,268,960	\$ 3,224,453	\$ 3,118,789
Sales taxes	2,127,405	2,023,889	1,872,591	2,724,222
Franchise fees and occupancy taxes	2,130,483	1,918,212	1,796,276	2,029,138
Property rentals	23,280	10,425	-	-
Licenses and permits	439,280	333,218	337,266	128,537
Fines and forfeitures	700,175	644,068	618,593	754,402
Charges for services	236,139	83,788	65,166	26,016
Intergovernmental	2,330,582	1,200,921	313,517	13,077
Investment earnings	8,122	3,117	9,779	86,193
Municipal drainage fees	-	-	9,980	134,694
Private contributions	-	-	-	-
Contributions from component unit	86,326	120,582	388,289	-
Other revenue	329,543	281,783	244,804	178,991
<b>Total Revenues</b>	<b>10,796,354</b>	<b>8,888,963</b>	<b>8,880,714</b>	<b>9,194,059</b>
<b>Expenditures</b>				
General government	2,216,738	2,231,683	2,413,884	2,593,850
Public safety	2,702,964	3,473,306	3,169,864	2,744,359
Highways and streets	441,949	639,691	479,661	497,487
Health and welfare	67,413	124,548	139,857	41,017
Culture and recreation	1,101,508	401,760	376,808	354,803
Capital outlay	776,195	1,104,065	720,551	6,721,243
Debt Service:				
Principal	1,403,136	1,289,373	940,979	870,000
Interest and fiscal charges	589,944	667,156	747,973	777,928
Debt issuance costs	-	33,904	68,334	-
<b>Total Expenditures</b>	<b>9,299,847</b>	<b>9,965,486</b>	<b>9,057,911</b>	<b>14,600,687</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>1,496,507</b>	<b>(1,076,523)</b>	<b>(177,197)</b>	<b>(5,406,628)</b>
<b>Other Financing Sources (Uses)</b>				
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
Lease Liability	14,695	-	-	-
Transfers in	1,916,938	1,263,463	-	988,398
Transfers out	(1,087,240)	(328,041)	-	(310,232)
<b>Total Other Financing Sources (Uses)</b>	<b>844,393</b>	<b>983,754</b>	<b>97,589</b>	<b>686,508</b>
<b>Net change in fund balances</b>	<b>\$ 2,340,900</b>	<b>\$ (92,769)</b>	<b>\$ (79,608)</b>	<b>\$ (4,720,120)</b>
<b>Debt service as percentage of noncapital expenditures</b>	<b>23.4%</b>	<b>22.1%</b>	<b>20.3%</b>	<b>20.9%</b>

Source: City audited financial records

2018	2017	2016	2015	2014	2013
\$ 2,996,159	\$ 2,871,275	\$ 2,772,206	\$ 2,044,723	\$ 2,125,112	\$ 1,996,879
2,574,633	2,393,365	2,083,033	1,954,569	2,118,796	1,114,539
1,941,884	1,617,659	1,323,920	815,015	805,452	792,045
-	-	-	-	-	-
114,214	187,028	97,546	81,117	66,999	63,088
533,261	482,792	415,751	45,346	483,592	556,494
31,141	57,849	38,086	369,733	67,043	15,815
125,667	149,388	269,887	887	28,760	6,308
171,181	68,512	26,996	17,597	10,099	10,017
133,961	133,772	131,160	128,187	127,482	125,073
-	-	-	-	-	-
-	-	-	-	-	260,550
186,331	200,164	1,275,795	1,220,515	237,140	130,152
8,808,432	8,161,804	8,434,380	6,677,689	6,070,475	5,070,960
3,549,762	3,991,106	6,404,091	1,738,531	1,615,282	882,552
2,481,159	2,739,373	2,671,587	2,073,693	1,955,592	2,026,918
376,749	360,931	433,980	307,863	375,228	296,703
758,444	260,397	146,122	88,859	37,091	67,225
366,134	309,857	388,413	302,453	343,132	406,200
7,709,322	180,667	856,840	410,164	301,673	792,390
845,000	825,000	810,000	536,010	714,800	712,988
802,320	822,095	834,898	628,610	367,962	389,069
-	-	38,984	192,284	-	-
16,888,890	9,489,426	12,584,915	6,278,467	5,710,760	5,574,045
(8,080,458)	(1,327,622)	(4,150,535)	399,222	359,715	(503,085)
-	-	1,030,000	14,380,000	-	-
-	-	-	1,096,015	-	-
-	-	(1,001,984)	-	-	-
264,237	-	5,225	-	-	-
-	-	-	-	-	-
216,219	361,366	1,112,912	1,167,876	1,139,855	404,880
(1,022,151)	(361,366)	(1,112,912)	(832,876)	(796,037)	(45,756)
(541,695)	-	33,241	15,811,015	343,818	359,124
\$ (8,622,153)	\$ (1,327,622)	\$ (4,117,294)	\$ 16,210,237	\$ 703,533	\$ (143,961)
17.9%	17.7%	14.0%	19.8%	20.0%	23.0%

# City of Sealy, Texas

## ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Years

	2022	2021	2020	2019
Residential Property	\$ 337,881,221	\$ 301,262,898	\$ 297,110,716	\$ 356,498,073
Commercial Property	496,734,458	487,277,464	607,792,387	515,204,114
Less: Tax Exempt Property	45,089,599	43,129,334	122,596,131	87,723,479
<b>Total Taxable Assessed</b>				
<b>Valuation (1)</b>	<u>\$ 789,526,080</u>	<u>\$ 745,411,028</u>	<u>\$ 782,306,972</u>	<u>\$ 783,978,708</u>
Total Direct Tax Rate	\$ 0.26575	\$ 0.26994	\$ 0.39807	\$ 0.38663

Source: Austin County Appraisal District

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

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

# City of Sealy, Texas

## PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years

City of Sealy:	2022	2021	2020	2019
Operating tax rate	\$ 0.196510	\$ 0.194690	\$ 0.193100	\$ 0.182090
Debt service tax rate	0.069240	0.075250	0.204970	0.204540
<b>Total Direct Rates</b>	<b>\$ 0.265750</b>	<b>\$ 0.269940</b>	<b>\$ 0.398070</b>	<b>\$ 0.386630</b>
Austin County	\$ 0.567430	\$ 0.424560	\$ 0.564230	\$ 0.547900
Sealy Independent School District	1.215800	1.215800	1.270000	1.390000
Austin County Emergency Services District #2	0.100000	0.100000	0.100000	0.100000
<b>Total Rate</b>	<b>\$ 2.148980</b>	<b>\$ 2.010300</b>	<b>\$ 2.332300</b>	<b>\$ 2.424530</b>
<b>Total Assessed Valuation</b>	<b>\$ 789,526,080</b>	<b>\$ 745,411,028</b>	<b>\$ 782,306,972</b>	<b>\$ 783,978,708</b>

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

Source: Tax department records of the various governments.



2018	2017	2016	2015	2014	2013
\$ 0.190410	\$ 0.189620	\$ 0.186300	\$ 0.208670	\$ 0.192680	\$ 0.180280
0.232560	0.247750	0.263700	0.127980	0.164530	0.175850
<u>\$ 0.422970</u>	<u>\$ 0.437370</u>	<u>\$ 0.450000</u>	<u>\$ 0.336650</u>	<u>\$ 0.357210</u>	<u>\$ 0.356130</u>
\$ 0.547900	\$ 0.543500	\$ 0.544300	\$ 0.518300	\$ 0.528300	\$ 0.537900
1.390000	1.340000	1.260000	1.260000	1.260000	1.260000
0.100000	0.100000	0.100000	0.100000	0.100000	0.069100
<u>\$ 2.460870</u>	<u>\$ 2.420870</u>	<u>\$ 2.354300</u>	<u>\$ 2.214950</u>	<u>\$ 2.245510</u>	<u>\$ 2.223130</u>
<u>\$ 694,137,020</u>	<u>\$ 645,154,616</u>	<u>\$ 608,172,092</u>	<u>\$ 594,453,531</u>	<u>\$ 585,545,034</u>	<u>\$ 511,631,602</u>

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

Property Taxpayer	2022			2013		
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation
Wal-Mart Stores East US07036	\$ 81,553,470	1	10.33%	\$ 78,322,664	1	13.69%
Enterprise Crude Pipeline LLC	47,872,660	2	6.06%	32,641,360	3	-
Wal-Mart Stores East US07969	29,315,250	3	3.71%			-
Whitethorn Pipeline LLC	21,812,990	4	2.76%			-
Hailiang Copper Texas Inc	17,325,000	5	2.19%			0.00%
Blencor LLC	17,038,610	6	2.16%	4,632,428	8	-
International Paper Company	15,957,640	7	2.02%	15,801,048	4	-
Hailiang Copper Texas Inc	13,560,410	8	1.72%			0.00%
Sika Corporation	12,450,840	9	1.58%			0.00%
Whitethorn Pipeline LLC	8,637,230	10	1.09%			-
BAE Systems	-	-	-	60,790,900	2	10.62%
1190 Highway 90 LLC	-	-	-	14,452,897	5	2.53%
Wal-Mart Real Estate Business	-	-	-	9,088,554	6	1.59%
Wal-Mart Stores Texas, LP	-	-	-	6,095,905	7	1.07%
Centerpoint Energy Houston	-	-	-	3,215,016	9	0.56%
BNSF Railway	-	-	-	3,054,330	10	0.53%
Subtotal	265,524,100		33.63%	228,095,102		39.85%
Other Taxpayers	465,879,478		59.01%	344,225,884		60.15%
<b>Total <sup>(1)</sup></b>	<b>\$ 789,526,080</b>		<b>100.00%</b>	<b>\$ 572,320,986</b>		<b>100.00%</b>

Source: Austin County Appraisal District

(1) Values are net of exemptions and abatements.

**City of Sealy, Texas**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Years**

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Tax Rate</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected Within the Fiscal Year of the Levy</b>	
				<b>Amount Collected</b>	<b>Percentage of Levy</b>
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%
2022	2021	0.265750	2,268,571	2,252,350	99.28%

Source: Austin County Appraisal District

Collected in Subsequent Years		Total Collections to Date	
Amount Collected		Amount Collected	Percentage of Levy
\$	20,954	\$ 1,952,194	99.93%
	16,985	2,089,764	99.91%
	14,046	1,999,088	99.89%
	21,735	2,731,553	99.88%
	29,882	2,820,032	99.86%
	43,657	2,928,814	99.76%
	25,532	3,023,647	99.78%
	21,728	3,108,266	99.75%
	8,135	2,135,761	99.44%
	-	2,252,350	99.28%

# City of Sealy, Texas

## RATIOS OF OUTSTANDING DEBT BY TYPE

### Last Ten Years

	2022	2021	2020	2019
<b>Governmental Activities:</b>				
General obligation bonds	\$ 4,410,000	\$ 5,055,000	\$ 4,400,000	\$ 380,000
Certificates of obligation	11,950,000	12,335,000	13,945,000	18,790,000
Tax notes	-	-	-	-
Sales tax payable	368,665	399,820	430,975	462,130
Developer payable	1,028,794	1,160,843	1,409,138	1,364,856
Notes payable	19,359	17,083	23,897	-
Lease liabilities	258,934	443,339	-	-
Issuance discounts/premiums	678,486	730,677	782,868	840,903
<b>Subtotal</b>	<u>18,714,238</u>	<u>20,141,762</u>	<u>20,991,878</u>	<u>21,837,889</u>
<b>Business-Type Activities:</b>				
Other payables	75,000	324,124	-	-
Certificates of obligation	26,355,000	9,965,000	10,345,000	10,585,000
Notes payable	34,278	39,156	-	-
Lease liabilities	35,087	70,320	-	-
Issuance discounts/premiums	958,074	404,855	428,670	452,485
<b>Subtotal</b>	<u>27,457,439</u>	<u>10,803,455</u>	<u>10,773,670</u>	<u>11,037,485</u>
<b>Total Primary Government</b>	<u>\$ 46,171,677</u>	<u>\$ 30,945,217</u>	<u>\$ 31,765,548</u>	<u>\$ 32,875,374</u>
<b>Personal Income (2)</b>	\$ 380,837	\$ 380,837	\$ 329,711	\$ 331,490
<b>Percentage of Total Personal Income:</b>				
Governmental activities	4.91%	5.29%	6.37%	6.59%
Business-type activities	7.21%	2.84%	3.27%	3.33%
<b>Population (1)</b>	6,839	6,839	6,450	6,441
<b>Debt Per Capita:</b>				
Primary Government	\$ 6,751	\$ 4,525	\$ 4,925	\$ 5,104

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)

2018	2017	2016	2015	2014	2013
\$ 470,000	\$ 660,000	\$ 845,000	\$ -	\$ 40,000	\$ 175,000
19,570,000	20,225,000	20,865,000	22,475,000	8,535,000	8,890,000
-	-	-	-	-	170,000
493,285	524,440	-	-	-	-
-	-	-	-	-	-
-	-	-	-	56,010	110,809
-	-	-	-	-	-
899,404	957,905	1,016,406	1,074,907	37,393	37,605
21,432,689	22,367,345	22,726,406	23,549,907	8,668,403	9,383,414
-	-	-	-	-	-
-	-	-	-	-	-
-	15,857	48,557	80,244	110,948	140,702
-	-	-	-	-	-
-	-	-	-	-	-
-	15,857	48,557	80,244	110,948	140,702
\$ 21,432,689	\$ 22,383,202	\$ 22,774,963	\$ 23,630,151	\$ 8,779,351	\$ 9,524,116
\$ 328,650	\$ 318,233	\$ 314,622	\$ 320,232	\$ 290,495	\$ 269,270
6.52%	7.03%	7.22%	7.35%	2.98%	3.48%
0.00%	0.00%	0.02%	0.03%	0.04%	0.05%
6,365	6,320	6,222	6,181	6,130	6,072
\$ 3,367	\$ 3,542	\$ 3,660	3,823	1,432	1,569

# City of Sealy, Texas

## RATIOS OF GENERAL BONDED DEBT OUTSTANDING

### Last Ten Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Estimated Actual Taxable Value of Property</b>	\$ 789,526,080	\$ 745,411,028	\$ 782,306,972	\$ 783,978,708
General obligation bonds	\$ 4,410,000	\$ 5,055,000	\$ 4,400,000	\$ 380,000
Certificates of obligation	12,628,486	13,065,677	14,727,868	19,630,903
Less: amounts available in debt service fund	649,969	628,803	588,450	542,573
<b>Total</b>	\$ 16,388,517	\$ 17,491,874	\$ 18,539,418	\$ 19,468,330
 <b>Percentage of Estimated Actual Taxable Value of Property</b>	2.08%	2.35%	2.37%	2.48%
 <b>Population (1)</b>	6,839	6,839	6,450	6,441
 <b>Per Capita</b>	\$ 2,396	\$ 2,558	\$ 2,874	\$ 3,023

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 694,137,020	\$ 645,154,616	\$ 608,172,092	\$ 594,453,531	\$ 585,545,034	\$ 572,320,986
\$ 470,000	\$ 660,000	\$ 845,000	\$ -	\$ 40,000	\$ 175,000
20,469,404	21,182,905	21,881,406	23,549,907	8,572,393	8,927,605
482,174	419,301	383,540	356,181	323,136	295,730
<u>\$ 20,457,230</u>	<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>
2.95%	3.32%	3.67%	3.90%	1.42%	1.54%
6,365	6,320	6,222	6,222	6,320	6,365
\$ 3,214	\$ 3,390	\$ 3,591	\$ 3,728	\$ 1,312	\$ 1,384

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# City of Sealy, Texas

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2022

Government Unit	Debt Outstanding	Estimated Percentage Applicable*	Amount Applicable to Primary Government
Austin County	\$ 29,986,433	30.574%	\$ 9,168,052
Sealy Independent School District	46,715,000	69.926%	32,665,931
Subtotal, overlapping debt			41,833,983
City Direct Debt	17,316,779	100.000%	17,316,779
Total Direct and Overlapping Debt			\$ 59,150,762
Population (1)			6,839
Overlapping Debt Per Capita			\$ 6,117
Direct and Overlapping Debt Per Capita			\$ 8,649

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

	2022	2021	2020	2019
Legal debt limit <sup>(1)</sup>	\$ 10,658,602	\$ 10,063,049	\$ 10,561,144	\$ 10,583,713
Total net debt applicable to limit	924,031	945,197	991,726	1,105,285
Legal debt margin	<u>\$ 9,734,571</u>	<u>\$ 9,117,852</u>	<u>\$ 9,569,418</u>	<u>\$ 9,478,428</u>
Total net debt applicable to the limit as a percentage of legal debt limit	8.67%	9.39%	9.39%	10.44%

#### Legal Debt Margin Calculation

Assessed value	\$ 789,526,080	\$ 745,411,028	\$ 782,306,972	\$ 783,978,708
Legal debt limit <sup>(1)</sup>	10,658,602	10,063,049	10,561,144	10,583,713
Net debt applicable to limit:				
General obligation bonds	709,000	709,000	108,060	97,426
Certificates of obligation	864,250	864,250	1,471,366	1,549,681
Tax anticipation notes	-	-	-	-
Fiscal agent and other fees	750	750	750	750
Less: amount set aside for repayment of general obligation debt	649,969	628,803	588,450	542,572
Total net debt applicable to limit	924,031	945,197	991,726	1,105,285
Legal debt margin	<u>\$ 9,734,571</u>	<u>\$ 9,117,852</u>	<u>\$ 9,569,418</u>	<u>\$ 9,478,428</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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 9,370,850	\$ 8,709,587	\$ 8,210,593	\$ 8,025,123	\$ 7,904,858	\$ 7,726,333
<u>1,165,054</u>	<u>1,227,794</u>	<u>1,261,358</u>	<u>787,652</u>	<u>701,015</u>	<u>747,716</u>
<u><u>\$ 8,205,796</u></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>
12.43%	14.10%	15.36%	9.81%	8.87%	9.68%
\$ 694,137,020	\$ 645,154,616	\$ 608,172,092	\$ 594,453,531	\$ 585,545,034	\$ 572,320,986
9,370,850	8,709,587	8,210,323	8,025,123	7,904,858	7,726,333
200,428	198,351	195,352	41,400	140,956	135,019
1,446,050	1,447,994	1,448,796	1,099,333	703,990	728,450
-	-	-	-	176,205	177,227
750	750	750	3,100	3,000	2,750
<u>482,174</u>	<u>419,301</u>	<u>383,540</u>	<u>356,181</u>	<u>323,136</u>	<u>295,730</u>
<u>1,165,054</u>	<u>1,227,794</u>	<u>1,261,358</u>	<u>787,652</u>	<u>701,015</u>	<u>747,716</u>
<u><u>\$ 8,205,796</u></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>

# City of Sealy, Texas

## DEMOGRAPHIC AND ECONOMIC STATISTICS

### Last Ten Years

<b>Fiscal Year Ended Sept. 30</b>	<b>Population<sup>(1)</sup></b>	<b>Personal Income<sup>(2)</sup></b>	<b>Per Capita Personal Income<sup>(2)</sup></b>	<b>Median Age<sup>(3)</sup></b>	<b>Public School Enrollment<sup>(4)</sup></b>	<b>Unemployment Rate<sup>(5)</sup></b>
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%
2022	6,839	380,837	55,686	37.4	2,906	3.80%

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	2022			2013		
	Percentage of Total			Percentage of Total		
	Employees <sup>(1)</sup>	Reported	Rank	Employees <sup>(1)</sup>	Reported	Rank
Wal-Mart Distribution Center	1,000	44.80%	1	735	38.42%	1
Sealy Independent School District	461	20.65%	2	355	18.56%	2
Wal-Mart Super Center	229	10.26%	3	209	10.93%	3
Gulf States Toyota	130	5.82%	4	91	4.76%	7
International Paper Company	105	4.70%	5	92	4.81%	6
Acme Brick Company	101	4.53%	6	93	4.86%	5
City of Sealy, Texas	65	2.91%	7	58	3.03%	9
Anchor / Baker Industries	54	2.42%	8	-	-	-
Ameriforge	38	1.70%	9	-	-	-
Hailiang	49	2.20%	10	-	-	-
BAE Systems	-	-	-	170	8.89%	4
Rinker Materials	-	-	-	60	3.14%	8
Blencor, LLC	-	-	-	50	2.61%	10
	<u>2,232</u>	<u>100.00%</u>		<u>1,913</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>2022</u>	<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>
<b><u>Governmental Activities:</u></b>										
General government	24.50	24.00	25.50	22.00	21.00	22.00	21.50	14.75	13.40	11.50
Public safety										
Police										
Officers	24.00	23.00	23.00	21.00	20.00	21.00	18.00	19.00	19.00	18.00
Civilians	2.00	2.00	2.00	2.00	1.00	1.50	1.50	1.00	1.00	1.00
Inspection	1.00	3.00	3.00	3.50	3.50	4.00	4.00	3.50	3.00	3.80
Fire marshal	0.00	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.10	0.20
Highways and streets	9.00	5.00	5.00	5.50	4.50	3.00	3.00	3.00	3.00	3.00
Health and welfare	1.00	1.00	1.00	0.50	0.50	0.50	0.00	1.00	0.50	1.00
Culture and recreat.	4.00	2.00	2.00	2.50	2.50	3.00	2.00	2.00	2.00	2.00
<b><u>Business-Type Activities:</u></b>										
Water and sewer	9.00	8.00	8.00	8.00	5.50	4.00	5.00	9.43	11.25	11.10
Gas	6.00	5.00	5.00	5.00	5.50	2.00	3.00	4.82	5.25	5.20
Solid waste	-	-	-	-	-	-	-	0.50	0.50	1.20
<b>Total City Positions</b>	<u>80.50</u>	<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>

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

	2022	2021	2020	2019
<b>City of Sealy</b>				
Population	6,839	6,839	6,450	6,441
Square miles	14	13	13	13
Budgeted full time employees	71	68	71	63
<b>Function</b>				
Police				
Physical arrests	414	323	331	506
Parking violations	8	12	76	18
Traffic violations	6,742	6,421	5,288	8,498
Inspections				
Number of permits issued	990	840	1,034	1,390
Inspections	2,709	1,980	1,624	1,360
Highways and Streets				
Street resurfacing (miles)	-	-	2.0	1.5
Culture and recreation				
Community center rentals	26	15	86	205
Park pavilion rentals	66	47	35	94
Water				
New connections	299	85	48	21
Service connections	2,670	3,270	2,207	2,183
Water main breaks	5	8	9	13
Average daily consumption (thousands of gallons)	952	822	856	847
Sewer				
New connections	324	83	50	18
Service connections	2,591	2,091	2,022	2,016
Average daily sewer treatment (thousands of gallons)	820	840	518	590
Gas				
New connections	247	79	27	15
Service connections	1,902	1,386	1,374	1,364
Gas main breaks	4	2	2	-
Average daily gas consumption (hundreds of cubic feet)				
Residential and commercial	1,733	1,113	1,687	1,106
Industrial	3,613	3,737	3,626	4,000

Source: Various City departments

2018	2017	2016	2015	2014	2013
6,365	6,320	6,222	6,181	6,130	6,072
13	13	13	13	13	12
56	53	51	53	52	51
309	447	441	454	310	407
27	12	30	41	73	90
6,023	4,179	4,542	3,424	5,636	6,510
732	885	757	901	958	654
1,175	1,158	1,345	1,266	1,269	1,194
-	-	-	-	3.0	3.0
187	377	419	434	573	696
79	108	125	127	120	169
19	25	22	10	18	25
2,159	2,142	2,126	2,094	2,096	2,079
7	-	0	4	12	3
955	840	922	763	896	941
8	8	20	7	11	12
1,987	1,987	1,972	1,942	1,944	1,934
540	599	622	685	610	527
12	14	15	12	15	18
1,351	1,364	1,350	1,350	1,357	1,354
-	-	-	-	-	-
1,926	1,333	1,528	1,788	2,000	1,529
4,063	3,545	3,999	3,566	3,395	3,517

# City of Sealy, Texas

## CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Years

	2022	2021	2020	2019
<b>Function</b>				
Public safety				
Police				
Stations	1	1	1	1
Patrol units	10	10	10	8
Highways and streets				
Streets (miles)	65	65	64	64
Streetlights	661	661	661	661
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)	74	73	73	72
Fire hydrants	547	441	364	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)	71	69	46	46
Treatment plants	1	1	1	1
Maximum daily treatment capacity (thousands of gallons)	2,000	2,000	2,000	975
Gas				
Gas mains (miles)	55	54	50	47

Source: Various City departments

2018	2017	2016	2015	2014	2013
1 7	1 7	1 7	1 7	1 7	1 7
64 630	64 630	64 630	64 630	64 630	64 558
53 5 2 2	53 5 2 2	53 5 2 2	52 5 2 2	52 5 2 2	36 5 2 2
72 338 3 3	72 338 3 3	72 338 3 3	72 332 3 3	72 332 3 3	72 333 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