



# *City of Sealy, Texas*

## *Comprehensive Annual Financial Report*

*For the Fiscal Year  
Ended September 30, 2012*



**City of Sealy, Texas**

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended September 30, 2012**

Prepared by:  
Finance Department

Steven W. Kutra  
Director of Finance



City of Sealy, Texas  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended September 30, 2012

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# **INTRODUCTORY SECTION**





# 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)

April 3, 2013

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, 2012.

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 of any material misstatements.

Seidel, Schroeder & Company, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Sealy's financial statements for the year ended September 30, 2012. 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 fifty 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 make it an ideal location for development in the future. The City of Sealy currently has a land area of approximately 12 square miles and a population of 6,019 according to the 2010 U.S. Census. This population figure is an increase of almost 15 percent from the 2000 figure of 5,248. Historically, Sealy has experienced a steady growth rate of 15-20% in most decades since its incorporation in 1949, with the exception of the 1970s when the community experienced 44% growth. The city is empowered to levy a property tax on both real and personal property located within its boundaries. In accordance with its charter and state statutes, the city also has the power to

extend its corporate limits by annexation, which is done periodically by the city council when deemed appropriate or upon petition of the affected land owners.

Since 1968, the City of Sealy had operated under the Council-Mayor form of government. However, with the adoption of the home rule charter on May 8, 1996, the municipality currently operates under the Council-Manager form of government. Policy-making 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 three-year staggered terms. In accordance with the home rule charter, the mayor and council members can serve no more than three (3) consecutive terms or portions thereof as Mayor and/or Council member. The city council is responsible, among other things, for enacting local legislation in the form of ordinances, adopting the budget, appointing committees, determining policy, and appointing the city manager. In turn, the city manager is the chief executive officer and is responsible for the administration of the policies and ordinances of the city, for overseeing the day-to-day operations of the city, and for the employment of all the city employees.

The City of Sealy provides a full range of municipal services to its citizenry, including police protection, the construction and maintenance of streets and other infrastructure, and recreational and cultural activities. The city also provides the public with water, sanitary sewer, natural gas, and solid waste collection and disposal services on a user fee basis. In addition, the city is financially accountable for the activities of its economic development corporation, a legally separate entity, which is reported separately within the City of Sealy's financial statements. Additional information on this legally separate entity can be found in note 1.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 Convention and Visitors Bureau and the Sealy Volunteer Fire Department. The city does provide support to the fire department by administering its pension plan in a fiduciary capacity. Accordingly, financial information for the three entities themselves is not included in this report.

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

### ***Local economy***

Sealy's location makes it easily accessible from all over Texas via the U.S. and state highway systems. Sealy is a community with a railroad history that has evolved over the years into a center for commercial activity, including manufacturing and distribution plus retail sales from passersby along the Interstate 10 corridor. The city is situated at the junction of the former Missouri, Kansas & Topeka (now Union Pacific) and Atchison, Topeka & Santa Fe (now Burlington Northern & Santa Fe, or BNSF) railroads. The City of Sealy is currently experiencing a stable economic environment. The economic condition and outlook have

substantially improved during the past 20 years, following several years of economic decline in oil-related businesses. The economy is based on agriculture, agribusiness, and steel manufacturing. Of the area's yearly agricultural income, 80 percent is derived from livestock, poultry, sorghums, small grains, rice, corn, peanuts, and cotton. Sealy's economy also supports oil field manufacturing. The region has several major manufacturing and industrial facilities that are located within city limits or in close proximity. These facilities produce and distribute corrugated boxes, military vehicles, flanges, bricks, automobile parts, and underground concrete products.

The greater Sealy area has an employed labor force of approximately 167,500 from a 40-mile radius. In September of 2012, Austin County unemployment rate has improved boasting a 5.4 percent compared to the previous year of 8.2%.

The city's formerly largest employer, BAE Systems, currently employs about 650 people. Up until about three years ago, the employment figure for the company had reached 3,400. This peak employment was caused by the wars in Iraq and Afghanistan. With these wars winding down, the demand for military vehicles produced in Sealy has declined, and in turn, many employees found employment elsewhere. The company indicated that the decision to reduce its workforce was necessary for it to remain viable in an increasingly competitive and challenging environment. The Federal Government's failure to adopt a budget during the last four years only added to the uncertainty of defense funding that could be acquired to produce wheeled vehicles at the Sealy one million square foot manufacturing facility.

In 2005, Wal-Mart opened a regional distribution center within the corporate limits of the city. The center currently employs approximately 700 individuals for the distribution center and 300 individuals for the transportation operations. In 2007, Wal-Mart moved its retail operations from a regular department store to a newly constructed super center, both of which were located in the city. Today, the retailer employs almost 240 individuals.

In early 2010, Blencor, a frozen vegetables and protein products blending and packaging plant, opened a facility in Sealy as its first such plant in the United States. This facility is the only one of its kind in North America. Blencor purchases frozen vegetables and protein products (including meat, fish, and tofu), blends and packages them as "skillet" meals using state-of-the-art machinery, and ships them to retail stores and distribution centers. Phase 1 of plant operation called for employment of at least 24 individuals and an investment of \$20 million. As of September 2012, the plant had employed 105 people and invested over \$30 million in its facility. Future expansions are currently being contemplated by Blencor, with a potential additional investment of approximately \$30 million.

Enterprise Crude Oil began the expansion of its crude oil tank farm with the construction of four large crude oil storage tanks at a permitted construction cost of \$1.8 million. This expansion is required to handle crude oil production from the Eagle Ford shale production located near Carnes City. Enterprise also constructed a 24-inch pipeline from that area to Sealy, and it is expected that the construction of seven more tanks will be needed to handle this new oil production from that region.

In fiscal years 2011 and 2012, the city began to see a continued diversification of the businesses in the community. Among them were ABC Domes, Golden Sand Construction, Landy Services, Dollar General, Family Dollar, Jin's Asian Café, China Buffet, the reopening of the US Steel facility, and various other small retail and restaurant enterprises.

Based on current projections, the trend toward lower unemployment and the promotion of new businesses will continue in the area. Job retention and the creation of new working positions are top priorities as the city plans to usher in growth. Current assumptions are that the local economy is going to improve as predicted for the rest of the nation and that the region's unemployment rate will continue to decrease over time. Two new commercial parks and a high-end convenience store are in the development stages, and local residents could see related jobs come online in future months. The commercial parks are slated to feature retail stores, hotels, and restaurants.

Blinn College is in its seventh year at the local outlet mall for its satellite campus in Sealy. College leaders cited strong activity and expect that the campus will continue to grow. As a sign of strong community support for the Sealy campus, the Levine Foundation and the Sealy Economic Development Corporation pledged financial support of over \$15,000 each. Additionally, the owner of the outlet mall has allowed an adjacent 10,000 square feet of space to be utilized at no charge for the expansion of the 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. A majority of the currently enrolled students are dual-credit, meaning they are still in high school and taking college courses. However, there are also business professionals looking to advance their careers, unemployed individuals looking to gain some technical training to find employment again, and traditional students looking to take classes before moving on to a four-year university. The Sealy campus offers a full associates degree.

During the past nine years since GASB Statement No. 34 was implemented, expenses related to the city's general government and public safety functions have remained constant as percentages of total expenditures at 40.8 percent and 41.13 percent, respectively. In the past fiscal year, general government expenses accounted for 16.07 percent of the city's total general governmental expenditures, which is a decrease when compared to 21.6 percent nine years ago. These decreases are attributable to an increase in efficiency in the general government services provided and other governmental activities costs increased. Public safety accounted for 25.1 percent of the total governmental expenditures, which is an increase when compared to 19.2 percent nine years ago. These increases are attributable to the provision of additional police service due to population growth and also to increased law enforcement activities within the city to ensure a low crime rate.

### ***Long-term financial planning***

The City of Sealy strives to maintain sufficient cash reserves and unassigned fund balances/unrestricted net assets in the general and enterprise (utility) funds to avoid borrowing for general operating purposes and to handle emergency situations, while yet providing quality service levels

to the public. The government has established a target of 10 percent of total annual revenues as its goal. At the end of the fiscal year, unassigned fund balance in the general fund was at 19.1 percent of total revenues, and unrestricted net assets for all enterprise funds combined was at 65.8 percent of total operating revenues of the enterprise funds. Whenever possible, the city may also utilize any excess reserves and fund balances/net assets 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 will then be used to fund future drainage improvement projects identified in the city's drainage master plan. Examples of this were the lease-purchase of a Caterpillar dozer and execution of a new interlocal agreement with the county to implement some of the drainage improvements listed in the recently adopted master drainage plan. The agreement allows for the city and the county to share dirt-moving equipment to facilitate the desired drainage improvements. Currently, one county commissioner has been utilizing the city-owned dozer to clear and re-establish drainage rights-of-way in the Allens Creek watershed. Similar projects are also being planned in the Bernard watershed.

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

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

The city has recently completed the development of a comprehensive plan that outlines present and future community needs and projected growth patterns and identifies the roles the government will play in meeting those future community needs. The government is currently

developing plans for the construction of a new frontage road on IH-10. The construction of a new public safety facility to house police operations, a new park which includes a swimming pool, skate park, and walking trails were begun this year.

### ***Relevant financial policies***

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

Each fiscal year, the city's policy has been to budget for interfund operating transfers, or overhead allocations, for expenditures/services in the general fund that benefit other city funds. Accordingly, transfers of \$100,000 from the water and sewer enterprise fund and \$100,000 from the gas enterprise fund were made to the general fund. Procedures were established in the 2011-2012 budget to establish franchise fees to be paid to the general fund from the enterprise funds to create a predictable amount of inflows for the utility use of the streets and right-of-ways.

### ***Major initiatives***

The long-term plan for reconfiguration of all Interstate 10 frontage roads from FM 3538, east to the Brazos River is also being planned. A new frontage road would be constructed on the north side of Interstate 10 from the Koy Overpass to West Front Street and from State Highway 36 to FM 3538. All frontage roads within this project would be designated as one-way. This project is expected to simplify vehicular access to and egress from the city and thereby assist considerably in improving safety and promoting local economic development. However, funding for this plan is not available in the foreseeable future. As an incremental approach to reaching this long-term plan, the city has acquired the participation of a local developer and partial participation from the Texas Department of Transportation to build a new frontage road from State Highway 36 to Rexville Road. The Federal Highway Administration has approved the city's interstate access justification application for this segment of frontage road, and all the necessary agreements are in place for this construction to begin in the 2013-2014 fiscal year.

Funding for the frontage road project will come from a variety of sources. Figures from the Texas Department of Transportation (TxDOT) show the project to have an estimated cost of \$2.99 million. TxDOT has committed \$795,400 toward the project from unexpended funds in its maintenance budget, with \$400,000 going toward a new exit lane and the remainder for inspection costs. A developer, who is developing a retail center along Interstate 10, has contracted with the city to provide funding for half of the remaining project cost. The city's economic development corporation has committed funding of up to \$550,000. Any additional costs beyond that would be borne by the city. The same developer has also agreed to donate the



land necessary to provide right-of-way access for the frontage road. Overall, management will continue to establish and maintain effective relationships with developers as they seek to invest in the community with a priority to develop a commercial corridor along Interstate 10.

In 2009, the city utilized the talents of graduate students with Texas A&M University's Department of Landscape, Architecture and Urban Planning to pinpoint the strengths and weaknesses of its downtown district and to suggest solutions to problem areas during a semester-long course. The students presented their findings to the city council, which addressed issues such as new sidewalks, signage, landscaping, vehicular and pedestrian traffic, and parking. However, before proceeding with any improvements or renovations, the city created a downtown business association to foster community participation and involvement by soliciting input from downtown business and property owners. The downtown business association recommended to city council the need to construct a clock tower at the intersection of Main and Fowlkes Streets. Funding assistance has been provided for this project by the Sealy Economic Development Corporation and a grant from the Houston-Galveston Area Council. The tower was completed during this fiscal year. This is a good example of how the city will continue to seek funding assistance opportunities from many collaborative efforts to accomplish the planned downtown revitalization efforts in the future. Other financing tools are available, such as tax increment financing, and bonded indebtedness could be considered in the future if the need for the revitalization is prioritized as such.

In March 2010, the city accepted a Texas Parks and Wildlife Department matching grant for \$500,000 to develop a public park and its amenities, including a swimming pool, multi-use trail, skate area, picnic tables with grills, and native grass and tree plantings. The city hired an architect for the project, and a contract for construction was awarded in the amount of \$1,643,271. The project began during the previous fiscal year and was operationally completed by June 1, 2012. The new park is located at the corner of Rexville and Miller Roads, within a mile of all Sealy school facilities. The project included a 16-acre park area donated to the city by a citizen. The city had met its grant match requirements by accepting the land as an in-kind contribution and a cash donation of \$100,000 from an individual who wished to dedicate the park in memory of his late wife. The city accepted the land donation and the cash donation during the previous fiscal year. The city's youth advisory commission provided \$60,000 of funding assistance to help fund the new permanent skate park. The economic development corporation (EDC) has partnered with the city by contributing toward the project in the form of servicing debt of \$1,000,000 over the next 20 years. The EDC has also budgeted to fund up to \$50,000 toward park operations and maintenance during fiscal 2013.

During 2011, the city issued \$1.64 million in certificates of obligation debt to fund utility capital projects. The debt will be serviced over a period of 15 years. One funded project includes a new water main to be installed from the U.S. Highway 90 overpass at State Highway 36 to the 1500 block of State Highway 36. Another project is to rehabilitate the sanitary sewer line along State Highway 36 from the U.S. Highway 90 overpass to Main Street. These improvements will attend to the 70-year-old infrastructure and will allow for the Texas Department of Transportation (TxDOT) to repave the highway. In addition to the pavement project, TxDOT has agreed to include a colored concrete signature intersection at Main Street and Highway 36 that was funded by the EDC and the city.

The city has completed the primary construction of its new police station. The facility is located on the southern part of a five-acre tract of land the city owns just south of Highway 90 and adjacent to Rexville Road. The building carries a railroad theme and includes several office spaces, along with a fitness room, interview rooms, a two-vehicle sally port, squad room, and a large evidence room. The design of the building and its layout on the property will also allow for expansion in the future. Minor landscaping changes and finishing touches to the building will be completed early in the next fiscal year.

During fiscal 2010, the city was awarded a \$686,000 grant by the Texas Department of Transportation to fund a “safe routes to school” project. The project scope includes sidewalk improvements, secure bicycle-parking facilities, pedestrian/bicycle crossing improvements, and off-street bike and pedestrian facilities. The sidewalks and bike paths would alleviate safety concerns for children who must now walk and bike in the street on their way to school. The city envisions this project as part of a larger sidewalk project aimed at making Sealy a “walking” city, with sidewalks and bike paths connecting schools, city parks, and residential neighborhoods. This project began in the fourth quarter of this fiscal year and is expected to be completed by the spring of 2013.

### *Awards and acknowledgments*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sealy for its comprehensive annual financial report for the fiscal year ended September 30, 2011. This was the eighteenth 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 the GFOA to determine its eligibility for another certificate.

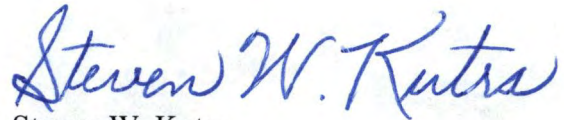
In addition, the City of Sealy is a proud recipient of the Texas Comptroller’s Leadership Circle Award for financial transparency. For the third consecutive year, the city achieved the program’s highest award level of gold, which is valid for a one-year period commencing May 14, 2012. In fact, the City of Sealy was featured in the “Transparency Spotlight” on the Texas Comptroller’s Web site for August 2011 ([www.texas Transparency.org/local/spotlight.php](http://www.texas Transparency.org/local/spotlight.php)). Scoring criteria are focused on essentials of Web site transparency, including posting all key financial data on one transparency Web page, which the city refers to as its “Financial Dashboard” ([www.ci.sealy.tx.us/fd.htm](http://www.ci.sealy.tx.us/fd.htm)). The dashboard provides taxpayers the opportunity to review the city’s budgets, comprehensive annual financial reports, check/expense registers, and information on local taxes. The Leadership Circle program is aimed at making it simpler for taxpayers to contact local officials and request public records, as well as providing user-friendly features that make it easier for taxpayers to find and understand financial data.

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 "Chris Coffman". The signature is fluid and cursive.

Chris Coffman, CPM  
City Manager

A handwritten signature in blue ink that reads "Steven W. Kutra". The signature is fluid and cursive.

Steven W. Kutra  
Director of Finance

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sealy  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Moirrell*

President

*Jeffrey R. Enow*

Executive Director

# City of Sealy, Texas Organizational Chart Fiscal Year 2012



City of Sealy, Texas  
List of Elected and Appointed Officials  
September 30, 2012

Elected Officials

|  |                       |
|--|-----------------------|
| Mayor.....                                   | Nick Tirey            |
| Mayor Pro-Tem / Councilmember, Place 2 ..... | Yvonne Johnson        |
| Councilmember, Place 1 .....                 | Mark Stolarski        |
| Councilmember, Place 3 .....                 | Larry W. Koy          |
| Councilmember, Place 4 .....                 | Melanie Willingham    |
| Councilmember, Place 5 .....                 | Everett J. Bubak, III |
| Councilmember, Place 6 .....                 | Steve Wilson          |

Appointed Officials

|  |                         |
|--|-------------------------|
| City Manager .....                                   | Chris Coffman           |
| Municipal Court Judge.....                           | John M. Campos          |
| City Attorney .....                                  | Olson & Olson (Houston) |
| Director of Finance .....                            | Steven W. Kutra         |
| City Secretary.....                                  | Dayl L. Cooksey         |
| Sealy Economic Development Corporation               |                         |
| Executive Director.....                              | Kim Meloneck            |
| Director of Planning and Community Development ..... | Kimberly Judge          |
| Chief of Police .....                                | John Tollett            |
| Director of Public Works .....                       | Larry Mayberry          |
| Water/Sewer System Superintendent.....               | Jimmy Wright            |
| Gas System Superintendent .....                      | Jonathan Kloss          |
| Wastewater Treatment Plant Superintendent.....       | Mark Pulos              |
| Municipal Court Administrator.....                   | Fawn Mackey             |

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## **FINANCIAL SECTION**





**SEIDEL, SCHROEDER & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

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

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 City of Sealy, Texas, (the "City") as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

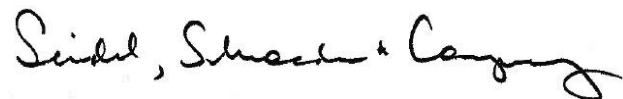
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Sealy, Texas, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Texas Municipal Retirement System analysis of funding progress on pages 17 to 31 and 73, respectively, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The introductory and statistical sections are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



April 3, 2013

## Management's Discussion and Analysis

As management of the City of Sealy, we offer readers of the City of Sealy's financial statements this narrative overview and analysis of the financial activities of the City of Sealy for the fiscal year ended September 30, 2012. 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 1-9 of this report.

### Financial Highlights

- The assets of the City of Sealy exceeded its liabilities at the close of the most recent fiscal year by \$18,894,680 (*net assets*). Of this amount, \$2,850,640 (*restricted net assets*) represents resources that are subject to external restrictions on how they may be used.
- The government's total net assets increased by \$965,591. A portion of this increase is attributable to effective operations of the water and sewer systems. To an even greater extent, the receipt of operating and capital grants and contributions during the year also contributed to the increase.
- As of the close of the current fiscal year, the City of Sealy's governmental funds reported combined ending fund balances of \$3,531,545. Approximately 19 percent of this total amount, \$680,905, is *available for spending* at the government's discretion (*unassigned fund balance*).
- As of the close of the current fiscal year, the City of Sealy's proprietary funds reported combined ending net assets of \$13,146,065. Approximately 17 percent of this total amount, \$2,239,827, is *available for spending* at the government's discretion (*unrestricted net assets*). The remaining 83 percent is invested in capital assets, net of related debt.
- The City of Sealy's total bonded debt and capital lease obligations at the end of the current fiscal year totaled \$10,177,718. Of this amount, \$728,297 will be due and payable in the next year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Sealy's basic financial statements. The City of Sealy's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Sealy's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Sealy's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Sealy is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 in this statement 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 of Sealy 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 of Sealy include general government, public safety, highways and streets, health and welfare, and culture and recreation. The business-type activities of the City of Sealy include water and sewer, gas, and solid waste operations.

The government-wide financial statements include not only the City of Sealy itself (known as the *primary government*), but also a legally separate economic development corporation, the Sealy Economic Development Corporation (SEDC), for which the City of Sealy is financially accountable.

The government-wide financial statements can be found on pages 33-34 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 of Sealy, 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 of Sealy can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 evaluating a government's near-term financing requirements.

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

The City of Sealy maintains 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the Series 2010 Certificates of Obligation Construction capital projects fund, the Series 2011 Certificates of Obligation Construction capital projects fund, and the Public Improvement District Number One special revenue fund, all of which are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Sealy adopts annual appropriated budgets for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 35-39 of this report.

**Proprietary funds.** There are 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 of Sealy uses enterprise funds to account for its water and sewer, gas, and solid waste disposal operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among various governmental functions (e.g., vehicle fleets or management information systems). Currently, the City of Sealy does not utilize internal service funds.

Proprietary funds 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 disposal operations, all of which are considered to be major funds of the City of Sealy.

The basic proprietary fund financial statements can be found on pages 40-43 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Sealy's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 44-45 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to 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 46-72 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Sealy's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 73 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 76-94 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Sealy, assets exceeded liabilities by \$18,894,680 at the close of the most recent fiscal year.

## City of Sealy's Net Assets

|   | Governmental activities |               | Business-type activities |               | Total         |               |
|---|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
|   | 2012                    | 2011          | 2012                     | 2011          | 2012          | 2011          |
| Current and other assets                        | \$ 6,222,882            | \$ 10,637,442 | \$ 2,733,990             | \$ 2,813,727  | \$ 8,956,872  | \$ 13,451,169 |
| Capital assets                                  | 11,391,717              | 6,948,341     | 10,987,714               | 9,087,667     | 22,379,431    | 16,036,008    |
| Total assets                                    | 17,614,599              | 17,585,783    | 13,721,704               | 11,901,394    | 31,336,303    | 29,487,177    |
| Long-term liabilities outstanding               | 10,524,229              | 11,227,955    | 184,882                  | 122,106       | 10,709,111    | 11,350,061    |
| Other liabilities                               | 1,341,755               | 713,343       | 390,757                  | 561,040       | 1,732,512     | 1,274,383     |
| Total liabilities                               | 11,865,984              | 11,941,298    | 575,639                  | 683,146       | 12,441,623    | 12,624,444    |
| <b>Net assets:</b>                              |                         |               |                          |               |               |               |
| Invested in capital assets, net of related debt | 7,937,296               | 5,483,183     | 10,906,238               | 9,087,667     | 14,912,542    | 12,821,738    |
| Restricted                                      | 2,850,640               | 888,184       | -                        | -             | 2,850,640     | 888,184       |
| Unrestricted                                    | (5,039,321)             | (726,882)     | 2,239,827                | 2,130,581     | 1,131,498     | 3,152,811     |
| Total net assets                                | \$ 5,748,615            | \$ 5,644,485  | \$ 13,146,065            | \$ 11,218,248 | \$ 18,894,680 | \$ 16,862,733 |

By far, the largest portion of the City of Sealy's net assets (\$14,912,542) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Sealy uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Sealy'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 capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Sealy's net assets (\$2,850,640) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City of Sealy is able to report positive balances in all three categories of net assets for its business-type activities, as well as for the government as a whole. The negative unrestricted net assets balances reported for governmental activities are due to the inclusion of capital assets and long-term liabilities within the statement of net assets. The reporting standard requires this inclusion, although in the governmental funds capital assets (net of accumulated depreciation) are not financial resources and long-term liabilities are not due and payable in the current year.

**Governmental activities.** Governmental activities increased the City of Sealy's net assets before transfers by \$751,672, thereby accounting for 78 percent of the total growth in the net assets of the City of Sealy. Key elements of this increase are as follows:

- Operating grants and contributions for governmental activities decreased by over \$417,000. During the prior year, the city had received from its economic development corporation \$550,000 as a contribution toward the Interstate 10 frontage road project and almost \$57,000 toward interest on long-term debt. This year, however, the economic development



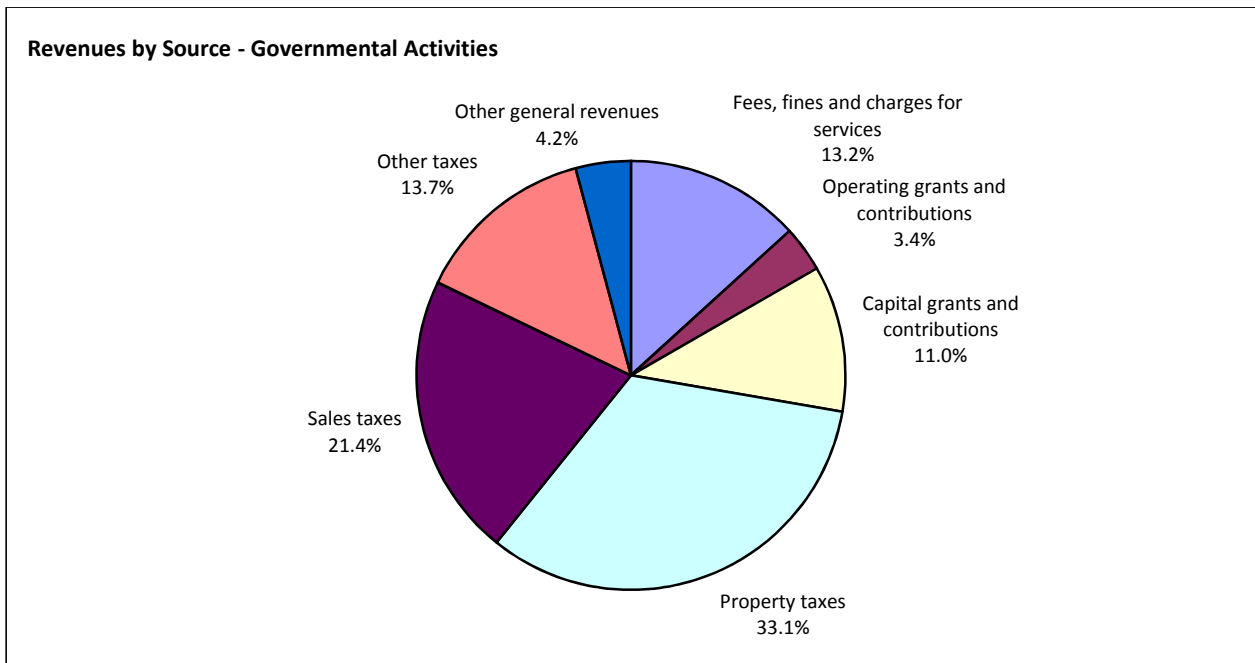
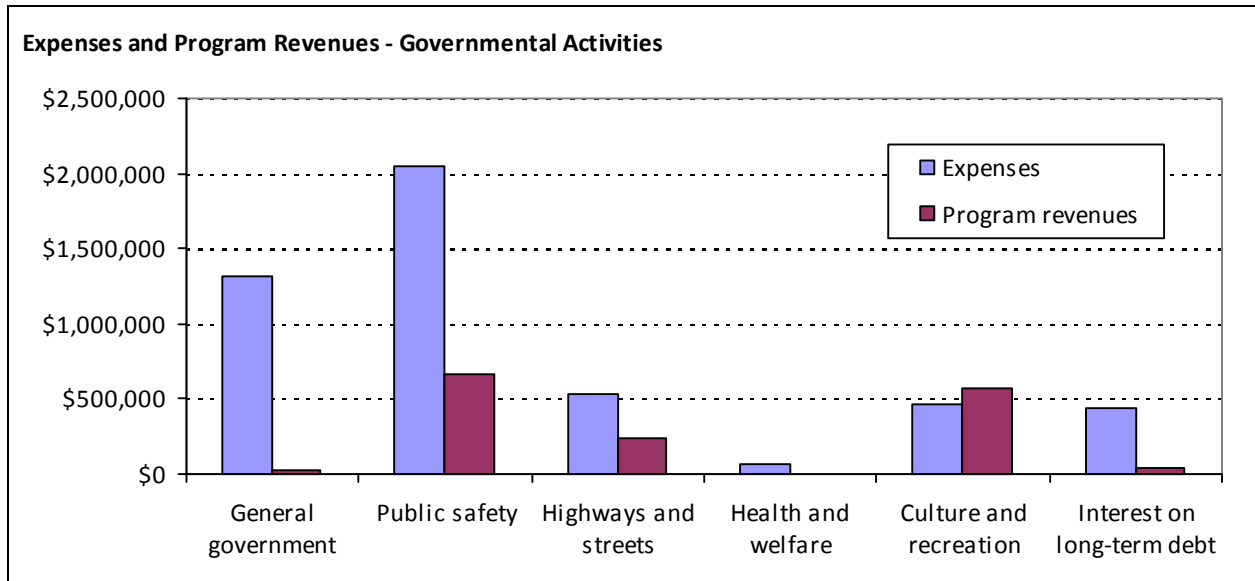
corporation contributed \$90,000 toward a signature street intersection project, \$50,000 toward maintenance and operations costs of the city swimming pool, and over \$44,000 toward interest on long-term debt.

### City of Sealy's Changes in Net Assets

|   | Governmental activities |                     | Business-type activities |                      | Total                |                      |
|---|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
|   | 2012                    | 2011                | 2012                     | 2011                 | 2012                 | 2011                 |
| <b>Revenues:</b>                        |                         |                     |                          |                      |                      |                      |
| <b>Program revenues:</b>                |                         |                     |                          |                      |                      |                      |
| Fees, fines and charges for services    | \$ 742,820              | \$ 752,051          | \$ 3,405,769             | \$ 4,014,487         | \$ 4,148,589         | \$ 4,766,538         |
| Operating grants and contributions      | 193,125                 | 610,567             | -                        | -                    | 193,125              | 610,567              |
| Capital grants and contributions        | 617,964                 | 761,602             | 43,347                   | 306,653              | 661,311              | 1,068,255            |
| <b>General revenues:</b>                |                         |                     |                          |                      |                      |                      |
| Property taxes                          | 1,855,450               | 1,734,570           | -                        | -                    | 1,855,450            | 1,734,570            |
| Sales taxes                             | 1,198,030               | 1,165,311           | -                        | -                    | 1,198,030            | 1,165,311            |
| Other taxes                             | 768,937                 | 562,081             | -                        | -                    | 768,937              | 562,081              |
| Other general revenues                  | 233,206                 | 194,267             | 65,899                   | 9,726                | 299,105              | 203,993              |
| <b>Total revenues</b>                   | <b>5,609,532</b>        | <b>5,780,449</b>    | <b>3,515,015</b>         | <b>4,330,866</b>     | <b>9,124,547</b>     | <b>10,111,315</b>    |
| <b>Expenses:</b>                        |                         |                     |                          |                      |                      |                      |
| General government                      | 1,311,143               | 1,360,731           | -                        | -                    | 1,311,143            | 1,360,731            |
| Public safety                           | 2,044,627               | 1,959,212           | -                        | -                    | 2,044,627            | 1,959,212            |
| Highways and streets                    | 535,460                 | 481,946             | -                        | -                    | 535,460              | 481,946              |
| Health and welfare                      | 64,023                  | 61,255              | -                        | -                    | 64,023               | 61,255               |
| Culture and recreation                  | 461,511                 | 416,820             | -                        | -                    | 461,511              | 416,820              |
| Interest on long-term debt              | 441,096                 | 399,494             | -                        | -                    | 441,096              | 399,494              |
| Water/sewer                             | -                       | -                   | 1,660,540                | 1,467,129            | 1,660,540            | 1,467,129            |
| Gas                                     | -                       | -                   | 1,074,620                | 1,259,009            | 1,074,620            | 1,259,009            |
| Solid waste                             | -                       | -                   | 565,936                  | 510,992              | 565,936              | 510,992              |
| <b>Total expenses</b>                   | <b>4,857,860</b>        | <b>4,679,458</b>    | <b>3,301,096</b>         | <b>3,237,130</b>     | <b>8,158,956</b>     | <b>7,916,588</b>     |
| Increase in net assets before transfers | 751,672                 | 1,100,991           | 213,919                  | 1,093,736            | 965,591              | 2,194,727            |
| Transfers                               | (1,337,363)             | 309,082             | 1,337,363                | (309,082)            | -                    | -                    |
| <b>Change in net assets</b>             | <b>(585,691)</b>        | <b>1,410,073</b>    | <b>1,551,282</b>         | <b>784,654</b>       | <b>965,591</b>       | <b>2,194,727</b>     |
| Prior period adjustment                 | 689,821                 | -                   | 376,535                  | -                    | 1,066,356            | -                    |
| <b>Net assets - 10/1/2011</b>           | <b>5,644,485</b>        | <b>4,234,412</b>    | <b>11,218,248</b>        | <b>10,433,594</b>    | <b>16,862,733</b>    | <b>14,668,006</b>    |
| <b>Net assets - 9/30/2012</b>           | <b>\$ 5,748,615</b>     | <b>\$ 5,644,485</b> | <b>\$ 13,146,065</b>     | <b>\$ 11,218,248</b> | <b>\$ 18,894,680</b> | <b>\$ 16,862,733</b> |

- Capital grants and contributions for governmental activities decreased by over \$143,000. During fiscal 2011, the city had accepted 16 acres of land donated by a citizen to construct a new city park. The land was appraised at \$682,000. In addition, the city had received almost

\$80,000 from a federal grant to fund a “safe routes to school” sidewalk project. This past year, however, the city received only \$5,500 from the sidewalk project grant. The city also received federal grant funding of over \$112,000 to acquire needed equipment for the police department and \$500,000 to improve the new city park.

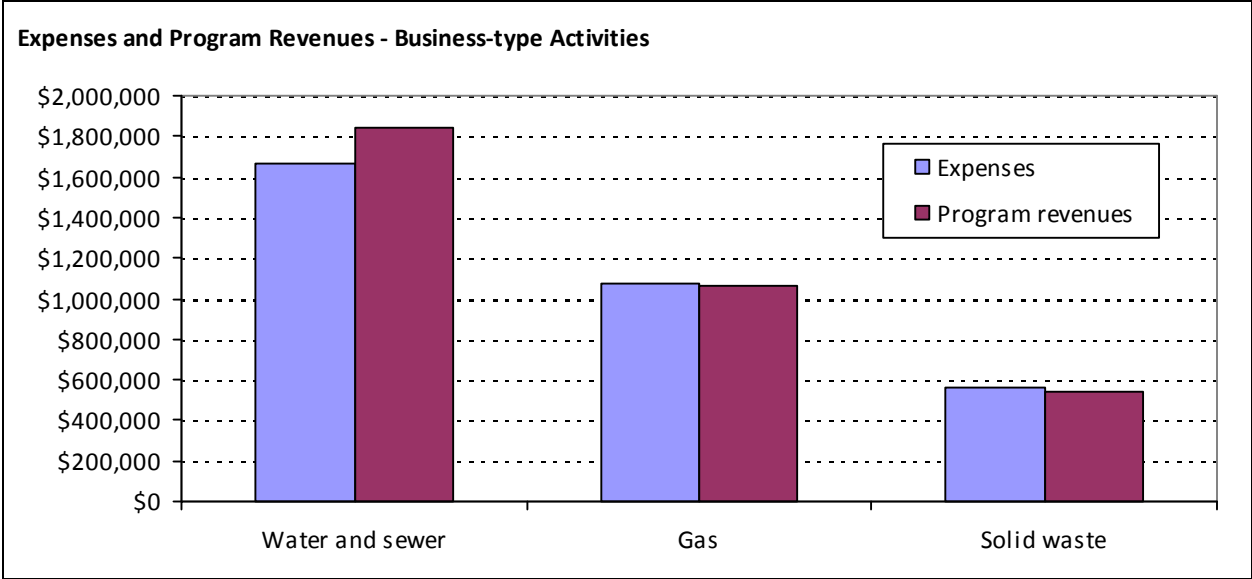


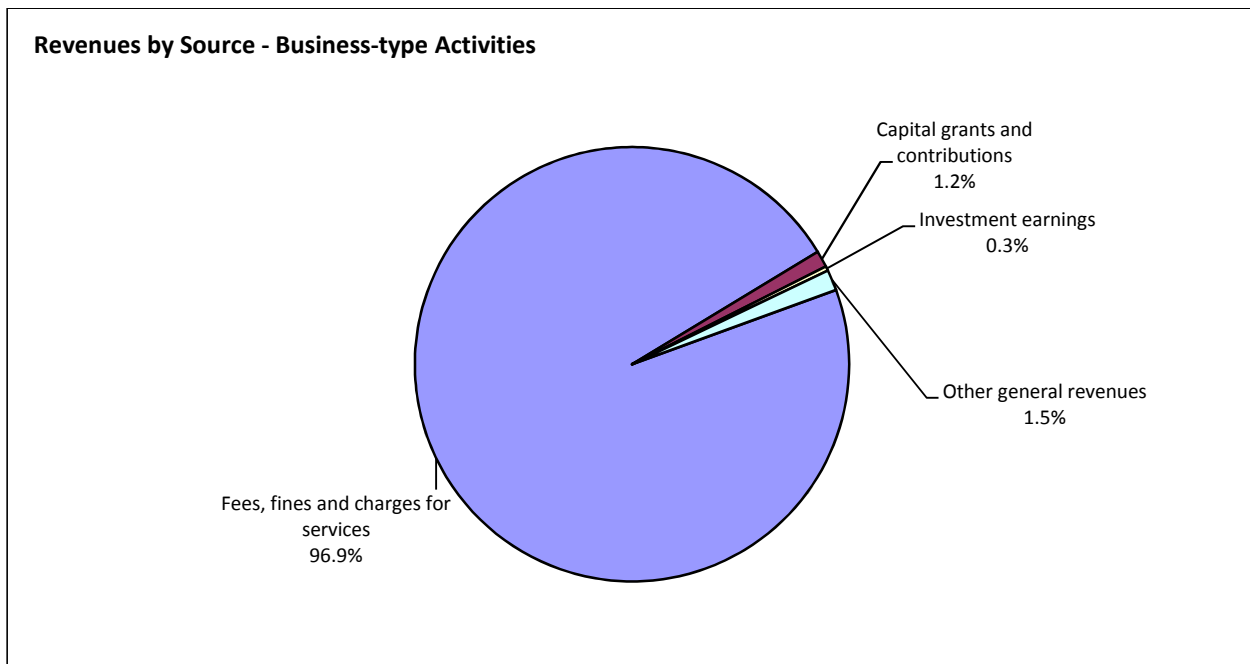
- General revenues for governmental activities increased by over \$399,000 (11%). This was due, in part, to the issuance of \$1.64 million in general obligation debt during the previous fiscal year and an additional \$121,000 in property tax collections required to fund the debt service. Sales tax revenues and hotel/motel occupancy taxes increased by almost \$33,000 and over \$48,000, respectively, due to resurgence of the local economy. Gross receipts taxes increased by almost \$159,000 due to the institution of 6% collections from the city’s water, sewer, gas, and solid waste systems for the very first time.

- General government expenses for governmental activities decreased by almost \$50,000 (4%). This decrease is attributable to reductions in the allowance for employee compensated absences resulting from the retirement of the mechanic and city secretary, each with considerable years of service.
- Public safety expenses for governmental activities increased by over \$85,000 (4%) due, in part, to costs incurred for payment of accrued leave time to police personnel and to also compensate police officers for additional overtime hours worked. In addition, police vehicle fuel costs had increased during the year.
- Highways and streets expenses for governmental activities increased by over \$53,000 (11%) due to sidewalk repairs for Americans with Disabilities Act (ADA) compliance requirements and also to an increase in depreciation expense for capital assets.
- Culture and recreation expenses for governmental activities increased by almost \$45,000 (11%) due mainly to supporting funds contributed to the local YMCA organization.
- Interest on long-term debt for governmental activities increased by almost \$42,000 (10%). This was due primarily to the payment of interest on new debt that had been issued during the prior fiscal year.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

During the year, too, the business-type activities received net transfers of \$1,337,363 from the governmental activities. On one hand, the governmental activities contributed capital assets of \$1,537,363 to the business-type activities. On the other hand, the business-type activities transferred \$200,000 to the governmental activities, for the most part, as overhead allocations (payments in lieu of taxes) to offset service costs provided by the governmental activities on behalf of the business-type activities. The overall effect of these transfers consequently caused net assets for governmental activities to decrease by \$585,691 after the respective transfers.





**Business-type activities.** Business-type activities increased the City of Sealy’s net assets before transfers by \$213,919, accounting for 22 percent of the total growth in the government’s net assets. Key elements of this increase are as follows:

- Fees, fines and charges for services for all business-type activities exceeded the respective total expenses by over \$104,000. While the water and sewer program experienced a net increase of over \$139,000, the gas and solid waste programs experienced net decreases of almost \$15,000 and over \$20,000, respectively.
- Capital grants and contributions for business-type activities of over \$43,000 also contributed to the increase in net assets. During the previous year, the city had been awarded a federal grant to rehabilitate two of its sewer lift stations to meet state design standards and to prevent possible overflows.
- General revenues for business-type activities of almost \$66,000 were generated by funds received from a developer to reimburse the costs of a sewer line extension installation and also by an increase in investment earnings.

As noted earlier, the business-type activities received transfers from governmental activities of \$1,537,363, which were for the reconstruction of water, sewer, and gas utility lines along Highway 36 and for the construction of a new gas gate station. These transfers were offset by \$200,000 in transfers to the governmental activities for overhead allocations (payments in lieu of taxes), for the most part. The overall effect of these transfers consequently caused net assets for business-type activities to increase by \$1,551,282 after the respective transfers.

### **Financial Analysis of the Government’s Funds**

As noted earlier, the City of Sealy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Sealy’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such

information is useful in assessing the City of Sealy's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Sealy's governmental funds reported combined ending fund balances of \$3,531,545. Approximately 19 percent of this total amount (\$680,905) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because it has already been committed (1) to pay debt service (\$259,628), (2) to construct or acquire various capital improvements (\$2,155,325), (3) to fund tourism activities and projects (\$260,069), or (4) for a variety of other restricted purposes (\$175,618).

The general fund is the chief operating fund of the City of Sealy. The fund balance of the city's general fund increased by \$99,452 during the current fiscal year. This increase is the result of the city's intentions to budget estimated revenues conservatively while providing sufficient appropriations to carry out the city's programs. At the end of the current fiscal year, the fund balance of the general fund was \$680,905; no portion of the total fund balance had been assigned for any particular purposes. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unassigned fund balance represents almost 19 percent of total general fund expenditures. Other factors concerning the finances of the general fund have already been addressed in the discussion of the City of Sealy's governmental activities.

The debt service fund has a total fund balance of \$259,628, all of which is reserved for the payment of debt service. The net increase in fund balance during the current fiscal year in the debt service fund was \$8,005. The intent of this increase was to provide additional resources for supplementing debt service reserves as a contingency for any future needs.

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

Unrestricted net assets of the water and sewer fund at the end of the year amounted to \$1,482,786, those for the gas fund amounted to \$571,366, and those for the solid waste fund amounted to \$185,675. The total growth in net assets for the water and sewer fund and the gas fund was \$1,158,811 and \$411,448, respectively. The decrease in net assets for the solid waste fund was \$18,977. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Sealy's business-type activities.

### **General Fund Budgetary Highlights**

During the year, there was an increase of \$42,349 in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$1,900 supplemental appropriation to city council to fund expenditures related to training at an ethics workshop;
- \$3,701 supplemental appropriation to the city secretary's department to fund additional salary costs related to accumulated leave time paid upon the retirement of the city secretary;

- \$57,926 supplemental appropriation to the police department to fund (a) personnel costs relating to the retirement of a police officer with numerous years of service and (b) the increase in vehicle fuel costs;
- \$17,200 supplemental appropriation to the parks department to fund additional electricity costs for a new City park; and
- \$8,138 supplemental appropriation to capital outlay to acquire two pieces of property as directed by city council.

These supplemental appropriations were offset by decreases in (a) the city manager's department for reductions in consultant and legal services, (b) the mechanic shop due to the retirement of the City's mechanic, (c) planning and community development for reductions in building demolition costs, and (d) the fire marshal's department for personnel costs while the department was without this position for the entire year.

Significant budgetary variances between the final amended budget and actual results for the year were as follows:

- Sales tax revenues were over budget by \$25,030 due to higher than anticipated collections for the year.
- Gross receipts tax revenues were under budget by \$36,979 due to lower than expected collections from the water and sewer, gas, and solid waste programs during the year.
- Intergovernmental revenues were over budget by \$8,450 due to an operating grant received during the year that had not been anticipated.
- City manager expenditures were under budget by \$8,019 due mainly to a decrease in fees for legal services required during the year.
- City hall expenditures were under budget by \$11,240 due to cost savings in salaries and benefits of part-time custodial staff as a result of reduced hours worked.
- Finance department expenditures were under budget by \$12,605 due to the reallocation of salaries and benefits to departments within the enterprise funds for services provided on their behalf.
- City secretary expenditures were under budget by \$6,452 due to cost savings for various items, such as advertising, data processing supplies, medical services, and election service fees.
- Court expenditures were under budget by \$11,478 due to cost savings in salaries and benefits, prisoner care services, and credit card processing fees.
- Nondepartmental expenditures were over budget by \$88,264 due to an audit adjustment to reclassify costs associated with a signature intersection as a contribution to the state instead of capital outlay.
- Police department expenditures were under budget by \$41,000 due to cost savings in salary and benefits caused by various vacancies in personnel staffing during the year.
- Planning and community development department expenditures were under budget by \$36,000 due to cost savings in salary and benefits caused by a vacancy in the building official position during the year and for a reduction in the number of substandard building demolitions.
- Capital outlay expenditures were under budget by \$100,721 due to an audit adjustment to reclassify costs associated with a signature intersection as a contribution to the state and to reclassify the costs of a server and laptops for the police department that did not meet the city's capitalization threshold.

**City of Sealy's Capital Assets**  
(net of depreciation)

|                                   | Governmental activities |              | Business-type activities |              | Total         |               |
|-----------------------------------|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
|                                   | 2012                    | 2011         | 2012                     | 2011         | 2012          | 2011          |
| Land                              | \$ 1,453,464            | \$ 1,443,061 | \$ 138,919               | \$ 138,919   | \$ 1,592,383  | \$ 1,581,980  |
| Buildings and system              | 1,531,014               | 1,637,221    | 147,025                  | 153,568      | 1,678,039     | 1,790,789     |
| Improvements other than buildings | 2,815,435               | 2,840,341    | -                        | -            | 2,815,435     | 2,840,341     |
| Intangibles                       | 68,537                  | 79,651       | -                        | -            | 68,537        | 79,651        |
| Machinery and equipment           | 957,982                 | 885,981      | 355,152                  | 216,377      | 1,313,134     | 1,102,358     |
| Infrastructure                    | -                       | -            | 8,651,020                | 7,626,899    | 8,651,020     | 7,626,899     |
| Construction in progress          | 4,565,285               | 751,907      | 1,695,598                | 1,328,437    | 6,260,883     | 2,080,344     |
| Total                             | \$ 11,391,717           | \$ 7,638,162 | \$ 10,987,714            | \$ 9,464,200 | \$ 22,379,431 | \$ 17,102,362 |

**Capital Asset and Debt Administration**

**Capital assets.** The City of Sealy's investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounts to \$22,379,431 (net of accumulated depreciation). This investment in capital assets includes land, buildings, distribution and collection systems, improvements other than buildings, machinery and equipment, and construction in progress. The total increase in the City of Sealy's investment in capital assets for the current fiscal year was 31 percent (a 49 percent increase for governmental activities and a 16 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Two parcels of land to be utilized for future street construction were acquired at a cost of \$10,403.
- The master drainage plan project was completed at a total cost of \$112,122.
- Various distribution and collection systems projects were completed during the year, including water line improvements to a subdivision (\$90,000), the construction of two sanitary sewer lift stations (\$470,426), the construction of a sanitary sewer line and lift station to a commercial park (\$449,426), and the construction of a gas distribution gate and installation of a pipeline to the city's gas system (\$320,397).
- Machinery and equipment acquired during the year for the police department included three vehicles (\$92,380), an automated fingerprint information system (\$34,187), a closed circuit television system (\$15,388), a new telephone system (\$21,895), and furniture and lockers for the new public safety facility (\$84,783). Other machinery and equipment acquired during the year included a zero-turn lawnmower for the parks department (\$12,131), a truck (\$25,471) and backhoe loader (\$99,371) for the water department, a truck (\$18,264) and tractor (\$14,323) for the sewer department, and a truck (\$26,119) and excavator (\$32,878) for the gas department.
- Retired during the year were a patrol car from the police department, a truck from the water department, a truck from the sewer department, and a truck from the gas department.

Additional information on the City of Sealy's capital assets can be found in note 7 on pages 60-61 of this report.

**City of Sealy's Outstanding Debt**  
General Obligation Bonds and Capital Leases

|                            | Governmental activities |               | Business-type activities |      | Total         |               |
|----------------------------|-------------------------|---------------|--------------------------|------|---------------|---------------|
|                            | 2012                    | 2011          | 2012                     | 2011 | 2012          | 2011          |
| General obligation bonds   | \$ 300,000              | \$ 540,000    | \$ -                     | \$ - | \$ 300,000    | \$ 540,000    |
| Certificates of obligation | 9,260,000               | 9,495,000     | -                        | -    | 9,260,000     | 9,495,000     |
| Tax notes                  | 335,000                 | 490,000       | -                        | -    | 335,000       | 490,000       |
| Total bonded debt          | 9,895,000               | 10,525,000    | -                        | -    | 9,895,000     | 10,525,000    |
| Unamortized premium        | 105,363                 | 140,587       | -                        | -    | 105,363       | 140,587       |
| Unamortized discount       | (67,918)                | (103,305)     | -                        | -    | (67,918)      | (103,305)     |
| Capital lease              | 163,797                 | 215,034       | 81,476                   | -    | 245,273       | 215,034       |
| Total debt                 | \$ 10,096,242           | \$ 10,777,316 | \$ 81,476                | \$ - | \$ 10,177,718 | \$ 10,777,316 |

**Long-term debt.** At the end of the current fiscal year, the City of Sealy had total bonded debt outstanding of \$9,895,000. This entire amount comprises debt backed by the full faith and credit of the government. There were also capital lease obligations of \$49,942 for a street sweeper, \$113,855 for a track-type tractor, and \$81,476 for a backhoe loader at the end of the year.

The City of Sealy's total debt decreased by \$599,598 (6 percent) during the current fiscal year. The reason for this net decrease was a capital lease obligation of \$99,371 for a backhoe loader which was offset by \$698,969 in debt service payments made toward retiring principal on the various debt issues and capital leases. No existing debt was refinanced during the 2012 fiscal year.

The City of Sealy maintains an "A1" rating from Moody's Investors Service ("Moody's") and an "A" rating from Standard and Poor's Rating Services ("S&P") on its outstanding general obligation debt. The city also has a rating of "A2" (Stable Outlook) from Moody's on its Series 1997 Tax & Waterworks and Sewer System Surplus Revenue Certificates of Obligation and Series 2003 General Obligation Refunding Bonds and a rating of "AA-" (Stable Outlook) on its Series 2010 Combination Tax and Revenue Certificates of Obligation by virtue of bond insurance policies from Assured Guaranty Municipal Corporation.

State statutes do not specifically place legal restrictions on the amount of debt a city may issue. However, the Texas Attorney General has issued an administrative ruling which states that home rule municipalities are to have a maximum general obligation debt rate allowable of \$1.50 per \$100 property valuation, unless a city charter provides for less. Since the city charter does not provide further limitations, \$1.50 has been used in comparing to the debt service taxes assessed annually. Since the current debt service limitation for the City of Sealy is \$8,527,193 (based on current assessed property values and a collection rate of 90%), the city's total net debt applicable to the limit of \$1,038,912 indicates that the city is at only 12% of the legal debt limit. As of fiscal year end, the city's net general obligation debt per capita was \$1,671, a decrease of \$113 from the previous fiscal year.



Additional information on the City of Sealy's long-term debt can be found in note 11 on pages 63-64 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- The budget was developed in response to city council's goals and objectives in a fiscally sound and prudent manner. It balances city priorities against available resources while seeking to maintain essential public programs and levels of service.
- Revenue estimates reflect realistic levels and are conservative in nature to minimize the possibility that economic fluctuations could imperil ongoing services during the budget year. Management will exercise the principle of conservatism and use caution during the year to help ensure that actual revenues will meet or exceed actual expenditures.
- Merit pay increase opportunities for all employees of three percent have been appropriated in the budget since revenues generated in the current economy appear to be sufficient to allow for these adjustments. Additional pay increases are included in the budget to fund pay increases for advanced training of personnel and the various certifications associated with required specialized training. In comparison to other cities providing similar services, the City of Sealy's workforce accomplishes more with fewer employees. This lean workforce has been created intentionally to maximize the resources provided by taxpayers.
- Capital outlay items that annual budgeted revenues will fund are engineering and construction of a chip seal street paving improvements project; a contribution of park land dedication funds toward the construction of a new pavilion at a city park; a new audio/visual system for Liedertafel Hall; water well improvements and engineering to replace aging controls, pumps, and related equipment; water line improvements to upgrade smaller mains, loop dead ends, and add hydrants; elevated and ground water tank rehabilitations, engineering, and inspection; acquisition of a trailer for hauling equipment; reimbursement to a local subdivision developer for sanitary sewer line improvements under a Chapter 380 agreement; replacement and engineering of selected sewer plant controls, pumps, and blowers; acquisition of a flame ionization detector for the gas department; gas line improvements to change from metal to poly pipe; and drainage improvements/engineering.
- A capital outlay item for the police department that forfeited property reserves will fund is equipment for the new police station.
- Capital improvements include a continuing Safe Routes to School grant that is fully funded and will allow for the construction of sidewalks, crosswalks, and pedestrian and vehicular intersection improvements, making it safer for students to walk to and from school.
- Remaining proceeds from the issuance of certificates of obligation during 2010 will continue to fund the construction of the new Jacqueline A. Cryan Memorial Park, the construction of Town Park Drive (Miller Road), the construction of a quiet zone along the BNSF rail line, and participation in the cost of the new Interstate 10 frontage road construction. In regard to the new park, the city had expended federal matching grant funds of \$500,000 (administered through the Texas Parks & Wildlife Department) to assist in developing the facility. The city had met its grant match commitment by accepting from a citizen the donated land and a cash donation of \$100,000 from another individual.
- Proceeds from the issuance of certificates of obligation during 2011 will continue to fund the relocation of water, sewer, and gas utility lines to accommodate the widening of State Highway 36 within the city and also the costs of reconstructing Miller Road.
- One of the challenges for the city to overcome will be the financial obstacles associated with one of the area's major employers, BAE Systems, losing a recent contract award with the

federal government. The full economic impact of this loss will become apparent in the next few years' budgets, but it does give the city time to prepare and adjust for the change.

- Opportunity abounds in the area as land development efforts continue from developers and there are an increasing number of people moving into the region. In preparing for this growth, the city will be considering impact fee programs for water, wastewater, and drainage. These are significant planning tools and, once completed, will enhance the goal of developing the Interstate 10 corridor for commercial development.

All of these factors were considered in preparing the City of Sealy's budget for the 2013 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund is \$680,905. The City of Sealy has not appropriated any of this amount for spending in the 2013 fiscal year budget. It is anticipated this will avoid the need to utilize unassigned fund balance to subsidize operations of the current year, contrary to what has been done in many prior fiscal years.

For the 2013 budget year, sanitary sewer rates for all customers remained the same. In addition, natural gas rates for all customers, except industrial customers, remained the same. (Industrial natural gas contracts are individually negotiated by city council, based on monthly usage, annual load, and pressure needs.) Water rates for all customers were increased as follows:

| <b>Tier - Inside City Limits</b>       | <b>Previous Rate</b> | <b>New Rate</b> | <b>\$ Increase</b> | <b>% Increase</b> |
|--|----------------------|-----------------|--------------------|-------------------|
| First 2,000 gals. (minimum charge)     | \$ 10.17             | \$ 10.50        | \$ 0.33            | 3.24%             |
| Next 6,000 gals. (per thousand gals.)  | \$ 2.28              | \$ 2.35         | \$ 0.07            | 3.07%             |
| Next 15,000 gals. (per thousand gals.) | \$ 2.35              | \$ 2.50         | \$ 0.15            | 6.38%             |
| Over 23,000 gals. (per thousand gals.) | \$ 2.54              | \$ 2.75         | \$ 0.21            | 8.27%             |

| <b>Tier - Outside City Limits</b>      | <b>Previous Rate</b> | <b>New Rate</b> | <b>\$ Increase</b> | <b>% Increase</b> |
|--|----------------------|-----------------|--------------------|-------------------|
| First 2,000 gals. (minimum charge)     | \$ 15.25             | \$ 15.75        | \$ 0.50            | 3.28%             |
| Next 6,000 gals. (per thousand gals.)  | \$ 3.69              | \$ 3.80         | \$ 0.11            | 2.98%             |
| Next 15,000 gals. (per thousand gals.) | \$ 3.81              | \$ 4.01         | \$ 0.20            | 5.25%             |
| Over 23,000 gals. (per thousand gals.) | \$ 4.05              | \$ 4.21         | \$ 0.16            | 3.95%             |

| <b>Bulk Water</b>                     | <b>Previous Rate</b> | <b>New Rate</b> | <b>\$ Increase</b> | <b>% Increase</b> |
|---------------------------------------|----------------------|-----------------|--------------------|-------------------|
| First 1,000 gals. (minimum charge)    | \$ 10.00             | \$ 12.00        | \$ 2.00            | 20.00%            |
| Over 1,000 gals. (per thousand gals.) | \$ 7.00              | \$ 10.00        | \$ 3.00            | 42.86%            |

The charge for residential garbage collection service also remained the same. For the first time, this charge will also provide each resident with a 96-gallon cart to be used specifically for single-stream recycling every other week. In addition, beginning in fiscal 2013, the city will assume billing responsibilities for commercial garbage collection service (except roll-off containers). The commercial rates billed by the city will increase by 3% from each customer's then-current rate with the waste service provider. This increase is intended to cover consumer price index (CPI) changes within the contract with the city's waste service provider. The provider's contract with the city is in effect until September 2022, with an option to extend for five additional years.

## **Requests for Information**

This financial report is designed to provide a general overview of the City of Sealy's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager or Director of Finance, 415 Main Street, P. O. Box 517, Sealy, Texas 77474-0517.

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**City of Sealy, Texas**  
**Statement of Net Assets**  
**September 30, 2012**

|   | Primary Government         |                             |                      | Component           |
|---|----------------------------|-----------------------------|----------------------|---------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                | Unit<br>SEDC        |
| <b>Assets</b>   |                            |                             |                      |                     |
| Cash  | \$ 254,789                 | \$ 1,213,182                | \$ 1,467,971         | \$ -                |
| Investments   | 539,429                    | 802,955                     | 1,342,384            | -                   |
| Receivables (net of allowance<br>for uncollectibles): |                            |                             |                      |                     |
| Taxes   | 310,781                    | -                           | 310,781              | 101,781             |
| Accounts  | 23,186                     | 497,208                     | 520,394              | -                   |
| Grant   | 198,346                    | -                           | 198,346              | -                   |
| Special assessments                                   | 180,292                    | -                           | 180,292              | -                   |
| Other   | -                          | 417                         | 417                  | -                   |
| Inventory   | -                          | 17,121                      | 17,121               | -                   |
| Other assets  | 24,903                     | 1,755                       | 26,658               | -                   |
| Unamortized bond issue costs                          | 228,538                    | -                           | 228,538              | -                   |
| Temporarily restricted assets:                        |                            |                             |                      |                     |
| Cash  | 3,159,363                  | 18,478                      | 3,177,841            | 213,419             |
| Investments   | 333,255                    | 182,874                     | 516,129              | 401,523             |
| Grant receivable (noncurrent)                         | 970,000                    | -                           | 970,000              | -                   |
| Capital assets:                                       |                            |                             |                      |                     |
| Non-depreciable                                       | 6,018,749                  | 1,834,517                   | 7,853,266            | -                   |
| Depreciable, net                                      | 5,372,968                  | 9,153,197                   | 14,526,165           | -                   |
| <b>Total assets</b>                                   | <b>17,614,599</b>          | <b>13,721,704</b>           | <b>31,336,303</b>    | <b>716,723</b>      |
| <b>Liabilities</b>                                    |                            |                             |                      |                     |
| Accounts payable                                      | 839,290                    | 94,895                      | 934,185              | 8,515               |
| Salaries payable                                      | 49,740                     | 20,831                      | 70,571               | -                   |
| State tax payable                                     | -                          | 5,280                       | 5,280                | -                   |
| Accrued liabilities                                   | 183,420                    | 69,178                      | 252,598              | 2,936               |
| Accrued interest payable                              | 33,952                     | -                           | 33,952               | 3,379               |
| Due to developer                                      | 212,566                    | -                           | 212,566              | -                   |
| Deposits  | 18,054                     | -                           | 18,054               | -                   |
| Liabilities payable from restricted assets:           |                            |                             |                      |                     |
| Customer deposits                                     | -                          | 199,926                     | 199,926              | -                   |
| Liability for compensated absences:                   |                            |                             |                      |                     |
| Due within one year                                   | 4,733                      | 647                         | 5,380                | -                   |
| Due in more than one year                             | 427,987                    | 103,406                     | 531,393              | -                   |
| Non-current liabilities:                              |                            |                             |                      |                     |
| Due within one year                                   | 713,012                    | 15,285                      | 728,297              | 105,000             |
| Due in more than one year                             | 9,383,230                  | 66,191                      | 9,449,421            | 970,000             |
| <b>Total liabilities</b>                              | <b>11,865,984</b>          | <b>575,639</b>              | <b>12,441,623</b>    | <b>1,089,830</b>    |
| <b>Net Assets</b>                                     |                            |                             |                      |                     |
| Invested in capital assets, net of related debt       | 7,937,296                  | 10,906,238                  | 14,912,542           | -                   |
| Restricted for:                                       |                            |                             |                      |                     |
| Debt service  | 259,628                    | -                           | 259,628              | -                   |
| Capital improvements                                  | 2,155,325                  | -                           | 2,155,325            | -                   |
| Tourism   | 260,069                    | -                           | 260,069              | -                   |
| Tax increment reinvestment zone                       | 2,830                      | -                           | 2,830                | -                   |
| Forfeited property                                    | 46,114                     | -                           | 46,114               | -                   |
| Municipal court                                       | 114,135                    | -                           | 114,135              | -                   |
| Child safety  | 1,966                      | -                           | 1,966                | -                   |
| Park land dedication                                  | 10,573                     | -                           | 10,573               | -                   |
| Unrestricted (deficit)                                | (5,039,321)                | 2,239,827                   | 1,131,498            | (373,107)           |
| <b>Total net assets</b>                               | <b>\$ 5,748,615</b>        | <b>\$ 13,146,065</b>        | <b>\$ 18,894,680</b> | <b>\$ (373,107)</b> |

The notes to the financial statements are an integral part of this statement.

**City of Sealy, Texas**  
**Statement of Activities**  
**For the Year Ended September 30, 2012**

| Program Activities  | Program Revenues |                                      |                                    | Net (Expenses) Revenues and Changes in Net Assets |                         |                          | Component Unit |       |
|---|------------------|--------------------------------------|------------------------------------|---|-------------------------|--------------------------|----------------|-------|
|   | Expenses         | Fees, Fines and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                  | Governmental Activities | Business-type Activities |                | Total |
|   |                  |                                      |                                    |   |                         |                          |                |       |
| Primary government:                                       |                  |                                      |                                    |   |                         |                          |                |       |
| Governmental activities:                                  |                  |                                      |                                    |   |                         |                          |                |       |
| General government  | \$ 1,311,143     | \$ 18,661                            | \$ 8,450                           | \$ 5,545  | \$ (1,278,487)          | \$ -                     | \$ (1,278,487) |       |
| Public safety   | 2,044,627        | 556,826                              | 375                                | 112,419   | (1,375,007)             | -                        | (1,375,007)    |       |
| Highways and streets                                      | 535,460          | 144,978                              | 90,000                             | -   | (300,482)               | -                        | (300,482)      |       |
| Health and welfare  | 64,023           | -                                    | -                                  | -   | (64,023)                | -                        | (64,023)       |       |
| Culture and recreation                                    | 461,511          | 22,355                               | 50,000                             | 500,000   | 110,844                 | -                        | 110,844        |       |
| Interest on long-term debt                                | 441,096          | -                                    | 44,300                             | -   | (396,796)               | -                        | (396,796)      |       |
| Total governmental activities                             | 4,857,860        | 742,820                              | 193,125                            | 617,964   | (3,303,951)             | -                        | (3,303,951)    |       |
| Business-type activities:                                 |                  |                                      |                                    |   |                         |                          |                |       |
| Water and sewer   | 1,660,540        | 1,800,084                            | -                                  | 43,347  | -                       | 182,891                  | 182,891        |       |
| Gas   | 1,074,620        | 1,059,888                            | -                                  | -   | -                       | (14,732)                 | (14,732)       |       |
| Solid waste   | 565,936          | 545,797                              | -                                  | -   | -                       | (20,139)                 | (20,139)       |       |
| Total business-type activities                            | 3,301,096        | 3,405,769                            | -                                  | 43,347  | -                       | 148,020                  | 148,020        |       |
| Total primary government                                  | \$ 8,158,956     | \$ 4,148,589                         | \$ 193,125                         | \$ 661,311  | (3,303,951)             | 148,020                  | (3,155,931)    |       |
| Component unit:   |                  |                                      |                                    |   |                         |                          |                |       |
| Economic development                                      | \$ 466,179       | \$ -                                 | \$ -                               | \$ -  |                         |                          | (466,179)      |       |
| General revenues:   |                  |                                      |                                    |   |                         |                          |                |       |
| Taxes:  |                  |                                      |                                    |   |                         |                          |                |       |
| Property taxes  |                  |                                      |                                    |   | 1,855,450               | -                        | 1,855,450      |       |
| Sales taxes   |                  |                                      |                                    |   | 1,198,030               | -                        | 1,198,030      |       |
| Gross receipts  |                  |                                      |                                    |   | 554,902                 | -                        | 554,902        |       |
| Hotel/motel occupancy                                     |                  |                                      |                                    |   | 214,035                 | -                        | 214,035        |       |
| Investment earnings                                       |                  |                                      |                                    |   | 39,264                  | 11,465                   | 50,729         |       |
| Gain on sale of capital assets                            |                  |                                      |                                    |   | 810                     | 402                      | 1,212          |       |
| Donations   |                  |                                      |                                    |   | 104,863                 | -                        | 104,863        |       |
| Miscellaneous   |                  |                                      |                                    |   | 88,269                  | 54,032                   | 142,301        |       |
| Transfers   |                  |                                      |                                    |   | (1,337,363)             | 1,337,363                | -              |       |
| Total general revenues and transfers                      |                  |                                      |                                    |   | 2,718,260               | 1,403,262                | 4,121,522      |       |
| Change in net assets                                      |                  |                                      |                                    |   | (585,691)               | 1,551,282                | 965,591        |       |
| Net assets (deficit) at beginning of the year             |                  |                                      |                                    |   | 5,644,485               | 11,218,248               | 16,862,733     |       |
| Prior period adjustment                                   |                  |                                      |                                    |   | 689,821                 | 376,535                  | 1,066,356      |       |
| Net assets (deficit) at beginning of the year as restated |                  |                                      |                                    |   | 6,334,306               | 11,594,783               | 17,929,089     |       |
| Net assets (deficit) at end of year                       |                  |                                      |                                    |   | \$ 5,748,615            | \$ 13,146,065            | \$ 18,894,680  |       |

The notes to the financial statements are an integral part of this statement.

**City of Sealy, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2012**

|  | General             | Debt<br>Service   | 2011<br>Certificates<br>of Obligation<br>Construction | 2010<br>Certificates<br>of Obligation<br>Construction | Public<br>Improvement<br>District<br>Number One | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------|---|---|---|--------------------------------|--------------------------------|
| <b>Assets</b>                              |                     |                   |   |   |   |                                |                                |
| Cash                                       | \$ 254,532          | \$ 257            | \$ -  | \$ -  | \$ -  | \$ -                           | \$ 254,789                     |
| Investments                                | 539,429             | -                 | -   | -   | -   | -                              | 539,429                        |
| Receivables:                               |                     |                   |   |   |   |                                |                                |
| Taxes                                      | 233,079             | 24,866            | -   | -   | -   | 52,836                         | 310,781                        |
| Accounts                                   | -                   | -                 | -   | 3,126   | -   | 20,060                         | 23,186                         |
| Grant                                      | -                   | -                 | -   | 93,346  | -   | -                              | 93,346                         |
| Special assessments                        | -                   | -                 | -   | -   | 180,292   | -                              | 180,292                        |
| Other assets                               | 24,761              | 11                | 131   | -   | -   | -                              | 24,903                         |
| Restricted assets:                         |                     |                   |   |   |   |                                |                                |
| Cash                                       | 3,442               | 37,061            | 223,652   | 2,215,964   | 38,434  | 640,810                        | 3,159,363                      |
| Investments                                | 253                 | 221,929           | -   | 292   | -   | 110,781                        | 333,255                        |
| <b>Total assets</b>                        | <b>1,055,496</b>    | <b>284,124</b>    | <b>223,783</b>  | <b>2,312,728</b>                                      | <b>218,726</b>                                  | <b>824,487</b>                 | <b>4,919,344</b>               |
| <b>Liabilities and fund balances</b>       |                     |                   |   |   |   |                                |                                |
| Liabilities:                               |                     |                   |   |   |   |                                |                                |
| Accounts payable                           | 63,144              | -                 | 73,840  | 678,798   | -   | 23,508                         | 839,290                        |
| Salaries payable                           | 49,740              | -                 | -   | -   | -   | -                              | 49,740                         |
| Accrued liabilities                        | 183,420             | -                 | -   | -   | -   | -                              | 183,420                        |
| Due to developer                           | -                   | -                 | -   | -   | 212,566   | -                              | 212,566                        |
| Deposits                                   | 18,054              | -                 | -   | -   | -   | -                              | 18,054                         |
| Deferred revenues                          | 55,500              | 24,496            | -   | -   | -   | -                              | 79,996                         |
| Liability for compensated absences         | 4,733               | -                 | -   | -   | -   | -                              | 4,733                          |
| <b>Total liabilities</b>                   | <b>374,591</b>      | <b>24,496</b>     | <b>73,840</b>   | <b>678,798</b>  | <b>212,566</b>                                  | <b>23,508</b>                  | <b>1,387,799</b>               |
| Fund balances:                             |                     |                   |   |   |   |                                |                                |
| Restricted for:                            |                     |                   |   |   |   |                                |                                |
| Debt service                               | -                   | 259,628           | -   | -   | -   | -                              | 259,628                        |
| Various capital improvements               | -                   | -                 | 149,943   | 1,633,930   | 6,160   | 365,292                        | 2,155,325                      |
| Tourism                                    | -                   | -                 | -   | -   | -   | 260,069                        | 260,069                        |
| TIRZ                                       | -                   | -                 | -   | -   | -   | 2,830                          | 2,830                          |
| Forfeited property                         | -                   | -                 | -   | -   | -   | 46,114                         | 46,114                         |
| Municipal court                            | -                   | -                 | -   | -   | -   | 114,135                        | 114,135                        |
| Child safety                               | -                   | -                 | -   | -   | -   | 1,966                          | 1,966                          |
| Park land dedication                       | -                   | -                 | -   | -   | -   | 10,573                         | 10,573                         |
| Unassigned                                 | 680,905             | -                 | -   | -   | -   | -                              | 680,905                        |
| <b>Total fund balances</b>                 | <b>680,905</b>      | <b>259,628</b>    | <b>149,943</b>  | <b>1,633,930</b>                                      | <b>6,160</b>                                    | <b>800,979</b>                 | <b>3,531,545</b>               |
| <b>Total liabilities and fund balances</b> | <b>\$ 1,055,496</b> | <b>\$ 284,124</b> | <b>\$ 223,783</b>                                     | <b>\$ 2,312,728</b>                                   | <b>\$ 218,726</b>                               | <b>\$ 824,487</b>              | <b>\$ 4,919,344</b>            |

The notes to the financial statements are an integral part of this statement.

**City of Sealy, Texas**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**Governmental Funds**  
**September 30, 2012**

|   |                    |                            |
|---|--------------------|----------------------------|
| Fund balances - total governmental funds  |                    | \$ 3,531,545               |
| <p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:</p> |                    |                            |
| Governmental capital assets   | 13,948,707         |                            |
| Less accumulated depreciation   | <u>(2,556,990)</u> | 11,391,717                 |
| Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.  |                    | 79,996                     |
| Noncurrent grants receivable are not available to pay for current-period expenditures and therefore, are not recognized in the governmental funds.  |                    | 1,075,000                  |
| Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.   |                    | (10,329,643)               |
| Net assets of governmental activities   |                    | <u><u>\$ 5,748,615</u></u> |

The notes to the financial statements are an integral part of this statement.



**City of Sealy, Texas**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the fiscal year ended September 30, 2012**

|   | General           | Debt<br>Service   | 2011<br>Certificates<br>of Obligation<br>Construction | 2010<br>Certificates<br>of Obligation<br>Construction | Public<br>Improvement<br>District<br>Number One | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-------------------|-------------------|---|---|---|--------------------------------|--------------------------------|
| <b>Revenues:</b>  |                   |                   |   |   |   |                                |                                |
| Taxes:  |                   |                   |   |   |   |                                |                                |
| Property  | \$ 909,060        | \$ 903,830        | \$ -  | \$ -  | \$ -  | \$ 41,202                      | \$ 1,854,092                   |
| Sales   | 1,198,030         | -                 | -   | -   | -   | -                              | 1,198,030                      |
| Gross receipts  | 584,862           | -                 | -   | -   | -   | -                              | 584,862                        |
| Hotel/motel occupancy                                     | -                 | -                 | -   | -   | -   | 214,035                        | 214,035                        |
| Municipal drainage fees                                   | -                 | -                 | -   | -   | -   | 144,978                        | 144,978                        |
| Intergovernmental   | 121,244           | -                 | -   | 500,000   | -   | 5,545                          | 626,789                        |
| Licenses and permits                                      | 59,347            | -                 | -   | -   | -   | -                              | 59,347                         |
| Property rentals  | 22,355            | -                 | -   | -   | -   | -                              | 22,355                         |
| Charges for services                                      | 18,661            | -                 | -   | -   | -   | -                              | 18,661                         |
| Fines   | 462,940           | -                 | -   | -   | -   | 34,539                         | 497,479                        |
| Investment income   | 6,139             | 3,718             | 4,330   | 20,912  | 153   | 4,012                          | 39,264                         |
| Contributions from component unit                         | 140,000           | 124,300           | -   | -   | -   | -                              | 264,300                        |
| Donations   | -                 | -                 | -   | 104,863   | -   | -                              | 104,863                        |
| Special assessments                                       | -                 | -                 | -   | -   | 36,915  | -                              | 36,915                         |
| Miscellaneous   | 35,405            | -                 | -   | -   | -   | 16,759                         | 52,164                         |
| <b>Total revenues</b>                                     | <b>3,558,043</b>  | <b>1,031,848</b>  | <b>4,330</b>  | <b>625,775</b>  | <b>37,068</b>                                   | <b>461,070</b>                 | <b>5,718,134</b>               |
| <b>Expenditures:</b>                                      |                   |                   |   |   |   |                                |                                |
| Current:  |                   |                   |   |   |   |                                |                                |
| General government  | 930,869           | -                 | -   | 262,932   | 2,019   | 90,909                         | 1,286,729                      |
| Public safety   | 1,929,608         | -                 | -   | -   | -   | 23,045                         | 1,952,653                      |
| Highways and streets                                      | 334,540           | -                 | -   | -   | -   | -                              | 334,540                        |
| Health and welfare  | 57,885            | -                 | -   | -   | -   | 5,345                          | 63,230                         |
| Culture and recreation                                    | 227,973           | -                 | -   | -   | -   | 131,178                        | 359,151                        |
| Capital outlay  | 149,101           | -                 | 1,381,292   | 4,167,566   | -   | 36,071                         | 5,734,030                      |
| Debt service:   |                   |                   |   |   |   |                                |                                |
| Principal   | 24,792            | 630,000           | -   | -   | -   | 26,445                         | 681,237                        |
| Interest and fiscal charges                               | 3,823             | 408,912           | -   | -   | -   | 3,551                          | 416,286                        |
| <b>Total expenditures</b>                                 | <b>3,658,591</b>  | <b>1,038,912</b>  | <b>1,381,292</b>                                      | <b>4,430,498</b>                                      | <b>2,019</b>                                    | <b>316,544</b>                 | <b>10,827,856</b>              |
| Excess (deficiency) of revenues over (under) expenditures | (100,548)         | (7,064)           | (1,376,962)   | (3,804,723)   | 35,049  | 144,526                        | (5,109,722)                    |
| <b>Other financing sources (uses):</b>                    |                   |                   |   |   |   |                                |                                |
| Transfers in  | 200,000           | 15,069            | -   | -   | -   | 59,420                         | 274,489                        |
| Transfers out   | -                 | -                 | -   | -   | (38,366)  | (36,123)                       | (74,489)                       |
| <b>Total other financing sources (uses)</b>               | <b>200,000</b>    | <b>15,069</b>     | <b>-</b>  | <b>-</b>  | <b>(38,366)</b>                                 | <b>23,297</b>                  | <b>200,000</b>                 |
| Net change in fund balances                               | 99,452            | 8,005             | (1,376,962)   | (3,804,723)   | (3,317)   | 167,823                        | (4,909,722)                    |
| Fund balances at beginning of year                        | 581,453           | 251,623           | 1,526,905   | 5,438,653   | 9,477   | 633,156                        | 8,441,267                      |
| Fund balances at end of year                              | <u>\$ 680,905</u> | <u>\$ 259,628</u> | <u>\$ 149,943</u>                                     | <u>\$ 1,633,930</u>                                   | <u>\$ 6,160</u>                                 | <u>\$ 800,979</u>              | <u>\$ 3,531,545</u>            |

The notes to the financial statements are an integral part of this statement.

**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, 2012**

Net changes in fund balances - total governmental funds \$ (4,909,722)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of these assets are depreciated over their estimated useful lives:

|                                 |                  |           |
|---------------------------------|------------------|-----------|
| Expenditures for capital assets | \$ 5,734,030     |           |
| Depreciation of capital assets  | <u>(443,112)</u> | 5,290,918 |

The transfer of capital assets from governmental funds to enterprise funds are not recorded in the fund statements but are reported on the Statement of Activities. (1,537,363)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds and are instead deferred. This amount represents the net change in deferred revenue. (28,602)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. 681,075

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds and are instead deferred. This amount represents the net change in grant receivable. (80,000)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not included as expenditures in governmental funds. (1,997)

Change in net assets of governmental activities \$ (585,691)

The notes to the financial statements are an integral part of this statement.

**City of Sealy, Texas**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**For the fiscal year ended September 30, 2012**

|   | Budgeted Amounts  |                   | Actual            | Variance with<br>Final Budget<br>Over (Under) |
|---|-------------------|-------------------|-------------------|---|
|   | Original          | Final             |                   |   |
| Revenues:   |                   |                   |                   |   |
| Taxes:  |                   |                   |                   |   |
| Property  | \$ 926,253        | \$ 907,200        | \$ 909,060        | \$ 1,860                                      |
| Sales   | 1,141,000         | 1,173,000         | 1,198,030         | 25,030  |
| Gross receipts  | 632,841           | 621,841           | 584,862           | (36,979)                                      |
| Licenses and permits                                      | 73,500            | 59,010            | 59,347            | 337   |
| Property rentals  | 22,550            | 23,680            | 22,355            | (1,325)                                       |
| Charges for services                                      | 21,050            | 17,500            | 18,661            | 1,161   |
| Fines   | 465,015           | 465,785           | 462,940           | (2,845)                                       |
| Intergovernmental   | 112,419           | 112,794           | 121,244           | 8,450   |
| Investment income   | 13,000            | 6,000             | 6,139             | 139   |
| Contributions from component unit                         | -                 | 140,000           | 140,000           | -   |
| Miscellaneous   | 17,048            | 38,289            | 35,405            | (2,884)                                       |
| Total revenues  | <u>3,424,676</u>  | <u>3,565,099</u>  | <u>3,558,043</u>  | <u>(7,056)</u>                                |
| Expenditures:   |                   |                   |                   |   |
| Current:  |                   |                   |                   |   |
| General government:                                       |                   |                   |                   |   |
| City Council  | 38,451            | 40,351            | 39,003            | (1,348)                                       |
| City Manager  | 124,826           | 107,576           | 99,557            | (8,019)                                       |
| City Hall   | 142,124           | 142,124           | 130,884           | (11,240)                                      |
| Finance   | 139,465           | 137,965           | 125,360           | (12,605)                                      |
| City Secretary  | 118,049           | 121,750           | 115,298           | (6,452)                                       |
| Public works  | 29,603            | 30,603            | 30,930            | 327   |
| Court   | 186,890           | 184,390           | 172,912           | (11,478)                                      |
| Information technology                                    | 78,981            | 78,981            | 78,615            | (366)   |
| Planning commission                                       | 1,028             | 1,028             | 537               | (491)   |
| Mechanic shop   | 21,784            | 13,212            | 9,785             | (3,427)                                       |
| Youth Advisory Commission                                 | 9,083             | 9,083             | 6,168             | (2,915)                                       |
| Nondepartmental   | 32,700            | 33,556            | 121,820           | 88,264  |
| Total general government                                  | <u>922,984</u>    | <u>900,619</u>    | <u>930,869</u>    | <u>30,250</u>                                 |
| Public safety:  |                   |                   |                   |   |
| Police  | 1,600,491         | 1,658,417         | 1,617,417         | (41,000)                                      |
| Planning and community development                        | 351,996           | 346,996           | 310,996           | (36,000)                                      |
| Fire Marshal  | 16,703            | 2,303             | 1,195             | (1,108)                                       |
| Total public safety                                       | <u>1,969,190</u>  | <u>2,007,716</u>  | <u>1,929,608</u>  | <u>(78,108)</u>                               |
| Highways and streets                                      | <u>332,731</u>    | <u>333,581</u>    | <u>334,540</u>    | <u>959</u>                                    |
| Health and welfare - animal control                       | <u>60,420</u>     | <u>60,420</u>     | <u>57,885</u>     | <u>(2,535)</u>                                |
| Culture and recreation - parks                            | <u>209,053</u>    | <u>226,253</u>    | <u>227,973</u>    | <u>1,720</u>                                  |
| Capital outlay  | <u>241,684</u>    | <u>249,822</u>    | <u>149,101</u>    | <u>(100,721)</u>                              |
| Debt service:   |                   |                   |                   |   |
| Principal   | 24,792            | 24,792            | 24,792            | -   |
| Interest and fiscal charges                               | 3,822             | 3,822             | 3,823             | 1   |
| Total expenditures  | <u>3,764,676</u>  | <u>3,807,025</u>  | <u>3,658,591</u>  | <u>(148,434)</u>                              |
| Excess (deficiency) of revenues over (under) expenditures | <u>(340,000)</u>  | <u>(241,926)</u>  | <u>(100,548)</u>  | <u>141,378</u>                                |
| Other financing sources (uses):                           |                   |                   |                   |   |
| Transfers in  | <u>340,000</u>    | <u>200,000</u>    | <u>200,000</u>    | <u>-</u>                                      |
| Total other financing sources (uses)                      | <u>340,000</u>    | <u>200,000</u>    | <u>200,000</u>    | <u>-</u>                                      |
| Net change in fund balances                               | -                 | (41,926)          | 99,452            | 141,378                                       |
| Fund balances at beginning of year                        | <u>581,453</u>    | <u>581,453</u>    | <u>581,453</u>    | <u>-</u>                                      |
| Fund balances at end of year                              | <u>\$ 581,453</u> | <u>\$ 539,527</u> | <u>\$ 680,905</u> | <u>\$ 141,378</u>                             |

The notes to the financial statements are an integral part of this statement.

**City of Sealy, Texas**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2012**

|  | Business-type Activities - Enterprise Funds |                     |                   |                      |
|--|---|---------------------|-------------------|----------------------|
|  | Water and<br>Sewer                          | Gas                 | Solid<br>Waste    | Total                |
| <b>Assets</b>  |   |                     |                   |                      |
| Current assets:  |   |                     |                   |                      |
| Cash   | \$ 551,668                                  | \$ 516,091          | \$ 145,423        | \$ 1,213,182         |
| Investments  | 802,904                                     | 51                  | -                 | 802,955              |
| Accounts receivable                                    | 293,596                                     | 112,123             | 91,489            | 497,208              |
| Inventory  | 6,546                                       | 10,575              | -                 | 17,121               |
| Other receivables                                      | 295   | 65                  | 57                | 417                  |
| Other assets   | 1,755                                       | -                   | -                 | 1,755                |
| Restricted cash and investments:                       |   |                     |                   |                      |
| Customer deposits                                      | 102,034                                     | 99,318              | -                 | 201,352              |
| Total current assets                                   | <u>1,758,798</u>                            | <u>738,223</u>      | <u>236,969</u>    | <u>2,733,990</u>     |
| Capital assets:  |   |                     |                   |                      |
| Land   | 76,919                                      | -                   | 62,000            | 138,919              |
| Buildings and other improvements                       | 197,012                                     | -                   | 10,710            | 207,722              |
| Distribution and collection systems                    | 12,957,442                                  | 869,369             | -                 | 13,826,811           |
| Equipment  | 744,108                                     | 309,913             | 249,621           | 1,303,642            |
| Construction in progress                               | 1,695,598                                   | -                   | -                 | 1,695,598            |
|  | 15,671,079                                  | 1,179,282           | 322,331           | 17,172,692           |
| Less: accumulated depreciation                         | <u>(5,292,753)</u>                          | <u>(631,894)</u>    | <u>(260,331)</u>  | <u>(6,184,978)</u>   |
| Capital assets, net of accumulated depreciation        | <u>10,378,326</u>                           | <u>547,388</u>      | <u>62,000</u>     | <u>10,987,714</u>    |
| Total assets   | <u>12,137,124</u>                           | <u>1,285,611</u>    | <u>298,969</u>    | <u>13,721,704</u>    |
| Current liabilities:                                   |   |                     |                   |                      |
| Accounts payable                                       | 24,754                                      | 31,850              | 38,291            | 94,895               |
| Salaries payable                                       | 13,996                                      | 5,501               | 1,334             | 20,831               |
| Sales tax payable                                      | -   | 2,173               | 3,107             | 5,280                |
| Accrued liabilities                                    | 41,120                                      | 19,496              | 8,562             | 69,178               |
| Customer deposits payable                              | 101,521                                     | 98,405              | -                 | 199,926              |
| Liability for compensated absences,<br>current portion | 647   | -                   | -                 | 647                  |
| Current portion of capital lease                       | 15,285                                      | -                   | -                 | 15,285               |
| Total current liabilities                              | <u>197,323</u>                              | <u>157,425</u>      | <u>51,294</u>     | <u>406,042</u>       |
| Long-term liabilities:                                 |   |                     |                   |                      |
| Liability for compensated absences                     | 93,974                                      | 9,432               | -                 | 103,406              |
| Capital lease payable                                  | 66,191                                      | -                   | -                 | 66,191               |
| Total long-term liabilities                            | <u>160,165</u>                              | <u>9,432</u>        | <u>-</u>          | <u>169,597</u>       |
| Total liabilities                                      | <u>357,488</u>                              | <u>166,857</u>      | <u>51,294</u>     | <u>575,639</u>       |
| <b>Net Assets</b>                                      |   |                     |                   |                      |
| Invested in capital assets                             | 10,296,850                                  | 547,388             | 62,000            | 10,906,238           |
| Unrestricted   | <u>1,482,786</u>                            | <u>571,366</u>      | <u>185,675</u>    | <u>2,239,827</u>     |
| Total net assets                                       | <u>\$ 11,779,636</u>                        | <u>\$ 1,118,754</u> | <u>\$ 247,675</u> | <u>\$ 13,146,065</u> |

The notes to the financial statements are an integral part of this statement.

**City of Sealy, Texas**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the fiscal year ended September 30, 2012**

|  | Business-type Activities - Enterprise Funds |                     |                   |                      |
|--|---|---------------------|-------------------|----------------------|
|  | Water and<br>Sewer                          | Gas                 | Solid<br>Waste    | Total                |
| Operating revenues:                              |   |                     |                   |                      |
| Charges for sales and services:                  |   |                     |                   |                      |
| Water sales                                      | \$ 1,043,409                                | \$ -                | \$ -              | \$ 1,043,409         |
| Sewer charges                                    | 735,921                                     | -                   | -                 | 735,921              |
| Gas sales  | -   | 1,049,696           | -                 | 1,049,696            |
| Solid waste and landfill charges                 | -   | -                   | 545,797           | 545,797              |
| Tap fees   | 20,754                                      | 10,192              | -                 | 30,946               |
| Total operating revenues                         | <u>1,800,084</u>                            | <u>1,059,888</u>    | <u>545,797</u>    | <u>3,405,769</u>     |
| Operating expenses:                              |   |                     |                   |                      |
| Costs of sales                                   | -   | 558,735             | 424,908           | 983,643              |
| Personnel  | 756,877                                     | 348,014             | 60,891            | 1,165,782            |
| Supplies   | 59,364                                      | 15,866              | 7,243             | 82,473               |
| Maintenance                                      | 55,011                                      | 34,683              | 5,932             | 95,626               |
| Electricity                                      | 190,101                                     | 1,469               | 3,258             | 194,828              |
| Gross receipts tax                               | 106,927                                     | 63,038              | 32,850            | 202,815              |
| Miscellaneous                                    | 135,242                                     | 23,217              | 30,854            | 189,313              |
| Depreciation                                     | 357,018                                     | 29,598              | -                 | 386,616              |
| Total operating expenses                         | <u>1,660,540</u>                            | <u>1,074,620</u>    | <u>565,936</u>    | <u>3,301,096</u>     |
| Operating income (loss)                          | <u>139,544</u>                              | <u>(14,732)</u>     | <u>(20,139)</u>   | <u>104,673</u>       |
| Nonoperating revenues:                           |   |                     |                   |                      |
| Gain (loss) on sale of capital assets            | 2,158                                       | (1,756)             | -                 | 402                  |
| Investment income                                | 8,438                                       | 1,865               | 1,162             | 11,465               |
| Grant revenue                                    | 43,347                                      | -                   | -                 | 43,347               |
| Miscellaneous revenue                            | 54,032                                      | -                   | -                 | 54,032               |
| Total nonoperating revenues                      | <u>107,975</u>                              | <u>109</u>          | <u>1,162</u>      | <u>109,246</u>       |
| Income (loss) before contributions and transfers | <u>247,519</u>                              | <u>(14,623)</u>     | <u>(18,977)</u>   | <u>213,919</u>       |
| Capital contributions                            | 1,381,292                                   | 156,071             | -                 | 1,537,363            |
| Transfers in                                     | -   | 370,000             | -                 | 370,000              |
| Transfers out                                    | (470,000)                                   | (100,000)           | -                 | (570,000)            |
| Change in net assets                             | 1,158,811                                   | 411,448             | (18,977)          | 1,551,282            |
| Net assets, beginning of the year                | 10,276,688                                  | 674,908             | 266,652           | 11,218,248           |
| Prior period adjustment                          | 344,137                                     | 32,398              | -                 | 376,535              |
| Net assets, beginning of the year as restated    | <u>10,620,825</u>                           | <u>707,306</u>      | <u>266,652</u>    | <u>11,594,783</u>    |
| Net assets, end of the year                      | <u>\$ 11,779,636</u>                        | <u>\$ 1,118,754</u> | <u>\$ 247,675</u> | <u>\$ 13,146,065</u> |

The notes to the financial statements are an integral part of this statement.

**City of Sealy, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the fiscal year ended September 30, 2012**

|   | Business-type Activities - Enterprise Funds |                   |                   |                     |
|---|---|-------------------|-------------------|---------------------|
|   | Water and<br>Sewer                          | Gas               | Solid<br>Waste    | Total               |
| Cash flows from operating activities:                                   |   |                   |                   |                     |
| Cash received from customers  | \$ 1,885,443                                | \$ 1,155,584      | \$ 536,311        | \$ 3,577,338        |
| Cash payments to suppliers for goods and services                       | (798,723)                                   | (727,290)         | (499,606)         | (2,025,619)         |
| Cash payments to employees for services                                 | (772,245)                                   | (346,273)         | (60,836)          | (1,179,354)         |
| Other receipts  | 360,685                                     | -                 | -                 | 360,685             |
| Net cash provided by (used in) operating activities                     | <u>675,160</u>                              | <u>82,021</u>     | <u>(24,131)</u>   | <u>733,050</u>      |
| Cash flows from non-capital financing activities:                       |   |                   |                   |                     |
| Operating grants received   | 43,347                                      | -                 | -                 | 43,347              |
| Transfers in  | -   | 370,000           | -                 | 370,000             |
| Transfers out   | (470,000)                                   | (100,000)         | -                 | (570,000)           |
| Net cash provided by (used in) non-capital financing activities         | <u>(426,653)</u>                            | <u>270,000</u>    | <u>-</u>          | <u>(156,653)</u>    |
| Cash flows from capital and related financing activities:               |   |                   |                   |                     |
| Acquisition of capital assets   | (217,729)                                   | (58,337)          | -                 | (276,066)           |
| Proceeds from sales of assets   | 2,158                                       | (209)             | -                 | 1,949               |
| Payment of capital lease  | (17,895)                                    | -                 | -                 | (17,895)            |
| Net cash provided by (used in) capital and related financing activities | <u>(233,466)</u>                            | <u>(58,546)</u>   | <u>-</u>          | <u>(292,012)</u>    |
| Cash flows from investing activities:                                   |   |                   |                   |                     |
| Interest on cash and investments  | 8,438                                       | 1,865             | 1,162             | 11,465              |
| Net cash provided by investing activities                               | <u>8,438</u>                                | <u>1,865</u>      | <u>1,162</u>      | <u>11,465</u>       |
| Net increase (decrease) in cash and equivalents                         | 23,479                                      | 295,340           | (22,969)          | 295,850             |
| Cash and equivalents, beginning of year                                 | 1,433,127                                   | 320,120           | 168,392           | 1,921,639           |
| Cash and equivalents, end of year                                       | <u>\$ 1,456,606</u>                         | <u>\$ 615,460</u> | <u>\$ 145,423</u> | <u>\$ 2,217,489</u> |
| Reconciliation of cash and equivalents:                                 |   |                   |                   |                     |
| Unrestricted cash   | \$ 551,668                                  | \$ 516,091        | \$ 145,423        | \$ 1,213,182        |
| Unrestricted investments  | 802,904                                     | 51                | -                 | 802,955             |
| Restricted cash and investments   | 102,034                                     | 99,318            | -                 | 201,352             |
| Total cash and equivalents  | <u>\$ 1,456,606</u>                         | <u>\$ 615,460</u> | <u>\$ 145,423</u> | <u>\$ 2,217,489</u> |

(continued)

The notes to the financial statements are an integral part of this statement.

**City of Sealy, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the fiscal year ended September 30, 2012**

|   | Business-type Activities - Enterprise Funds |                  |                    |                   |
|---|---|------------------|--------------------|-------------------|
|   | Water and<br>Sewer                          | Gas              | Solid<br>Waste     | Total             |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: |   |                  |                    |                   |
| Operating income (loss)   | \$ 139,544                                  | \$ (14,732)      | \$ (20,139)        | \$ 104,673        |
| Adjustments to reconcile to net cash provided by operating activities:                            |   |                  |                    |                   |
| Depreciation  | 357,018                                     | 29,598           | -                  | 386,616           |
| Bad debt expense  | 2,783                                       | 939              | 1,704              | 5,426             |
| Other   | 54,032                                      | -                | -                  | 54,032            |
| Increase (decrease) in cash resulting from changes in assets and liabilities:                     |   |                  |                    |                   |
| Accounts receivable   | 75,094                                      | 93,400           | (11,480)           | 157,014           |
| Grant receivables   | 306,653                                     | -                | -                  | 306,653           |
| Other receivables   | 52  | 282              | 290                | 624               |
| Inventory   | 715   | 8,154            | -                  | 8,869             |
| Due from other funds  | 1,125                                       | -                | -                  | 1,125             |
| Other assets  | (1)   | -                | -                  | (1)               |
| Due to/from other funds   | (94,736)                                    | (8,262)          | -                  | (102,998)         |
| Accounts payable  | (184,023)                                   | (40,234)         | 3,148              | (221,109)         |
| Salaries payable  | 3,818                                       | 608              | 55                 | 4,481             |
| Accrued liabilities   | 25,967                                      | 10,562           | 2,394              | 38,923            |
| Sales tax payable   | -   | (502)            | (103)              | (605)             |
| Liability for compensated absences  | (19,186)                                    | 1,133            | -                  | (18,053)          |
| Customer deposits   | 6,305                                       | 1,075            | -                  | 7,380             |
| Net cash provided by (used in) operating activities   | <u>\$ 675,160</u>                           | <u>\$ 82,021</u> | <u>\$ (24,131)</u> | <u>\$ 733,050</u> |
| Noncash investing, capital and financing activities:  |   |                  |                    |                   |
| Property acquired through capital lease   | \$ 99,371                                   | \$ -             | \$ -               | \$ 99,371         |

The notes to the financial statements are an integral part of this statement.

**City of Sealy, Texas**  
**Statement of Fiduciary Net Assets**  
**Fireman's Relief and Retirement Pension Trust Fund**  
**As of September 30, 2012**

|  |                             |
|--|-----------------------------|
| <b>Assets</b>  |                             |
| Cash, restricted   | \$ 1,990                    |
| Investments, restricted                                  | 35,227                      |
| Other receivables  | 4,384                       |
| Total assets   | <u>41,601</u>               |
| <br><b>Liabilities</b>                                   |                             |
| Total liabilities  | <u>-</u>                    |
| <br><b>Net assets held in trust for pension benefits</b> | <br><u><u>\$ 41,601</u></u> |

The notes to the financial statements are an integral part of this statement.



**City of Sealy, Texas**  
**Statement of Changes in Fiduciary Net Assets**  
**Firemen's Relief and Retirement Pension Trust Fund**  
**For the Year Ended September 30, 2012**

|  |                         |
|--|-------------------------|
| Additions  |                         |
| Additions to net assets attributed to:               |                         |
| Investment income:                                   |                         |
| Interest   | \$ 125                  |
| Contributions:                                       |                         |
| Austin County Emergency Services District No. 2      | <u>-</u>                |
| Total additions                                      | <u>125</u>              |
| Deductions   |                         |
| Deduction from net assets attributed to:             |                         |
| Benefits paid to participants                        | 5,050                   |
| Administrative expenses                              | <u>102</u>              |
| Total deductions                                     | <u>5,152</u>            |
| Net decrease   | (5,027)                 |
| Net assets available for benefits, beginning of year | <u>46,628</u>           |
| Net assets available for benefits, end of year       | <u><u>\$ 41,601</u></u> |

The notes to the financial statements are an integral part of this statement.

**City of Sealy, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2012**

**Note 1. Summary of Significant Accounting Policies**

The financial statements of the City of Sealy, Texas (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. Reporting Entity**

The City is a municipal corporation governed by an elected seven-member council. As required by generally accepted accounting principles, these financial statements present the City (the primary government).

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appoints a voting majority of the units' boards; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists. The City has one component unit which consists only of a general fund.

*Discretely presented component units:*

**Sealy Economic Development Corporation (SEDC)** In May, 1997, the voters authorized the creation of the Sealy Economic Development Corporation for the purpose of promoting economic development within the community. In June, 1997, Council approved an ordinance levying a sales and use tax of one-half of one percent for the benefit of the Corporation. The Corporation's board of directors consists of seven members, three of which are members of City Council. The other four members are appointed by City Council.

*Blended component units:*

**Tax Increment Reinvestment Zone Number Two (TIRZ #2)** TIRZ #2 was created pursuant to Chapter 311 of the Texas Tax Code, and its board of directors consists of seven members, none of whom are currently members of the city council. The board of directors may exercise any power granted to a city by law, except for any that may be specifically restricted by the city council. The board of directors and the city council have entered into a contract with the Sealy Development Authority, a nonprofit local government corporation, to manage the reinvestment zone and to implement the project plan and reinvestment zone financing plan. The Sealy Development Authority also has a board of directors, which consists of the same members as the TIRZ #2 board of directors. The City created TIRZ #2 as a mechanism to finance public infrastructure improvements to a subdivision being developed within City limits. These 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 was 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), which is utilized to finance the public improvements. In addition, the County has elected to enter into an inter-local agreement with the City to pledge a portion of its tax collections on property within the TIRZ for deposit into the TIF.

**City of Sealy, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2012**

**Public Improvement District Number One (PID #1)** PID #1 was created pursuant to Chapter 372 of the Texas Local Government Code. The city council has entered into a contract with the Sealy Development Authority, a nonprofit local government corporation, to assist the city and act as consultant to the city in the implementation of the service and assessment plan and provide other services set forth in the contract. The Sealy Development 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 City created PID #1 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 pre-funded 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.

*Included as a pension trust fund of the primary government:*

**Firemen's Relief and Retirement Fund** All of the community's volunteer fire fighters participate in the Firemen's Relief and Retirement Fund. Operated as part of the State Firemen's Relief and Retirement Fund, state law mandates that this contributory plan be administered by the City. The trust functions for the benefit of these volunteers and their beneficiaries and is governed by a five-member pension board. The City's mayor and finance officer, along with three trustees elected from the membership of the fire department, constitute the pension board. The City has the ability to set and approve budgets for the pension plan.

**B. Basis of Presentation**

*Government-wide financial statements*

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The effect of interfund activity other than interfund services provided and used, within the governmental and business-type activities, has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (General Government, Public Safety, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; grants and contributions that are restricted to meeting the operational requirements of a particular function or segment; and grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

**City of Sealy, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2012**

*Fund financial statements*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

The General Fund is the primary operating fund of the city and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Debt Service Fund*

The debt service fund is used to account for the accumulation of resources and payment of general obligation debt principal, interest and related costs from governmental resources.

*Series 2010 Certificates of Obligation Capital Projects Fund*

This fund is used to account for the costs associated with the design and construction of a police department facility, design of city hall, park facility construction and improvements, street and road improvements and construction, design and construction of a quiet zone for north/south BNSF trains, design and construction of sidewalks and trail program, natural gas system and facilities construction and improvements, acquisition of communication equipment for police and emergency management, water and sanitary sewer improvements and construction, and other related or incidental costs, including those for professional services and debt issuance.

*Series 2011 Certificates of Obligation Capital Projects Fund*

This fund is used to account for contractual obligations incurred for the State Highway 36 utility rehabilitation project, including design and construction costs; construction, design, paving, and drainage improvements to Miller Road; City-wide utility improvements and expansions; and other related or incidental costs, including those for debt issuance.

**City of Sealy, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2012**

*Public Improvement District Number One Fund*

This fund is used to account for accumulation of levies assessed to property owners for certain public improvements constructed within the District because they confer a special benefit to the owners; these funds are periodically disbursed to developers to reimburse the costs of the improvements.

*Other Governmental Funds*

Other Governmental Funds is a summation of all of the non-major governmental funds.

**Proprietary Funds**

*Water and Sewer Enterprise Fund*

This fund is used to account for the operations of the City's water and sewer system.

*Gas Enterprise Fund*

This fund is used to account for the operations of the City's natural gas system.

*Solid Waste Enterprise Fund*

This fund is used to account for the operations of the City's transfer station and solid waste system.

**Fiduciary Funds**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. Fiduciary funds are *not* reflected in the government-wide financial statements since these funds are not available to support the City's operations. The reporting entity includes one fiduciary fund. The Firemen's Relief and Retirement Fund is a pension trust fund used to account for funds administered for the local volunteer firemen's pension plan.

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

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the *current financial resources* measurement focus or the *economic resources* measurement focus is used as appropriate:

- a. All governmental funds utilize a *current financial resources* measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial

**City of Sealy, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2012**

resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

- b. The proprietary funds utilize an *economic resources* measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

#### Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when *measurable and available*. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property, sales, and gross receipt tax revenues of governmental funds are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines, contributions and miscellaneous revenues are recorded when received in cash, as these revenues are not measurable and available until cash is received. Investment income is recorded as earned since it is measurable and available. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Operating revenues and expenses for proprietary funds include activities related to providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. Revenues and expenses that do not meet this definition are reported as non-operating revenues and expenses.

Proprietary fund types follow generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (GASB) and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its proprietary funds as presented by GASB.

When both restricted and unrestricted resources are available for use, it is the government's policy to use the restricted resources first, then unrestricted resources as they are needed.

#### **D. Budgets**

Annual appropriated budgets are adopted for the general fund, certain special revenue funds, debt service funds, and enterprise funds. The budgets for all governmental funds are prepared and adopted on a basis consistent with generally accepted accounting principles, which is the same basis of accounting used for financial reporting in these financial statements. The budgets

**City of Sealy, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2012**

prepared and adopted for enterprise funds differ from generally accepted accounting principles primarily in that depreciation expense is not a budgeted item while capital outlay is budgeted as an expense. Budgets are adopted by passage of a budget ordinance. All annual budget appropriations lapse at fiscal year end.

Encumbrance accounting is a system under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. The City does not employ encumbrance accounting as it feels its current system is adequate to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

**E. Cash and Investments**

Cash consists of cash on hand and amounts in demand deposit accounts and interest-bearing checking accounts.

State statutes authorize the City to invest in time deposits of its designated depositories, U.S. Government Securities, and local government investment pools. Investments are carried at fair value. Interest income and changes in fair value are reported as investment income.

The City invests its idle funds in certificates of deposits and local government investment pools, TexPool and TexSTAR. The state comptroller's office maintains regulatory oversight over TexPool. TexSTAR is privately managed, was organized in conformity with the Inter-local Cooperation Act and is managed in compliance with the Texas Public Funds Investment Act. The fair value of the investment pools approximates cost. The fair value of the City's position in these external investment pools is the same as the value of the pool shares.

**F. Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds," respectively, on the fund financial statements. Residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**G. Inventories**

Inventories of enterprise funds are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

**H. Restricted Assets**

Amounts in governmental and fiduciary funds which are legally identified for specific purposes either by City ordinance or contractual obligation are reflected as restricted assets.

Amounts in proprietary funds restricted for refunding customer deposits are also included as restricted assets.



**City of Sealy, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2012**

**I. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds.

The City defines capital assets as assets with an estimated useful life greater than one year and an initial individual cost of \$5,000 or more for land, machinery or equipment and \$25,000 or more for buildings or improvements other than buildings. All capital assets are valued at historical cost or estimated historical cost if the actual historical cost is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Interest incurred during construction is not capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Infrastructure assets (such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems) purchased before October 1, 2003 have not been capitalized and are excluded from capital assets of governmental activities. However, expenditures incurred in prior years for projects in progress as of October 1, 2003 have been capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation over the following estimated useful lives:

|                                   |             |
|-----------------------------------|-------------|
| Buildings                         | 10-50 years |
| Improvements other than buildings | 10-70 years |
| Machinery and equipment           | 3-10 years  |

In the fund financial statements, capital assets used in governmental operations are accounted for as capital outlay expenditures of the governmental fund at the time of acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**J. Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the City and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the City and its employees are accounted for in the period in which such services are rendered or in which such events take place.

In the governmental fund financial statements, compensated absences that are expected to be liquidated with expendable available financial resources are reported as expenditure and fund liability in the fund that will pay for the compensated absences. Therefore, a liability for these amounts is recognized only if they have matured, for example, as a result of employee resignations and retirements. In the government-wide and proprietary fund financial statements, compensated absences are accrued as incurred.



**City of Sealy, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2012**

**K. Post-employment Benefits**

The City provides the availability of post-retirement health care for retirees. Retirees with 20 years of service at the time of retirement may purchase group health or a supplement to Medicare at a rate determined for the retiree group, not at a blended rate for all City employees. Currently, no retiree meets those eligibility requirements. Eligible retirees pay the entire premium for group health coverage. Additionally, refer to Note 16 B for discussion regarding supplemental death benefits made available to retirees.

**L. Long-term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the governmental activities column of the government-wide statement of net assets. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**M. Fund Equity**

*Government-wide statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Amounts restricted on the Statement of Net Assets for tourism and economic development are restricted by enabling legislation.

*Fund statements*

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

*Classification of fund balances*

The *nonspendable* fund balance includes the portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include supplies inventories and prepaid items, long-term advances to other funds net of deferred interest

**City of Sealy, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2012**

revenue, long-term receivable net of deferred interest revenue, nonfinancial assets held for resale, and unrealized change in the fair value of investments.

Some resources are spendable but are legally or contractually required to be maintained intact. Such resources include the principal of an endowment.

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, contributors), laws and regulations of other governments, or through enabling legislation. The enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources from external resource providers; those resources can be used only for the specific purposes stipulated in the legislation. The City's revenue generated through enabling legislation include municipal court fees.

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal Council actions, no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

The *assigned* fund balance includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by the City Council or its designated officials to assign amounts to be used for specific purposes, but are neither restricted nor committed. Constraints imposed on the use of assigned amounts can be removed with no formal Council actions. The assigned fund balance is only reported in the General Fund.

The *unassigned* fund balance represents spendable net resources that have not been restricted, committed, or assigned to specific purposes.

*Spending Prioritization in Using Available Resources*

When both restricted resources and other resources (i.e., committed, assigned, and unassigned) can be used for the same purpose, the City budget considers restricted resources to be spent first.

When committed, assigned, and unassigned resources can be used for the same purpose, the flow assumption in the City budget is to spend in the sequence of committed resources first, assigned second, and unassigned last.

**N. Bond Issuance Costs**

In the fund financial statements of governmental fund types, bond issuance costs are recognized in the current period. Bond issuance costs in the government-wide financial statements and fund financial statements of proprietary fund types are deferred and amortized over the term of the bonds using the straight-line method.

**O. Interfund Transfers**

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions in expenditures/expenses in the fund that is reimbursed.

**City of Sealy, Texas**  
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All other interfund transactions, except interfund services provided and used and reimbursements, are reported as transfers.

**P. Statements of Cash Flows**

For purposes of reporting cash flows, cash and equivalents consist of all cash on hand and held by banks, certificates of deposit and other short-term highly liquid investments with original maturities of three months or less.

**Note 2. Reconciliation of government-wide and fund financial statements**

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets of governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.” The details of this \$10,329,643 difference are as follows:

|   |                      |
|---|----------------------|
| Bonds payable   | \$ 300,000           |
| Certificates of obligation  | 9,260,000            |
| Tax notes   | 335,000              |
| Capital lease   | 163,797              |
| Unamortized bond premium (to be amortized as an offset to interest expense) | 105,363              |
| Less: Unamortized bond issuance costs (to be amortized as interest expense) | (228,538)            |
| Less Unaccreted bond discount (to be accreted as interest expense)          | (67,918)             |
| Accrued interest payable  | 33,952               |
| Compensated absences  | 427,987              |
|   | <u>\$ 10,329,643</u> |

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Some expenses reported in the Statement of Activities do not require the use of the current financial resources and, therefore, are not included as expenditures in governmental funds.” The details of this \$1,998 difference are as follows:

|                                |                   |
|--------------------------------|-------------------|
| Amortization of issuance costs | \$ (32,288)       |
| Accrued interest               | 7,641             |
| Compensated absences           | 22,650            |
|                                | <u>\$ (1,997)</u> |

**City of Sealy, Texas**  
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**Note 3. Legal Compliance – Budgets**

On or about April 15 of each year, all departments of the City submit requests for appropriations to the City Manager so that a budget may be prepared. The City Manager has ultimate responsibility for the budget and formulates the budget goals for the City under the direction of the City Council. The budget is prepared by fund, function, activity and object, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

In compliance with the state's uniform budget law, the City Manager files the proposed budget with the City Secretary and City Council before the 30th day prior to the date the City adopts its tax levy for the fiscal year. Once filed, the proposed budget is available for inspection by the public. The City is required to hold a public hearing on the proposed budget not less than 15 days after the budget is filed with the City Secretary and prior to the date the Council makes the tax levy. The City publishes notice of the public hearing in the official newspaper not more than 30 days or less than 10 days before the hearing. Once the hearing is concluded and before adopting the proposed budget, the Council may make any changes it considers warranted by law or in the best interest of the taxpayers. The annual operating budget is then adopted through passage of an annual budget ordinance. Upon approval by the Council, the annual budget document becomes a matter of public record which is available for use and inspection by all interested persons and organizations. It is filed with the City Secretary and the county clerk.

The legal level of budgetary control is the department; therefore, expenditures may not legally exceed budget appropriations at the department level. Each department head, with the approval of the City Manager, can reclassify items within the department without approval of the Council; however, to amend the total of a department, a budget amendment enacted by City ordinance is required.

The general fund, all special revenue funds (except those listed below), the debt service fund, all enterprise funds, and the pension trust fund have legally adopted annual budgets. The non-major special revenue funds that do not have legally adopted annual budgets include TIRZ #2, Child Safety, and PID #1.

*Compliance with Finance Related Legal and Contractual Provisions.* The City had no material violations of finance related legal and contractual provisions.

*Excess of Expenditures/Expenses Over Appropriations.* Expenditures/expenses exceeded appropriations at the department level as approved by council by \$327 for public works, \$959 for streets, \$1,720 for parks and recreation in the general fund due to year end journal entries to accrue health insurance and other expenditures that were paid after year end. Also, nondepartmental expenditures of the General Fund exceeded budget by \$88,264 due to a contribution made to the State for street improvements that was budgeted as capital outlay, but recorded as a contribution.

**City of Sealy, Texas**  
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**Note 4. Deposits and Investments**

The City maintains a cash pool that is available for use by general, special revenue, capital projects and enterprise funds. On occasion, several of the funds overdraw their share of funds in the pool. The amounts overdrawn are presented on the combined balance sheet as payables to other funds. The City conducts all its banking transactions with its depository bank, Wells Fargo Bank, N.A. (See Note 1.E.)

As of September 30, 2012, the City had the following investments:

| <u>Investment Type</u>  | <u>Maturity</u>   | <u>Fair Value</u>   |
|-------------------------|-------------------|---------------------|
| Tex Pool                | Less than 60 days | \$ 2,153            |
| Tex Star                | Less than 60 days | 1,828               |
| Certificates of deposit | 24 months         | 539,003             |
| Certificates of deposit | 12 months         | 180,873             |
| Certificates of deposit | 6 months          | 1,134,656           |
| Total                   |                   | <u>\$ 1,858,513</u> |

As of September 30, 2012, the SEDC had the following investments:

| <u>Investment Type</u>  | <u>Maturity</u>   | <u>Fair Value</u> |
|-------------------------|-------------------|-------------------|
| Tex Pool                | Less than 60 days | \$ 100            |
| Tex Star                | Less than 60 days | 129               |
| Certificates of deposit | 6 months          | 401,294           |
| Total                   |                   | <u>\$ 401,523</u> |

Interest rate risk

The investment policies of the City and the SEDC limit interest rate risk exposure by limiting investments primarily to certificates of deposits and local government investments pools.

Custodial credit risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the government's deposits may not be returned to it. The City and the SEDC have depository policies for custodial risk incorporated into its depository contract. Deposits of the City and the SEDC are insured or collateralized with securities held by the City, SEDC, its agent, or by the pledging financial institution's trust department or agent in the name of the City, the SEDC or applicable public trust.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The custodial credit risk is not applicable to the City's investments as the City only has investments in certificates of deposit and local government investment pools.

**City of Sealy, Texas**  
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Credit risk

It is the government's policy to limit its investments to two local government investment pools, TexPool and TexStar, or certificates of deposit. As of September 30, 2012, the City and the SEDC had investments in local government investment pools and certificates of deposit. Both TexPool and TexSTAR were rated AAAM by Standard & Poor's as of September 30, 2012.

**Note 5. Restricted Assets**

At September 30, 2012, restrictions on cash and investments were as follows:

|                                  | Governmental<br>Funds | Proprietary<br>Funds | Fiduciary<br>Fund | Component<br>Unit |
|----------------------------------|-----------------------|----------------------|-------------------|-------------------|
| Cash and Investments             |                       |                      |                   |                   |
| Restricted for:                  |                       |                      |                   |                   |
| Hotel/motel expenditures         | \$ 208,942            | \$ -                 | \$ -              | \$ -              |
| TIRZ                             | 12                    | -                    | -                 | -                 |
| TIRZ #2                          | 23,855                | -                    | -                 | -                 |
| PID #1                           | 38,434                | -                    | -                 | -                 |
| SEDC                             | -                     | -                    | -                 | 614,942           |
| Forfeited property               | 46,095                | -                    | -                 | -                 |
| Debt service                     | 258,990               | -                    | -                 | -                 |
| Customer deposits                | -                     | 201,352              | -                 | -                 |
| Street and drainage improvements | 340,379               | -                    | -                 | -                 |
| Child Safety                     | 1,966                 | -                    | -                 | -                 |
| Equipment and improvements       | 2,439,908             | -                    | -                 | -                 |
| Park improvements                | 10,569                | -                    | -                 | -                 |
| Youth advisory commission        | 186                   | -                    | -                 | -                 |
| Firemen's pension                | -                     | -                    | 37,217            | -                 |
| 2007 Tax Note                    | 4,944                 | -                    | -                 | -                 |
| Police department expenditures   | 3,509                 | -                    | -                 | -                 |
| Municipal court expenditures     | 114,829               | -                    | -                 | -                 |
|                                  | <u>\$ 3,492,618</u>   | <u>\$ 201,352</u>    | <u>\$ 37,217</u>  | <u>\$ 614,942</u> |

**City of Sealy, Texas**  
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**Note 6. Receivables**

Receivables at September 30, 2012, consist of the following:

|                              | Governmental<br>Funds | Proprietary<br>Funds | Fiduciary<br>Fund | Component<br>Unit | Total               |
|------------------------------|-----------------------|----------------------|-------------------|-------------------|---------------------|
| Taxes:                       |                       |                      |                   |                   |                     |
| Property                     | \$ 53,595             | \$ -                 | \$ -              | \$ -              | \$ 53,595           |
| Sales                        | 203,562               | -                    | -                 | 101,781           | 305,343             |
| Gross receipts               | 788                   | -                    | -                 | -                 | 788                 |
| Hotel/motel occupancy        | 52,836                | -                    | -                 | -                 | 52,836              |
| Accounts                     | 23,186                | 501,916              | 4,384             | -                 | 529,486             |
| Grant                        | 198,346               | -                    | -                 | -                 | 198,346             |
| Other receivables            | -                     | 417                  | -                 | -                 | 417                 |
| Special assessments          | 185,863               | -                    | -                 | -                 | 185,863             |
| Less:                        |                       |                      |                   |                   |                     |
| allowance for uncollectibles | (5,571)               | (4,708)              | -                 | -                 | (10,279)            |
|                              | <u>\$ 712,605</u>     | <u>\$ 497,625</u>    | <u>\$ 4,384</u>   | <u>\$ 101,781</u> | <u>\$ 1,316,395</u> |

Property taxes attach as an enforceable lien on property as of February 1. Taxes are levied on October 1 and are payable by January 31, after which time they become delinquent and penalties and interest may be assessed by the City.

**City of Sealy, Texas**  
**Notes to Basic Financial Statements**  
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**Note 7. Capital Assets**

The following is a summary of capital asset activity during the year ended September 30, 2012:

|  | Beginning<br>Balance | Additions/<br>Completions | Retirements/<br>Adjustments | Ending<br>Balance    |
|--|----------------------|---------------------------|-----------------------------|----------------------|
| <u>Governmental activities</u>               |                      |                           |                             |                      |
| Capital assets not being depreciated         |                      |                           |                             |                      |
| Land   | \$ 1,443,061         | \$ 10,403                 | \$ -                        | \$ 1,453,464         |
| Construction in progress                     | 751,907              | 3,813,378                 | -                           | 4,565,285            |
| Total capital assets not being depreciated   | <u>2,194,968</u>     | <u>3,823,781</u>          | <u>-</u>                    | <u>6,018,749</u>     |
| Capital assets being depreciated             |                      |                           |                             |                      |
| Buildings                                    | 2,412,163            | -                         | -                           | 2,412,163            |
| Improvements other than buildings            | 3,404,242            | 112,122                   | -                           | 3,516,364            |
| Intangibles                                  | 112,287              | -                         | -                           | 112,287              |
| Machinery and equipment                      | 1,650,920            | 260,764                   | 22,540                      | 1,889,144            |
| Total at historical cost                     | <u>7,579,612</u>     | <u>372,886</u>            | <u>22,540</u>               | <u>7,929,958</u>     |
| Less: accumulated depreciation for:          |                      |                           |                             |                      |
| Buildings                                    | 774,942              | 106,207                   | -                           | 881,149              |
| Improvements other than buildings            | 563,901              | 137,028                   | -                           | 700,929              |
| Intangibles                                  | 32,636               | 11,114                    | -                           | 43,750               |
| Machinery and equipment                      | 764,939              | 188,763                   | 22,540                      | 931,162              |
| Total accumulated depreciation               | <u>2,136,418</u>     | <u>443,112</u>            | <u>22,540</u>               | <u>2,556,990</u>     |
| Total capital assets being depreciated, net  | <u>5,443,194</u>     | <u>(70,226)</u>           | <u>-</u>                    | <u>5,372,968</u>     |
| Governmental activities capital assets, net  | <u>\$ 7,638,162</u>  | <u>\$ 3,753,555</u>       | <u>\$ -</u>                 | <u>\$ 11,391,717</u> |
| <u>Business-type activities</u>              |                      |                           |                             |                      |
| Capital assets not being depreciated         |                      |                           |                             |                      |
| Land   | \$ 138,919           | \$ -                      | \$ -                        | \$ 138,919           |
| Construction in progress                     | 1,328,437            | 367,161                   | -                           | 1,695,598            |
| Total capital assets not being depreciated   | <u>1,467,356</u>     | <u>367,161</u>            | <u>-</u>                    | <u>1,834,517</u>     |
| Capital assets being depreciated             |                      |                           |                             |                      |
| Buildings and improvements                   | 207,722              | -                         | -                           | 207,722              |
| Distribution and collection systems          | 12,498,062           | 1,330,249                 | 1,500                       | 13,826,811           |
| Machinery and equipment                      | 1,130,146            | 216,425                   | 42,929                      | 1,303,642            |
| Total at historical cost                     | <u>13,835,930</u>    | <u>1,546,674</u>          | <u>44,429</u>               | <u>15,338,175</u>    |
| Less: accumulated depreciation for:          |                      |                           |                             |                      |
| Buildings and improvements                   | 54,154               | 6,543                     | -                           | 60,697               |
| Distribution and collection systems          | 4,871,163            | 304,628                   | -                           | 5,175,791            |
| Machinery and equipment                      | 913,769              | 75,445                    | 40,724                      | 948,490              |
| Total accumulated depreciation               | <u>5,839,086</u>     | <u>386,616</u>            | <u>40,724</u>               | <u>6,184,978</u>     |
| Total capital assets being depreciated, net  | <u>7,996,844</u>     | <u>1,160,058</u>          | <u>3,705</u>                | <u>9,153,197</u>     |
| Business-type activities capital assets, net | <u>\$ 9,464,200</u>  | <u>\$ 1,527,219</u>       | <u>\$ 3,705</u>             | <u>\$ 10,987,714</u> |



**City of Sealy, Texas**  
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Depreciation expense was charged as direct expense to programs of the primary government as follows:

|   |            |
|---|------------|
| <u>Governmental activities</u>                      |            |
| General government                                  | \$ 47,065  |
| Public safety                                       | 91,974     |
| Highways and streets                                | 200,920    |
| Culture and recreation                              | 102,360    |
| Health and welfare                                  | 793        |
| Total depreciation expense- Governmental activities | \$ 443,112 |
| <br><u>Business-type activities</u>                 |            |
| Water and sewer                                     | \$ 357,018 |
| Gas   | 29,598     |
| Solid Waste   | -          |
| Total depreciation expense-Business-type activities | \$ 386,616 |

**Note 8. 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; injuries to employees; and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool for its insurance. The City pays a quarterly premium to the Pool. The Pool is intended to be self-sustaining through member premiums and reinsures through commercial companies for excessive claims which provides coverage for its members for up to \$2,000,000 per insured event. There were no significant reductions in insurance coverage from the previous year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 9. Grant Receivable**

The Sealy Economic Development Corporation (SEDC) signed an agreement with the City in 2010, whereby the SEDC would reimburse the Debt Service Fund for principal and interest related to the 2003 Certificates of Obligation issuance. In fiscal year 2012, the SEDC made principal and interest payments totaling \$82,750. The outstanding balance will be paid to the City in annual payments.

The Sealy Economic Development Corporation (SEDC) signed an agreement with the City in September 2010, whereby the SEDC would reimburse the Debt Service Fund for principal and interest related to the 2010 Certificates of Obligation issuance. In fiscal year 2012, the SEDC made principal and interest payments totaling \$41,550. The outstanding balance will be paid to the City in annual payments.

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The following is a combined repayment schedule of the 2003 and 2010 Certificates of Obligations reimbursements payable to the City:

| Year ending<br>September 30 | Principal    | Interest   |
|-----------------------------|--------------|------------|
| 2013                        | \$ 105,000   | \$ 40,550  |
| 2014                        | 35,000       | 36,550     |
| 2015                        | 40,000       | 36,550     |
| 2016                        | 45,000       | 35,350     |
| 2017                        | 45,000       | 34,000     |
| 2018-2022                   | 260,000      | 143,788    |
| 2023-2027                   | 320,000      | 87,213     |
| 2028-2030                   | 225,000      | 19,463     |
|                             | \$ 1,075,000 | \$ 433,464 |

**Note 10. Due to developer**

As of September 30, 2012, there was a total of \$212,566 due to a developer for improvements made in the Public Improvement District Number One. These amounts are to be paid from the collection of special assessment fees. The District's liability is limited to the special assessments that are collected.

**Note 11. Leases**

The City has entered into several operating leases for copiers which expire in May 2016. Aggregate monthly payments under these leases total \$1,110 per month at September 30, 2012. During the fiscal year ended September 30, 2012, rental expense related to these leases totaled approximately \$13,320.

The City entered into a capital lease agreement to finance the acquisition of a street sweeper, which requires the recording of the capital asset at the present value of the future minimum lease payments at inception. The street sweeper was recorded in capital assets with a book value of \$179,726 and accumulated depreciation at September 30, 2012 of \$64,402.

The City entered into a capital lease agreement to finance the acquisition of a track type tractor, which requires the recording of the capital asset at the present value of the future minimum lease payments at inception. The track type tractor was recorded in capital assets with a book value of \$140,300 and accumulated depreciation at September 30, 2012 of \$16,368.

The City entered into a capital lease agreement to finance the acquisition of a backhoe loader, which requires the recording of the capital asset at the present value of the future minimum lease payments at inception. The backhoe loader was recorded in capital assets of the water and sewer fund with a book value of \$99,371 and accumulated depreciation at September 30, 2012 of \$5,797.

**City of Sealy, Texas**  
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The future minimum lease payments and the net present value of the minimum payments as of September 30, 2012 are as follows:

| <u>Year ending September 30,</u>   | <u>Governmental<br/>activities</u> | <u>Business-type<br/>activities</u> |
|------------------------------------|------------------------------------|-------------------------------------|
| 2013                               | \$ 58,922                          | \$ 17,893                           |
| 2014                               | 58,923                             | 17,893                              |
| 2015                               | 58,503                             | 17,893                              |
| 2016                               | -                                  | 17,893                              |
| 2017                               | -                                  | 17,893                              |
| 2018                               | -                                  | 1                                   |
| Total minimum lease payments       | <u>176,348</u>                     | <u>89,466</u>                       |
| Less: Amount representing interest | <u>12,551</u>                      | <u>7,990</u>                        |
| Present value of minimum payments  | <u>\$ 163,797</u>                  | <u>\$ 81,476</u>                    |

Amortization expense for capital leases is included in depreciation expense on the government wide statements for highways and streets in governmental activities and for water and sewer in business-type activities.

**Note 12. Long-term Debt**

Long-term debt outstanding at September 30, 2012 is as follows:

Governmental Activities

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds issued in prior years was \$5,725,000. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year.

In May, 2010, the City issued the Combination Tax and Revenue Certificates of Obligation, Series 2010, for \$6,150,000 for funding of various projects.

In August, 2011, the City issued the Combination Tax and Revenue Certificates of Obligation, Series 2011, for \$1,640,000 for funding various projects.

General obligation bonds and certificates currently outstanding are as follows:

| <u>Purpose</u>                      | <u>Interest Rates</u> | <u>Amount</u>       |
|-------------------------------------|-----------------------|---------------------|
| Governmental activities             | 3.0% - 5.6%           | \$ 9,260,000        |
| Governmental activities - refunding | 2.0% - 3.5%           | 300,000             |
| Unamortized bond premium            |                       | 105,363             |
| Unamortized bond discount           |                       | (67,918)            |
|                                     |                       | <u>\$ 9,597,445</u> |

**City of Sealy, Texas**  
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The annual aggregate maturities for each bond type for the years subsequent to September 30, 2012 are as follows:

| Year Ending<br>September 30 | General Obligation<br>Bonds |                  | Certificates of<br>Obligation |                     | Tax Notes         |                  |
|-----------------------------|-----------------------------|------------------|-------------------------------|---------------------|-------------------|------------------|
|                             | Principal                   | Interest         | Principal                     | Interest            | Principal         | Interest         |
| 2013                        | \$ 125,000                  | \$ 10,019        | \$ 370,000                    | \$ 358,450          | \$ 165,000        | \$ 12,228        |
| 2014                        | 135,000                     | 5,956            | 355,000                       | 348,990             | 170,000           | 6,205            |
| 2015                        | 40,000                      | 1,400            | 440,000                       | 341,533             | -                 | -                |
| 2016                        | -                           | -                | 465,000                       | 325,316             | -                 | -                |
| 2017                        | -                           | -                | 485,000                       | 308,042             | -                 | -                |
| 2018-2022                   | -                           | -                | 2,735,000                     | 1,234,585           | -                 | -                |
| 2023-2030                   | -                           | -                | 4,410,000                     | 758,524             | -                 | -                |
|                             | <u>\$ 300,000</u>           | <u>\$ 17,375</u> | <u>\$ 9,260,000</u>           | <u>\$ 3,675,440</u> | <u>\$ 335,000</u> | <u>\$ 18,433</u> |

*Changes in Long-Term Liabilities.* During the year ended September 30, 2012, the following changes occurred in long-term liabilities:

|                                 | Balance<br>Sept. 30,<br>2011 | Additions        | Reductions        | Balance<br>Sept. 30,<br>2012 | Due within<br>one year |
|---------------------------------|------------------------------|------------------|-------------------|------------------------------|------------------------|
| <u>Governmental Activities</u>  |                              |                  |                   |                              |                        |
| General obligation bonds        | \$ 540,000                   | \$ -             | \$ 240,000        | \$ 300,000                   | \$ 125,000             |
| Certificates of Obligation      | 9,495,000                    | -                | 235,000           | 9,260,000                    | 370,000                |
| Tax notes                       | 490,000                      | -                | 155,000           | 335,000                      | 165,000                |
| Total bonded debt               | 10,525,000                   | -                | 630,000           | 9,895,000                    | 660,000                |
| Unamortized premium             | 140,587                      | -                | 35,224            | 105,363                      | 35,387                 |
| Unamortized discount            | (103,305)                    | -                | (35,387)          | (67,918)                     | (35,225)               |
|                                 | 10,562,282                   | -                | 629,837           | 9,932,445                    | 660,162                |
| Capital lease payable           | 215,034                      | -                | 51,237            | 163,797                      | 52,850                 |
| Total governmental activities   | <u>\$ 10,777,316</u>         | <u>\$ -</u>      | <u>\$ 681,074</u> | <u>\$ 10,096,242</u>         | <u>\$ 713,012</u>      |
| <u>Business-type Activities</u> |                              |                  |                   |                              |                        |
| Capital lease payable           | \$ -                         | \$ 99,371        | \$ 17,895         | \$ 81,476                    | \$ 15,285              |
| Total governmental activities   | <u>\$ -</u>                  | <u>\$ 99,371</u> | <u>\$ 17,895</u>  | <u>\$ 81,476</u>             | <u>\$ 15,285</u>       |

**City of Sealy, Texas**  
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*Changes in Other Long-Term Liabilities.* During the year ended September 30, 2012, the following changes occurred in other long-term liabilities:

|                                 | Balance<br>Sept. 30,<br>2011 | Addition   | Reductions | Balance<br>Sept. 30,<br>2012 | Due within<br>one year |
|---------------------------------|------------------------------|------------|------------|------------------------------|------------------------|
| <u>Governmental Activities</u>  |                              |            |            |                              |                        |
| Compensated absences            | \$ 450,639                   | \$ 259,047 | \$ 276,966 | \$ 432,720                   | \$ 4,733               |
| <u>Business-type Activities</u> |                              |            |            |                              |                        |
| Compensated absences            | \$ 122,107                   | \$ 76,201  | \$ 94,255  | \$ 104,053                   | \$ 647                 |

In prior years, the general fund has typically been used to liquidate the liability for compensated absences for governmental activities.

**Note 13. Interfund Transfers and Transactions with Component Units**

Interfund transfers during the year ended September 30, 2012, were as follows:

| Transfers In              | Transfers Out                                   |                                 |                    |                   |                   |
|---------------------------|---|---------------------------------|--------------------|-------------------|-------------------|
|                           | Public<br>Improvement<br>District<br>Number One | Non-major<br>Special<br>Revenue | Water and<br>Sewer | Gas               | Total             |
| General Fund              | \$ -  | \$ -                            | \$ 100,000         | \$ 100,000        | \$ 200,000        |
| Debt Service              | -   | 15,069                          | -                  | -                 | 15,069            |
| Non-major Special Revenue | 38,366  | 21,054                          | -                  | -                 | 59,420            |
| Gas                       | -   | -                               | 370,000            | -                 | 370,000           |
| Total                     | <u>\$ 38,366</u>                                | <u>\$ 36,123</u>                | <u>\$ 470,000</u>  | <u>\$ 100,000</u> | <u>\$ 644,489</u> |

Transfers are made between the governmental funds and the enterprise funds in lieu of franchise fees and overhead allocations.

Transactions between the City and the SEDC for the year ended September 30, 2012 were as follows:

|  |                   |
|--|-------------------|
| Contribution from the SEDC to the general fund:      | \$ 140,000        |
| Contribution from the SEDC to the debt service fund: | 124,300           |
|  | <u>\$ 264,300</u> |

**City of Sealy, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2012**

**Note 14. Invested in capital assets, net of related debt**

In previous years, long-term debt recognized in the governmental activities was issued for the purchase of business-type capital assets. This debt is not deducted in the calculation of the amount invested in capital assets, net of related debt for governmental activities or business-type activities. However, this amount is included in the calculation of invested in capital assets, net of related debt for the total primary government.

**Note 15. Commitments**

The City entered into a contract with the Austin County Appraisal District for the assessment and collection of property taxes. The contract renews each calendar year. During the year ended September 30, 2012, the City paid the District \$24,702 for assessment and collection services.

The City entered into an amended contract with Millennium Midstream Energy, LLC, to purchase gas for resale to its utility customers beginning November, 2005. The contract will expire November, 2012. The contract is renewable annually. The City paid \$558,735 to this company during the year ended September 30, 2012.

The City entered into a contract with a company to collect commercial and residential garbage within the City. The contract expires September, 2017. The City paid \$424,908 to this company during the year ended September 30, 2012.

The City entered into a contract with the Gordon Memorial Library to provide \$22,000 annually, payable in equal quarterly installments, to the library for providing service to its citizens.

The City has agreed to pay \$62,000 per year, in four equal installments beginning December 15, 2011, of actual receipts from the hotel occupancy tax to the Chamber of Commerce to fund the operations and maintenance of the Sealy Visitor's Information Center. The contract expires November 30, 2012. The City also agreed to pay \$60,000 by September, 2013, of actual receipts from the hotel occupancy tax to the Sealy Community Foundation to promote tourism and the convention hotel industry.

The City has agreed to pay to a developer an incentive of \$90,000 once ten certificates of occupancy for homes constructed have been issued and an additional \$108,000 once the sixteenth certificate of occupancy has been issued. During the year ended September 30, 2012, \$90,000 has been paid under this agreement.

**Note 16. Pension Plans**

The City participates in an agent multiple-employer public employee retirement system which covers the City's full-time employees, and maintains a single-employer, defined benefit pension plan which covers the community's volunteer fire fighters.

**A. City Employees**

*Plan Description.* The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

**City of Sealy, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2012**

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from the TMRS website at [www.TMRS.com](http://www.TMRS.com).

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 2011</u>        | <u>Plan Year 2012</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<br>(expressed as age / years of service) | 60/5, 0/20                   | 60/5, 0/20                   |
| Updated Service Credit  | 100% Repeating,<br>Transfers | 100% Repeating,<br>Transfers |
| Annuity Increase (to retirees)  | 70% of CPI<br>Repeating      | 70% of CPI<br>Repeating      |

*Contributions.* Under the state law governing TMRS, the contribution rate of each city is determined by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contributed rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contributions rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

Three- Year Trend Information

| <u>Fiscal Year Ending</u> | <u>Actual<br/>Pension<br/>Cost (APC)</u> | <u>Actual<br/>Contribution<br/>Made</u> | <u>Percentage of<br/>APC<br/>Contributed</u> | <u>Net Pension<br/>Obligation/<br/>(Asset)</u> |
|---------------------------|--|---|--|--|
| 2012                      | \$ 445,403                               | \$ 445,403                              | 100%   | -  |
| 2011                      | \$ 452,801                               | \$ 452,801                              | 100%   | -  |
| 2010                      | \$ 437,982                               | \$ 437,982                              | 100%   | -  |

**City of Sealy, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2012**

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, as follows:

| Valuation date                                    | 12/31/2009                | 12/31/2010                | 12/31/2011                |
|---|---------------------------|---------------------------|---------------------------|
| Actuarial Cost Method                             | Projected Unit Credit     | Projected Unit Credit     | Projected Unit Credit     |
| Amortization Method                               | Level Percent of Payroll  | Level Percent of Payroll  | Level Percent of Payroll  |
| GASB 25 Equivalent Single Amortization Period     | 28.1 years; closed period | 27.1 years; closed period | 26.1 years; closed period |
| Amortization Period for new Gains/Losses          | 30 years                  | 30 years                  | 30 years                  |
| Asset Valuation Method                            | A10 year Smoothed Market  | 10 year Smoothed Market   | 10 year Smoothed Market   |
| Actuarial Assumptions:                            |                           |                           |                           |
| Investment Rate of Return*                        | 7.5%                      | 7.0%                      | 7.0%                      |
| Projected Salary Increases*                       | Varies by age and service | Varies by age and service | Varies by age and service |
| *Includes Inflation at Cost-of-Living Adjustments | 3.00%                     | 3.00%                     | 3.00%                     |
|   | 2.1%                      | 2.1%                      | 2.1%                      |

*Funded Status and Funding Progress.*

The funded status as of December 31, 2011, the most recent actuarial valuation date, is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Funded Ratio | Unfunded AAL (UAAL) | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------|---------------------------|-----------------------------------|--------------|---------------------|-----------------|---|
|                          | (1)                       | (2)                               | (3)=(1)/(2)  | (4)=(2)-(1)         | (5)             | (6)=(4)/(5)                             |
| 12/31/2011               | \$7,429,800               | \$ 9,965,848                      | 74.6%        | \$ 2,536,048        | \$ 2,640,201    | 96.1%                                   |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the



**City of Sealy, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2012**

notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**B. Supplementary Death 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 retirees and active employees providing a lump-sum payment approximately equal to the employee's annual salary (calculated based on 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.

The City offered supplemental death benefits to both active and retired employees for the 2011 and 2021 plan years.

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 employee's entire careers.

The city's contribution to the TMRS SDBF for the years ended 2012, 2011, and 2010 were \$4,702, \$5,013, and \$5,202, respectively, which equaled the required contributions each year.

**C. Firemen's Pension Plan**

*Plan Description.* All of the community's volunteer fire fighters participate in the firemen's pension plan, a single-employer, defined benefit pension plan. This contributory plan is operated as a part of the State Firemen's Relief and Retirement Fund and is administered by the City. Funds are provided by the Fire District on behalf of the volunteer fire department. The fund is included in the fiduciary funds as the Firemen's Relief and Retirement Fund. The Plan does not issue separate financial statements. Since the members are volunteers within the community and are not employees of the City, there is no payroll.

**City of Sealy, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2012**

Current membership in the plan is comprised of the following:

|  |    |
|--|----|
| Retirees currently receiving benefits      | 9  |
| Retirees not currently receiving benefits  | 0  |
| Beneficiaries currently receiving benefits | 7  |
| Active members:                            |    |
| Fully vested                               | 0  |
| Nonvested                                  | 16 |

An active member earns service credit for each calendar year in which the volunteer answers at least 25 percent of all fire alarms determined by the board of trustees and attends at least 40 percent of all drills held by the fire department. Members attaining the age of 55 who have completed 20 or more years of service are entitled to monthly benefits of \$30 upon retirement. The plan allows a person to establish credit for previous service performed for another fire department included within the coverage of a retirement system. The plan does not permit early retirement at the completion of 20 years of service. Active members who become physically or mentally disabled in the performance of their duties as volunteers of the fire department are eligible for monthly disability retirement benefits of \$30.

Death benefits are payable based on any one of the following circumstances: (a) on the death of a member that occurs in the performance of his or her duties as a volunteer of the fire department; (b) on the death of a member for any reason if he or she met the applicable length-of-service requirement for service retirement at the time of death; or (c) on the death of a retiree in the pension plan. Monthly benefits payable on the death of a member or retiree are: (a) \$20 to an eligible surviving spouse of a member or retiree; (b) \$6 to the guardian of each minor child of a member or retiree if there is an eligible surviving spouse; (c) \$12 to the guardian of each child if there is no eligible surviving spouse at the time of death of the member or retiree or if the surviving spouse dies or becomes ineligible to receive benefits during the minority of the surviving child; and (d) a total of \$20 to one or more dependent parents of a member or retiree if there is no eligible surviving spouse or minor child at the time of death of the member or retiree.

Costs to administer the plan are financed by the plan.

*Annual Pension Cost and Net Pension Obligation.* Because contributions have not been made as required, a net pension obligation exists. However, the City has determined that obtaining the calculation of the net pension obligation is cost prohibitive. In addition, as the City is not obligated to make contributions to the Firemen's Relief and Retirement Pension Trust, the net pension obligation would not be included in the government-wide statement of net assets.

The annual required contribution for the current year was determined as part of the September 30, 2005 actuarial valuation. The aggregate level dollar valuation method was used. This method does not identify and separately amortize unfunded actuarial liabilities. Assets were valued at market value. The actuarial assumptions included a 5% investment rate of return, compounded annually. The following assumptions are not applicable: the inflation rate; the projected salary increases; and the post-retirement benefit increases.

**City of Sealy, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2012**

| Fiscal Year<br><u>Ending</u> | Annual Pension<br><u>Cost (APC)</u> | Amount<br><u>Contributed</u> | Percentage of APC<br><u>Contributed</u> |
|------------------------------|-------------------------------------|------------------------------|---|
| 2012                         | \$5,640                             | \$ -                         | 0%                                      |
| 2011                         | 5,640                               | -                            | 0%                                      |
| 2010                         | 5,434                               | 4,383                        | 81%                                     |

*Schedules of funding progress.* Historical trend information showing the State Firemen’s Relief and Retirement Fund’s progress in accumulating sufficient assets to pay benefits when due for the last two valuation periods is as follows:

|                                   | <u>2004</u> | <u>2001</u> |
|-----------------------------------|-------------|-------------|
| Actuarial Accrued Liability (AAL) | \$ 110,315  | \$ 126,992  |
| Actuarial Value of assets         | 49,351      | 60,850      |
| Unfunded AAL                      | 60,964      | 66,142      |
| Funded Ratios                     | 44.7%       | 47.9%       |

**Note 17. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, 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.

**Note 18. Intangible Assets**

In October 2009, the City adopted Governmental Accounting Standards Board Statement No. 51 “Accounting and Financial Reporting for Intangible Assets.” This statement establishes accounting and financial reporting standards for intangible assets and requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets.

It has been the City’s policy to report computer software as a capital asset according to the parameters of the City’s capitalization policy. Therefore, a prior period restatement for computer software was not necessary. However, in order to be compliant with Statement No. 51, the City reclassified all computer software to a separate asset class called “Intangibles-Software” and beginning October 1, 2009, all new computer software falling within the parameters of the City’s capitalization policy is reported in this new asset class.

In prior years the City has not reported right-of-way and utility easements as capital assets. In accordance with Statement No. 51, the City has elected to begin reporting these easements as intangible assets on a going forward basis beginning October 1, 2009. Due to limited resources and because these easements have an indefinite useful life and would not have been amortized in prior periods, a prior period restatement was not calculated.

**City of Sealy, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2012**

**Note 19. Prior Period Adjustments**

In the year ending September 30, 2012 a prior period adjustment was recorded to recognize infrastructure assets related to developer improvements in the Tax Increment Reinvestment Zone Number 2 and the Public Improvement District Number 1. These improvements were accepted by the City during the fiscal year ended September 30, 2008, but were not previously recorded in the City's financial statements. The prior period adjustment increased the beginning net assets of the governmental activities, the water and sewer fund, and the gas fund by \$689,821, \$344,137, and \$32,398, respectively.

**Note 20. Subsequent Events**

In March 2013, Council approved a paving contract for approximately \$481,000.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Required supplementary information includes:

- Texas Municipal Retirement System Analysis of Funding Progress



City of Sealy, Texas  
Texas Municipal Retirement System  
Schedule of Funding Progress  
Last Three Actuarial Valuations

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>-Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a / b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>[(b-a) / c] |
|--------------------------------|--|--|------------------------------------|----------------------------|---------------------------|---|
| 12/31/2011                     | \$ 7,429,800                           | \$ 9,965,848   | \$ 2,536,048                       | 74.6%                      | \$ 2,640,201              | 96.06%  |
| 12/31/2010(A)                  | \$ 5,662,394                           | \$ 8,403,761   | \$ 2,741,367                       | 67.4%                      | \$ 2,658,323              | 103.12%   |
| 12/31/2010(B)                  | \$ 6,546,968                           | \$ 9,192,648   | \$ 2,645,680                       | 71.2%                      | \$ 2,658,323              | 99.52%  |
| 12/31/2009                     | \$ 4,825,802                           | \$ 7,554,322   | \$ 2,728,520                       | 63.9%                      | \$ 2,524,275              | 108.09%   |

(A) Actuarial valuation performed under the original fund structure.

(B) Actuarial valuation performed under the new fund structure.

# Combining Financial Statements

## Non-Major Governmental Funds

### Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Hotel/Motel Occupancy Tax Fund** – This fund is used to account for the tax collected from local hotels and motels, which is used to promote tourism.

**Tax Increment Reinvestment Zone Fund** – This fund is used to account for accumulation of ad valorem taxes collected by the City and County resulting from increased tax valuation within the Zone; these funds are subsequently transferred to the debt service fund to cover principal and interest payments on debt issued to provide infrastructure to the Zone.

**Tax Increment Reinvestment Zone Fund Number Two** – This fund is used to account for accumulation of ad valorem taxes collected by the City and County resulting from increased tax valuation for public improvements constructed within the Zone; these funds are periodically transferred to a tax increment fund and are subsequently utilized to finance the public improvements.

**Chapter 59 Forfeited Property Fund** – This fund is used to account for forfeited funds or interest earned on funds derived from the sale of forfeited property seized by the local law enforcement agency.

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

**Municipal Court Technology Fund** – This fund is used to account for court costs collected from defendants to finance the purchase of or to maintain technological enhancements for the municipal court.

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

**Municipal Court Building Security Fund** – This fund is used to account for court costs collected from defendants to finance the purchase of security devices and/or services for the building that houses municipal court.



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

**Park Land Dedication Fund** – This fund is used to account for funds received from developers who develop residential areas and opt to meet the requirements of dedicating land to the City for park purposes by making cash payments in lieu of land dedication. The City must expend these funds within ten (10) years of receipt for acquisition or development of neighborhood parks.

**U.S. Treasury Asset Forfeiture Fund** – This fund is used to account for federally forfeited cash, property, proceeds, and any interest earned thereon, that is equitably shared with the city’s police department and may be expended for law enforcement purposes or transferred to other state and local law enforcement agencies in accordance with federal statutes and guidelines.

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

### **Capital Project Funds**

Capital project funds are used to account for financial resources used for the acquisition and construction of capital facilities.

**2007 Tax Note Capital Projects Fund** – This fund is used to account for the costs associated with the construction of water supply and sewer improvements and extensions and with the acquisitions of equipment for public works and computer equipment and software for administration.

**Safe Routes to School Grant Fund** – This fund is used to account for costs associated with the construction of sidewalks, crosswalks, and pedestrian and vehicular intersection improvements to enhance the public’s safety in the vicinity of local schools.

City of Sealy, Texas  
Combining Balance Sheet  
Non-major Governmental Funds  
September 30, 2012

|                                      | Special Revenue                 |                          |   |                                     |                       |                                  |                        |  |  |  |
|--------------------------------------|---------------------------------|--------------------------|---|-------------------------------------|-----------------------|----------------------------------|------------------------|--|--|--|
|                                      | Hotel/Motel<br>Occupancy<br>Tax | Tax<br>Increment<br>Zone | Tax Increment<br>Reinvestment<br>Zone<br>Number Two | Chapter 59<br>Forfeited<br>Property | Municipal<br>Drainage | Municipal<br>Court<br>Technology | Judicial<br>Efficiency | Municipal<br>Court<br>Building<br>Security |  |  |
| <b>Assets</b>                        |                                 |                          |   |                                     |                       |                                  |                        |  |  |  |
| Accounts receivable                  | \$ 33                           | \$ -                     | \$ -  | \$ 19                               | \$ 19,969             | \$ 2                             | \$ 8                   | \$ 25                                      |  |  |
| Taxes receivable                     | 52,836                          | -                        | -   | -                                   | -                     | -                                | -                      | -  |  |  |
| Cash, restricted                     | 98,452                          | 12                       | 23,855  | 45,991                              | 340,379               | 14,877                           | 25,308                 | 74,457                                     |  |  |
| Investments, restricted              | 110,490                         | -                        | -   | 104                                 | -                     | 31                               | 76                     | 80   |  |  |
| Total assets                         | \$ 261,811                      | \$ 12                    | \$ 23,855   | \$ 46,114                           | \$ 360,348            | \$ 14,910                        | \$ 25,392              | \$ 74,562                                  |  |  |
| <b>Liabilities and fund balances</b> |                                 |                          |   |                                     |                       |                                  |                        |  |  |  |
| Liabilities:                         |                                 |                          |   |                                     |                       |                                  |                        |  |  |  |
| Accounts payable                     | \$ 1,742                        | \$ -                     | \$ 21,037   | \$ -                                | \$ -                  | \$ 419                           | \$ 310                 | \$ -                                       |  |  |
| Fund balances:                       |                                 |                          |   |                                     |                       |                                  |                        |  |  |  |
| Restricted for:                      |                                 |                          |   |                                     |                       |                                  |                        |  |  |  |
| Hotel/Motel occupancy tax            | 260,069                         | -                        | -   | -                                   | -                     | -                                | -                      | -  |  |  |
| TIRZ                                 | -                               | 12                       | 2,818   | -                                   | -                     | -                                | -                      | -  |  |  |
| Forfeited property                   | -                               | -                        | -   | 46,114                              | -                     | -                                | -                      | -  |  |  |
| Capital improvements                 | -                               | -                        | -   | -                                   | 360,348               | -                                | -                      | -  |  |  |
| Municipal court                      | -                               | -                        | -   | -                                   | -                     | 14,491                           | 25,082                 | 74,562                                     |  |  |
| Child safety                         | -                               | -                        | -   | -                                   | -                     | -                                | -                      | -  |  |  |
| Park land dedication                 | -                               | -                        | -   | -                                   | -                     | -                                | -                      | -  |  |  |
| Total fund balances                  | 260,069                         | 12                       | 2,818   | 46,114                              | 360,348               | 14,491                           | 25,082                 | 74,562                                     |  |  |
| Total liabilities and fund balances  | \$ 261,811                      | \$ 12                    | \$ 23,855   | \$ 46,114                           | \$ 360,348            | \$ 14,910                        | \$ 25,392              | \$ 74,562                                  |  |  |

City of Sealy, Texas  
 Combining Balance Sheet  
 Non-major Governmental Funds  
 September 30, 2012

|  | Special Revenue |                            |                                    |                                   | Capital Projects              |                        |                   | Total<br>Non-major<br>Governmental<br>Funds |
|--|-----------------|----------------------------|------------------------------------|-----------------------------------|-------------------------------|------------------------|-------------------|---|
|  | Child<br>Safety | Park<br>Land<br>Dedication | US Treasury<br>Asset<br>Forfeiture | Sealy<br>Development<br>Authority | Series<br>2007<br>Tax<br>Note | Safe<br>School<br>Zone |                   |   |
| <b>Assets</b>                              |                 |                            |                                    |                                   |                               |                        |                   |   |
| Accounts receivable                        | \$ -            | \$ 4                       | \$ -                               | \$ -                              | \$ -                          | \$ -                   | \$ 20,060         |   |
| Taxes receivable                           | -               | -                          | -                                  | -                                 | -                             | -                      | 52,836            |   |
| Cash, restricted                           | 1,966           | 10,569                     | -                                  | -                                 | 4,944                         | -                      | 640,810           |   |
| Investments, restricted                    | -               | -                          | -                                  | -                                 | -                             | -                      | 110,781           |   |
| <b>Total assets</b>                        | <b>\$ 1,966</b> | <b>\$ 10,573</b>           | <b>\$ -</b>                        | <b>\$ -</b>                       | <b>\$ 4,944</b>               | <b>\$ -</b>            | <b>\$ 824,487</b> |   |
| <b>Liabilities and fund balances</b>       |                 |                            |                                    |                                   |                               |                        |                   |   |
| Liabilities:                               |                 |                            |                                    |                                   |                               |                        |                   |   |
| Accounts payable                           | \$ -            | \$ -                       | \$ -                               | \$ -                              | \$ -                          | \$ -                   | \$ 23,508         |   |
| <b>Fund balances:</b>                      |                 |                            |                                    |                                   |                               |                        |                   |   |
| Restricted for:                            |                 |                            |                                    |                                   |                               |                        |                   |   |
| Hotel/Motel occupancy tax                  | -               | -                          | -                                  | -                                 | -                             | -                      | 260,069           |   |
| TIRZ                                       | -               | -                          | -                                  | -                                 | -                             | -                      | 2,830             |   |
| Forfeited property                         | -               | -                          | -                                  | -                                 | -                             | -                      | 46,114            |   |
| Capital improvements                       | -               | -                          | -                                  | -                                 | 4,944                         | -                      | 365,292           |   |
| Municipal court                            | -               | -                          | -                                  | -                                 | -                             | -                      | 114,135           |   |
| Child safety                               | 1,966           | -                          | -                                  | -                                 | -                             | -                      | 1,966             |   |
| Park land dedication                       | -               | 10,573                     | -                                  | -                                 | -                             | -                      | 10,573            |   |
| <b>Total fund balances</b>                 | <b>1,966</b>    | <b>10,573</b>              | <b>-</b>                           | <b>-</b>                          | <b>4,944</b>                  | <b>-</b>               | <b>800,979</b>    |   |
| <b>Total liabilities and fund balances</b> | <b>\$ 1,966</b> | <b>\$ 10,573</b>           | <b>\$ -</b>                        | <b>\$ -</b>                       | <b>\$ 4,944</b>               | <b>\$ -</b>            | <b>\$ 824,487</b> |   |

City of Sealy, Texas  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Non-major Governmental Funds  
 For the fiscal year ended September 30, 2012

|  | Special Revenue                 |                          |                          |                                       |                                     |                       |                                  |                        |  |      |
|--|---------------------------------|--------------------------|--------------------------|---------------------------------------|-------------------------------------|-----------------------|----------------------------------|------------------------|--|------|
|  | Hotel/Motel<br>Occupancy<br>Tax | Tax<br>Increment<br>Zone | Tax<br>Increment<br>Zone | Tax Increment<br>Reinvestment<br>Zone | Chapter 59<br>Forfeited<br>Property | Municipal<br>Drainage | Municipal<br>Court<br>Technology | Judicial<br>Efficiency | Municipal<br>Court<br>Building<br>Security |      |
| Revenues:  |                                 |                          |                          |                                       |                                     |                       |                                  |                        |  |      |
| Property taxes   | \$ -                            | \$ 15,033                | \$ -                     | \$ 26,169                             | \$ -                                | \$ -                  | \$ -                             | \$ -                   | \$ -                                       | \$ - |
| Hotel/motel occupancy taxes                                  | 214,035                         | -                        | -                        | -                                     | -                                   | -                     | -                                | -                      | -  | -    |
| Municipal drainage fees                                      | -                               | -                        | -                        | -                                     | -                                   | 144,978               | -                                | -                      | -  | -    |
| Local court fees   | -                               | -                        | -                        | -                                     | -                                   | -                     | 17,138                           | 4,041                  | 12,847                                     | -    |
| Investment income  | 793                             | 48                       | 441                      | 22                                    | 1,920                               | 60                    | 149                              | 461                    | -  | -    |
| Intergovernmental revenue                                    | -                               | -                        | -                        | -                                     | -                                   | -                     | -                                | -                      | -  | -    |
| Miscellaneous  | 926                             | -                        | 15,833                   | -                                     | -                                   | -                     | -                                | -                      | -  | -    |
| Total revenues   | 215,754                         | 15,081                   | 16,274                   | 26,191                                | 146,898                             | 17,198                | 4,190                            | 13,308                 |  |      |
| Expenditures:  |                                 |                          |                          |                                       |                                     |                       |                                  |                        |  |      |
| Current:   |                                 |                          |                          |                                       |                                     |                       |                                  |                        |  |      |
| Health and welfare   | -                               | -                        | -                        | -                                     | -                                   | 5,345                 | -                                | -                      | -  | -    |
| General government   | -                               | -                        | -                        | 3,864                                 | -                                   | -                     | 13,005                           | 3,190                  | 9,000                                      | -    |
| Culture and recreation                                       | 131,178                         | -                        | -                        | -                                     | -                                   | -                     | -                                | -                      | -  | -    |
| Public safety  | -                               | -                        | 23,045                   | -                                     | -                                   | -                     | -                                | -                      | -  | -    |
| Debt service:  |                                 |                          |                          |                                       |                                     |                       |                                  |                        |  |      |
| Principal  | -                               | -                        | -                        | -                                     | -                                   | 26,445                | -                                | -                      | -  | -    |
| Interest and fiscal charges                                  | -                               | -                        | -                        | -                                     | -                                   | 3,551                 | -                                | -                      | -  | -    |
| Capital outlay   | -                               | -                        | 16,779                   | -                                     | -                                   | 13,747                | -                                | -                      | -  | -    |
| Total expenditures   | 131,178                         | -                        | 39,824                   | 3,864                                 | 49,088                              | 13,005                | 3,190                            | 9,000                  |  |      |
| Excess (deficiency) of revenues<br>over (under) expenditures | 84,576                          | 15,081                   | (23,550)                 | 22,327                                | 97,810                              | 4,193                 | 1,000                            | 4,308                  |  |      |
| Other financing sources (uses):                              |                                 |                          |                          |                                       |                                     |                       |                                  |                        |  |      |
| Transfers in   | -                               | -                        | -                        | -                                     | -                                   | -                     | -                                | -                      | -  | -    |
| Transfers out  | -                               | (15,069)                 | (17)                     | (21,037)                              | -                                   | -                     | -                                | -                      | -  | -    |
| Total other financing sources (uses)                         | -                               | (15,069)                 | (17)                     | (21,037)                              | -                                   | -                     | -                                | -                      | -  | -    |
| Net change in fund balances                                  | 84,576                          | 12                       | (23,567)                 | 1,290                                 | 97,810                              | 4,193                 | 1,000                            | 4,308                  |  |      |
| Fund balances at beginning of year                           | 175,493                         | -                        | 69,681                   | 1,528                                 | 262,538                             | 10,298                | 24,082                           | 70,254                 |  |      |
| Fund balances at end of year                                 | \$ 260,069                      | \$ 12                    | \$ 46,114                | \$ 2,818                              | \$ 360,348                          | \$ 14,491             | \$ 25,082                        | \$ 74,562              |  |      |

City of Sealy, Texas  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Non-major Governmental Funds  
 For the fiscal year ended September 30, 2012

|  | Special Revenue |                            |                                    |                                   | Capital Projects    |                        |      | Total<br>Non-major<br>Governmental<br>Funds |
|--|-----------------|----------------------------|------------------------------------|-----------------------------------|---------------------|------------------------|------|---|
|  | Child<br>Safety | Park<br>Land<br>Dedication | US Treasury<br>Asset<br>Forfeiture | Sealy<br>Development<br>Authority | 2007<br>Tax<br>Note | Safe<br>School<br>Zone |      |   |
| Revenues:  |                 |                            |                                    |                                   |                     |                        |      |   |
| Property taxes   | \$ -            | \$ -                       | \$ -                               | \$ -                              | \$ -                | \$ -                   | \$ - | \$ 41,202                                   |
| Hotel/motel occupancy taxes                                  | -               | -                          | -                                  | -                                 | -                   | -                      | -    | 214,035                                     |
| Municipal drainage fees                                      | -               | -                          | -                                  | -                                 | -                   | -                      | -    | 144,978                                     |
| Local court fees   | 513             | -                          | -                                  | -                                 | -                   | -                      | -    | 34,539                                      |
| Investment income  | 11              | 68                         | 1                                  | -                                 | 38                  | -                      | -    | 4,012                                       |
| Intergovernmental revenue                                    | -               | -                          | -                                  | -                                 | -                   | 5,545                  | -    | 5,545                                       |
| Miscellaneous  | -               | -                          | -                                  | -                                 | -                   | -                      | -    | 16,759                                      |
| Total revenues   | 524             | 68                         | 1                                  | -                                 | 38                  | 5,545                  | -    | 461,070                                     |
| Expenditures:  |                 |                            |                                    |                                   |                     |                        |      |   |
| Current:   |                 |                            |                                    |                                   |                     |                        |      |   |
| Health and welfare   | -               | -                          | -                                  | -                                 | -                   | -                      | -    | 5,345                                       |
| General government   | -               | -                          | 1,282                              | 59,403                            | 1,165               | -                      | -    | 90,909                                      |
| Culture and recreation                                       | -               | -                          | -                                  | -                                 | -                   | -                      | -    | 131,178                                     |
| Public safety  | -               | -                          | -                                  | -                                 | -                   | -                      | -    | 23,045                                      |
| Debt service:  |                 |                            |                                    |                                   |                     |                        |      |   |
| Principal  | -               | -                          | -                                  | -                                 | -                   | -                      | -    | 26,445                                      |
| Interest and fiscal charges                                  | -               | -                          | -                                  | -                                 | -                   | -                      | -    | 3,551                                       |
| Capital outlay   | -               | -                          | -                                  | -                                 | -                   | 5,545                  | -    | 36,071                                      |
| Total expenditures   | -               | -                          | 1,282                              | 59,403                            | 1,165               | 5,545                  | -    | 316,544                                     |
| Excess (deficiency) of revenues<br>over (under) expenditures | 524             | 68                         | (1,281)                            | (59,403)                          | (1,127)             | -                      | -    | 144,526                                     |
| Other financing sources (uses):                              |                 |                            |                                    |                                   |                     |                        |      |   |
| Transfers in   | -               | -                          | 17                                 | 59,403                            | -                   | -                      | -    | 59,420                                      |
| Transfers out  | -               | -                          | -                                  | -                                 | -                   | -                      | -    | (36,123)                                    |
| Total other financing sources (uses)                         | -               | -                          | 17                                 | 59,403                            | -                   | -                      | -    | 23,297                                      |
| Net change in fund balances                                  | 524             | 68                         | (1,264)                            | -                                 | (1,127)             | -                      | -    | 167,823                                     |
| Fund balances at beginning of year                           | 1,442           | 10,505                     | 1,264                              | -                                 | 6,071               | -                      | -    | 633,156                                     |
| Fund balances at end of year                                 | \$ 1,966        | \$ 10,573                  | \$ -                               | \$ -                              | \$ 4,944            | \$ -                   | \$ - | \$ 800,979                                  |

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**

**IN FUND BALANCE – BUDGET AND ACTUAL**

*Special Revenue and Debt Service Funds*

City of Sealy, Texas  
Hotel/Motel Occupancy Tax Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the fiscal year ended September 30, 2012

|                                    | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | Variance with       |
|------------------------------------|-------------------------|-------------------|-------------------|---------------------|
|                                    | <u>Original</u>         | <u>Final</u>      |                   | <u>Final Budget</u> |
|                                    |                         |                   |                   | <u>Over (Under)</u> |
| <b>Revenues:</b>                   |                         |                   |                   |                     |
| Hotel/motel occupancy taxes        | \$ 146,990              | \$ 199,990        | \$ 214,035        | \$ 14,045           |
| Investment income                  | 1,000                   | 730               | 793               | 63                  |
| Miscellaneous                      | -                       | 925               | 926               | 1                   |
|                                    | <u>147,990</u>          | <u>201,645</u>    | <u>215,754</u>    | <u>14,109</u>       |
| <b>Expenditures:</b>               |                         |                   |                   |                     |
| <b>Current:</b>                    |                         |                   |                   |                     |
| <b>Culture and recreation:</b>     |                         |                   |                   |                     |
| Tourism                            | 107,000                 | 108,000           | 107,857           | (143)               |
| <b>Community center:</b>           |                         |                   |                   |                     |
| Supplies                           | 6,640                   | 7,240             | 2,274             | (4,966)             |
| Maintenance                        | 5,000                   | 5,300             | 4,661             | (639)               |
| Miscellaneous                      | 29,350                  | 27,450            | 16,386            | (11,064)            |
|                                    | <u>40,990</u>           | <u>39,990</u>     | <u>23,321</u>     | <u>(16,669)</u>     |
| Total expenditures                 | <u>147,990</u>          | <u>147,990</u>    | <u>131,178</u>    | <u>(16,812)</u>     |
| Net change in fund balance         | <u>-</u>                | <u>53,655</u>     | <u>84,576</u>     | <u>30,921</u>       |
| Fund balances at beginning of year | <u>175,493</u>          | <u>175,493</u>    | <u>175,493</u>    | <u>-</u>            |
| Fund balances at end of year       | <u>\$ 175,493</u>       | <u>\$ 229,148</u> | <u>\$ 260,069</u> | <u>\$ 30,921</u>    |

City of Sealy, Texas  
Tax Increment Reinvestment Zone Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the fiscal year ended September 30, 2012

|  | Budgeted Amounts |                 | Actual          | Variance with<br>Final Budget<br>Over (Under) |
|--|------------------|-----------------|-----------------|---|
|  | Original         | Final           |                 |   |
| Revenues:                              |                  |                 |                 |   |
| Property taxes                         | \$ 15,759        | \$ 15,759       | \$ 15,033       | \$ (726)                                      |
| Investment income                      | 3                | 3               | 48              | 45  |
| Total revenues                         | <u>15,762</u>    | <u>15,762</u>   | <u>15,081</u>   | <u>(681)</u>                                  |
| Expenditures:                          |                  |                 |                 |   |
| General government                     | <u>20</u>        | <u>20</u>       | <u>-</u>        | <u>(20)</u>                                   |
| Total expenditures                     | <u>20</u>        | <u>20</u>       | <u>-</u>        | <u>(20)</u>                                   |
| Excess of revenues over expenditures   | <u>15,742</u>    | <u>15,742</u>   | <u>15,081</u>   | <u>(661)</u>                                  |
| Other financing uses:                  |                  |                 |                 |   |
| Transfers out                          | <u>(15,742)</u>  | <u>(15,742)</u> | <u>(15,069)</u> | <u>673</u>                                    |
| Net change in fund balances            | <u>-</u>         | <u>-</u>        | <u>12</u>       | <u>12</u>                                     |
| Fund balances at beginning of year     | <u>-</u>         | <u>-</u>        | <u>-</u>        | <u>-</u>                                      |
| Fund balances (deficit) at end of year | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$ 12</u>    | <u>\$ 12</u>                                  |



City of Sealy, Texas  
Chapter 59 Forfeited Property Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the fiscal year ended September 30, 2012

|                                      | Budgeted Amounts |          | Actual    | Variance with<br>Final Budget<br>Over (Under) |
|--------------------------------------|------------------|----------|-----------|---|
|                                      | Original         | Final    |           |   |
| Revenues:                            |                  |          |           |   |
| Investment income                    | \$ -             | \$ -     | \$ 441    | \$ 441  |
| Miscellaneous                        | -                | -        | 15,833    | 15,833  |
| Total revenues                       | -                | -        | 16,274    | 16,274  |
| Expenditures:                        |                  |          |           |   |
| Public safety:                       |                  |          |           |   |
| Supplies                             | 16,000           | 25,443   | 22,488    | (2,955)                                       |
| Miscellaneous                        | 10,000           | 557      | 557       | -   |
| Capital outlay                       | 34,000           | 34,000   | 16,779    | (17,221)                                      |
| Total expenditures                   | 60,000           | 60,000   | 39,824    | (20,176)                                      |
| Excess of revenues over expenditures | (60,000)         | (60,000) | (23,550)  | 36,450  |
| Other financing uses:                |                  |          |           |   |
| Transfers out                        | -                | -        | (17)      | (17)  |
| Net change in fund balances          | (60,000)         | (60,000) | (23,567)  | 36,433  |
| Fund balances at beginning of year   | 69,681           | 69,681   | 69,681    | -   |
| Fund balances at end of year         | \$ 9,681         | \$ 9,681 | \$ 46,114 | \$ 36,433                                     |

City of Sealy, Texas  
Municipal Drainage Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the fiscal year ended September 30, 2012

|  | Budgeted Amounts  |                   | Actual            | Variance with<br>Final Budget<br>Over (Under) |
|--|-------------------|-------------------|-------------------|---|
|  | Original          | Final             |                   |   |
| <b>Revenues:</b>   |                   |                   |                   |   |
| Municipal drainage fees                                      | \$ 120,500        | \$ 142,218        | \$ 144,978        | \$ 2,760                                      |
| Investment income  | 500               | 1,647             | 1,920             | 273   |
| <b>Total revenues</b>  | <b>121,000</b>    | <b>143,865</b>    | <b>146,898</b>    | <b>3,033</b>                                  |
| <b>Expenditures:</b>   |                   |                   |                   |   |
| Health and welfare:  |                   |                   |                   |   |
| Miscellaneous  | 11,000            | 7,250             | 5,345             | (1,905)                                       |
| Debt service:  |                   |                   |                   |   |
| Principal retirement   | 26,445            | 26,445            | 26,445            | -   |
| Interest and fiscal charges                                  | 3,551             | 3,551             | 3,551             | -   |
| Capital outlay   | 80,004            | 18,754            | 13,747            | (5,007)                                       |
| <b>Total expenditures</b>                                    | <b>121,000</b>    | <b>56,000</b>     | <b>49,088</b>     | <b>(6,912)</b>                                |
| Excess (deficiency) of revenues<br>over (under) expenditures | -                 | 87,865            | 97,810            | 9,945   |
| <b>Other financing sources (uses):</b>                       |                   |                   |                   |   |
| Transfers out  | -                 | (42,135)          | -                 | 42,135  |
| Total other financing sources (uses)                         | -                 | (42,135)          | -                 | 42,135  |
| Net change in fund balances                                  | -                 | 45,730            | 97,810            | 52,080  |
| Fund balances at beginning of year                           | 262,538           | 262,538           | 262,538           | -   |
| Fund balances at end of year                                 | <u>\$ 262,538</u> | <u>\$ 308,268</u> | <u>\$ 360,348</u> | <u>\$ 52,080</u>                              |

City of Sealy, Texas  
Municipal Court Technology Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the fiscal year ended September 30, 2012

|                                    | Budgeted Amounts        |                         | Actual                  | Variance with<br>Final Budget<br>Over (Under) |
|------------------------------------|-------------------------|-------------------------|-------------------------|---|
|                                    | Original                | Final                   |                         |   |
| Revenues:                          |                         |                         |                         |   |
| Local court fees                   | \$ 12,369               | \$ 12,369               | \$ 17,138               | \$ 4,769                                      |
| Investment income                  | 150                     | 150                     | 60                      | (90)  |
| Total revenues                     | <u>12,519</u>           | <u>12,519</u>           | <u>17,198</u>           | <u>4,679</u>                                  |
| Expenditures:                      |                         |                         |                         |   |
| General government:                |                         |                         |                         |   |
| Miscellaneous                      | <u>12,519</u>           | <u>12,519</u>           | <u>13,005</u>           | <u>486</u>                                    |
| Total expenditures                 | <u>12,519</u>           | <u>12,519</u>           | <u>13,005</u>           | <u>486</u>                                    |
| Net change in fund balances        | -                       | -                       | 4,193                   | 4,193   |
| Fund balances at beginning of year | <u>10,298</u>           | <u>10,298</u>           | <u>10,298</u>           | <u>-</u>                                      |
| Fund balances at end of year       | <u><u>\$ 10,298</u></u> | <u><u>\$ 10,298</u></u> | <u><u>\$ 14,491</u></u> | <u><u>\$ 4,193</u></u>                        |

City of Sealy, Texas  
Judicial Efficiency Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the fiscal year ended September 30, 2012

|                                    | Budgeted Amounts |           | Actual    | Variance with<br>Final Budget<br>Over (Under) |
|------------------------------------|------------------|-----------|-----------|---|
|                                    | Original         | Final     |           |   |
| Revenues:                          |                  |           |           |   |
| Local court fees                   | \$ 3,400         | \$ 3,400  | \$ 4,041  | \$ 641  |
| Investment income                  | 100              | 100       | 149       | 49  |
|                                    |                  |           |           |   |
| Total revenues                     | 3,500            | 3,500     | 4,190     | 690   |
| Expenditures:                      |                  |           |           |   |
| Current:                           |                  |           |           |   |
| General government:                |                  |           |           |   |
| Miscellaneous                      | 14,340           | 14,340    | 3,190     | (11,150)                                      |
|                                    |                  |           |           |   |
| Total expenditures                 | 14,340           | 14,340    | 3,190     | (11,150)                                      |
| Net change in fund balance         | (10,840)         | (10,840)  | 1,000     | 11,840  |
| Fund balances at beginning of year | 24,082           | 24,082    | 24,082    | -   |
| Fund balances at end of year       | \$ 13,242        | \$ 13,242 | \$ 25,082 | \$ 11,840                                     |

City of Sealy, Texas  
Municipal Court Building Security Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the fiscal year ended September 30, 2012

|                                    | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | Variance with       |
|------------------------------------|-------------------------|------------------|------------------|---------------------|
|                                    | <u>Original</u>         | <u>Final</u>     |                  | <u>Final Budget</u> |
|                                    |                         |                  |                  | <u>Over (Under)</u> |
| <b>Revenues:</b>                   |                         |                  |                  |                     |
| Local court fees                   | \$ 10,500               | \$ 10,500        | \$ 12,847        | \$ 2,347            |
| Investment income                  | 250                     | 250              | 461              | 211                 |
|                                    | <u>10,750</u>           | <u>10,750</u>    | <u>13,308</u>    | <u>2,558</u>        |
| <b>Expenditures:</b>               |                         |                  |                  |                     |
| Current:                           |                         |                  |                  |                     |
| General government:                |                         |                  |                  |                     |
| Miscellaneous                      | <u>10,250</u>           | <u>10,250</u>    | <u>9,000</u>     | <u>(1,250)</u>      |
| Total expenditures                 | <u>10,250</u>           | <u>10,250</u>    | <u>9,000</u>     | <u>(1,250)</u>      |
| Net change in fund balance         | 500                     | 500              | 4,308            | 3,808               |
| Fund balances at beginning of year | <u>70,254</u>           | <u>70,254</u>    | <u>70,254</u>    | <u>-</u>            |
| Fund balances at end of year       | <u>\$ 70,754</u>        | <u>\$ 70,754</u> | <u>\$ 74,562</u> | <u>\$ 3,808</u>     |

City of Sealy, Texas  
 Park Land Dedication Special Revenue Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the fiscal year ended September 30, 2012

|                                    | Budgeted Amounts |                  | Actual           | Variance with<br>Final Budget<br>Over (Under) |
|------------------------------------|------------------|------------------|------------------|---|
|                                    | Original         | Final            |                  |   |
| Revenues:                          |                  |                  |                  |   |
| Contributions                      | \$ 3,500         | \$ 3,500         | \$ -             | \$ (3,500)                                    |
| Investment income                  | 3                | 3                | 68               | 65  |
| Total revenues                     | <u>3,503</u>     | <u>3,503</u>     | <u>68</u>        | <u>(3,435)</u>                                |
| Expenditures:                      |                  |                  |                  |   |
| Capital outlay                     | <u>3,500</u>     | <u>3,500</u>     | <u>-</u>         | <u>(3,500)</u>                                |
| Total expenditures                 | <u>3,500</u>     | <u>3,500</u>     | <u>-</u>         | <u>(3,500)</u>                                |
| Net change in fund balances        | 3                | 3                | 68               | 65  |
| Fund balances at beginning of year | <u>10,505</u>    | <u>10,505</u>    | <u>10,505</u>    | <u>-</u>                                      |
| Fund balances at end of year       | <u>\$ 10,508</u> | <u>\$ 10,508</u> | <u>\$ 10,573</u> | <u>\$ 65</u>                                  |

City of Sealy, Texas  
US Treasury Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the fiscal year ended September 30, 2012

|  | Budgeted Amounts |         | Actual  | Variance with<br>Final Budget<br>Over (Under) |
|--|------------------|---------|---------|---|
|  | Original         | Final   |         |   |
| Revenues:  |                  |         |         |   |
| Investment income  | \$ -             | \$ -    | \$ 1    | \$ 1  |
| Total revenues   | -                | -       | 1       | 1   |
| Expenditures:  |                  |         |         |   |
| Supplies   | 1,200            | 1,200   | 1,282   | 82  |
| Total expenditures   | 1,200            | 1,200   | 1,282   | 82  |
| Excess (deficiency) of revenues<br>over (under) expenditures | (1,200)          | (1,200) | (1,281) | (81)  |
| Other financing sources:                                     |                  |         |         |   |
| Transfers in   | -                | -       | 17      | 17  |
| Net change in fund balances                                  | (1,200)          | (1,200) | (1,264) | (64)  |
| Fund balances at beginning of year                           | 1,264            | 1,264   | 1,264   | -   |
| Fund balances at end of year                                 | \$ 64            | \$ 64   | \$ -    | \$ (64)                                       |

City of Sealy, Texas  
Debt Service Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the fiscal year ended September 30, 2012

|  | Budgeted Amounts  |                   | Actual            | Variance with<br>Final Budget<br>Over (Under) |
|--|-------------------|-------------------|-------------------|---|
|  | Original          | Final             |                   |   |
| Revenues:  |                   |                   |                   |   |
| Property taxes   | \$ 901,943        | \$ 901,943        | \$ 903,830        | \$ 1,887                                      |
| Investment income  | 500               | 3,500             | 3,718             | 218   |
| Contributions from component unit                            | -                 | 124,300           | 124,300           | -   |
| <b>Total revenues</b>  | <b>902,443</b>    | <b>1,029,743</b>  | <b>1,031,848</b>  | <b>2,105</b>                                  |
| Expenditures:  |                   |                   |                   |   |
| Debt service:  |                   |                   |                   |   |
| Principal  | 630,000           | 630,000           | 630,000           | -   |
| Interest   | 406,163           | 406,163           | 406,162           | (1)   |
| Fiscal agent fees  | 2,750             | 2,750             | 2,750             | -   |
| Other  | 180               | 180               | -                 | (180)   |
| <b>Total expenditures</b>                                    | <b>1,039,093</b>  | <b>1,039,093</b>  | <b>1,038,912</b>  | <b>(181)</b>                                  |
| Excess (deficiency) of revenues<br>over (under) expenditures | (136,650)         | (9,350)           | (7,064)           | 2,286   |
| Other financing sources:                                     |                   |                   |                   |   |
| Transfers in   | 140,042           | 15,742            | 15,069            | (673)   |
| Net change in fund balances                                  | 3,392             | 6,392             | 8,005             | 1,613   |
| Fund balances at beginning of year                           | 251,623           | 251,623           | 251,623           | -   |
| Fund balances at end of year                                 | <u>\$ 255,015</u> | <u>\$ 258,015</u> | <u>\$ 259,628</u> | <u>\$ 1,613</u>                               |



**SCHEDULE OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS – BUDGET AND ACTUAL**

*Enterprise Funds*

**City of Sealy, Texas**  
**Water and Sewer Enterprise Fund**  
**Schedule of Revenues, Expenses, and Changes in Fund Net Assets**  
**Budget and Actual**  
**For the fiscal year ended September 30, 2012**

|   | Budgeted Amounts     |                      | Actual               | Adjustment<br>to Budget<br>Basis | Actual<br>Budget<br>Basis | Variance with<br>Final Budget<br>Over (Under) |
|---|----------------------|----------------------|----------------------|----------------------------------|---------------------------|---|
|   | Original             | Final                |                      |                                  |                           |   |
| Operating revenues:                                 |                      |                      |                      |                                  |                           |   |
| Charges for sales and services:                     |                      |                      |                      |                                  |                           |   |
| Water sales   | \$ 981,226           | \$ 1,065,226         | \$ 1,043,409         | \$ -                             | \$ 1,043,409              | \$ (21,817)                                   |
| Sewer charges                                       | 744,000              | 717,800              | 735,921              | -                                | 735,921                   | 18,121  |
| Tap fees  | 25,000               | 20,500               | 20,754               | -                                | 20,754                    | 254   |
| Total operating revenues                            | <u>1,750,226</u>     | <u>1,803,526</u>     | <u>1,800,084</u>     | <u>-</u>                         | <u>1,800,084</u>          | <u>(3,442)</u>                                |
| Operating expenses:                                 |                      |                      |                      |                                  |                           |   |
| Water:  |                      |                      |                      |                                  |                           |   |
| Personnel   | 404,454              | 424,454              | 380,690              | -                                | 380,690                   | (43,764)                                      |
| Supplies  | 42,037               | 46,667               | 41,538               | -                                | 41,538                    | (5,129)                                       |
| Maintenance   | 32,100               | 25,866               | 26,978               | -                                | 26,978                    | 1,112   |
| Electricity   | 91,000               | 91,000               | 86,347               | -                                | 86,347                    | (4,653)                                       |
| Gross receipts tax                                  | -                    | 65,000               | 62,655               | -                                | 62,655                    | (2,345)                                       |
| Miscellaneous                                       | 73,700               | 69,949               | 56,782               | -                                | 56,782                    | (13,167)                                      |
| Total water   | <u>643,291</u>       | <u>722,936</u>       | <u>654,990</u>       | <u>-</u>                         | <u>654,990</u>            | <u>(67,946)</u>                               |
| Sewer:  |                      |                      |                      |                                  |                           |   |
| Personnel   | 435,432              | 415,432              | 376,188              | -                                | 376,188                   | (39,244)                                      |
| Supplies  | 26,370               | 26,372               | 17,826               | -                                | 17,826                    | (8,546)                                       |
| Maintenance   | 33,625               | 34,025               | 28,033               | -                                | 28,033                    | (5,992)                                       |
| Electricity   | 156,000              | 152,993              | 103,755              | -                                | 103,755                   | (49,238)                                      |
| Gross receipts tax                                  | -                    | 54,000               | 44,272               | -                                | 44,272                    | (9,728)                                       |
| Miscellaneous                                       | 90,510               | 96,195               | 78,460               | -                                | 78,460                    | (17,735)                                      |
| Total sewer   | <u>741,937</u>       | <u>779,017</u>       | <u>648,534</u>       | <u>-</u>                         | <u>648,534</u>            | <u>(130,483)</u>                              |
| Capital outlay                                      | 364,700              | 314,719              | -                    | 231,215                          | 231,215                   | (83,504)                                      |
| Depreciation  | -                    | -                    | 357,018              | (357,018)                        | -                         | -   |
| Total operating expenses                            | <u>1,749,928</u>     | <u>1,816,672</u>     | <u>1,660,542</u>     | <u>(125,803)</u>                 | <u>1,534,739</u>          | <u>(281,933)</u>                              |
| Operating income (loss)                             | 298                  | (13,146)             | 139,542              | 125,803                          | 265,345                   | 278,491                                       |
| Nonoperating revenues:                              |                      |                      |                      |                                  |                           |   |
| Gain on sale of assets                              | -                    | -                    | 2,158                | -                                | 2,158                     | 2,158   |
| Investment income                                   | 700                  | 700                  | 8,438                | -                                | 8,438                     | 7,738   |
| Grant revenue                                       | -                    | 43,347               | 43,347               | -                                | 43,347                    | -   |
| Miscellaneous revenue                               | -                    | 66,801               | 54,032               | -                                | 54,032                    | (12,769)                                      |
| Total nonoperating revenues                         | <u>700</u>           | <u>110,848</u>       | <u>107,975</u>       | <u>-</u>                         | <u>107,975</u>            | <u>(2,873)</u>                                |
| Income (loss) before<br>contributions and transfers | 998                  | 97,702               | 247,517              | 125,803                          | 373,320                   | 275,618                                       |
| Capital contributions                               | -                    | -                    | 1,381,292            | (1,381,292)                      | -                         | -   |
| Transfers out                                       | (100,000)            | (470,000)            | (470,000)            | -                                | (470,000)                 | -   |
| Change in net assets                                | (99,002)             | (372,298)            | 1,158,809            | (1,255,489)                      | (96,680)                  | 275,618                                       |
| Net assets, beginning of the year                   | 10,276,688           | 10,276,688           | 10,276,688           | -                                | 10,276,688                | -   |
| Prior period adjustment                             | 344,137              | 344,137              | 344,137              | -                                | 344,137                   | -   |
| Net assets, beginning of the year as restated       | <u>10,620,825</u>    | <u>10,620,825</u>    | <u>10,620,825</u>    | <u>-</u>                         | <u>10,620,825</u>         | <u>-</u>                                      |
| Net assets, end of the year                         | <u>\$ 10,521,823</u> | <u>\$ 10,248,527</u> | <u>\$ 11,779,634</u> | <u>\$ (1,255,489)</u>            | <u>\$ 10,524,145</u>      | <u>\$ 275,618</u>                             |

**City of Sealy, Texas**  
**Gas Enterprise Fund**  
**Schedule of Revenues, Expenses, and Changes in Fund Net Assets**  
**Budget and Actual**  
**For the fiscal year ended September 30, 2012**

|   | Budgeted Amounts  |                   | Actual              | Adjustment<br>to Budget<br>Basis | Actual<br>Budget<br>Basis | Variance with<br>Final Budget<br>Over (Under) |
|---|-------------------|-------------------|---------------------|----------------------------------|---------------------------|---|
|   | Original          | Final             |                     |                                  |                           |   |
| Operating revenues:                                 |                   |                   |                     |                                  |                           |   |
| Charges for sales and services:                     |                   |                   |                     |                                  |                           |   |
| Gas sales   | \$ 1,768,413      | \$ 1,210,365      | \$ 1,049,696        | \$ -                             | \$ 1,049,696              | \$ (160,669)                                  |
| Tap fees  | 20,000            | 10,200            | 10,192              | -                                | 10,192                    | (8)   |
| Total operating revenues                            | <u>1,788,413</u>  | <u>1,220,565</u>  | <u>1,059,888</u>    | <u>-</u>                         | <u>1,059,888</u>          | <u>(160,677)</u>                              |
| Costs of sales                                      | 1,071,982         | 549,982           | 558,735             | -                                | 558,735                   | 8,753   |
| Personnel   | 416,974           | 416,974           | 348,014             | -                                | 348,014                   | (68,960)                                      |
| Supplies  | 20,894            | 21,166            | 15,866              | -                                | 15,866                    | (5,300)                                       |
| Maintenance   | 39,205            | 39,815            | 34,683              | -                                | 34,683                    | (5,132)                                       |
| Electricity   | 1,100             | 1,500             | 1,469               | -                                | 1,469                     | (31)  |
| Gross receipts tax                                  | -                 | 104,130           | 63,038              | -                                | 63,038                    | (41,092)                                      |
| Miscellaneous                                       | 23,067            | 28,205            | 23,217              | -                                | 23,217                    | (4,988)                                       |
| Capital outlay                                      | 115,691           | 59,119            | -                   | 58,997                           | 58,997                    | (122)   |
| Depreciation  | -                 | -                 | 29,598              | (29,598)                         | -                         | -   |
| Total operating expenses                            | <u>1,688,913</u>  | <u>1,220,891</u>  | <u>1,074,620</u>    | <u>29,399</u>                    | <u>1,104,019</u>          | <u>(116,872)</u>                              |
| Operating income (loss)                             | 99,500            | (326)             | (14,732)            | (29,399)                         | (44,131)                  | (43,805)                                      |
| Nonoperating revenues:                              |                   |                   |                     |                                  |                           |   |
| Gain (loss) on sale of capital assets               | -                 | -                 | (1,756)             | 1,756                            | -                         | -   |
| Investment income                                   | 500               | 1,690             | 1,865               | -                                | 1,865                     | 175   |
| Total nonoperating revenues                         | <u>500</u>        | <u>1,690</u>      | <u>109</u>          | <u>1,756</u>                     | <u>1,865</u>              | <u>175</u>                                    |
| Income (loss) before<br>contributions and transfers | 100,000           | 1,364             | (14,623)            | (27,643)                         | (42,266)                  | (43,630)                                      |
| Capital contributions                               | -                 | -                 | 156,071             | (156,071)                        | -                         | -   |
| Transfers in  | -                 | 370,000           | 370,000             | -                                | 370,000                   | -   |
| Transfers out                                       | (100,000)         | (100,000)         | (100,000)           | -                                | (100,000)                 | -   |
| Change in net assets                                | -                 | 271,364           | 411,448             | (183,714)                        | (142,266)                 | (43,630)                                      |
| Net assets, beginning of the year                   | 674,908           | 674,908           | 674,908             | -                                | 674,908                   | -   |
| Prior period adjustment                             | 32,398            | 32,398            | 32,398              | -                                | 32,398                    | -   |
| Net assets, beginning of the year as restated       | <u>707,306</u>    | <u>707,306</u>    | <u>707,306</u>      | <u>-</u>                         | <u>707,306</u>            | <u>-</u>                                      |
| Net assets, end of the year                         | <u>\$ 707,306</u> | <u>\$ 978,670</u> | <u>\$ 1,118,754</u> | <u>\$ (183,714)</u>              | <u>\$ 565,040</u>         | <u>\$ (43,630)</u>                            |

**City of Sealy, Texas**  
**Solid Waste Enterprise Fund**  
**Schedule of Revenues, Expenses, and Changes in Fund Net Assets**  
**Budget and Actual**  
**For the fiscal year ended September 30, 2012**

|                                   | Budgeted Amounts |            | Actual     | Variance with<br>Final Budget<br>Over (Under) |
|-----------------------------------|------------------|------------|------------|---|
|                                   | Original         | Final      |            |   |
| Operating revenues:               |                  |            |            |   |
| Charges for sales and services    | \$ 559,343       | \$ 558,983 | \$ 545,797 | \$ (13,186)                                   |
| Total operating revenues          | 559,343          | 558,983    | 545,797    | (13,186)                                      |
| Operating expenses:               |                  |            |            |   |
| Garbage collection fees           | 409,676          | 409,676    | 424,908    | 15,232  |
| Supplies                          | 5,644            | 6,644      | 7,155      | 511   |
| Maintenance                       | 3,650            | 2,650      | 608        | (2,042)                                       |
| Gross receipts tax                | -                | 32,211     | 32,850     | 639   |
| Miscellaneous                     | 5,250            | 6,861      | 5,758      | (1,103)                                       |
| Total solid waste collection      | 424,220          | 458,042    | 471,279    | 13,237  |
| Transfer station:                 |                  |            |            |   |
| Personnel                         | 62,049           | 62,049     | 60,891     | (1,158)                                       |
| Supplies                          | 1,650            | 1,550      | 88         | (1,462)                                       |
| Maintenance                       | 5,750            | 5,550      | 5,324      | (226)   |
| Electricity                       | 4,000            | 4,000      | 3,258      | (742)   |
| Miscellaneous                     | 34,025           | 23,225     | 25,096     | 1,871   |
| Total transfer station            | 107,474          | 96,374     | 94,657     | (1,717)                                       |
| Total operating expenses          | 531,694          | 554,416    | 565,936    | 11,520  |
| Operating income (loss)           | 27,649           | 4,567      | (20,139)   | (24,706)                                      |
| Nonoperating revenues:            |                  |            |            |   |
| Investment income                 | 300              | 1,025      | 1,162      | 137   |
| Total nonoperating revenues       | 300              | 1,025      | 1,162      | 137   |
| Change in net assets              | 27,949           | 5,592      | (18,977)   | (24,569)                                      |
| Net assets, beginning of the year | 266,652          | 266,652    | 266,652    | -   |
| Net assets, end of year           | \$ 294,601       | \$ 272,244 | \$ 247,675 | \$ (24,569)                                   |

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL**

*Discretely Presented Component Unit*

City of Sealy, Texas  
Discretely Presented Component Unit - Sealy Economic Development Corporation  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the fiscal year ended September 30, 2012

|                                     | Budgeted Amounts  |                   | Actual            | Variance with<br>Final Budget<br>Over (Under) |
|-------------------------------------|-------------------|-------------------|-------------------|---|
|                                     | Original          | Final             |                   |   |
| <b>Revenues:</b>                    |                   |                   |                   |   |
| Sales taxes                         | \$ 545,991        | \$ 545,991        | \$ 597,489        | \$ 51,498                                     |
| Investment income                   | 1,200             | 1,200             | 1,623             | 423   |
| Donations                           | -                 | 30,350            | 30,350            | -   |
| <b>Total revenues</b>               | <b>547,191</b>    | <b>577,541</b>    | <b>629,462</b>    | <b>51,921</b>                                 |
| <b>Expenditures:</b>                |                   |                   |                   |   |
| <b>Current:</b>                     |                   |                   |                   |   |
| <b>General government:</b>          |                   |                   |                   |   |
| General administration              | 129,191           | 129,191           | 129,207           | 16  |
| Supplies                            | 2,700             | 2,000             | 1,596             | (404)   |
| Professional services               | 4,000             | 4,000             | 2,925             | (1,075)                                       |
| Miscellaneous                       | 147,000           | 178,050           | 148,789           | (29,261)                                      |
| Contributions to primary government | 264,300           | 140,000           | 140,000           | -   |
| <b>Debt service:</b>                |                   |                   |                   |   |
| Principal                           | -                 | 80,000            | 80,000            | -   |
| Interest                            | -                 | 44,300            | 44,300            | -   |
| <b>Total expenditures</b>           | <b>547,191</b>    | <b>577,541</b>    | <b>546,817</b>    | <b>(30,724)</b>                               |
| Net change in fund balance          | -                 | -                 | 82,645            | 82,645  |
| Fund balance at beginning of year   | 622,593           | 622,593           | 622,593           | -   |
| Fund balance at end of year         | <u>\$ 622,593</u> | <u>\$ 622,593</u> | <u>\$ 705,238</u> | <u>\$ 82,645</u>                              |

Net change in fund balance - component unit \$ 82,645

Amount reported for component unit in the statement of activities are different because:

The issuance of long-term obligations provides current financial resources to governmental funds, while the repayment of the long-term obligation consumes the current financial resources of the governmental funds. 80,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not included as expenditures in governmental funds. 637

Change in net assets of component unit \$ 163,282

**SUPPLEMENTARY INDIVIDUAL  
FUND SCHEDULES**

*General Fund*

City of Sealy, Texas  
General Fund  
Schedule of General Government Expenditures - Budget and Actual  
For the fiscal year ended September 30, 2012

|                              | Budgeted Amounts  |                   | Actual            | Variance with<br>Final Budget<br>Over (Under) |
|------------------------------|-------------------|-------------------|-------------------|---|
|                              | Original          | Final             |                   |   |
| City Council:                |                   |                   |                   |   |
| Personnel                    | \$ 27,226         | \$ 27,248         | \$ 27,154         | \$ (94)                                       |
| Supplies                     | 2,000             | 1,935             | 1,856             | (79)  |
| Miscellaneous                | 9,225             | 11,168            | 9,993             | (1,175)                                       |
| Total City Council           | <u>38,451</u>     | <u>40,351</u>     | <u>39,003</u>     | <u>(1,348)</u>                                |
| City Manager:                |                   |                   |                   |   |
| Personnel                    | 67,726            | 67,726            | 67,915            | 189   |
| Supplies                     | 3,700             | 3,700             | 2,736             | (964)   |
| Miscellaneous                | 53,400            | 36,150            | 28,906            | (7,244)                                       |
| Total City Manager           | <u>124,826</u>    | <u>107,576</u>    | <u>99,557</u>     | <u>(8,019)</u>                                |
| City Hall:                   |                   |                   |                   |   |
| Personnel                    | 37,956            | 33,706            | 24,598            | (9,108)                                       |
| Supplies                     | 11,125            | 11,325            | 10,824            | (501)   |
| Maintenance                  | 9,500             | 7,850             | 7,023             | (827)   |
| Miscellaneous                | 83,543            | 89,243            | 88,439            | (804)   |
| Total City Hall              | <u>142,124</u>    | <u>142,124</u>    | <u>130,884</u>    | <u>(11,240)</u>                               |
| Finance:                     |                   |                   |                   |   |
| Personnel                    | 98,151            | 98,151            | 86,139            | (12,012)                                      |
| Supplies                     | 4,125             | 4,125             | 2,933             | (1,192)                                       |
| Maintenance                  | 14,534            | 14,534            | 16,722            | 2,188   |
| Miscellaneous                | 22,655            | 21,155            | 19,566            | (1,589)                                       |
| Total finance                | <u>139,465</u>    | <u>137,965</u>    | <u>125,360</u>    | <u>(12,605)</u>                               |
| City Secretary:              |                   |                   |                   |   |
| Personnel                    | 55,674            | 61,315            | 60,972            | (343)   |
| Supplies                     | 4,450             | 3,965             | 2,658             | (1,307)                                       |
| Miscellaneous                | 57,925            | 56,470            | 51,668            | (4,802)                                       |
| Total City Secretary         | <u>118,049</u>    | <u>121,750</u>    | <u>115,298</u>    | <u>(6,452)</u>                                |
| Public works:                |                   |                   |                   |   |
| Personnel                    | 19,335            | 19,335            | 19,642            | 307   |
| Supplies                     | 4,070             | 6,980             | 7,056             | 76  |
| Maintenance                  | 1,488             | 933               | 910               | (23)  |
| Miscellaneous                | 4,710             | 3,355             | 3,322             | (33)  |
| Total public works           | <u>29,603</u>     | <u>30,603</u>     | <u>30,930</u>     | <u>327</u>                                    |
| Court:                       |                   |                   |                   |   |
| Personnel                    | 143,048           | 143,048           | 139,116           | (3,932)                                       |
| Supplies                     | 1,988             | 1,988             | 1,809             | (179)   |
| Maintenance                  | 238               | 238               | -                 | (238)   |
| Miscellaneous                | 41,616            | 39,116            | 31,987            | (7,129)                                       |
| Total court                  | <u>186,890</u>    | <u>184,390</u>    | <u>172,912</u>    | <u>(11,478)</u>                               |
| Information technology:      |                   |                   |                   |   |
| Supplies                     | 5,850             | 3,844             | 3,728             | (116)   |
| Maintenance                  | 30,930            | 32,562            | 32,313            | (249)   |
| Miscellaneous                | 42,201            | 42,575            | 42,574            | (1)   |
| Total information technology | <u>78,981</u>     | <u>78,981</u>     | <u>78,615</u>     | <u>(366)</u>                                  |
| Planning commission:         |                   |                   |                   |   |
| Miscellaneous                | <u>1,028</u>      | <u>1,028</u>      | <u>537</u>        | <u>(491)</u>                                  |
| Mechanic shop:               |                   |                   |                   |   |
| Personnel                    | 15,201            | 6,629             | 6,722             | 93  |
| Supplies                     | 3,625             | 3,125             | 1,313             | (1,812)                                       |
| Maintenance                  | 500               | 500               | 76                | (424)   |
| Miscellaneous                | 2,458             | 2,958             | 1,674             | (1,284)                                       |
| Total mechanic shop          | <u>21,784</u>     | <u>13,212</u>     | <u>9,785</u>      | <u>(3,427)</u>                                |
| Youth Advisory Council:      |                   |                   |                   |   |
| Supplies                     | 1,495             | 1,495             | 761               | (734)   |
| Miscellaneous                | 7,588             | 7,588             | 5,407             | (2,181)                                       |
| Total Youth Advisory Council | <u>9,083</u>      | <u>9,083</u>      | <u>6,168</u>      | <u>(2,915)</u>                                |
| Nondepartmental:             |                   |                   |                   |   |
| Miscellaneous                | <u>32,700</u>     | <u>33,556</u>     | <u>121,820</u>    | <u>88,264</u>                                 |
| Total general government     | <u>\$ 922,984</u> | <u>\$ 900,619</u> | <u>\$ 930,869</u> | <u>\$ 30,250</u>                              |



City of Sealy, Texas  
 General Fund  
 Schedule of Public Safety Expenditures - Budget and Actual  
 For the fiscal year ended September 30, 2012

|                                     | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget<br>Over (Under) |
|-------------------------------------|---------------------|---------------------|---------------------|---|
|                                     | Original            | Final               |                     |   |
| Police:                             |                     |                     |                     |   |
| Personnel                           | \$ 1,430,841        | \$ 1,475,367        | \$ 1,429,135        | \$ (46,232)                                   |
| Supplies                            | 91,100              | 111,932             | 122,322             | 10,390  |
| Maintenance                         | 26,500              | 19,274              | 19,506              | 232   |
| Miscellaneous                       | 52,050              | 51,844              | 46,454              | (5,390)                                       |
| Total police                        | <u>1,600,491</u>    | <u>1,658,417</u>    | <u>1,617,417</u>    | <u>(41,000)</u>                               |
| Planning and community development: |                     |                     |                     |   |
| Personnel                           | 275,403             | 275,403             | 254,415             | (20,988)                                      |
| Supplies                            | 7,253               | 6,703               | 5,209               | (1,494)                                       |
| Maintenance                         | 1,880               | 1,830               | 1,154               | (676)   |
| Miscellaneous                       | 67,460              | 63,060              | 50,218              | (12,842)                                      |
| Total inspection                    | <u>351,996</u>      | <u>346,996</u>      | <u>310,996</u>      | <u>(36,000)</u>                               |
| Fire marshal:                       |                     |                     |                     |   |
| Personnel                           | 12,915              | -                   | -                   | -   |
| Supplies                            | 1,520               | 435                 | 103                 | (332)   |
| Maintenance                         | 245                 | 245                 | -                   | (245)   |
| Miscellaneous                       | 2,023               | 1,623               | 1,092               | (531)   |
| Total fire marshal                  | <u>16,703</u>       | <u>2,303</u>        | <u>1,195</u>        | <u>(1,108)</u>                                |
| Total public safety                 | <u>\$ 1,969,190</u> | <u>\$ 2,007,716</u> | <u>\$ 1,929,608</u> | <u>\$ (78,108)</u>                            |

City of Sealy, Texas  
 General Fund  
 Schedule of Highways and Streets Expenditures - Budget and Actual  
 For the fiscal year ended September 30, 2012

|                            | Budgeted Amounts  |                   | Actual            | Variance with<br>Final Budget<br>Over (Under) |
|----------------------------|-------------------|-------------------|-------------------|---|
|                            | Original          | Final             |                   |   |
| Streets:                   |                   |                   |                   |   |
| Personnel                  | \$ 212,306        | \$ 212,306        | \$ 211,444        | \$ (862)                                      |
| Supplies                   | 14,620            | 15,370            | 16,189            | 819   |
| Maintenance                | 26,195            | 26,105            | 22,599            | (3,506)                                       |
| Miscellaneous              | 79,610            | 79,800            | 84,308            | 4,508   |
| Total streets              | <u>332,731</u>    | <u>333,581</u>    | <u>334,540</u>    | <u>959</u>                                    |
| Total highways and streets | <u>\$ 332,731</u> | <u>\$ 333,581</u> | <u>\$ 334,540</u> | <u>\$ 959</u>                                 |

City of Sealy, Texas  
 General Fund  
 Schedule of Health and Welfare Expenditures - Budget and Actual  
 For the fiscal year ended September 30, 2012

|                          | Budgeted Amounts |                  | Actual           | Variance with<br>Final Budget<br>Over (Under) |
|--------------------------|------------------|------------------|------------------|---|
|                          | Original         | Final            |                  |   |
| Animal control:          |                  |                  |                  |   |
| Personnel                | \$ 53,225        | \$ 53,225        | \$ 53,371        | \$ 146  |
| Supplies                 | 5,385            | 5,385            | 3,904            | (1,481)                                       |
| Maintenance              | 600              | 600              | 57               | (543)   |
| Miscellaneous            | 1,210            | 1,210            | 553              | (657)   |
| Total animal control     | <u>60,420</u>    | <u>60,420</u>    | <u>57,885</u>    | <u>(2,535)</u>                                |
| Total health and welfare | <u>\$ 60,420</u> | <u>\$ 60,420</u> | <u>\$ 57,885</u> | <u>\$ (2,535)</u>                             |

City of Sealy, Texas  
 General Fund  
 Schedule of Culture and Recreation Expenditures - Budget and Actual  
 For the fiscal year ended September 30, 2012

|                              | Budgeted Amounts  |                   | Actual            | Variance with<br>Final Budget<br>Over (Under) |
|------------------------------|-------------------|-------------------|-------------------|---|
|                              | Original          | Final             |                   |   |
| Parks and recreation:        |                   |                   |                   |   |
| Personnel                    | \$ 87,863         | \$ 125,063        | \$ 122,605        | \$ (2,458)                                    |
| Supplies                     | 9,145             | 14,800            | 13,705            | (1,095)                                       |
| Maintenance                  | 5,750             | 6,540             | 6,950             | 410   |
| Miscellaneous                | 106,295           | 79,850            | 84,713            | 4,863   |
| Total parks and recreation   | <u>209,053</u>    | <u>226,253</u>    | <u>227,973</u>    | <u>1,720</u>                                  |
| Total culture and recreation | <u>\$ 209,053</u> | <u>\$ 226,253</u> | <u>\$ 227,973</u> | <u>\$ 1,720</u>                               |

## **STATISTICAL SECTION**



## STATISTICAL SECTION

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

| <b>Contents</b>   | <b>Page</b> |
|---|-------------|
| Financial Trends<br><i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>  | 104         |
| Revenue Capacity<br><i>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property tax.</i>   | 109         |
| Debt Capacity<br><i>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.</i>   | 114         |
| Demographic and Economic Information<br><i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.</i> | 118         |
| Operating Information<br><i>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</i>                        | 120         |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Sealy, Texas  
Net Assets by Component  
Last Nine Fiscal Years  
(acrual basis of accounting)

|  | Fiscal Year         |                     |                      |                      |                      |                      |                      |                      |                      |
|--|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2004                | 2005                | 2006                 | 2007                 | 2008                 | 2009                 | 2010                 | 2011                 | 2012                 |
| <b>Governmental activities</b>                   |                     |                     |                      |                      |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt  | \$ 1,147,482        | \$ 2,201,478        | \$ 2,609,090         | \$ 3,344,644         | \$ 3,801,951         | \$ 4,124,276         | \$ 4,274,217         | \$ 5,483,183         | \$ 7,937,295         |
| Restricted                                       | 110,161             | 221,077             | 652,957              | 709,940              | 1,168,255            | 960,492              | 706,412              | 888,184              | 2,850,640            |
| Unrestricted                                     | (1,603,813)         | (939,442)           | (1,102,900)          | (1,108,887)          | (2,013,661)          | (1,762,021)          | (746,217)            | (726,882)            | (5,039,321)          |
| <b>Total governmental activities net assets</b>  | <b>\$ (346,170)</b> | <b>\$ 1,483,113</b> | <b>\$ 2,159,147</b>  | <b>\$ 2,945,697</b>  | <b>\$ 2,956,545</b>  | <b>\$ 3,322,747</b>  | <b>\$ 4,234,412</b>  | <b>\$ 5,644,485</b>  | <b>\$ 5,748,614</b>  |
| <b>Business-type activities</b>                  |                     |                     |                      |                      |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt  | \$ 6,705,309        | \$ 6,775,393        | \$ 7,099,108         | \$ 7,005,511         | \$ 8,001,084         | \$ 7,906,973         | \$ 8,425,198         | \$ 9,087,667         | \$ 10,906,238        |
| Restricted                                       | -                   | -                   | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Unrestricted                                     | 590,070             | 592,751             | 798,121              | 1,216,406            | 1,123,789            | 1,576,656            | 2,008,396            | 2,130,581            | 2,239,827            |
| <b>Total business-type activities net assets</b> | <b>\$ 7,295,379</b> | <b>\$ 7,368,144</b> | <b>\$ 7,897,229</b>  | <b>\$ 8,221,917</b>  | <b>\$ 9,124,873</b>  | <b>\$ 9,483,629</b>  | <b>\$ 10,433,594</b> | <b>\$ 11,218,248</b> | <b>\$ 13,146,065</b> |
| <b>Primary government</b>                        |                     |                     |                      |                      |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt  | \$ 5,111,418        | \$ 6,276,794        | \$ 7,131,515         | \$ 8,077,096         | \$ 9,460,266         | \$ 9,789,023         | \$ 10,489,223        | \$ 12,821,738        | \$ 14,994,017        |
| Restricted                                       | 110,161             | 221,077             | 652,957              | 709,940              | 1,168,255            | 960,492              | 706,412              | 888,184              | 2,850,640            |
| Unrestricted                                     | 1,727,630           | 2,353,386           | 2,271,904            | 2,380,578            | 1,452,897            | 2,056,861            | 3,472,371            | 3,152,811            | 1,050,022            |
| <b>Total primary government net assets</b>       | <b>\$ 6,949,209</b> | <b>\$ 8,851,257</b> | <b>\$ 10,056,376</b> | <b>\$ 11,167,614</b> | <b>\$ 12,081,418</b> | <b>\$ 12,806,376</b> | <b>\$ 14,668,006</b> | <b>\$ 16,862,733</b> | <b>\$ 18,894,679</b> |

Note: The City of Sealy, Texas first applied GASB Statement No. 34 in fiscal year 2004; therefore, government-wide financial information for fiscal years prior to 2004 is not available.



City of Sealy, Texas  
Changes in Net Assets  
Last Nine Fiscal Years  
(accrual basis of accounting)

|   | Fiscal Year    |              |                |                |                |                |                |                |                |
|---|----------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   | 2004           | 2005         | 2006           | 2007           | 2008           | 2009           | 2010           | 2011           | 2012           |
| <b>Expenses</b>                                 |                |              |                |                |                |                |                |                |                |
| Governmental activities                         |                |              |                |                |                |                |                |                |                |
| General government                              | \$ 1,173,978   | \$ 1,220,218 | \$ 1,079,579   | \$ 1,281,856   | \$ 1,650,595   | \$ 1,588,600   | \$ 1,601,585   | \$ 1,360,731   | \$ 1,311,143   |
| Public safety                                   | 1,041,460      | 1,057,250    | 1,180,511      | 1,400,715      | 1,478,090      | 1,720,773      | 1,861,790      | 1,959,212      | 2,044,627      |
| Highways and streets                            | 259,360        | 270,488      | 254,760        | 475,322        | 395,050        | 478,264        | 489,717        | 481,946        | 535,460        |
| Health and welfare                              | 55,894         | 411,405      | 159,624        | 46,555         | 72,831         | 58,013         | 69,197         | 61,255         | 64,023         |
| Culture and recreation                          | 159,348        | 199,501      | 231,468        | 249,624        | 254,787        | 352,881        | 393,980        | 416,820        | 461,511        |
| Interest on long-term debt                      | 230,540        | 216,554      | 197,415        | 184,483        | 208,246        | 196,919        | 254,990        | 399,494        | 441,096        |
| Total governmental activities expenses          | 2,920,580      | 3,375,416    | 3,103,357      | 3,638,555      | 4,059,599      | 4,395,450      | 4,671,259      | 4,679,458      | 4,857,860      |
| Business-type activities                        |                |              |                |                |                |                |                |                |                |
| Water and Sewer                                 | 943,989        | 1,079,948    | 1,119,975      | 1,105,907      | 1,321,467      | 1,338,387      | 1,382,898      | 1,467,129      | 1,660,540      |
| Gas   | 1,305,449      | 1,785,357    | 1,990,709      | 1,750,836      | 2,000,581      | 1,354,423      | 1,391,186      | 1,259,009      | 1,074,620      |
| Solid waste                                     | 258,562        | 281,461      | 298,999        | 320,902        | 505,908        | 527,839        | 502,904        | 510,992        | 565,936        |
| Total Business-type activities expenses         | 2,508,000      | 3,146,766    | 3,409,683      | 3,177,645      | 3,827,956      | 3,220,649      | 3,276,988      | 3,237,130      | 3,301,096      |
| Total primary government expenses               | \$ 5,428,580   | \$ 6,522,182 | \$ 6,513,040   | \$ 6,816,200   | \$ 7,887,555   | \$ 7,616,099   | \$ 7,948,247   | \$ 7,916,588   | \$ 8,158,956   |
| <b>Program Revenues</b>                         |                |              |                |                |                |                |                |                |                |
| Governmental activities:                        |                |              |                |                |                |                |                |                |                |
| Fees, fines, and charges for services:          |                |              |                |                |                |                |                |                |                |
| Public safety                                   | \$ 577,283     | \$ 590,482   | \$ 516,978     | \$ 627,650     | \$ 623,392     | \$ 609,006     | \$ 541,008     | \$ 574,783     | \$ 556,826     |
| Highways and streets                            | -              | 83,302       | 109,662        | 115,502        | 122,611        | 136,315        | 122,483        | 123,263        | 144,978        |
| Other activities                                | 6,520          | 8,783        | 9,447          | 17,402         | 32,090         | 43,555         | 30,571         | 54,005         | 41,016         |
| Operating grants and contributions              | 10,915         | 787,970      | 204,185        | 115,718        | 317,697        | 359,621        | 14,325         | 610,567        | 193,125        |
| Capital grants and contributions                | 360,300        | 1,080,887    | 147,000        | 516,600        | 267,210        | -              | 1,466,333      | 761,602        | 617,964        |
| Total governmental activities program revenues  | 955,018        | 2,551,424    | 987,272        | 1,392,872      | 1,363,000      | 1,148,497      | 2,174,720      | 2,124,220      | 1,553,909      |
| Business-type activities:                       |                |              |                |                |                |                |                |                |                |
| Charges for services:                           |                |              |                |                |                |                |                |                |                |
| Water and sewer                                 | 1,021,747      | 1,194,409    | 1,265,891      | 1,562,874      | 1,562,874      | 1,661,905      | 1,669,459      | 2,041,847      | 1,800,084      |
| Gas   | 1,331,503      | 1,757,093    | 1,997,002      | 1,781,394      | 2,124,470      | 1,460,170      | 1,594,494      | 1,448,262      | 1,059,888      |
| Solid Waste                                     | 246,320        | 251,085      | 271,617        | 297,261        | 441,577        | 480,164        | 522,018        | 524,378        | 545,797        |
| Operating grants and contributions              | -              | -            | -              | -              | -              | -              | -              | -              | -              |
| Capital grants and contributions                | 26,655         | -            | 435,761        | 210,966        | -              | -              | 337,039        | 306,653        | 43,347         |
| Total business-type activities program revenues | 2,626,225      | 3,292,932    | 3,970,271      | 2,289,621      | 4,128,921      | 3,602,239      | 4,123,010      | 4,321,140      | 3,449,116      |
| Total primary government program revenues       | \$ 3,581,243   | \$ 5,844,356 | \$ 4,957,543   | \$ 3,682,493   | \$ 5,491,921   | \$ 4,750,736   | \$ 6,297,730   | \$ 6,445,360   | \$ 5,003,025   |
| Net (expense)/revenue                           |                |              |                |                |                |                |                |                |                |
| Governmental activities                         | \$ (1,965,562) | \$ (823,992) | \$ (2,116,085) | \$ (2,245,683) | \$ (2,696,599) | \$ (3,246,953) | \$ (2,496,539) | \$ (2,555,238) | \$ (3,303,951) |
| Business-type activities                        | 118,225        | 146,166      | 560,588        | (888,024)      | 300,965        | 381,590        | 846,022        | 1,084,010      | 148,020        |
| Total primary government net expense            | \$ (1,847,337) | \$ (677,826) | \$ (1,555,497) | \$ (3,133,707) | \$ (2,395,634) | \$ (2,865,363) | \$ (1,650,517) | \$ (1,471,228) | \$ (3,155,931) |

(continued)

Note: The City of Sealy, Texas first applied GASB Statement No. 34 in fiscal year 2004; therefore, government-wide financial information for fiscal years prior to 2004 is not available.

(1) The expenditures by department have been modified to be consistent with the current year allocation between departments.

City of Sealy, Texas  
Changes in Net Assets  
Last Nine Fiscal Years  
(accrual basis of accounting)

|   | Fiscal Year  |              |              |              |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2004         | 2005         | 2006         | 2007         | 2008         | 2009         | 2010         | 2011         | 2012         |
| <b>General Revenues and Other Changes in Net Assets</b> |              |              |              |              |              |              |              |              |              |
| Governmental activities:                                |              |              |              |              |              |              |              |              |              |
| Taxes   |              |              |              |              |              |              |              |              |              |
| Property Taxes  | \$ 974,405   | \$ 982,605   | \$ 1,038,091 | \$ 1,085,623 | \$ 1,356,102 | \$ 1,564,003 | \$ 1,633,191 | \$ 1,734,570 | \$ 1,855,450 |
| Sales taxes   | 1,002,361    | 997,410      | 960,691      | 1,066,928    | 1,223,081    | 1,278,865    | 1,215,629    | 1,165,311    | 1,198,030    |
| Gross receipts  | 253,937      | 304,412      | 335,172      | 335,073      | 357,134      | 374,185      | 389,097      | 396,256      | 554,902      |
| Hotel/motel occupancy                                   | 101,312      | 111,597      | 164,881      | 178,407      | 172,898      | 178,677      | 168,123      | 165,825      | 214,035      |
| Investment earnings                                     | 37,506       | 84,064       | 129,196      | 139,534      | 93,407       | 41,315       | 30,688       | 21,920       | 39,264       |
| Miscellaneous   | 127,631      | 74,539       | 100,835      | 106,333      | 85,805       | 131,964      | 69,422       | 172,347      | 193,942      |
| Transfers   | 233,687      | 98,648       | 63,253       | 120,335      | (580,980)    | 44,146       | (97,946)     | 309,082      | (1,337,363)  |
| Total governmental activities                           | \$ 2,730,839 | \$ 2,653,275 | \$ 2,792,119 | \$ 3,032,233 | \$ 2,707,447 | \$ 3,613,155 | \$ 3,408,204 | \$ 3,965,311 | \$ 2,718,260 |
| Business-type activities:                               |              |              |              |              |              |              |              |              |              |
| Investment earnings                                     | 2,577        | 10,753       | 22,207       | 31,331       | 18,900       | 2,958        | 2,533        | 4,831        | 11,465       |
| Miscellaneous   | (6,015)      | 14,494       | 9,543        | 8,235        | 2,111        | 18,354       | 3,464        | 4,895        | 54,434       |
| Transfers   | (233,687)    | (98,648)     | (63,253)     | (120,335)    | 580,980      | (44,146)     | 97,946       | (309,082)    | 1,337,363    |
| Total business-type activities                          | (237,125)    | (73,401)     | (31,503)     | (80,769)     | 601,991      | (22,834)     | 103,943      | (299,356)    | 1,403,262    |
| Total primary government                                | \$ 2,493,714 | \$ 2,579,874 | \$ 2,760,616 | \$ 2,951,464 | \$ 3,309,438 | \$ 3,590,321 | \$ 3,512,147 | \$ 3,665,955 | \$ 4,121,522 |
| <b>Change in Net Assets</b>                             |              |              |              |              |              |              |              |              |              |
| Governmental activities                                 | \$ 765,277   | \$ 537,190   | \$ 546,436   | \$ 335,634   | \$ 10,848    | \$ 366,202   | \$ 911,665   | \$ 1,410,073 | \$ (585,691) |
| Business-type activities                                | (118,900)    | 487,187      | (919,527)    | 220,196      | 902,956      | 358,756      | 949,965      | 784,654      | 1,551,282    |
| Total primary government                                | \$ 646,377   | \$ 1,024,377 | \$ (373,091) | \$ 555,830   | \$ 913,804   | \$ 724,958   | \$ 1,861,630 | \$ 2,194,727 | \$ 965,591   |

Note: The City of Sealy, Texas first applied GASB Statement No. 34 in fiscal year 2004; therefore, government-wide financial information for fiscal years prior to 2004 is not available.

City of Sealy, Texas  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

|   | Fiscal Year         |                     |                     |                     |                     |                     |                   |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|
|   | 2003                | 2004                | 2005                | 2006                | 2007                | 2008                | 2009              | 2010                | 2011 (1)            | 2012                |
| <b>General Fund</b>                       |                     |                     |                     |                     |                     |                     |                   |                     |                     |                     |
| Reserved                                  | \$ -                | \$ 34,000           | \$ -                | \$ -                | \$ -                | \$ -                | \$ -              | \$ -                | \$ -                | \$ -                |
| Unreserved                                | 686,750             | 1,142,178           | 1,604,595           | 1,534,270           | 1,309,725           | 1,091,197           | 848,792           | 633,723             | -                   | -                   |
| Unassigned                                | -                   | -                   | -                   | -                   | -                   | -                   | -                 | -                   | 581,453             | 680,905             |
| <b>Total general fund</b>                 | <b>\$ 686,750</b>   | <b>\$ 1,176,178</b> | <b>\$ 1,604,595</b> | <b>\$ 1,534,270</b> | <b>\$ 1,309,725</b> | <b>\$ 1,091,197</b> | <b>\$ 848,792</b> | <b>\$ 633,723</b>   | <b>\$ 581,453</b>   | <b>\$ 680,905</b>   |
| <b>All other governmental funds</b>       |                     |                     |                     |                     |                     |                     |                   |                     |                     |                     |
| Reserved                                  | \$ 2,049,502        | \$ 1,708,024        | \$ 1,248,338        | \$ 967,368          | \$ 1,057,163        | \$ 1,168,242        | \$ 960,492        | \$ 6,482,669        | \$ -                | \$ -                |
| Unreserved, reported in:                  | (1,280)             | -                   | -                   | -                   | -                   | -                   | -                 | -                   | -                   | -                   |
| Special revenue funds                     | -                   | -                   | -                   | -                   | -                   | -                   | -                 | -                   | -                   | -                   |
| Restricted                                | -                   | -                   | -                   | -                   | -                   | -                   | -                 | -                   | 7,859,814           | 2,850,640           |
| <b>Total all other governmental funds</b> | <b>\$ 2,048,222</b> | <b>\$ 1,708,024</b> | <b>\$ 1,248,338</b> | <b>\$ 967,368</b>   | <b>\$ 1,057,163</b> | <b>\$ 1,168,242</b> | <b>\$ 960,492</b> | <b>\$ 6,482,669</b> | <b>\$ 7,859,814</b> | <b>\$ 2,850,640</b> |

(1) Implementation of GASB 54 beginning in 2011, prior years not restated.

City of Sealy, Texas  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

|   | 2003         | 2004         | 2005         | 2006         | 2007         | 2008         | 2009         | 2010         | 2011         | 2012           |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| <b>Revenues</b>   |              |              |              |              |              |              |              |              |              |                |
| Taxes   | \$ 1,976,829 | \$ 2,331,500 | \$ 2,410,658 | \$ 2,516,138 | \$ 2,695,924 | \$ 3,113,817 | \$ 3,356,383 | \$ 3,425,014 | \$ 3,428,606 | \$ 3,851,019   |
| Licenses and permits                                    | 211,723      | 85,364       | 96,825       | 136,365      | 100,422      | 99,351       | 85,352       | 54,023       | 91,816       | 59,347         |
| Intergovernmental                                       | 46,559       | 10,915       | 382,560      | 122,685      | 113,300      | 255,084      | 101,871      | 176,158      | 83,231       | 626,789        |
| Charges for services                                    | 6,322        | 6,520        | 8,783        | 9,447        | 17,402       | 32,090       | 43,555       | 30,571       | 54,005       | 18,661         |
| Fines   | 468,366      | 491,919      | 493,657      | 380,612      | 527,228      | 524,041      | 523,654      | 486,985      | 482,967      | 497,479        |
| Investment earnings                                     | 22,251       | 37,506       | 84,064       | 129,196      | 139,534      | 93,407       | 41,315       | 30,688       | 21,920       | 39,264         |
| Municipal drainage fees                                 | -            | -            | 83,302       | 109,662      | 115,502      | 122,611      | 136,315      | 122,483      | 123,263      | 144,978        |
| Private contributions                                   | 137,805      | 7,434        | -            | -            | -            | -            | -            | -            | 100,811      | 104,863        |
| Contributions from component unit                       | -            | 315,883      | 455,410      | 211,500      | 113,218      | 301,813      | 257,750      | 79,500       | 676,938      | 264,300        |
| Miscellaneous   | 9,401        | 97,691       | 82,763       | 100,835      | 96,039       | 89,950       | 155,463      | 74,126       | 81,009       | 111,434        |
| Total Revenues  | 2,879,256    | 3,384,732    | 4,098,022    | 3,716,440    | 3,918,569    | 4,632,164    | 4,701,658    | 4,479,548    | 5,144,566    | 5,718,134      |
| <b>Expenditures</b>                                     |              |              |              |              |              |              |              |              |              |                |
| General Government                                      | 1,258,076    | 1,160,808    | 1,198,223    | 1,101,160    | 1,165,405    | 1,577,982    | 1,489,656    | 1,349,267    | 1,317,841    | 1,286,729      |
| Public Safety   | 977,558      | 1,020,337    | 1,094,223    | 1,196,553    | 1,363,961    | 1,417,897    | 1,660,187    | 1,784,107    | 1,872,028    | 1,952,653      |
| Highways and streets                                    | 636,054      | 259,126      | 351,704      | 339,138      | 454,250      | 302,360      | 363,294      | 348,839      | 318,269      | 334,540        |
| Health and welfare                                      | 41,166       | 55,092       | 411,405      | 159,624      | 46,555       | 72,831       | 58,013       | 69,197       | 59,352       | 63,230         |
| Culture and recreation                                  | 121,631      | 160,765      | 375,189      | 332,199      | 378,203      | 219,842      | 289,935      | 328,495      | 316,429      | 359,151        |
| Capital outlay  | -            | 376,580      | 487,132      | 413,330      | 176,455      | 2,028,164    | 718,610      | 496,887      | 938,544      | 5,734,030      |
| Debt service  |              |              |              |              |              |              |              |              |              |                |
| Principal   | 235,889      | 380,148      | 407,948      | 402,048      | 425,000      | 580,000      | 590,000      | 563,077      | 628,915      | 681,237        |
| Interest and fiscal charges                             | 150,418      | 221,650      | 201,545      | 186,936      | 174,119      | 194,304      | 178,081      | 162,406      | 418,648      | 416,286        |
| Debt issuance cost                                      | 63,063       | -            | -            | -            | -            | 22,947       | -            | 177,795      | 39,047       | -              |
| Total expenditures                                      | 3,483,855    | 3,634,506    | 4,527,369    | 4,130,988    | 4,183,948    | 6,416,327    | 5,347,776    | 5,280,070    | 5,909,073    | 10,827,856     |
| Excess of revenues over (under) expenditures            | (604,599)    | (249,774)    | (429,347)    | (414,548)    | (265,379)    | (1,784,163)  | (646,118)    | (800,522)    | (764,507)    | (5,109,722)    |
| <b>Other financing sources (uses)</b>                   |              |              |              |              |              |              |              |              |              |                |
| Transfers in  | 1,095,765    | 389,656      | 356,683      | 94,452       | 134,202      | 667,882      | 241,281      | 418,695      | 730,441      | 215,086        |
| Transfers out   | (78,548)     | (72,401)     | (56,683)     | (31,199)     | (13,867)     | (49,372)     | (197,134)    | (499,732)    | (421,359)    | (15,086)       |
| Proceeds of long-term debt                              | 2,155,764    | -            | -            | -            | (13,867)     | 1,055,000    | 151,726      | 6,150,000    | 1,780,300    | -              |
| Bond premium discount                                   | -            | -            | -            | -            | -            | -            | -            | (150,000)    | -            | -              |
| Premiums on debt issuance                               | -            | -            | -            | -            | -            | -            | -            | 187,362      | -            | -              |
| Payments to refunded bond escrow agent                  | (2,093,004)  | -            | -            | -            | -            | -            | -            | -            | -            | -              |
| Capital leases  | 46,033       | -            | -            | -            | -            | -            | -            | -            | -            | -              |
| Proceeds from sale of capital assets                    | 60,050       | 47,750       | 4,770        | -            | 10,294       | 3,204        | 90           | 1,305        | -            | -              |
| Total other financing sources (uses)                    | 1,186,060    | 365,005      | 304,770      | 63,253       | 130,629      | 1,676,714    | 195,963      | 6,107,630    | 2,089,382    | 200,000        |
| Net change in fund balances                             | \$ 581,461   | \$ 115,231   | \$ (124,577) | \$ (351,295) | \$ (134,750) | \$ (107,449) | \$ (450,155) | \$ 5,307,108 | \$ 1,324,875 | \$ (4,909,722) |
| Debt service as a percentage of noncapital expenditures | 12.74%       | 18.47%       | 15.09%       | 15.84%       | 14.95%       | 17.65%       | 16.59%       | 15.17%       | 21.08%       | 21.55%         |

Note: Amounts for 2003 only include general, special revenue, and debt service funds

City of Sealy, Texas  
 Governmental Activities Tax Revenues By Source  
 Last Nine Fiscal Years  
 (accrual basis of accounting)

| Fiscal<br>Year | Property<br>Tax | Sales<br>Tax | Gross<br>Receipts<br>Tax | Hotel/motel<br>Occupancy<br>Tax | Total        |
|----------------|-----------------|--------------|--------------------------|---------------------------------|--------------|
| 2004           | \$ 974,405      | \$ 1,002,361 | \$ 253,937               | \$ 101,312                      | \$ 2,332,015 |
| 2005           | 982,605         | 997,410      | 304,412                  | 111,597                         | 2,396,024    |
| 2006           | 1,038,901       | 960,691      | 335,172                  | 164,881                         | 2,499,645    |
| 2007           | 1,085,623       | 1,066,928    | 335,073                  | 178,047                         | 2,665,671    |
| 2008           | 1,356,103       | 1,223,081    | 357,134                  | 172,898                         | 3,109,216    |
| 2009           | 1,564,003       | 1,278,865    | 374,185                  | 178,677                         | 3,395,730    |
| 2010           | 1,633,191       | 1,215,629    | 389,097                  | 168,123                         | 3,406,040    |
| 2011           | 1,734,570       | 1,165,311    | 396,256                  | 165,825                         | 3,461,962    |
| 2012           | 1,854,092       | 1,198,030    | 554,902                  | 214,035                         | 3,821,059    |

Note: Information for accrual basis is unavailable for fiscal years prior to 2004

City of Sealy, Texas  
 Tax Revenues By Source, Governmental Funds  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

| Fiscal<br>Year | Property<br>Tax | Sales<br>Tax | Gross<br>Receipts<br>Tax | Hotel/motel<br>occupancy<br>Tax | Total        |
|----------------|-----------------|--------------|--------------------------|---------------------------------|--------------|
| 2003           | \$ 886,334      | \$ 728,423   | \$ 267,527               | \$ 94,545                       | \$ 1,976,829 |
| 2004           | 973,890         | 1,002,361    | 253,937                  | 101,312                         | 2,331,500    |
| 2005           | 997,239         | 997,410      | 304,412                  | 111,597                         | 2,410,658    |
| 2006           | 1,055,394       | 960,691      | 335,172                  | 164,881                         | 2,516,138    |
| 2007           | 1,115,516       | 1,066,928    | 335,073                  | 178,047                         | 2,695,564    |
| 2008           | 1,360,704       | 1,223,081    | 357,134                  | 172,898                         | 3,113,817    |
| 2009           | 1,524,656       | 1,278,865    | 374,185                  | 178,677                         | 3,356,383    |
| 2010           | 1,652,165       | 1,215,629    | 389,097                  | 168,123                         | 3,425,014    |
| 2011           | 1,701,214       | 1,165,311    | 396,256                  | 165,825                         | 3,428,606    |
| 2012           | 1,854,092       | 1,198,030    | 584,862                  | 214,035                         | 3,851,019    |

City of Sealy, Texas  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

| Fiscal<br>Year<br>Ended<br>September 30 | Residential<br>Property | Commercial<br>Property | Less:<br>Tax Exempt<br>Property | Total Taxable<br>Assessed<br>Value | Total<br>Direct<br>Tax<br>Rate |
|---|-------------------------|------------------------|---------------------------------|------------------------------------|--------------------------------|
| 2003                                    | \$ 121,184,310          | \$ 104,015,953         | \$ 12,231,920                   | \$ 212,968,343                     | 0.4054                         |
| 2004                                    | 122,184,374             | 113,461,237            | 15,089,998                      | 220,555,613                        | 0.4300                         |
| 2005                                    | 129,869,072             | 127,088,013            | 12,317,448                      | 244,639,637                        | 0.3971                         |
| 2006                                    | 134,682,821             | 213,715,425            | 81,870,099                      | 266,528,147                        | 0.3838                         |
| 2007                                    | 156,887,433             | 333,514,284            | 97,222,534                      | 393,179,183                        | 0.2694                         |
| 2008                                    | 181,513,310             | 334,775,795            | 13,470,503                      | 502,818,602                        | 0.3000                         |
| 2009                                    | 208,123,724             | 382,075,652            | 87,631,756                      | 502,567,620                        | 0.3058                         |
| 2010                                    | 214,597,869             | 408,547,744            | 93,834,206                      | 529,311,407                        | 0.3058                         |
| 2011                                    | 247,138,727             | 362,855,812            | 111,675,882                     | 498,318,657                        | 0.3358                         |
| 2012                                    | 250,695,960             | 375,566,159            | 114,630,517                     | 511,631,602                        | 0.3561                         |

Source: Austin County Appraisal District

Note: The property in the City is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

City of Sealy, Texas  
Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years

| Fiscal Year | City of Sealy, Texas |                   |                 | Austin County  |                   |                   | Sealy Independent School District |                   |                   | Overlapping Rates                  |                                    | Total Direct & Overlapping Rates |
|-------------|----------------------|-------------------|-----------------|----------------|-------------------|-------------------|-----------------------------------|-------------------|-------------------|------------------------------------|------------------------------------|----------------------------------|
|             | Operating Rate       | Debt Service Rate | Total City Rate | Operating Rate | Debt Service Rate | Total County Rate | Operating Rate                    | Debt Service Rate | Total County Rate | Sealy Fire District Operating Rate | Sealy Fire District Operating Rate |                                  |
|             |                      |                   |                 |                |                   |                   |                                   |                   |                   |                                    |                                    |                                  |
| 2003        | 0.2395               | 0.1659            | 0.4054          | 0.5207         | 0.0376            | 0.5583            | 1.4650                            | 0.1800            | 1.6450            | 0.0300                             | 0.0300                             | 2.6387                           |
| 2004        | 0.2400               | 0.1900            | 0.4300          | 0.4516         | 0.0345            | 0.4861            | 1.4600                            | 0.1850            | 1.6450            | 0.0300                             | 0.0300                             | 2.5911                           |
| 2005        | 0.2264               | 0.1707            | 0.3971          | 0.5209         | 0.0345            | 0.5554            | 1.4600                            | 0.2200            | 1.6800            | 0.0300                             | 0.0300                             | 2.6625                           |
| 2006        | 0.2275               | 0.1563            | 0.3838          | 0.4965         | 0.0235            | 0.5200            | 1.3800                            | 0.2200            | 1.6000            | 0.0300                             | 0.0300                             | 2.5338                           |
| 2007        | 0.1680               | 0.1014            | 0.2694          | 0.4610         | 0.0206            | 0.4816            | 1.2636                            | 0.2200            | 1.4836            | 0.0300                             | 0.0300                             | 2.2646                           |
| 2008        | 0.1690               | 0.1310            | 0.3000          | 0.4597         | 0.0289            | 0.4886            | 0.9600                            | 0.2600            | 1.2200            | 0.0300                             | 0.0300                             | 2.0386                           |
| 2009        | 0.1620               | 0.1393            | 0.3013          | 0.4510         | 0.0286            | 0.4796            | 0.9800                            | 0.2400            | 1.2200            | 0.0295                             | 0.0295                             | 2.0304                           |
| 2010        | 0.1724               | 0.1334            | 0.3058          | 0.4525         | 0.0465            | 0.4990            | 1.0130                            | 0.2200            | 1.2330            | 0.0309                             | 0.0309                             | 2.0687                           |
| 2011        | 0.1803               | 0.1555            | 0.3358          | 0.4946         | 0.0454            | 0.5400            | 1.0400                            | 0.2200            | 1.2600            | 0.0700                             | 0.0700                             | 2.2058                           |
| 2012        | 0.1803               | 0.1759            | 0.3561          | 0.4995         | 0.0384            | 0.5379            | 1.0400                            | 0.2200            | 1.2600            | 0.0699                             | 0.0699                             | 2.2239                           |

Note: Tax rates above expressed per \$100 of assessed valuation  
Source: Individual taxing entities

City of Sealy, Texas  
Principal Property Taxpayers  
September 30, 2012

| Taxpayer   | 2012                   |      |  | 2003                   |      |  |
|--|------------------------|------|--|------------------------|------|--|
|  | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
|  |                        |      |  |                        |      |  |
| Wal-Mart Stores East, LP                                 | \$ 77,130,840          | 1    | 14.6%                                      | -                      |      | 0.0%                                       |
| BAE Systems (formerly Stewart & Stevenson)               | 48,773,000             | 2    | 9.2%                                       | 17,685,690             | 1    | 8.3%                                       |
| International Paper (formerly Willamette Industries)     | 16,289,888             | 3    | 3.1%                                       | 14,456,700             | 2    | 6.8%                                       |
| Maass Flange Corporation                                 | 9,936,607              | 4    | 1.9%                                       | 2,691,660              | 4    | 1.3%                                       |
| Wal-Mart Real Estate Business Trust                      | 9,088,554              | 5    | 1.7%                                       | -                      |      | 0.0%                                       |
| Wal-Mart Stores Texas, LP (formerly Wal-Mart, Inc. #437) | 6,060,366              | 6    | 1.1%                                       | 2,356,720              | 5    | 1.1%                                       |
| Blencor, LLC   | 3,730,779              | 7    | 0.7%                                       | -                      |      |  |
| Centerpoint Energy Houston                               | 3,022,326              | 8    | 0.6%                                       | -                      |      | 0.0%                                       |
| BNSF Railway Company                                     | 2,693,720              | 9    | 0.5%                                       | -                      |      | 0.0%                                       |
| DKH Edgewood Apartments, LP                              | 2,573,832              | 10   | 0.5%                                       | 2,171,971              | 7    | 1.0%                                       |
| Gretna Sealy Traverse City                               | -                      |      | -  | 4,029,250              | 3    | 1.9%                                       |
| CB-Sealy Nursing Home                                    | -                      |      | -  | 2,282,730              | 6    | 1.1%                                       |
| Reliant Energy HL&P                                      | -                      |      | -  | 2,114,420              | 8    | 1.0%                                       |
| Southwestern Bell Telephone                              | -                      |      | -  | 1,960,990              | 9    | 0.9%                                       |
| Commercial Net Lease Realty                              | -                      |      | -  | 1,664,840              | 10   | 0.8%                                       |
| Totals   | \$ 179,299,912         |      | 33.9%                                      | \$ 51,414,971          |      | 24.2%                                      |

Source: Austin County Appraisal District



City of Sealy, Texas  
Property Tax Levies and Collections  
Last Ten Fiscal Years

| Fiscal Year<br>Ended<br>September 30, | Total Tax<br>Levy for<br>Fiscal Year | Collected within the<br>Fiscal Year of the Levy |                       | Collections in<br>Subsequent<br>Years | Total Collections to Date |                       |
|---------------------------------------|--------------------------------------|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
|                                       |                                      | Amount  | Percentage<br>of Levy |                                       | Amount                    | Percentage<br>of Levy |
| 2003                                  | \$ 863,590                           | \$ 838,446                                      | 97.09%                | \$ 23,446                             | \$ 861,892                | 99.80%                |
| 2004                                  | 954,094                              | 929,542   | 97.43%                | 23,101                                | 952,643                   | 99.85%                |
| 2005                                  | 971,464                              | 952,992   | 98.10%                | 16,839                                | 969,831                   | 99.83%                |
| 2006                                  | 1,023,391                            | 1,001,657                                       | 97.88%                | 20,037                                | 1,021,694                 | 99.83%                |
| 2007                                  | 1,067,611                            | 1,034,320                                       | 96.88%                | 31,385                                | 1,065,705                 | 99.82%                |
| 2008                                  | 1,321,117                            | 1,286,247                                       | 98.63%                | 32,425                                | 1,318,672                 | 99.81%                |
| 2009                                  | 1,514,186                            | 1,492,605                                       | 98.57%                | 18,941                                | 1,511,546                 | 99.83%                |
| 2010                                  | 1,616,700                            | 1,602,006                                       | 99.09%                | 10,905                                | 1,612,911                 | 99.77%                |
| 2011                                  | 1,672,583                            | 1,651,312                                       | 98.73%                | 11,671                                | 1,662,983                 | 99.43%                |
| 2012                                  | 1,822,074                            | 1,801,497                                       | 98.87%                | -                                     | 1,801,497                 | 98.87%                |

City of Sealy, Texas  
 Legal Debt Margin Information  
 Last Nine Fiscal Years

|  | <u>2004</u>    | <u>2005</u>    | <u>2006</u>    | <u>2007</u>    | <u>2008</u>    | <u>2009</u>    | <u>2010</u>    | <u>2011</u>    | <u>2012</u>    |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Assessed value                               | \$ 220,555,613 | \$ 244,639,637 | \$ 266,528,147 | \$ 393,179,183 | \$ 502,818,602 | \$ 502,567,623 | \$ 529,311,407 | \$ 498,318,657 | \$ 511,631,602 |
| 90% collection rate                          | 90%            | 90%            | 90%            | 90%            | 90%            | 90%            | 90%            | 90%            | 90%            |
|  | 245,061,792    | 271,821,819    | 296,142,386    | 436,865,759    | 558,687,336    | 558,408,470    | 588,123,786    | 553,687,397    | 568,479,558    |
| Bond allowable limit per \$100 valuation (1) | 1.50           | 1.50           | 1.50           | 1.50           | 1.50           | 1.50           | 1.50           | 1.50           | 1.50           |
| Debt limit                                   | 3,675,927      | 4,077,327      | 4,442,136      | 6,552,986      | 8,380,310      | 8,376,127      | 8,821,857      | 8,305,311      | 8,527,193      |
| Total net debt applicable to limit           | 581,608        | 587,539        | 584,306        | 596,519        | 774,304        | 768,081        | 696,868        | 988,952        | 1,038,912      |
| Legal debt margin                            | 16%            | 14%            | 13%            | 9%             | 9%             | 9%             | 8%             | 12%            | 12%            |

Note: The City of Sealy, Texas first applied GASB Statement No. 34 in fiscal year 2004; therefore, nine years of analyses are provided.

(1) Per the Texas Administrative Code, Title 1, Part 3, Chapter 53, Subchapter A, Rule 53.5, home rule cities and general law cities of over 5,000 population shall have a total tax allowable of \$2.50 and shall have a bond allowable of \$1.50 per \$100 valuation (unless city charter provides less). The City Charter does not provide further limitations, as such \$1.50 has been compared to the debt service taxes assessed annually.

City of Sealy, Texas  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities  |                            |            |                | Business-Type Activities |                |  |              | Total Primary Government | Percentage of Personal Income | Per Capita |
|-------------|--------------------------|----------------------------|------------|----------------|--------------------------|----------------|--|--------------|--------------------------|-------------------------------|------------|
|             | General Obligation Bonds | Certificates of Obligation | Tax Notes  | Capital Leases | Revenue Bonds            | Capital Leases |  |              |                          |                               |            |
| 2003        | \$ 2,115,000             | \$ 3,080,000               | \$ 350,000 | \$ 35,145      | \$ -                     | \$ 43,384      |  | \$ 5,623,529 | 3.74%                    | \$ 1,021                      |            |
| 2004        | 1,965,000                | 2,915,000                  | 300,000    | 19,997         | -                        | 13,650         |  | 5,213,647    | 3.27%                    | \$ 915                        |            |
| 2005        | 1,810,000                | 2,735,000                  | 245,000    | 2,049          | -                        | -              |  | 4,792,049    | 2.83%                    | 819                           |            |
| 2006        | 1,615,000                | 2,585,000                  | 190,000    | -              | -                        | -              |  | 4,390,000    | 2.39%                    | 723                           |            |
| 2007        | 1,410,000                | 2,425,000                  | 130,000    | -              | -                        | -              |  | 3,965,000    | 1.97%                    | 645                           |            |
| 2008        | 1,195,000                | 2,260,000                  | 65,000     | -              | -                        | -              |  | 3,520,000    | 1.59%                    | 567                           |            |
| 2009        | 985,000                  | 2,080,000                  | 785,000    | 151,726        | -                        | -              |  | 4,001,726    | 1.75%                    | 638                           |            |
| 2010        | 770,000                  | 8,050,000                  | 640,000    | 128,649        | -                        | -              |  | 9,588,649    | 3.86%                    | 1,504                         |            |
| 2011        | 540,000                  | 9,495,000                  | 490,000    | 215,035        | -                        | -              |  | 10,740,035   | 4.68%                    | 1,784                         |            |
| 2012        | 300,000                  | 9,260,000                  | 335,000    | 163,797        | -                        | 81,476         |  | 10,140,273   | n/a                      | 1,671                         |            |

City of Sealy, Texas  
Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years

| Fiscal Year | General Bonded Debt Outstanding |                            |  |              | Percentage of                              |            |
|-------------|---------------------------------|----------------------------|--|--------------|--|------------|
|             | General Obligation Bonds        | Certificates of Obligation | Less: Amounts Available in Debt Service Fund | Total        | Estimated Actual Taxable Value of Property | Per Capita |
| 2003        | \$ 2,115,000                    | \$ 3,080,000               | \$ 366,209                                   | \$ 4,828,791 | 1.39%                                      | \$ 876     |
| 2004        | 1,965,000                       | 2,915,000                  | 425,532                                      | 4,454,468    | 2.24%                                      | 782        |
| 2005        | 1,810,000                       | 2,735,000                  | 413,697                                      | 4,131,303    | 1.94%                                      | 706        |
| 2006        | 1,615,000                       | 2,585,000                  | 364,623                                      | 3,835,377    | 1.74%                                      | 631        |
| 2007        | 1,410,000                       | 2,425,000                  | 325,392                                      | 3,509,608    | 1.43%                                      | 571        |
| 2008        | 1,195,000                       | 2,260,000                  | 256,721                                      | 3,198,279    | 1.20%                                      | 515        |
| 2009        | 985,000                         | 2,080,000                  | 205,756                                      | 2,859,244    | 0.73%                                      | 456        |
| 2010        | 770,000                         | 8,050,000                  | 320,597                                      | 8,499,403    | 1.69%                                      | 1,333      |
| 2011        | 540,000                         | 9,495,000                  | 251,623                                      | 9,783,377    | 1.95%                                      | 1,625      |
| 2012        | 300,000                         | 9,260,000                  | 259,628                                      | 9,300,372    | 1.76%                                      | 1,532      |

City of Sealy, Texas  
 Direct and Overlapping Governmental Activities Debt  
 As of September 30, 2012

| <u>Governmental Unit</u>          | <u>Debt<br/>Outstanding</u> | <u>(1)<br/>Estimated<br/>Percentage<br/>Applicable</u> | <u>Estimated<br/>Share of<br/>Overlapping<br/>Debt</u> |
|-----------------------------------|-----------------------------|--|--|
| Debt repaid with property taxes:  |                             |  |  |
| Austin County                     | \$ 9,175,000                | 25.06%   | \$ 2,299,255   |
| Sealy Independent School District | 24,870,203                  | 57.32%   | <u>14,255,600</u>                                      |
| Subtotal, overlapping debt        |                             |  | 16,554,855   |
| City of Sealy, Texas direct debt  |                             |  | <u>10,058,797</u>                                      |
| Total direct and overlapping debt |                             |  | <u><u>\$ 26,613,652</u></u>                            |

Source: Individual governmental entities

(1) The percentage of overlapping debt is estimated using land area. Applicable percentages were estimated by using the percentage of land area that the City occupies within the county and within the school district.

City of Sealy, Texas  
Demographic and Economic Statistics  
Last Ten Calendar Years

| Calendar<br>Year | (1)<br>Population | (2)<br>Personal<br>Income<br>(in thousands) | Per Capita<br>Personal<br>Income | (2)<br>Median<br>Age | (3)<br>School<br>Enrollment | (4)<br>Unemploy-<br>ment Rate |
|------------------|-------------------|---|----------------------------------|----------------------|-----------------------------|-------------------------------|
| 2002             | 5,510             | 150,269                                     | 27,272                           | 38.2                 | 2,368                       | 5.3%                          |
| 2003             | 5,697             | 159,681                                     | 28,029                           | 38.2                 | 2,384                       | 6.2%                          |
| 2004             | 5,849             | 169,112                                     | 28,913                           | 37.6                 | 2,516                       | 5.3%                          |
| 2005             | 6,076             | 183,854                                     | 30,259                           | 37.6                 | 2,578                       | 4.5%                          |
| 2006             | 6,150             | 201,622                                     | 32,784                           | 37.6                 | 2,608                       | 3.4%                          |
| 2007             | 6,208             | 220,881                                     | 35,580                           | 37.4                 | 2,580                       | 3.8%                          |
| 2008             | 6,275             | 229,063                                     | 36,504                           | 37.1                 | 2,629                       | 4.3%                          |
| 2009             | 6,374             | 248,293                                     | 38,954                           | 34.9                 | 2,625                       | 7.9%                          |
| 2010             | 6,019             | 229,667                                     | 38,157                           | 34.3                 | 2,620                       | 8.0%                          |
| 2011             | 6,070             | n/a   | n/a                              | 34.2                 | 2,646                       | 8.2%                          |

Note: Personal income data for 2011 not available at time of publication.

Data Sources:

- (1) U.S. Bureau of the Census and Texas State Data Center, Office of State Demographer
- (2) Texas Workforce Commission
- (3) Sealy Independent School District
- (4) Texas Workforce Commission, Labor Market Information (statistics for Austin County). Estimates reflect actual (not seasonally adjusted) data.

City of Sealy, Texas  
Principal Employers  
Current Year

| Employer                          | 2012         |      |                              |
|-----------------------------------|--------------|------|------------------------------|
|                                   | Employees    | Rank | Percentage of Total Reported |
| Wal-Mart Distribution Center      | 735          | 1    | 30%                          |
| BAE Systems                       | 650          | 2    | 26%                          |
| Sealy Independent School District | 348          | 3    | 14%                          |
| Wal-Mart Super Center             | 236          | 4    | 10%                          |
| Blencor, LLC                      | 105          | 5    | 4%                           |
| International Paper Company       | 96           | 6    | 4%                           |
| Acme Brick Company                | 93           | 7    | 4%                           |
| Gulf States Toyota                | 86           | 8    | 3%                           |
| Rinker Materials                  | 62           | 9    | 3%                           |
| City of Sealy, Texas              | 56           | 10   | 2%                           |
| Total                             | <u>2,467</u> |      | <u>100%</u>                  |

Note: The City of Sealy, Texas implemented GASB Statement No. 44 in fiscal year 2004; therefore, the principal employers from nine years ago is unavailable. Total city employment is also unavailable.

Source: Sealy Economic Development Corporation

City of Sealy, Texas  
 Full-time Equivalent City Government Employees by Function  
 Last Ten Fiscal Years

| Function               | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|------------------------|------|------|------|------|------|------|------|------|------|------|
| General government     | 12.5 | 13.5 | 14.0 | 14.5 | 19.0 | 17.0 | 19.0 | 16.0 | 15.0 | 15.5 |
| Public safety          |      |      |      |      |      |      |      |      |      |      |
| Police                 |      |      |      |      |      |      |      |      |      |      |
| Officers               | 13.0 | 14.0 | 14.0 | 14.0 | 12.5 | 16.0 | 18.0 | 17.0 | 17.0 | 17.0 |
| Civilians              | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  |
| Inspection             | 3.0  | 3.0  | 3.0  | 3.0  | 3.0  | 2.0  | 3.0  | 4.0  | 3.0  | 4.0  |
| Fire marshal           | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | -    | -    | -    |
| Highways and streets   | 2.0  | 2.0  | 2.0  | 2.0  | 3.0  | 4.0  | 5.0  | 3.5  | 3.0  | 4.0  |
| Health and welfare     | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  |
| Culture and recreation | 0.5  | 0.5  | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 2.5  | 2.0  | 1.0  |
| Water and sewer        | 8.7  | 6.7  | 7.7  | 7.7  | 5.2  | 7.2  | 7.2  | 9.3  | 8.7  | 8.5  |
| Gas                    | 3.3  | 3.3  | 3.3  | 3.3  | 2.3  | 2.3  | 3.3  | 4.2  | 5.1  | 3.0  |
| Solid Waste            | 2.0  | 2.0  | 2.0  | 2.0  | 1.5  | 2.0  | 2.0  | 1.5  | 1.2  | 0.5  |
| Total                  | 47.5 | 47.5 | 49.5 | 50.0 | 50.0 | 54.0 | 61.0 | 60.0 | 57.0 | 55.5 |

Source: City Human Resource Department



City of Sealy, Texas  
Operating Indicators by Function  
Last Ten Fiscal Years

| Function  | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Police  |       |       |       |       |       |       |       |       |       |       |
| Physical arrests  | 353   | 518   | 522   | 416   | 462   | 321   | 375   | 232   | 201   | 288   |
| Parking violations  | N/A   | N/A   | N/A   | 11    | 16    | 31    | 1     | 2     | 3     | 4     |
| Traffic violations  | 7,463 | 7,447 | 5,601 | 4,476 | 6,529 | 5,631 | 6,120 | 5,136 | 5,772 | 5,715 |
| Inspections   |       |       |       |       |       |       |       |       |       |       |
| Number of permits issued                                  | 802   | 846   | 831   | 941   | 882   | 853   | 803   | 118   | 718   | 716   |
| Inspections   | 1,459 | 1,412 | 1,650 | 2,089 | 1,900 | 1,392 | 806   | 526   | 971   | 982   |
| Highways and streets                                      |       |       |       |       |       |       |       |       |       |       |
| Street resurfacing (miles)                                | 2.64  | 4.01  | 3.09  | 2.49  | 1.98  | 0.10  | 0.10  | 0.20  | -     | -     |
| Culture and recreation                                    |       |       |       |       |       |       |       |       |       |       |
| Community center rentals                                  | N/A   | N/A   | N/A   | 362   | 377   | 91    | 249   | 368   | 480   | 564   |
| Park pavilion rentals                                     | N/A   | N/A   | N/A   | 89    | 84    | 76    | 84    | 165   | 164   | 221   |
| Water   |       |       |       |       |       |       |       |       |       |       |
| New connections   | 31    | 26    | 33    | 22    | 28    | 36    | 33    | 17    | 18    | 19    |
| Service Connections                                       | 1,790 | 1,836 | 1,859 | 1,863 | 1,899 | 1,925 | 2,001 | 2,021 | 2,046 | 2,044 |
| Water main breaks   | N/A   | N/A   | N/A   | 13    | 7     | 16    | 13    | 23    | 17    | 18    |
| Average daily consumption<br>(thousands of gallons)       | 890   | 890   | 980   | 910   | 794   | 853   | 757   | 850   | 850   | 856   |
| Wastewater  |       |       |       |       |       |       |       |       |       |       |
| New connections   | 28    | 42    | 30    | 12    | 21    | 27    | 10    | 15    | 20    | 8     |
| Service Connections                                       | 1,702 | 1,764 | 1,795 | 1,800 | 1,833 | 1,850 | 1,893 | 1,902 | 1,924 | 1,918 |
| Average daily sewage treatment<br>(thousands of gallons)  | 590   | 608   | 683   | 542   | 601   | 536   | 549   | 578   | 581   | 578   |
| Gas   |       |       |       |       |       |       |       |       |       |       |
| New connections   | 18    | 17    | 14    | 15    | 16    | 25    | 14    | 17    | 10    | 12    |
| Service Connections                                       | 1,294 | 1,310 | 1,310 | 1,293 | 1,293 | 1,310 | 1,326 | 1,336 | 1,353 | 1,341 |
| Gas main breaks   | N/A   | N/A   | N/A   | 4     | -     | 1     | 1     | -     | 1     | -     |
| Average daily gas consumption<br>(hundreds of cubic feet) | 2,000 | 2,000 | 2,000 | 2,000 | 1,857 | 1,633 | 1,633 | 2,158 | 1,738 | 2,211 |
| Residential and commercial                                | 2,600 | 2,600 | 2,600 | 2,600 | 4,142 | 3,753 | 3,753 | 3,418 | 3,550 | 2,973 |
| Industrial  |       |       |       |       |       |       |       |       |       |       |

Sources: Various City departments  
N/A = Not available

City of Sealy, Texas  
Capital Asset Statistics by Function  
Last Ten Fiscal Years

| Function   | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Public safety  |             |             |             |             |             |             |             |             |             |             |
| Police:  |             |             |             |             |             |             |             |             |             |             |
| Stations   | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Patrol units   | 7           | 9           | 7           | 7           | 7           | 8           | 8           | 7           | 7           | 7           |
| Highways and streets                                       |             |             |             |             |             |             |             |             |             |             |
| Streets (miles)  | 32          | 32          | 32          | 32          | 32          | 62          | 62          | 62          | 62          | 62          |
| Streetlights   | 533         | 533         | 540         | 545         | 549         | 549         | 549         | 549         | 551         | 550         |
| Culture and Recreation                                     |             |             |             |             |             |             |             |             |             |             |
| Park acreage   | 32          | 34          | 34          | 34          | 34          | 36          | 36          | 36          | 36          | 36          |
| Parks  | 3           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 5           |
| Park pavilions   | 1           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Community centers  | 1           | 1           | 1           | 1           | 2           | 2           | 2           | 2           | 2           | 2           |
| Water  |             |             |             |             |             |             |             |             |             |             |
| Water mains (miles)  | 58          | 62          | 62          | 66          | 66          | 72          | 72          | 72          | 73          | 72          |
| Fire Hydrants  | 265         | 273         | 273         | 283         | 285         | 302         | 302         | 311         | 308         | 312         |
| Ground storage tanks                                       | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           |
| Elevated storage tanks                                     | 2           | 2           | 2           | 3           | 3           | 2           | 2           | 2           | 2           | 2           |
| Maximum daily capacity<br>(thousands of gallons)           | 3,300       | 3,300       | 3,300       | 3,300       | 3,300       | 3,384       | 3,384       | 3,384       | 3,384       | 3,384       |
| Sewer  |             |             |             |             |             |             |             |             |             |             |
| Sanitary sewers (miles)                                    | 49          | 49          | 49          | 49          | 49          | 46          | 46          | 46          | 46          | 46          |
| Treatment plants   | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Maximum daily treatment capacity<br>(thousands of gallons) | 1,000       | 1,000       | 1,000       | 975         | 975         | 975         | 975         | 975         | 975         | 975         |
| Gas  |             |             |             |             |             |             |             |             |             |             |
| Gas main (miles)   | 41          | 41          | 41          | 41          | 42          | 42          | 42          | 43          | 43          | 44          |

Sources: Various City departments

# **AUDIT SECTION**





**SEIDEL, SCHROEDER & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

Compliance

We have audited the 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 City Sealy, Texas, (the “City”) as of and for the year ended September 30, 2012, which collectively comprise the City’s basic financial statements and have issued our report thereon dated April 3, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in

internal control over financial reporting. We consider the deficiencies described as item 12-1 and 12-2 in the accompanying schedule of findings to be significant deficiencies in internal control. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of Sealy, Texas, in a separate letter dated April 3, 2013.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

April 3, 2013





**SEIDEL, SCHROEDER & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

**Compliance**

We have audited the City of Sealy, Texas's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Sealy, Texas complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose

of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

April 3, 2013

A handwritten signature in black ink, appearing to read "Seidel, Shueh & Company". The signature is written in a cursive, flowing style.



CITY OF SEALY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Sealy, Texas (the "City").
2. Two significant deficiencies disclosed during the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 to be reported in this Schedule.
7. The program tested as a major program was: Department of the Interior/Texas Parks and Wildlife Department - CFDA No. 15.916
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City did not qualify as a low-risk auditee.

CITY OF SEALY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FINDINGS – FINANCIAL STATEMENT AUDIT

12-1 Segregation of duties – accounts payable

*Condition and Criteria:* The City Secretary performs bank reconciliations, has signature authority, and is backup for entering accounts payable transactions. In addition, there is no review of bank reconciliations. As an offsetting control, dual signatures are required on all disbursements.

*Recommendation:* To limit exposure, we recommend that the Director of Finance or other appropriate personnel review the bank reconciliations.

*Response:* The City will implement procedures to include a review of bank reconciliations.

12-2 Segregation of duties – municipal court

*Condition and Criteria:* The municipal court clerk and court administrator post daily cash receipts and collect payments. The court administrator prepares quarterly fine tax reports, maintains the docket book, and makes adjustments.

*Recommendation:* To limit exposure, we recommend that the City Secretary review the adjustments report and compare daily collections to deposits and that the Director of Finance reviews the quarterly reports.

*Response:* The recommended procedures are in effect and will continue to be followed.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

City of Sealy, Texas  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012

| Federal Grantor/<br>Pass-Through Grantor/<br>Program Title  | Federal<br>CFDA<br>Number | Federal<br>Expenditures  |
|---|---------------------------|--------------------------|
| <b>Federal Highway Administration</b>   |                           |                          |
| Texas Department of Transportation<br>2009 Safe Routes to School Improvements                             | 20.205                    | \$ 5,545                 |
| <b>Department of Housing and Urban Development</b>  |                           |                          |
| Texas Department of Rural Affairs<br>Texas Community Development Block                                    | 14.218                    | 43,347                   |
| <b>Department of the Interior</b>   |                           |                          |
| Texas Parks and Wildlife Department<br>Local Park Grants Program - Jacqueline A. Cryan Memorial Town Park | 15.916                    | 480,109                  |
| <b>Department of Justice</b>  |                           |                          |
| Texas Department of Criminal Justice<br>Sealy Police Department Equipment Enhancement Program             | 16.738                    | 112,419                  |
| Bulletproof Vest Program  | 16.607                    | 375                      |
| <b>Total Expenditures of Federal Awards</b>   |                           | <u><u>\$ 641,795</u></u> |





