



City of Seabrook, Texas

**Comprehensive Annual
Financial Report**

October 1, 2011 through September 30, 2012

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

of the

CITY OF SEABROOK, TEXAS

For the Year Ended
September 30, 2012

Prepared by
City Administration and the Finance and Accounting Office

Kelly E. Templin
City Manager

Gayle Cook
Assistant City Manager

Pamela J. Lab
Director of Finance

(This page intentionally left blank.)

CITY OF SEABROOK, TEXAS

TABLE OF CONTENTS

September 30, 2012

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	3
Organizational Chart	8
Certificate of Achievement for Excellence in Financial Reporting	9
Principal Officials	10
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	13
Management's Discussion and Analysis (Required Supplementary Information)	17
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements	
Statement of Net Assets	29
Statement of Activities	30
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet – Governmental Funds	32
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	35
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	36
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	39
Proprietary Funds Financial Statements	
Statement of Net Assets	40
Statement of Revenues, Expenses, and Changes in Fund Net Assets	42
Statement of Cash Flows	43
Notes to Financial Statements	45
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
General Fund	68
CDBG Grant Fund	71
Schedule of Funding Progress – Texas Municipal Retirement System	73
<u>COMBINING STATEMENTS AND SCHEDULES</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Debt Service Fund	77

CITY OF SEABROOK, TEXAS

TABLE OF CONTENTS

September 30, 2012

	<u>Page</u>
Combining Balance Sheet – Nonmajor Governmental Funds	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	82
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Nonmajor Special Revenue Funds:	
Hotel/Motel Occupancy Tax	84
Municipal Court Programs	85
Park Improvement Fees	86
Crime Control and Prevention District	87
Public Safety Programs	88
Cable PEG Fees	89
 <u>STATISTICAL SECTION</u>	
Net Assets by Component	92
Changes in Net Assets	94
Tax Revenues by Source, Governmental Activities	98
Fund Balances, Governmental Funds	100
Changes in Fund Balances, Governmental Funds	102
Assessed Value and Actual Value of Taxable Property	104
Property Tax Rates – Direct and Overlapping Governments	106
Principal Property Taxpayers	109
Property Tax Levies and Collections	110
Ratios of Outstanding Debt by Type	112
Ratio of Net Bonded Debt to Assessed Value, Net Bonded Debt Per Capita, and Assessed and Estimated Actual Value of Taxable Property	114
Direct and Overlapping Governmental Activities Debt	117
Pledged-Revenue Coverage	118
Demographic and Economic Statistics	120
Principal Employers	121
Full-Time Equivalent City Government Employees by Function/Program	123
Operating Indicators by Function/Program	124
Capital Asset Statistics by Function/Program	126

INTRODUCTORY SECTION

(This page intentionally left blank.)



March 15, 2013

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

The City of Seabrook, Texas (the City), is required to publish each year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Seabrook for the fiscal year ended September 30, 2012.

This report consists of management's representations concerning the finances of the City and deems the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of all City activities and funds. Therefore, management assumes full responsibility for the completeness and reliability of all information presented in this report. The City also acknowledges all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements have been audited by Belt Harris Pechacek, LLLP, a firm of licensed public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements for the year ended September 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

As required by GAAP, management has provided a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A, and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Seabrook, incorporated in 1961, is in southeastern Harris County and is located in the Clear Lake area which is approximately 25 miles southeast of Houston. The City is surrounded by Galveston Bay to the east, Clear Lake to the south, and the cities of Pasadena, El Lago and Taylor Lake Village to the north and west.

The City of Seabrook is a home-rule city and has adopted a Council-Manager form of government. The City Council is comprised of a mayor and six council members. The Mayor and Council Members are elected at large to serve three-year terms. The City Manager is appointed by the City Council and is responsible for implementation of City Council's policies and all day-to-day operations of the City.

A full range of municipal services is provided by the City of Seabrook including police and fire protection; emergency medical services; solid waste; water and wastewater utilities; public improvements; repair and maintenance of infrastructure; recreational and community activities; planning and zoning; and general administrative services.

As an independent political subdivision of the State of Texas, the City is considered a primary government. Pursuant to standards established by the Governmental Accounting Standards Board (GASB), the City reports for all funds for which the City, as a primary government, is financially accountable. As such, this report includes financial activities of two component units as follows: The Seabrook Economic Development Corporation was created by the City in 1992 under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting and enhancing economic and related development activities on behalf of the City. The Seabrook Crime Control and Prevention District was created under the authority granted by Chapter 363 of the Texas Local Government Code and Section 323.105 of the Texas Tax Code for the purpose of strengthening and enhancing crime control activities of the City.

Local Economy

The Clear Lake area, of which Seabrook is a part, is home to NASA's Johnson Space Center and is known to be the third largest boating center in the United States. The regional economy is very diverse and not driven by just one or two industries. Everything from tourism, boating and recreation industries to aerospace, petrochemical and biomedical facilities can be found in the immediate Clear Lake area. The Port of Houston's Bayport Cruise Terminal, which lies just north of the City, will bring tourists and related industries to the City, following the announcement of the signing of two cruise lines that will begin operating at the terminal in the fall of 2013.

The City of Seabrook continues to remain in a strong financial position in the Clear Lake area while still recovering from the effects and rebuilding from Hurricane Ike along with balancing the effects of the national economic crisis. The City of Seabrook continues to have a strong economic position as part of the greater Clear Lake area. The City completed a redevelopment plan for the South Seabrook Marine District and Seabrook waterfront areas. As part of implementing this plan, the City initiated an aggressive redevelopment strategy for its waterfront commercial district, known locally as "The Point." The strategy involves the raising of Waterfront Drive along with improved drainage, lighting and landscaping. Construction is scheduled to begin on the project in the spring of 2013. As "The Point" is directly across Clear Creek from the Kemah Boardwalk, it is anticipated this will go a long way to strengthen local tourism and expand Seabrook's tax base.

Long-Term Financial Planning

The City of Seabrook adopts a one-year budget, including a five-year capital improvement program. The budget process includes review of the City's long-term financial plan by updating projected revenues, operating expenditures and capital needs for the ensuing five years. Based on this forecast the City will be able to accomplish the following:

- Fund existing services at current service levels
- Maintain healthy fund balances that meet policy requirements
- Meet current and future debt service obligations
- Provide for adequate maintenance of capital and equipment and for their orderly replacement
- Pay for current expenditures with current revenues and available cash reserves

The City completed its utility rate study and implemented a new rate structure, complying with AWWA standards in January, 2006. As part of the study the City developed a five-year rate plan to meet current and future obligations. The rate plan and current and future needs are reviewed each year allowing the City to set rates that will fully support the utility operations and future capital and debt obligations while at the same time minimizing the impact to the citizens.

In December 2011, the City adopted an ordinance establishing a Budget Stabilization Fund. Using surplus revenues from both the general and the enterprise funds from 2011, \$800,000 was set aside to offset any adverse impact caused from the construction on State Highway 146.

The City has maintained a strong bond rating as a result of its prudent fiscal policies.

Major Initiatives

In January 2008, the City issued its third and final phase of a bond program that was approved by voters in 2002. \$4.335 million in G.O. bonds and \$1.612 million in Water and Sewer bonds were sold. The funds were used for the following projects:

Repsdorph Road - Harris County partnered with the City of Seabrook to make major improvements to the City's roadway network. This \$15.9 million project included the widening of Repsdorph Road from NASA Parkway north to connect to Lakeside Drive which will be extended from its current terminus. The two improved roads meet at a traffic circle. These improvements greatly improve the SH 146/Repsdorph Road intersection from two to five traffic lanes and provide ample access to a recently zoned commercial tract that encompasses the traffic circle. Construction on this project was completed in May of 2012.

Evelyn Meador Library - Harris County has again partnered with the City of Seabrook to expand the County library located in the City of Seabrook. \$1.299 million in GO bonds was issued for this purpose. Construction is complete and the library was reopened in May of 2011.

Carothers Coastal Gardens - In January 2008, the City also issued \$2.5 million in GO bonds to purchase approximately 8 acres of land which had been approved by the voters in November 2007. The property, which is on Galveston Bay, borders Pine Gully Park on the north and includes a hacienda-style main house, a small cottage and extensive gardens. Improvements to bring the property up to code for heavy public use were completed and the property hosted its first wedding in April 2011. It has since become a desirable location for weddings and corporate events, booking many months in advance.

The Port of Houston Authority has completed a cruise ship terminal at their Bayport facility just to the north of Seabrook. The planned access road for this terminal is an eastward extension of Red Bluff Road where it intersects State Highway 146. Recent rezoning in this area made possible the construction of an 86-room Comfort Suites hotel, Shell service station with an adjoining fast food restaurant and 12,000 square foot retail shopping center. These will capitalize on anticipated traffic resulting from the cruise terminal and the increasing traffic on SH 146. TXDOT finished construction on the new SH 146/Red Bluff overpass in January of 2013.

In September 2010, the City issued \$900,000 in Certificates of Obligation. Proceeds of this sale funded the 700-foot extension of Lakeside Drive allowing it to connect to the now completed Harris County Repsdorph Road project.

In 2009, the City was awarded a \$3 million EDA grant and in 2010, an \$8.57 million CDBG grant. These funds will combine to provide much needed improvements to Waterfront Drive which includes the relocation of electric, water and sanitary sewer utilities as well as the raising and widening of the road, itself.

As a result of Hurricane Ike, the CDBG grant also provided funding for the installation of generators at all three of the City's water well sites, repairs to streets that were submerged by flood waters and to construct a breakwater at Pine Gully to prevent sediment from entering the gully which will reduce future flooding.

In February of 2012, the City was notified by the Texas General Land Office (GLO) of the award of an additional \$1,588,499 in Supplemental Disaster Relief Funds. This money will be used for drainage improvements, principally in the Hester Gully drainage basin.

Current City Capital Projects, all funded with Disaster Relief Funds made available in the wake of Hurricane Ike consist of:

Lakeside Drive Rebuild – This project involved the rebuilding of 2,200 feet of the boulevard section from NASA Parkway to De Four Trace. The project was completed in April 2012.

Seascape Subdivision Entries – Completed in August of 2012, two Seascape subdivision entrances at N & S Flamingo were reconstructed consisting of 8" reinforced concrete pavement with 6" cement stabilized subgrade.

El Mar Street Rebuild – El Mar Lane was reconstructed from State Highway 146 to North Meyer Avenue. The entire street (3,150 ft) was completely replaced with reinforced concrete pavement with curb and gutter drainage system. In addition, all driveways and sidewalks were removed and replaced with new reinforced concrete up to and within the street right-of-way. This project, completed in August of 2012, greatly improved the street & drainage situation where ponding and flooding were major issues during heavy rain falls.

Upper Pine Gully Channel – This project involves the widening of approximately 5,300 feet of Pine Gully and will result in enhanced flood control for the City. The resulting fill will be used to raise the roadbed and surrounding properties in the Waterfront Project (described above).

Water Well Generators – This project, completed in May of 2012, involved the location of natural gas generators at the City's three ground water wells. This investment will allow the City

security if its water supply is interrupted or impeded as a result of a construction, mishap, or act of nature.

Lower Pine Gully Channel and Breakwater – This project involves the removal of silt, the restoration of marsh land and the construction of a breakwater at the mouth of Pine Gully. This project is pending approval from the US Army Corps of Engineers and is a cooperative venture between the City, the Port of Houston Authority and the Galveston Bay Foundation. This project is currently underway.

Certificate of Achievement

The City of Seabrook received the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the year ended September 30, 2011. This was the 32nd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting standards and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for an award.

Acknowledgments

The preparation of this report was accomplished with the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the departments who assisted and contributed to its preparation. We would also like to thank the Mayor, members of the City Council, and the City Manager for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.



Kelly E. Templin
City Manager

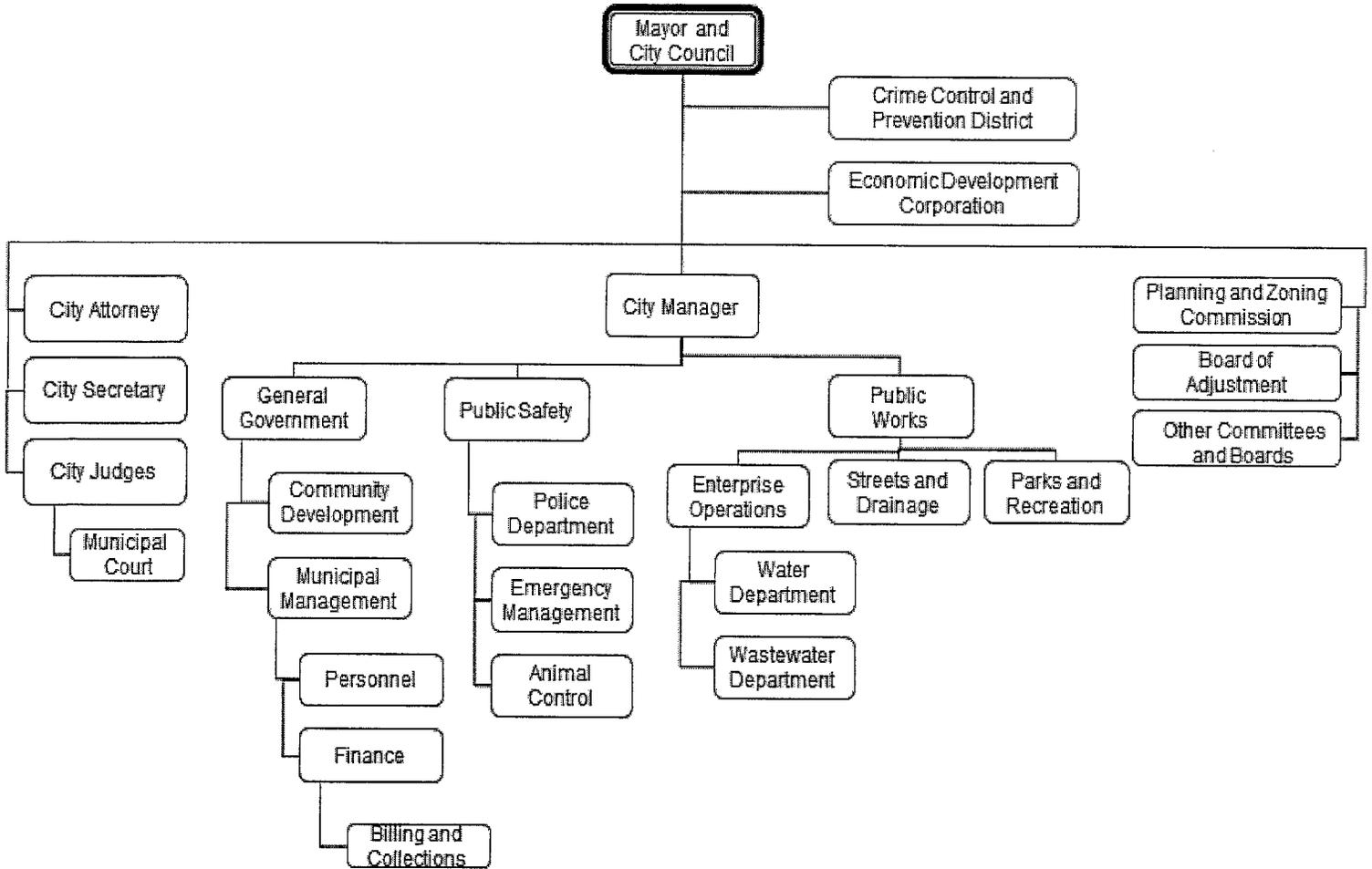


Pamela J. Lab
Director of Finance

CITY OF SEABROOK, TEXAS

ORGANIZATIONAL CHART

September 30, 2012



CITY OF SEABROOK, TEXAS

*CERTIFICATE OF ACHIEVEMENT FOR
EXCELLENCE IN FINANCIAL REPORTING*

September 30, 2012

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

Presented to

**City of Seabrook
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. Morrell

President

Jeffrey R. Emmer

Executive Director

CITY OF SEABROOK, TEXAS

PRINCIPAL OFFICIALS

September 30, 2012

<u>City Officials</u>	<u>Elective Position</u>	<u>Term Expires</u>
Glenn Royal	Mayor	05/2014
Robert Llorente	Council Member – Position One	05/2015
Mike Giangrosso	Council Member – Position Two	05/2014
Gary Johnson	Council Member – Position Three	05/2015
Don Holbrook	Council Member – Position Four	05/2014
Thom Kolupski	Council Member – Position Five	05/2015
Laura Davis	Council Member – Position Six/Mayor ProTem	05/2014

<u>Key Staff</u>	<u>Position</u>
Kelly Templin	City Manager
Gayle Cook	Assistant City Manager
Pam Lab	Finance Director
Michele Glaser	City Secretary
Nona Holomon	Director of Public Safety
Arturo Chairez	Director of Public Services
Carolyn Webbon	Municipal Judge

FINANCIAL SECTION

(This page intentionally left blank.)



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Seabrook, 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 the City of Seabrook, 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 the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 the City as of September 30, 2012, and the respective changes in financial position and where applicable, cash flows thereof 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 March 15, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 read in conjunction with this report in considering the results of our audit.

Partners

Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston

3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville

6100 Windy Hill Lane
Bellville, TX 77418
979.865.3169

Austin

100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices

www.texasauditors.com
info@txauditors.com
713.263.1550 fax



The Management's Discussion and Analysis, budgetary comparison information, and schedule of funding progress are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 as a whole. The introductory section, combining statements and schedules, and statistical section are presented for purposes of additional analysis and are not required parts of the financial statements. The combining fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 15, 2013

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

(This page intentionally left blank.)

CITY OF SEABROOK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

The Statement of Activities presents information showing how the City's net assets changed during the most recent year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Assets and the Statement of Activities divide the City into two classes of activities:

1. Governmental Activities – Most of the City's basic services are reported here including public safety, public works, economic development, and general administrative services. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise taxes, municipal court fines and permit fees finance most of these activities.
2. Business-Type Activities – Services involving a fee for those services are reported here. These services include the City's water, sewer, and sanitation services.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

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

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the CDBG grant fund, which are considered to be major funds. The City adopts an annual appropriated budget for its general fund, debt service fund, and select special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

CITY OF SEABROOK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

Proprietary Funds

The City maintains one type of proprietary fund, which is an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer system, and sanitation services. The proprietary fund financial statements provide separate information for the utility enterprise fund. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information (RSI). RSI includes budgetary comparison schedules for the City's general fund and major special revenue funds, as well as a schedule of funding progress for the City's pension benefits.

The combining statements, referred to earlier in connection with nonmajor governmental funds, are presented immediately following the RSI.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For the City, assets exceed liabilities by \$36,720,520 as of September 30, 2012. A comparative analysis of government-wide data has been presented as a component of the MD&A for the year ending September 30, 2012. The largest portion of the City's net assets, 62 percent, reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF SEABROOK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

Statement of Net Assets:

The following table reflects the condensed Statement of Net Assets:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 10,299,123	\$ 9,386,744	\$ 7,554,627	\$ 7,708,685	\$ 17,853,750	\$ 17,095,429
Capital assets, net	30,186,099	26,792,523	12,835,398	12,280,505	43,021,497	39,073,028
Total Assets	40,485,222	36,179,267	20,390,025	19,989,190	60,875,247	56,168,457
Long-term liabilities	17,526,501	18,167,806	4,882,847	5,306,225	22,409,348	23,474,031
Other liabilities	900,992	782,085	844,387	903,921	1,745,379	1,686,006
Total Liabilities	18,427,493	18,949,891	5,727,234	6,210,146	24,154,727	25,160,037
Net assets:						
Invested in capital assets, net of related debt	14,144,650	15,440,360	8,429,256	7,593,022	22,573,906	23,033,382
Restricted	4,701,768	3,264,045	2,318,565	2,451,025	7,020,333	5,715,070
Unrestricted	3,211,311	(1,475,029)	3,914,970	3,734,997	7,126,281	2,259,968
Total Net Assets	\$ 22,057,729	\$ 17,229,376	\$ 14,662,791	\$ 13,779,044	\$ 36,720,520	\$ 31,008,420

A portion of the City's net assets, \$7,020,333 or 19 percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$7,126,281 or 19 percent, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net assets increased by \$5,712,100 as compared to the prior year. This increase is largely the result of an increase in governmental capital grants and contributions and property tax revenue, as well as a decrease in water and sewer expenses.

CITY OF SEABROOK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

Statement of Activities:

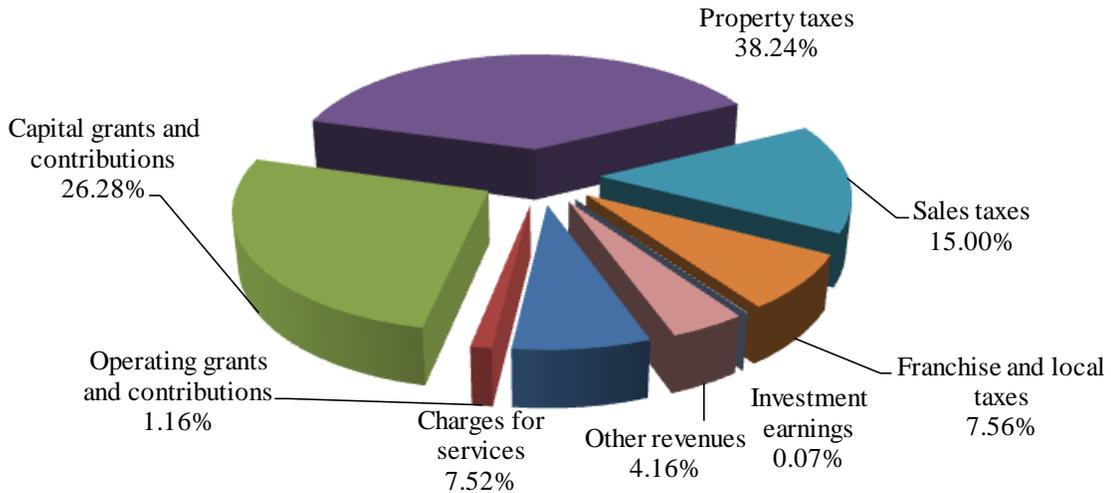
The following table provides a summary of the City's changes in net assets:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 1,070,691	\$ 1,243,869	\$ 6,040,302	\$ 6,565,154	\$ 7,110,993	\$ 7,809,023
Operating grants and contributions	165,018	289,739	-	-	165,018	289,739
Capital grants and contributions	3,739,274	37,775	218,259	154,624	3,957,533	192,399
General revenues:						
Property taxes	5,442,550	5,285,995	-	-	5,442,550	5,285,995
Sales taxes	2,135,045	2,482,676	-	-	2,135,045	2,482,676
Franchise taxes	1,075,551	715,650	-	-	1,075,551	715,650
Investment earnings	10,124	10,707	6,945	7,337	17,069	18,044
Other revenues	592,662	501,112	247,473	264,034	840,135	765,146
Total Revenues	14,230,915	10,567,523	6,512,979	6,991,149	20,743,894	17,558,672
Expenses						
General government	2,044,188	3,523,480	-	-	2,044,188	3,523,480
Public safety	4,444,193	5,008,177	-	-	4,444,193	5,008,177
Public works	3,191,383	1,326,336	-	-	3,191,383	1,326,336
Economic development	303,003	321,532	-	-	303,003	321,532
Interest and fiscal agent fees	759,480	811,818	-	-	759,480	811,818
Utilities	-	-	4,289,547	4,475,897	4,289,547	4,475,897
Total Expenses	10,742,247	10,991,343	4,289,547	4,475,897	15,031,794	15,467,240
Revenues Over (Under) Expenses	3,488,668	(423,820)	2,223,432	2,515,252	5,712,100	2,091,432
Transfers	1,339,685	1,569,873	(1,339,685)	(1,569,873)	-	-
Change in Net Assets	4,828,353	1,146,053	883,747	945,379	5,712,100	2,091,432
Beginning net assets	17,229,376	16,083,323	13,779,044	12,833,665	31,008,420	28,916,988
Ending Net Assets	\$ 22,057,729	\$ 17,229,376	\$ 14,662,791	\$ 13,779,044	\$ 36,720,520	\$ 31,008,420

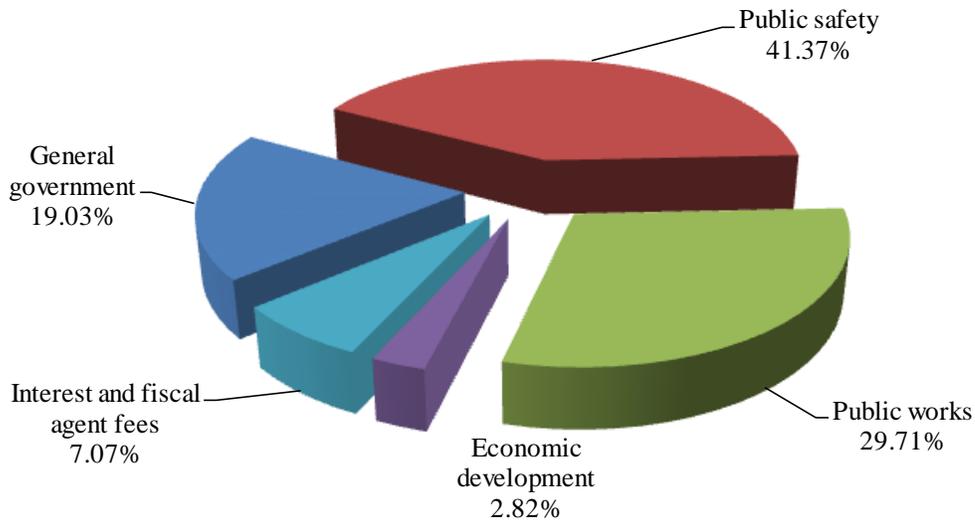
CITY OF SEABROOK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

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

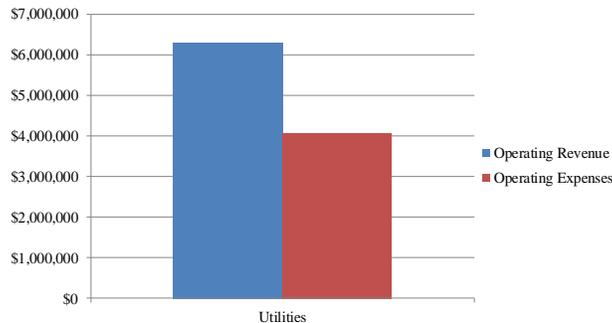
Governmental Revenues



Governmental Expenses



Business-type Activities



CITY OF SEABROOK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

For the year ended September 30, 2012, revenues from governmental activities totaled \$14,230,915, which is an increase of \$3,663,392 over the prior year. This is primarily due to an increase in grant revenues and property taxes.

For the year ended September 30, 2012, expenses for governmental activities totaled \$10,742,247. Overall governmental expenses decreased by two percent. This is related to a decrease in public safety, economic development, and interest and fiscal agent fees.

Operating revenues and expenses for business-type activities decreased from the prior year. Charges for services decreased by \$524,852, or 8 percent, because of higher water consumption levels in the prior year due to a drought. Capital grants and contributions increased by \$63,635, or 41 percent, because of an increase in water and sewer impact fees.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The City's governmental funds reflect a combined fund balance of \$8,925,773. Of this, \$24,872 is nonspendable, \$4,701,768 is restricted for various purposes, \$800,532 is assigned to cover potential future budget shortfalls, and \$53,000 is assigned for civil service accrued sick leave payouts. The remaining balance of \$3,345,601 is unassigned in the general fund.

There was a net increase in the combined fund balance of \$859,342 compared to the prior year, primarily due to an increase in property tax revenue and grant proceeds.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$3,345,601, while total fund balance reached \$4,223,810. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 38 percent of total general fund expenditures while total fund balance represents 48 percent of the same amount. The general fund demonstrated an overall increase of \$975,834 primarily due to transfers from other funds.

The debt service fund has a total fund balance of \$1,746,037, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$37,239. This planned increase can be attributed to the increase in property tax revenue.

The CDBG grant fund has a zero fund balance at year end as revenues were equal to expenditures.

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

CITY OF SEABROOK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

GENERAL FUND BUDGETARY HIGHLIGHTS

There had been a planned decrease in budgeted fund balance in the amount of \$40,167 in the general fund. However, the net change in fund balance increased by \$209,253, resulting in a positive variance of \$249,420 from budgeted as amended over actual. This was largely due to lower-than-anticipated expenditures across all functions.

Actual general fund revenues were more than original and amended budgeted revenues by \$13,658 during 2012. This variance was primarily due to positive variances of \$5,381 for charges for services revenue and \$6,842 for miscellaneous revenues.

Actual expenditures were less than budgeted amounts by \$235,762 for the fiscal year. The greatest positive variances were in the general government and public safety functions.

CAPITAL ASSETS

At the end of the current year, the City's governmental activities funds had invested \$30,186,099 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$3,393,576. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34 with an increase in depreciation expense of \$1,009,764.

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

- Generator wells for \$790,073
- Fire rescue boat for \$460,819
- HVAC air conditioning for \$631,478
- Land ROW purchases for \$732,612
- Various infrastructure projects for \$2,277,557

More detailed information about the City's capital assets is presented in Note III.C of the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds and certificates of obligation outstanding of \$21,933,000. Of this amount, \$16,110,000 was general obligation debt, \$4,958,000 was revenue bond debt, and certificates of obligation accounted for \$865,000.

More detailed information about the City's long-term liabilities is presented in Note III.D of the financial statements.

CITY OF SEABROOK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

Current underlying ratings on debt issues are as follows:

<u>Debt Type</u>	<u>Moody's Investors Services</u>	<u>Standard and Poor's</u>
General obligation bonds	A3	AA-
Revenue bonds	Baa1	AA-

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council provided staff with their vision for the future of the City and specific policy guidance with which to propose the fiscal year 2013 budget. The City's general fund revenue is principally made up of property taxes, sales taxes, and franchise fees. The revenues projections for the budget are based on historical data, estimates from the finance department and individual department heads, but they have been projected conservatively.

The Seabrook City Council approved a general fund budget of \$9.6 million for the 2013 fiscal year. The 2013 budget incorporated a tax rate increase of \$.015354 (2.4%) to \$.665232 per \$100 of valuation.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Pamela Lab, Finance Director, City Hall, 1700 First Street, Seabrook, TX, 77586, telephone (281) 291-5677, or for general City information, visit the City's website at <http://www.seabrooktx.gov>.

(This page intentionally left blank.)

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank.)

CITY OF SEABROOK, TEXAS

STATEMENT OF NET ASSETS

September 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 7,606,974	\$ 3,742,357	\$ 11,349,331	\$ 2,141,313
Receivables, net of allowances	2,385,260	710,247	3,095,507	555,415
Internal balances	551	(551)	-	-
Due from component unit	562	-	562	-
Prepays and other assets	24,872	-	24,872	562
Deferred charges	280,904	112,100	393,004	6,740
Restricted assets:				
Temporarily restricted cash and cash equivalents	-	2,990,474	2,990,474	-
	<u>10,299,123</u>	<u>7,554,627</u>	<u>17,853,750</u>	<u>2,704,030</u>
Capital assets:				
Non-depreciable capital assets	13,007,888	171,724	13,179,612	-
Depreciable capital assets, net	17,178,211	12,663,674	29,841,885	-
	<u>30,186,099</u>	<u>12,835,398</u>	<u>43,021,497</u>	<u>-</u>
Total Assets	<u>40,485,222</u>	<u>20,390,025</u>	<u>60,875,247</u>	<u>2,704,030</u>
Liabilities				
Accounts payable and accrued liabilities	836,680	812,240	1,648,920	146,351
Due to primary government	-	-	-	562
Unearned revenue	6,928	-	6,928	-
Accrued bond interest	57,384	32,147	89,531	1,080
Noncurrent liabilities:				
Portion due within one year:	1,022,111	262,735	1,284,846	180,908
Portion due in more than one year:	16,504,390	4,620,112	21,124,502	-
Total Liabilities	<u>18,427,493</u>	<u>5,727,234</u>	<u>24,154,727</u>	<u>328,901</u>
Net Assets				
Invested in capital assets, net of related debt	14,144,650	8,429,256	22,573,906	-
Restricted for:				
Debt service	1,746,037	-	1,746,037	-
Public safety	867,617	-	867,617	-
Parks	47,468	-	47,468	-
Tourism	954,294	-	954,294	-
Community development	8,392	-	8,392	-
Capital projects	1,077,960	2,318,565	3,396,525	-
Economic development	-	-	-	2,375,129
Unrestricted	3,211,311	3,914,970	7,126,281	-
Total Net Assets	<u>\$ 22,057,729</u>	<u>\$ 14,662,791</u>	<u>\$ 36,720,520</u>	<u>\$ 2,375,129</u>

See Notes to Financial Statements.

CITY OF SEABROOK, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,044,188	\$ 134,229	\$ -	\$ -
Public safety	4,444,193	709,306	40,018	-
Public works	3,191,383	227,156	-	3,739,274
Economic development	303,003	-	125,000	-
Interest and fiscal agent fees	759,480	-	-	-
Total Governmental Activities	<u>10,742,247</u>	<u>1,070,691</u>	<u>165,018</u>	<u>3,739,274</u>
Business-Type Activities				
Utilities	4,289,547	6,040,302	-	218,259
Total Business-Type Activities	<u>4,289,547</u>	<u>6,040,302</u>	<u>-</u>	<u>218,259</u>
Total Primary Government	<u>\$ 15,031,794</u>	<u>\$ 7,110,993</u>	<u>\$ 165,018</u>	<u>\$ 3,957,533</u>
Component Unit				
Seabrook Economic Development Corp	\$ 1,014,142	\$ -	\$ 25,000	\$ 583,003
Total Component Unit	<u>\$ 1,014,142</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 583,003</u>

General Revenues:

- Property taxes
- Sales taxes
- Franchise fees and taxes
- Investment revenue
- Other revenues
- Transfers

Total General Revenues and Transfers

Change in Net Assets

Beginning net assets

Ending Net Assets

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (1,909,959)	\$ -	\$ (1,909,959)	\$ -
(3,694,869)	-	(3,694,869)	-
775,047	-	775,047	-
(178,003)	-	(178,003)	-
(759,480)	-	(759,480)	-
<u>(5,767,264)</u>	<u>-</u>	<u>(5,767,264)</u>	<u>-</u>
-	1,969,014	1,969,014	-
-	1,969,014	1,969,014	-
<u>(5,767,264)</u>	<u>1,969,014</u>	<u>(3,798,250)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (406,139)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (406,139)</u>
5,442,550	-	5,442,550	-
2,135,045	-	2,135,045	691,143
1,075,551	-	1,075,551	-
10,124	6,945	17,069	3,658
592,662	247,473	840,135	2,045
1,339,685	(1,339,685)	-	-
<u>10,595,617</u>	<u>(1,085,267)</u>	<u>9,510,350</u>	<u>696,846</u>
4,828,353	883,747	5,712,100	290,707
<u>17,229,376</u>	<u>13,779,044</u>	<u>31,008,420</u>	<u>2,084,422</u>
<u>\$ 22,057,729</u>	<u>\$ 14,662,791</u>	<u>\$ 36,720,520</u>	<u>\$ 2,375,129</u>

CITY OF SEABROOK, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2012

	General	Debt Service	CDBG Grant	Other Governmental
<u>Assets</u>				
Cash and cash equivalents	\$ 2,971,435	\$ 1,740,731	\$ -	\$ 2,894,808
Receivables, net	1,002,499	67,758	1,061,440	253,563
Due from other funds	962,309	5,307	-	-
Due from component unit	562	-	-	-
Prepaid items	24,677	-	-	195
Total Assets	\$ 4,961,482	\$ 1,813,796	\$ 1,061,440	\$ 3,148,566
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 468,113	\$ -	\$ 99,975	\$ 178,932
Deposits payable	-	-	-	9,130
Due to other funds	5,307	-	961,465	293
Due to others	80,530	-	-	-
Deferred revenue	183,722	67,759	-	4,285
Total Liabilities	737,672	67,759	1,061,440	192,640
<u>Fund Balances</u>				
Nonspendable:				
Prepays	24,677	-	-	195
Restricted for:				
Debt service	-	1,746,037	-	-
Public safety	-	-	-	867,617
Parks	-	-	-	47,468
Tourism	-	-	-	954,294
Community development	-	-	-	8,392
Capital projects	-	-	-	1,077,960
Assigned for:				
Contingency	800,532	-	-	-
Civil service sick leave	53,000	-	-	-
Unassigned	3,345,601	-	-	-
Total Fund Balances	4,223,810	1,746,037	-	2,955,926
Total Liabilities and Fund Balances	\$ 4,961,482	\$ 1,813,796	\$ 1,061,440	\$ 3,148,566

See Notes to Financial Statements.

**Total
Funds**

\$ 7,606,974
2,385,260
967,616
562
24,872
\$ 10,985,284

\$ 747,020
9,130
967,065
80,530
255,766
2,059,511

24,872

1,746,037
867,617
47,468
954,294
8,392
1,077,960

800,532
53,000
3,345,601
8,925,773
\$ 10,985,284

(This page intentionally left blank.)

CITY OF SEABROOK, TEXAS
RECONCILIATION OF THE GOVERNMENTAL
FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
September 30, 2012

Total fund balances - governmental funds	\$	8,925,773
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Capital assets, non-depreciable		13,007,888
Capital assets, net depreciable		17,178,211
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
		248,838
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Accrued interest payable		(57,384)
Non-current liabilities due in one year		(1,022,111)
Non-current liabilities due in more than one year		(16,504,390)
Deferred charges for issuance costs		280,904
Net Assets of Governmental Activities	\$	<u>22,057,729</u>

See Notes to Financial Statements.

CITY OF SEABROOK, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2012

	General	Debt Service	CDBG Grant	Other Governmental
Revenues				
Property taxes	\$ 4,073,793	\$ 1,412,466	\$ -	\$ -
Sales taxes	1,480,279	-	-	654,766
Franchise fees and local taxes	675,129	-	-	400,422
Licenses and permits	227,156	-	-	-
Fines and forfeitures	653,232	-	-	56,074
Charges for services	69,881	-	-	64,348
Intergovernmental	165,018	-	3,739,274	-
Investment revenue	4,516	2,631	-	2,977
Other revenue	386,657	-	-	206,005
Total Revenues	7,735,661	1,415,097	3,739,274	1,384,592
Expenditures				
Current:				
General government	3,432,253	-	-	24,714
Public safety	3,766,899	-	-	764,775
Public works	1,689,222	-	3,739,274	-
Economic development	-	-	-	303,003
Capital outlay	-	-	-	445,831
Debt service:				
Principal	-	652,500	-	-
Interest and fiscal agent fees	-	725,358	-	-
Total Expenditures	8,888,374	1,377,858	3,739,274	1,538,323
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,152,713)	37,239	-	(153,731)
Other Financing Sources (Uses)				
Transfers in	2,128,547	-	-	-
Total Other Financing Sources (Uses)	2,128,547	-	-	-
Net Change in Fund Balances	975,834	37,239	-	(153,731)
Beginning fund balances	3,247,976	1,708,798	-	3,109,657
Ending Fund Balances	\$ 4,223,810	\$ 1,746,037	\$ -	\$ 2,955,926

See Notes to Financial Statements.

**Total
Funds**

\$ 5,486,259
2,135,045
1,075,551
227,156
709,306
134,229
3,904,292
10,124
592,662

14,274,624

3,456,967
4,531,674
5,428,496
303,003
445,831

652,500
725,358

15,543,829

(1,269,205)

2,128,547

2,128,547

859,342

8,066,431

\$ 8,925,773

(This page intentionally left blank.)

CITY OF SEABROOK, 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

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

Net changes in fund balances - total governmental funds	\$	859,342
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		4,415,993
Disposal of capital assets		(12,653)
Depreciation expense		(1,009,764)
<p>The issuance of long-term debt (e.g., bonds, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Net Assets.</p>		
Principal payments		652,500
Amortization of deferred amounts		(35,811)
Compensated absences		766
Accrued interest		1,689
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds.		(43,709)
Change in Net Assets of Governmental Activities	\$	<u>4,828,353</u>

See Notes to Financial Statements.

CITY OF SEABROOK, TEXAS

STATEMENT OF NET ASSETS (Page 1 of 2)

PROPRIETARY FUNDS

September 30, 2012

	<u>Business-Type Activities</u>
	<u>Utility</u>
	<u>Enterprise</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 3,742,357
Accounts receivable (net of allowance for uncollectibles)	710,247
Restricted cash and cash equivalents	2,990,474
Total Current Assets	<u>7,443,078</u>
Noncurrent assets	
Deferred charges	112,100
Capital assets:	
Land	95,750
Buildings	3,119,466
Infrastructure	15,157,856
Equipment	2,549,352
Construction in progress	75,974
Less allowance for depreciation	<u>(8,163,000)</u>
Total Capital Assets (Net)	<u>12,835,398</u>
Total Noncurrent Assets	<u>12,947,498</u>
Total Assets	<u>\$ 20,390,576</u>

See Notes to Financial Statements.

CITY OF SEABROOK, TEXAS

STATEMENT OF NET ASSETS (Page 2 of 2)

PROPRIETARY FUNDS

September 30, 2012

	<u>Business-Type Activities</u>
	<u>Utility</u>
	<u>Enterprise</u>
<u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 366,773
Accrued interest payable	32,147
Due to other funds	551
Customer deposits	445,467
Bonds payable - current	235,000
Compensated absences	27,735
	<hr/>
Total Current Liabilities	1,107,673
Noncurrent liabilities	
Bonds payable, net of deferred charges	4,552,770
Compensated absences	67,342
	<hr/>
Total Noncurrent Liabilities	4,620,112
	<hr/>
Total Liabilities	5,727,785
Net Assets	
Invested in capital assets, net of related debt	8,429,256
Restricted for:	
Capital projects - impact fees	2,318,565
Unrestricted net assets	3,914,970
	<hr/>
Total Net Assets	\$ 14,662,791
	<hr/>

See Notes to Financial Statements.

CITY OF SEABROOK, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For the Year Ended September 30, 2012

		<u>Business-Type Activities</u>
		<u>Utility Enterprise</u>
<u>Operating Revenues</u>		
Water service	\$	2,132,166
Sewer service		2,368,796
Sanitation service		1,539,340
Other revenue		247,473
		<hr/>
Total Operating Revenues		6,287,775
<u>Operating Expenses</u>		
Personnel services		935,422
Supplies and materials		61,951
Contractual services		2,507,475
Repairs and maintenance		105,213
Depreciation		464,667
		<hr/>
Total Operating Expenses		4,074,728
		<hr/>
Operating Income		2,213,047
<u>Nonoperating Revenues (Expenses)</u>		
Investment revenue		6,945
Interest and fiscal agent fees		(214,819)
		<hr/>
Total Nonoperating Revenues (Expenses)		(207,874)
		<hr/>
Income Before Contributions and Transfers		2,005,173
Capital contribution - impact fees		218,259
Capital contribution - capital assets		788,862
Transfers (out)		(2,128,547)
		<hr/>
Total Contributions and Transfers		(1,121,426)
		<hr/>
Change in Net Assets		883,747
Beginning net assets		13,779,044
		<hr/>
Ending Net Assets	\$	14,662,791

See Notes to Financial Statements.

CITY OF SEABROOK, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2012

	<u>Business-Type Activities</u>
	<u>Utility</u>
	<u>Enterprise</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers and users	\$ 6,440,131
Payments to suppliers	(2,754,797)
Payments to employees	(1,011,307)
	<hr/>
Net Cash Provided By Operating Activities	2,674,027
	<hr/>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers to other funds, net	(1,339,685)
	<hr/>
Net Cash (Used) by Noncapital Financing Activities	(1,339,685)
	<hr/>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition and construction of capital assets	(1,019,560)
Interest and fiscal agent fees paid	(214,819)
Bond issuance costs	1,223
Principal paid on capital debt	(347,493)
Capital contribution	218,259
	<hr/>
Net Cash (Used) by Capital and Related Financing Activities	(1,362,390)
	<hr/>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	6,945
	<hr/>
Net Cash Provided by Investing Activities	6,945
	<hr/>
Net (Decrease) in Cash and Cash Equivalents	(21,103)
	<hr/>
Cash and cash equivalents, beginning of year	6,753,934
	<hr/>
Ending Cash and Cash Equivalents	\$ 6,732,831
	<hr/>
Ending Cash and Cash Equivalents:	
Unrestricted cash and cash equivalents	\$ 3,742,357
Restricted cash and cash equivalents	2,990,474
	<hr/>
Ending Cash and Cash Equivalents	\$ 6,732,831
	<hr/>

See Notes to Financial Statements.

CITY OF SEABROOK, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2012

	<u>Business-Type Activities</u>
	<u>Utility</u>
	<u>Enterprise</u>
Reconciliation of Operating Income	
to Net Cash Provided by Operating Activities	
Operating income	\$ 2,213,047
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Depreciation	464,667
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Current Assets:	
Accounts receivable	152,356
Increase (Decrease) in Current Liabilities:	
Accounts payable and accrued liabilities	(89,982)
Accrued interest payable	(1,982)
Due to other funds	(20,624)
Compensated absences	(75,885)
Customer deposits	32,430
	<hr/>
Net Cash Provided by Operating Activities	\$ 2,674,027
	<hr/> <hr/>

See Notes to Financial Statements.

CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Seabrook, Texas (the "City") was incorporated on October 14, 1961 and adopted the "Home Rule Charter" on August 11, 1979, pursuant to the laws of the State of Texas which provides for a Council-Manager form of government.

The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: public safety to include police and fire services, municipal court, drainage, building and code inspection, planning, engineering, street repair and maintenance, park maintenance, recreational activities for citizens, and general administrative services.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The component units, as listed below, although legally separate, are considered part of the reporting entity. No other entities, organizations, or functions have been included as part of the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Units

Seabrook Economic Development Corporation

Seabrook Economic Development Corporation (the "Corporation") has been included in the reporting entity as a discretely presented component unit. The Corporation was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. The Board of Directors is appointed by and serves at the discretion of the City Council. The

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

Corporation's Board of Directors is comprised of the Mayor, a City Council member, and five members who are not employees or City officials, all of whom are appointed by City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net assets of the Corporation shall be conveyed to the City. The operations of the Corporation are presented as a governmental fund type. Separate financial statements of the Corporation may be obtained from the finance department of the City.

Blended Component Units

Crime Control and Prevention District

The Seabrook Crime Control and Prevention District (the "District") has been included in the reporting entity as a blended component unit. The District was created by the City under the authority granted by Chapter 36 of the Texas Local Government Code and Section 323.105 of the Texas Tax Code for the purpose of strengthening and enhancing crime control activities of the City.

An election was held on May 7, 2005 approving the creation of the District and the collection of a one-half cent sales tax to fund its operations, effective on October 1, 2005.

The Board of Directors is substantively the same as City Council. Their respective positions on the Board will be held until their City Council seat is vacated, at which time the incoming elected member of Council will fill the position on the Board. The District was to remain in existence for a period of five years and may then be extended upon approval by the voters. On May 8, 2010, voters approved the renewal of the District for a period of 20 years. In the event of dissolution, net assets of the District shall be conveyed to the City.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

Following is a description of the various funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, and public works.

Special Revenue Funds

The special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds are considered nonmajor funds for reporting purposes, with the exception of the CDBG grant fund.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Funds

The capital projects funds are used to account for the proceeds of general obligation debt and the corresponding expenditures primarily consisting of construction projects. The capital projects fund is considered a nonmajor fund for reporting purposes.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP 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 enterprise funds as presented by GASB.

The proprietary fund types used by the City include the following:

Enterprise Funds

The utility enterprise fund is used to account for the operations that provide water and wastewater collection and the construction of related facilities. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The acquisition,

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation) and other City funds.

C. Measurement Focus and Basis of Accounting

The government-wide Statement of Net Assets and Statement of Activities and all proprietary funds are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net assets. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and component units are accounted for using a current financial resources measurement focus, modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period.

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

D. Assets, Liabilities, and Net Assets or Fund Equity

1. Deposits and Investments

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

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for “money market

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

investments” and “2a7-like pools.” Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools’ share price.

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

- Direct obligations of the U.S. government
- Money market mutual funds that meet certain criteria
- Statewide investment pools
- Certificates of deposit that meet certain criteria
- Fully collateralized direct repurchase agreements

2. Receivables

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

Advances between funds are reported as nonspendable in applicable governmental funds to indicate they are not available for appropriation and are not expendable, available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

Property taxes

Property taxes are levied during October of each year and are due upon receipt of the City’s tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased (i.e., the consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	50 years
Building improvements	20 years
Machinery and equipment	10 to 15 years
Water and sewer system	40 to 50 years
Infrastructure	30 to 50 years
Vehicles	5 to 10 years

5. Compensated Employee Absences

Employees earn vacation based on years of service with the City. Amounts accumulated may be paid to employees upon termination of employment or during employment. However, at least five consecutive days of earned vacation must be taken each year. Sick leave and long-term disability are not accrued but recognized when paid, since no liability exists upon termination of employment.

The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities Statement of Net Assets. The long-term debt consists primarily of bonds payable and accrued compensated absences.

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

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax, along with interest earned, in the debt service fund.

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

7. Fund Equity

Fund balances of governmental funds are classified as follows:

Nonspendable fund balance – represents amounts that cannot be spent because they are either in nonspendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts that are constrained by external parties, constitutional provisions, or by enabling legislation.

Committed fund balance – represents amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. The commitment must be made prior to year end.

Assigned fund balance – represents amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates authority. Assignments can be made at any time.

Unassigned fund balance – represents amounts which are available for any purpose. Positive amounts are reported only in the general fund. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for which restricted, committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of restricted, then committed, then assigned funds, and finally unassigned funds.

The City Council is the government's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council. The resolution must either be approved or rescinded, as

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

By resolution, the Council has also authorized the City Manager as the official authorized to assign fund balance to a specific purpose as approved by the City's fund balance policy. Assignments of fund balance by the City Manager do not require formal action by the City Council.

The City strives to maintain an unassigned fund balance equivalent to 25 percent of budgeted expenditures, based on current year expenditures. The purpose of the unassigned balance is to alleviate significant unanticipated budget shortfalls and to ensure the orderly provisions of services to citizens. Should unassigned fund balance fall below the goal or have a deficiency, the City will seek to adjust budget resources in the subsequent fiscal years to restore the balance.

8. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

9. Estimates

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except the capital projects funds, which adopt a project length budget. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter in the approved budget is the department level. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended. The CDBG grant fund, hotel/motel fund, municipal court program fund, park improvement fund, crime control and prevention district fund, public safety programs fund, and cable PEG fees fund are all special revenue funds that have adopted budgets.

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Investment Type	Fair Value	Weighted Average Maturity (Years)
External investment pool	\$ 15,278,149	0.00
Total Fair Value	\$ 15,278,149	
Portfolio weighted average maturity		0.00

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The City’s investment policy limits investments in public fund investment pools rated as to investment quality not less than “AM” or “AAA-m,” or at an equivalent rating by at least one nationally recognized rating service. Investments in SEC registered and regulated money market mutual funds must have an investment quality not less than “AAA-,” or at an equivalent rating by at least one nationally recognized rating service. As of September 30, 2012, the City’s investment in TexPool was rated “AAAm” by Standard & Poor’s. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

Restricted Assets

The utility enterprise fund has restricted certain cash and investments for customer deposits and construction.

TexPool

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

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

Standard & Poor's rate TexPool "AAAm." As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

B. Receivables

The following comprise receivable balances at year end:

Governmental Funds

	<u>General</u>	<u>Debt Service</u>	<u>CDBG Grant</u>	<u>Nonmajor</u>	<u>Component Unit</u>
Property taxes	\$ 292,570	\$ 114,418	\$ -	\$ -	\$ -
Sales taxes	255,618	-	-	119,567	127,809
Franchise taxes	62,550	-	-	7,803	-
Other taxes	28,225	-	-	97,555	-
Intergovernmental	454,256	-	1,061,440	-	427,606
Accounts receivable	-	-	-	-	-
Other receivables	20,772	-	-	28,638	-
Less allowance	(111,492)	(46,660)	-	-	-
	<u>\$ 1,002,499</u>	<u>\$ 67,758</u>	<u>\$ 1,061,440</u>	<u>\$ 253,563</u>	<u>\$ 555,415</u>

Proprietary Funds

	<u>Utility Enterprise</u>
Intergovernmental	\$ 18,946
Accounts receivable	722,424
Other receivables	1,716
Less allowance	(32,839)
Total	<u>\$ 710,247</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - general fund	\$ 181,079	\$ -
Delinquent property taxes receivable - debt service fund	67,759	-
Grants and revenues prior to meeting all eligibility requirements	-	6,928
Total Deferred Revenue for Governmental Funds	<u>\$ 248,838</u>	<u>\$ 6,928</u>

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

C. Capital Assets

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

	Primary Government			Ending Balance
	Beginning Balance	Increases	(Decreases)/ Reclassifications	
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 11,249,266	\$ 732,612	\$ -	\$ 11,981,878
Construction in progress	1,103,171	910,343	(987,504)	1,026,010
Total capital assets not being depreciated	12,352,437	1,642,955	(987,504)	13,007,888
Other capital assets:				
Infrastructure	14,049,862	2,277,557	-	16,327,419
Buildings and improvements	9,566,915	274,392	-	9,841,307
Machinery and equipment	6,000,994	1,208,593	(97,328)	7,112,259
Total other capital assets	29,617,771	3,760,542	(97,328)	33,280,985
Less accumulated depreciation for:				
Infrastructure	(8,584,554)	(299,564)	-	(8,884,118)
Buildings and improvements	(3,330,669)	(249,132)	-	(3,579,801)
Machinery and equipment	(3,262,462)	(461,068)	84,675	(3,638,855)
Total accumulated depreciation	(15,177,685)	(1,009,764)	84,675	(16,102,774)
Other capital assets, net	14,440,086	2,750,778	(12,653)	17,178,211
Totals	\$ 26,792,523	\$ 4,393,733	\$ (1,000,157)	30,186,099
			Plus unspent bond proceeds	1,075,043
			Less associated debt	(17,116,492)
			Invested in Capital Assets, Net of Related Debt	\$ 14,144,650

Depreciation was charged to governmental functions as follows:

General government	\$ 268,447
Public safety	427,379
Public works	313,938
Total Governmental Activities Depreciation Expense	\$ 1,009,764

Construction in progress and remaining commitments under related construction contracts for governmental fund projects at year end are as follows:

Project Description	Authorized Contract	Contract Expenditures	Remaining Contract
Seascape	\$ 503,240	\$ 327,390	\$ 175,850
EDA Waterfront project	-	694,852	-
Waterfront project	-	3,768	-
	\$ 503,240	\$ 1,026,010	\$ 175,850

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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

	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 95,750	\$ -	\$ -	\$ 95,750
Construction in progress	856,610	75,974	(856,610)	75,974
Total capital assets not being depreciated	952,360	75,974	(856,610)	171,724
Other capital assets:				
Water and sewer system	14,183,227	974,629	-	15,157,856
Buildings and improvements	3,119,466	-	-	3,119,466
Machinery and equipment	1,739,281	825,567	(15,496)	2,549,352
Total other capital assets	19,041,974	1,800,196	(15,496)	20,826,674
Less accumulated depreciation for:				
Water and sewer system	(4,883,940)	(300,052)	-	(5,183,992)
Buildings and improvements	(1,514,951)	(72,255)	-	(1,587,206)
Machinery and equipment	(1,314,938)	(92,360)	15,496	(1,391,802)
Total accumulated depreciation	(7,713,829)	(464,667)	15,496	(8,163,000)
Other capital assets, net	11,328,145	1,335,529	-	12,663,674
Totals	\$ 12,280,505	\$ 1,411,503	\$ (856,610)	12,835,398
			Plus unspent bond proceeds	381,628
			Less associated debt	(4,787,770)
			Invested in Capital Assets, Net of Related Debt	\$ 8,429,256

Depreciation was charged to governmental functions as follows:

Water and sewer	\$ 464,667
-----------------	------------

Construction in progress and remaining commitments under related construction contracts for proprietary fund projects at year end are as follows:

Project Description	Authorized Contract	Contract Expenditures	Remaining Contract
Waterline at Seascape	\$ 435,303	\$ 75,974	\$ 359,329

Construction in progress for Seascape and the Waterfront projects at September 30, 2012 are made up of engineering fees, as well as construction costs, which are planned to be completed in fiscal year 2013.

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
General obligation bonds	\$ 16,727,500	\$ -	\$ (617,500)	\$ 16,110,000 *	\$ 790,000
Certificates of obligation	900,000	-	(35,000)	865,000 *	35,000
Deferred amounts:					
For issuance discounts/premiums	129,531	-	11,961	141,492 *	-
	<u>17,757,031</u>	<u>-</u>	<u>(640,539)</u>	<u>17,116,492</u>	<u>825,000</u>
Other liabilities:					
Compensated absences	410,775	261,741	(262,507)	410,009	197,111
Total Governmental Activities	<u>\$ 18,167,806</u>	<u>\$ 261,741</u>	<u>\$ (903,046)</u>	<u>\$ 17,526,501</u>	<u>\$ 1,022,111</u>
			Long-term debt due in more than one year	<u>\$ 16,504,390</u>	
			*Debt associated with governmental activity capital assets	<u>\$ 17,116,492</u>	

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Business-Type Activities:					
Bonds, notes, and other payables:					
General obligation bonds	\$ 142,500	\$ -	\$ (142,500)	\$ - *	\$ -
Revenue bonds	4,978,000	-	(205,000)	4,773,000 *	235,000
Deferred amounts:					
For issuance discounts/premiums	39,490	-	(24,720)	14,770 *	-
	<u>5,159,990</u>	<u>-</u>	<u>(372,220)</u>	<u>4,787,770</u>	<u>235,000</u>
Other liabilities:					
Compensated absences	170,962	49,874	(125,759)	95,077	27,735
Total Business-Type Activities	<u>\$ 5,330,952</u>	<u>\$ 49,874</u>	<u>\$ (497,979)</u>	<u>\$ 4,882,847</u>	<u>\$ 262,735</u>
			Long-term debt due in more than one year	<u>\$ 4,620,112</u>	
			*Debt associated with business-type activity capital assets	<u>\$ 4,787,770</u>	

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Seabrook Economic Development Corporation:					
Revenue bonds	\$ 365,000	\$ -	\$ (180,000)	\$ 185,000	\$ 185,000
Deferred amounts:					
For issuance discounts/premiums	(6,137)	-	2,045	(4,092)	(4,092)
	<u>358,863</u>	<u>-</u>	<u>(177,955)</u>	<u>180,908</u>	<u>180,908</u>
Total Business-Type Activities	<u>\$ 358,863</u>	<u>\$ -</u>	<u>\$ (177,955)</u>	<u>\$ 180,908</u>	<u>\$ 180,908</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The City's long-term debt includes all outstanding bonded debt secured by the full faith and credit of the City. The bonds are certificates of obligation, general obligations and contractual obligation bonds which are secured by the full faith and credit of the City and are paid from taxes levied on all taxable property located within the City.

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

The following is a summary of the terms of general obligation bonds, certificates of obligations and revenue bonds outstanding as of September 30, 2012:

Description	Interest Rates	Balance
Governmental Activities		
General Obligation Bonds		
Series 2003	4.00%	\$ 3,925,000
Series 2003 refunding	3.40%	355,000
Series 2005	2.50-4.00%	5,175,000
Series 2008	4.00-4.15%	6,655,000
Total General Obligation Bonds		16,110,000
Certificates of Obligation		
Series 2010	3.642%	865,000
Total Certificates of Obligation		865,000
Total Governmental Activities Long-Term Debt		\$ 16,975,000
Business-Type Activities		
Revenue Bonds		
Series 2003 refunding	4.45%	\$ 1,560,000
Series 2005 refunding	2.50-4.30%	1,655,000
Series 2008	4.12%	1,558,000
Total Revenue Bonds		4,773,000
Total Business-Type Activities Long-Term Debt		\$ 4,773,000
Component Unit		
Revenue Bonds		
Series 2005	3.58%	\$ 185,000
Total Component Unit Long-Term Debt		\$ 185,000

Annual debt service requirements to retire outstanding revenue bonds are as follows:

Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 825,000	\$ 716,315	\$ 235,000	\$ 200,965
2014	860,000	683,811	245,000	191,106
2015	895,000	649,434	255,000	180,824
2016	935,000	609,619	265,000	170,534
2017	980,000	567,553	276,000	159,512
2018-2022	5,590,000	2,151,270	1,567,000	613,690
2023-2027	6,890,000	880,610	1,930,000	249,677
Total	\$ 16,975,000	\$ 6,258,612	\$ 4,773,000	\$ 1,766,308

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

Annual debt service requirements to retire outstanding revenue bonds for the City's component unit are as follows:

Year Ending	Component Unit	
	Principal	Interest
2013	\$ 185,000	\$ 6,623
Total	\$ 185,000	\$ 6,623

E. Interfund Transactions

The composition of interfund balances as of year-end was as follows:

Receivable Fund	Payable Fund	Amounts
General fund	Utility enterprise fund	\$ 551
General fund	Nonmajor funds	293
General fund	CDBG grant fund	961,465
Debt service fund	General fund	5,307
		\$ 967,616

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

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

Transfer Out	Transfer In	Amounts
Utility enterprise fund	General fund	\$ 2,128,547

Transfers to the general fund were subsidies for administrative expenditures.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

The City also provides workers' compensation insurance through TML-Workers' Compensation Fund. Workers' compensation premiums are subject to change when audited by TML- Workers' Compensation Fund. At year-end September 30, 2012, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in a number of lawsuits arising principally from claims against the City by various claimants. Total damages claimed are not substantial. The City Attorney estimates the potential claims against the City will be substantially covered by insurance and would not materially affect the financial condition of the City.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or not performed correctly, it could result in a substantial liability to the City. Although the City does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with IRS's rules and regulations.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

C. Pension Plans

Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, 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.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and Required Supplementary Information 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 by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677. In addition, the report is available on TMRS' website at www.TMRS.com.

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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>2012</u>	<u>2011</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Benefits

Upon retirement, benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit. This is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence, and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

Members can retire at age 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution and the prior service cost contribution 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 remainder of the plan's 25-year amortization period. 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 contribution rate in advance for

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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 (i.e., December 31, 2010 valuation is effective for rates beginning January 2012).

Three-year trend information for the annual pension cost (APC) is as follows:

<u>Fiscal year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 1,069,103	\$ 1,069,103	100.00%	\$ -
2011	\$ 1,088,935	\$ 1,088,935	100.00%	\$ -
2012	\$ 1,038,759	\$ 1,038,759	100.00%	\$ -

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, also follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarial Valuation Date	12/31/2011	12/31/2010	12/31/2009
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	25.8 Years - closed period	26.9 Years - closed period	27.8 Years - closed period
Amortization Period for New Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.00%	7.00%	7.50%
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%
	2.10%	2.10%	2.10%

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

	<u>2012</u>
Actuarial Valuation Date	12/31/2011
Actuarial Value of Assets	\$ 20,433,923
Actuarial Accrued Liability	\$ 26,719,484
Percentage Funded	76.5%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 6,285,561
Annual Covered Payroll	\$ 5,243,439
Covered Payroll	119.9%

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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 RSI following the 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.

D. Other Post Employment Benefits

TMRS - Supplemental Death Benefits Plan

Plan Description

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post employment benefit," or OPEB. For the year ended September 30, 2012, the City offered the supplemental death benefit to both active and retired employees.

Contributions

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

The City's contribution rate to the TMRS SDBF, for the retiree portion, for the years ended September 30, 2012, 2011, and 2010 are shown below. The City's contributions to the TMRS SDBF for the fiscal year ended September 30, 2012 were \$1,042.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Req. Contrib. (Rate)	0.02%	0.02%	0.02%
Actual Contribution Made	0.02%	0.02%	0.02%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

E. Subsequent Event

The City intends to issue general obligation refunding bonds, series 2013 on April 11, 2013 in order to refund \$4,835,000 of outstanding revenue bonds and general obligation and refunding bonds. The bond refinancing will be a private placement and this, combined with the lower interest rate, will save the City approximately \$293,000 over the life of the bonds.

(This page intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SEABROOK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 1 of 2)
For the Year Ended September 30, 2012

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	2011 Actual
Revenues					
Property taxes	\$ 4,035,689	\$ 4,078,689	\$ 4,073,793	\$ (4,896)	\$ 3,950,763
Sales taxes	1,519,161	1,479,161	1,480,279	1,118	1,509,771
Franchise fees and taxes	710,000	675,000	675,129	129	715,650
Licenses and permits	200,000	227,000	227,156	156	205,293
Fines and forfeitures	718,000	652,000	653,232	1,232	653,306
Charges for services	64,500	64,500	69,881	5,381	97,460
Intergovernmental	145,254	162,254	165,018	2,764	241,325
Investment revenue	3,052	3,052	3,984	932	4,036
Other revenue	379,815	379,815	386,657	6,842	372,329
Total Revenues	<u>7,775,471</u>	<u>7,721,471</u>	<u>7,735,129</u>	<u>13,658</u>	<u>7,749,933</u>
Expenditures					
General government:					
Legislative	249,633	258,133	252,528	5,605	255,510
Administrative	883,107	980,607	972,947	7,660	769,034
Information technology	163,956	163,956	161,827	2,129	152,955
Nondepartmental	1,690,749	1,600,749	1,581,887	18,862	1,740,094
Community development	587,339	471,339	429,113	42,226	506,463
Total general government	<u>3,574,784</u>	<u>3,474,784</u>	<u>3,398,302</u>	<u>76,482</u>	<u>3,424,056</u>
Public safety:					
Public safety	3,131,691	3,011,691	2,917,786	93,905	2,916,213
Emergency management	114,632	114,632	106,779	7,853	111,922
Animal control	113,939	113,939	102,801	11,138	106,375
DOT-CVE	228,901	228,901	225,983	2,918	217,045
Municipal court	440,051	440,051	413,550	26,501	343,340
Total public safety	<u>4,029,214</u>	<u>3,909,214</u>	<u>3,766,899</u>	<u>142,315</u>	<u>3,694,895</u>
Public works:					
Parks	636,892	591,892	579,097	12,795	608,518
Public works	1,149,295	1,114,295	1,110,125	4,170	975,649
Total public works	<u>1,786,187</u>	<u>1,706,187</u>	<u>1,689,222</u>	<u>16,965</u>	<u>1,584,167</u>
Total Expenditures	<u>9,390,185</u>	<u>9,090,185</u>	<u>8,854,423</u>	<u>235,762</u>	<u>8,703,118</u>
Revenues Over (Under)					
Expenditures	<u>(1,614,714)</u>	<u>(1,368,714)</u>	<u>(1,119,294)</u>	<u>249,420</u>	<u>(953,185)</u>

CITY OF SEABROOK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 2 of 2)
For the Year Ended September 30, 2012

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	2011 Actual
Other Financing Sources (Uses)					
Insurance proceeds	\$ -	\$ -	\$ -	\$ -	\$ 47,344
Transfers in	1,628,547	1,628,547	1,628,547	-	1,569,873
Transfers (out)	-	(300,000)	(300,000)	-	(55,069)
Other Financing Sources (Uses)	<u>1,628,547</u>	<u>1,328,547</u>	<u>1,328,547</u>	-	<u>1,562,148</u>
Net Change in Fund Balance	<u>\$ 13,833</u>	<u>\$ (40,167)</u>	209,253	<u>\$ 249,420</u>	<u>\$ 608,963</u>
Beginning fund balance			3,214,025		
Ending Fund Balance			<u>\$ 3,423,278</u>		

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. Reconciliation of general fund balance to fund financial statements:

Net effect of subfunds within the general fund without appropriated budgets	800,532
	<u>\$ 4,223,810</u>

(This page intentionally left blank.)

CITY OF SEABROOK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CDBG GRANT FUND

For the Year Ended September 30, 2012

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	2011 Actual
Revenues				
Intergovernmental	\$ 8,573,169	\$ 3,739,274	\$ (4,833,895)	\$ -
Total Revenues	8,573,169	3,739,274	(4,833,895)	-
Expenditures				
Public works	8,573,169	3,739,274	4,833,895	-
Total Expenditures	8,573,169	3,739,274	4,833,895	-
Net Change in Fund Balance	\$ -	-	\$ -	\$ -
Beginning fund balance		-		
Ending Fund Balance		\$ -		

Notes to Required Supplementary Information:

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

(This page intentionally left blank.)

CITY OF SEABROOK, TEXAS

SCHEDULE OF FUNDING PROGRESS

TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended September 30, 2012

Fiscal Year	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarial Valuation Date	12/31/2011	12/31/2010	12/31/2009	12/31/2008
Actuarial Value of Assets	\$ 20,433,923	\$ 18,532,353	\$ 12,164,651	\$ 10,755,961
Actuarial Accrued Liability	\$ 26,719,484	\$ 25,092,042	\$ 19,278,265	\$ 18,271,349
Percentage Funded	76.5%	73.9%	63.1%	58.9%
Unfunded Actuarial				
Accrued Liability (UAAL)	\$ 6,285,561	\$ 6,559,689	\$ 7,113,614	\$ 7,515,388
Annual Covered Payroll	\$ 5,243,439	\$ 5,114,014	\$ 5,120,835	\$ 5,261,131
UAAL % of Covered Payroll	119.9%	128.3%	138.9%	142.8%
Annual Pension Cost (APC)	\$ 1,038,759	\$ 1,088,935	\$ 1,069,103	\$ 768,961
Contributions Made	(1,038,759)	(1,088,935)	(1,069,103)	(768,961)
NPO at the End of Period	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(This page intentionally left blank.)

***COMBINING STATEMENTS
AND SCHEDULES***

(This page intentionally left blank.)

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

For the Year Ended September 30, 2012

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	2011 Actual
Revenues				
Property taxes	\$ 1,393,744	\$ 1,412,466	\$ 18,722	\$ 1,369,569
Investment revenue	3,478	2,631	(847)	2,721
Total Revenues	1,397,222	1,415,097	17,875	1,372,290
Expenditures				
Debt service:				
Principal	652,500	652,500	-	588,125
Interest and fiscal agent fees	742,970	725,358	17,612	764,477
Total Expenditures	1,395,470	1,377,858	17,612	1,352,602
Net Change in Fund Balance	\$ 1,752	37,239	\$ 35,487	\$ 19,688
Beginning fund balance		1,708,798		
Ending Fund Balance		\$ 1,746,037		

Notes to Supplementary Information:

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

(This page intentionally left blank.)

CITY OF SEABROOK, TEXAS

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Hotel/Motel Fund

This fund is used to account for hotel tax revenue from local hotels.

Municipal Court Programs Fund

This fund is used to account for municipal court revenue from court fines and fees that are legally restricted to be used for child safety, court security, judicial efficiency, and court technology programs.

Park Improvement Fees Fund

This fund is used to account for the collection of fees to be used for park improvement activities.

Crime Control and Prevention District Fund

This fund is used to account for revenues derived from a special sales tax collected and restricted to maintain and expand police department programs that will deliver a higher quality of service to Seabrook citizens while aiding in the prevention and control of crime.

Public Safety Programs Fund

This fund is used to account for expenditures for various public safety projects funded primarily through grants and contributions.

Cable PEG Fees Fund

This fund is used to account for cable fees collected to provide public, educational, and governmental (PEG) programming to its citizens.

CAPITAL PROJECTS FUND

Capital Projects Fund is used to account for the proceeds of general obligation debt and corresponding expenditures primarily consisting of construction projects.

CITY OF SEABROOK, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2012

	Special Revenue Funds			
	Hotel and Motel Occupancy Tax	Municipal Court Programs	Park Improvement Fees	Crime Control and Prevention District
Assets				
Cash and cash equivalents	\$ 882,044	\$ 72,930	\$ 64,672	\$ 219,949
Receivables, net	97,555	-	-	119,567
Prepaid items	195	-	-	-
Total Assets	\$ 979,794	\$ 72,930	\$ 64,672	\$ 339,516
Liabilities and Fund Balance				
Liabilities:				
Accounts payable and accrued liabilities	\$ 25,305	\$ 5,470	\$ 3,789	\$ 11,070
Deposits payable	-	-	9,130	-
Due to other funds	-	-	-	293
Deferred revenue	-	-	4,285	-
Total Liabilities	25,305	5,470	17,204	11,363
Fund balances:				
Nonspendable:				
Prepays	195	-	-	-
Restricted for:				
Public safety	-	67,460	-	328,153
Parks	-	-	47,468	-
Tourism	954,294	-	-	-
Community development	-	-	-	-
Capital projects	-	-	-	-
Total Fund Balances	954,489	67,460	47,468	328,153
Total Liabilities and Fund Balances	\$ 979,794	\$ 72,930	\$ 64,672	\$ 339,516

<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	
<u>Public Safety Programs</u>	<u>Cable PEG Fees</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 444,716	\$ 589	\$ 1,209,908	\$ 2,894,808
28,638	7,803	-	253,563
-	-	-	195
<u>\$ 473,354</u>	<u>\$ 8,392</u>	<u>\$ 1,209,908</u>	<u>\$ 3,148,566</u>
\$ 1,350	\$ -	\$ 131,948	\$ 178,932
-	-	-	9,130
-	-	-	293
-	-	-	4,285
<u>1,350</u>	<u>-</u>	<u>131,948</u>	<u>192,640</u>
-	-	-	195
472,004	-	-	867,617
-	-	-	47,468
-	-	-	954,294
-	8,392	-	8,392
-	-	1,077,960	1,077,960
<u>472,004</u>	<u>8,392</u>	<u>1,077,960</u>	<u>2,955,926</u>
<u>\$ 473,354</u>	<u>\$ 8,392</u>	<u>\$ 1,209,908</u>	<u>\$ 3,148,566</u>

CITY OF SEABROOK, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2012

	Special Revenue Funds			
	Hotel and Motel Occupancy Tax	Municipal Court Programs	Park Improvement Fees	Crime Control and Prevention District
Revenues				
Sales and use taxes	\$ -	\$ -	\$ -	\$ 654,766
Franchise and local taxes	367,316	-	-	-
Fines and forfeitures	-	28,591	-	-
Charges for services	-	-	64,348	-
Investment revenue	862	54	18	168
Other revenue	5,594	-	-	-
Total Revenues	<u>373,772</u>	<u>28,645</u>	<u>64,366</u>	<u>654,934</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	32,427	-	633,428
Economic development	268,217	-	34,786	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>268,217</u>	<u>32,427</u>	<u>34,786</u>	<u>633,428</u>
Net Change in Fund Balances	105,555	(3,782)	29,580	21,506
Beginning fund balances	<u>848,934</u>	<u>71,242</u>	<u>17,888</u>	<u>306,647</u>
Ending Fund Balances	<u>\$ 954,489</u>	<u>\$ 67,460</u>	<u>\$ 47,468</u>	<u>\$ 328,153</u>

<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	
<u>Public Safety Programs</u>	<u>Cable PEG Fees</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 654,766
-	33,106	-	400,422
27,483	-	-	56,074
-	-	-	64,348
371	-	1,504	2,977
173,461	-	26,950	206,005
<u>201,315</u>	<u>33,106</u>	<u>28,454</u>	<u>1,384,592</u>
-	24,714	-	24,714
98,920	-	-	764,775
-	-	-	303,003
-	-	445,831	445,831
<u>98,920</u>	<u>24,714</u>	<u>445,831</u>	<u>1,538,323</u>
102,395	8,392	(417,377)	(153,731)
369,609	-	1,495,337	3,109,657
<u>\$ 472,004</u>	<u>\$ 8,392</u>	<u>\$ 1,077,960</u>	<u>\$ 2,955,926</u>

CITY OF SEABROOK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
HOTEL AND MOTEL OCCUPANCY TAX FUND
For the Year Ended September 30, 2012

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	2011 Actual
Revenues					
Hotel occupancy tax	\$ 309,071	\$ 309,071	\$ 367,316	\$ 58,245	\$ 317,684
Investment revenue	821	821	862	41	914
Other revenue	1,500	1,500	5,594	4,094	5,955
Total Revenues	<u>311,392</u>	<u>311,392</u>	<u>373,772</u>	<u>62,380</u>	<u>324,553</u>
Expenditures					
Current:					
Economic development	314,889	314,889	268,217	46,672	268,671
Total Expenditures	<u>314,889</u>	<u>314,889</u>	<u>268,217</u>	<u>46,672</u>	<u>268,671</u>
Net Change in Fund Balance	<u>\$ (3,497)</u>	<u>\$ (3,497)</u>	105,555	<u>\$ 109,052</u>	<u>\$ 55,882</u>
Beginning fund balance			<u>848,934</u>		
Ending Fund Balance			<u>\$ 954,489</u>		

CITY OF SEABROOK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT PROGRAMS FUND
For the Year Ended September 30, 2012

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	2011 Actual
<u>Revenues</u>					
Fines and forfeitures	\$ 38,500	\$ 38,500	\$ 28,591	\$ (9,909)	\$ 42,477
Investment revenue	55	55	54	(1)	66
Total Revenues	<u>38,555</u>	<u>38,555</u>	<u>28,645</u>	<u>(9,910)</u>	<u>42,543</u>
<u>Expenditures</u>					
Current:					
Public safety	123,789	123,789	32,427	91,362	39,823
Total Expenditures	<u>123,789</u>	<u>123,789</u>	<u>32,427</u>	<u>91,362</u>	<u>39,823</u>
Net Change in Fund Balance	<u>\$ (85,234)</u>	<u>\$ (85,234)</u>	(3,782)	<u>\$ 81,452</u>	<u>\$ 2,720</u>
Beginning fund balance			<u>71,242</u>		
Ending Fund Balance			<u>\$ 67,460</u>		

CITY OF SEABROOK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PARK IMPROVEMENT FEES FUND
For the Year Ended September 30, 2012

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	2011 Actual
Revenues					
Charges for services	\$ 57,000	\$ 64,000	\$ 64,348	\$ 348	\$ 21,075
Investment revenue	-	-	18	18	15
Total Revenues	<u>57,000</u>	<u>64,000</u>	<u>64,366</u>	<u>366</u>	<u>21,090</u>
Expenditures					
Current:					
Economic development	51,800	54,300	34,786	19,514	69,580
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Total Expenditures	<u>71,800</u>	<u>74,300</u>	<u>34,786</u>	<u>39,514</u>	<u>69,580</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,800)</u>	<u>(10,300)</u>	<u>29,580</u>	<u>39,880</u>	<u>(48,490)</u>
Other Financing Sources					
Transfers in	-	-	-	-	48,000
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,000</u>
Net Change in Fund Balance	<u>\$ (14,800)</u>	<u>\$ (10,300)</u>	<u>29,580</u>	<u>\$ 39,880</u>	<u>\$ (490)</u>
Beginning fund balance			<u>17,888</u>		
Ending Fund Balance			<u>\$ 47,468</u>		

CITY OF SEABROOK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CRIME CONTROL AND PREVENTION DISTRICT FUND
For the Year Ended September 30, 2012

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>2011 Actual</u>
<u>Revenues</u>					
Sales taxes	\$ 650,322	\$ 650,322	\$ 654,766	\$ 4,444	\$ 655,221
Investment revenue	311	311	168	(143)	226
Other revenue	-	-	-	-	300
Total Revenues	<u>650,633</u>	<u>650,633</u>	<u>654,934</u>	<u>4,301</u>	<u>655,747</u>
<u>Expenditures</u>					
Current:					
Public safety	684,335	684,335	633,428	50,907	666,080
Total Expenditures	<u>684,335</u>	<u>684,335</u>	<u>633,428</u>	<u>50,907</u>	<u>666,080</u>
Net Change in Fund Balance	<u>\$ (33,702)</u>	<u>\$ (33,702)</u>	21,506	<u>\$ 55,208</u>	<u>\$ (10,333)</u>
Beginning fund balance			<u>306,647</u>		
Ending Fund Balance			<u>\$ 328,153</u>		

CITY OF SEABROOK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC SAFETY PROGRAMS FUND
For the Year Ended September 30, 2012

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>2011 Actual</u>
<u>Revenues</u>					
Fines and forfeitures	\$ 94,250	\$ 94,250	\$ 27,483	\$ (66,767)	\$ 121,274
Intergovernmental	-	-	-	-	2,846
Investment revenue	293	293	371	78	224
Other revenue	111,000	111,000	173,461	62,461	196,653
Total Revenues	<u>205,543</u>	<u>205,543</u>	<u>201,315</u>	<u>(4,228)</u>	<u>320,997</u>
<u>Expenditures</u>					
Current:					
Public safety	127,200	146,000	98,920	47,080	108,082
Total Expenditures	<u>127,200</u>	<u>146,000</u>	<u>98,920</u>	<u>47,080</u>	<u>108,082</u>
Net Change in Fund Balance	<u>\$ 78,343</u>	<u>\$ 59,543</u>	102,395	<u>\$ 42,852</u>	<u>\$ 212,915</u>
Beginning fund balance			<u>369,609</u>		
Ending Fund Balance			<u>\$ 472,004</u>		

CITY OF SEABROOK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CABLE PEG FEES FUND
For the Year Ended September 30, 2012

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	2011 Actual
<u>Revenues</u>					
Franchise and local taxes	\$ -	\$ 33,000	\$ 33,106	\$ 106	\$ -
Total Revenues	-	33,000	33,106	106	-
<u>Expenditures</u>					
Current:					
General government	-	25,500	24,714	786	-
Total Expenditures	-	25,500	24,714	786	-
Net Change in Fund Balance	\$ -	\$ 7,500	8,392	\$ 892	\$ -
Beginning fund balance			-		
Ending Fund Balance			\$ 8,392		

(This page intentionally left blank.)

STATISTICAL SECTION

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

Contents	Page
Financial Trends	92
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	104
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, property tax.</i>	
Debt Capacity	112
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	120
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	123
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the governments provides and the activities it performs.</i>	

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

CITY OF SEABROOK, TEXAS

NET ASSETS BY COMPONENT

Last Ten Years

(Accrual Basis of Accounting)

	Year			
	2003	2004	2005	2006
Governmental Activities				
Invested in capital assets, net of related debt	\$ 8,867,079	\$ 10,000,707	\$ 11,576,574	\$ 12,098,249
Restricted	1,645,817	4,731,069	4,674,588	3,361,541
Unrestricted	4,329,491	1,150,435	1,492,055	2,439,519
Total Governmental Activities Net Assets	\$ 14,842,387	\$ 15,882,211	\$ 17,743,217	\$ 17,899,309
Business-Type Activities				
Invested in capital assets, net of related debt	\$ 4,267,297	\$ 6,188,917	\$ 4,788,420	\$ 4,878,430
Restricted	160,356	160,356	115,302	160,356
Unrestricted	3,559,447	1,394,891	3,142,001	4,374,684
Total Business-Type Activities Net Assets	\$ 7,987,100	\$ 7,744,164	\$ 8,045,723	\$ 9,413,470
Primary Government				
Invested in capital assets, net of related debt	\$ 13,134,376	\$ 16,189,624	\$ 16,364,994	\$ 16,976,679
Restricted	1,806,173	4,891,425	4,789,890	3,521,897
Unrestricted	7,888,938	2,545,326	4,634,056	6,814,203
Total Primary Government Net Assets	\$ 22,829,487	\$ 23,626,375	\$ 25,788,940	\$ 27,312,779

- (1) In fiscal year 2007, the Seabrook Economic Development Corporation began to be reported as a discretely presented component unit.

- (2) In fiscal year 2008, the City issued voter approved debt of approximately \$4 million to contribute to the construction of Repsdorph Road, a Harris County-owned thoroughfare, in order to improve mobility in the City. Because there is no City-owned capital asset, the debt related to this expenditure is classified against governmental activity unrestricted net assets.

Year

2007 (1)	2008	2009	2010	2011	2012
\$ 13,391,257	\$ 12,212,584	\$ 14,026,951	\$ 14,938,447	\$ 15,440,360	\$ 14,144,650
2,426,793	2,695,249	3,051,748	3,004,538	3,264,045	4,701,768
2,635,283	(898,092) (2)	(899,753) (2)	(1,859,661) (2)	(1,475,029)	3,211,311
<u>\$ 18,453,333</u>	<u>\$ 14,009,741</u>	<u>\$ 16,178,946</u>	<u>\$ 16,083,324</u>	<u>\$ 17,229,376</u>	<u>\$ 22,057,729</u>
\$ 5,013,239	\$ 6,146,398	\$ 7,567,091	\$ 7,552,636	\$ 7,593,022	\$ 8,429,256
2,597,993	1,972,400	2,165,510	2,294,133	2,451,025	2,318,565
2,574,840	3,084,904	2,676,653	2,986,896	3,734,997	3,914,970
<u>\$ 10,186,072</u>	<u>\$ 11,203,702</u>	<u>\$ 12,409,254</u>	<u>\$ 12,833,665</u>	<u>\$ 13,779,044</u>	<u>\$ 14,662,791</u>
\$ 18,404,496	\$ 18,358,982	\$ 21,594,042	\$ 22,491,083	\$ 23,033,382	\$ 22,573,906
5,024,786	4,667,649	5,217,258	5,298,671	5,715,070	7,020,333
5,210,123	2,186,812	1,776,900	1,127,235	2,259,968	7,126,281
<u>\$ 28,639,405</u>	<u>\$ 25,213,443</u>	<u>\$ 28,588,200</u>	<u>\$ 28,916,989</u>	<u>\$ 31,008,420</u>	<u>\$ 36,720,520</u>

CITY OF SEABROOK, TEXAS

CHANGES IN NET ASSETS

Last Ten Years

(Accrual Basis of Accounting)

	Year			
	2003	2004	2005	2006
Expenses				
Governmental Activities				
General government	\$ 1,918,099	\$ 1,998,928	\$ 2,327,822	\$ 2,604,773
Public safety	2,961,829	3,153,015	2,648,112	3,786,758
Public works	1,661,473	1,756,738	1,329,337	1,952,880
Economic development	410,600	529,691	1,540,481	393,197
Interest on long-term debt	493,596	541,850	270,438	795,631
Total Governmental Activities Expenses	<u>7,445,597</u>	<u>7,980,222</u>	<u>8,116,190</u>	<u>9,533,239</u>
Business-Type Activities				
Utilities	2,915,247	3,172,880	3,315,521	3,602,659
Total Business-Type Activities Expenses	<u>2,915,247</u>	<u>3,172,880</u>	<u>3,315,521</u>	<u>3,602,659</u>
Total Primary Government Expenses	<u>\$ 10,360,844</u>	<u>\$ 11,153,102</u>	<u>\$ 11,431,711</u>	<u>\$ 13,135,898</u>
Program Revenues				
Governmental Activities				
Charges for services	\$ 715,809	\$ 796,268	\$ 936,565	\$ 1,144,459
Operating grants and contributions	125,797	174,786	198,268	17,480
Capital grants and contributions	-	316,523	-	-
Total Governmental Activities Program Revenues	<u>841,606</u>	<u>1,287,577</u>	<u>1,134,833</u>	<u>1,161,939</u>
Business-Type Activities				
Utilities:				
Charges for services	3,775,158	4,064,574	4,412,249	5,241,480
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total Business-Type Activities Program Revenues	<u>3,775,158</u>	<u>4,064,574</u>	<u>4,412,249</u>	<u>5,241,480</u>
Total Primary Government Program Revenues	<u>\$ 4,616,764</u>	<u>\$ 5,352,151</u>	<u>\$ 5,547,082</u>	<u>\$ 6,403,419</u>
Net (Expense)/Revenue				
Governmental activities	\$ (6,603,991)	\$ (6,692,645)	\$ (6,981,357)	\$ (8,371,300)
Business-type activities	859,911	891,694	1,096,728	1,638,821
Total Primary Government Net Expense	<u>\$ (5,744,080)</u>	<u>\$ (5,800,951)</u>	<u>\$ (5,884,629)</u>	<u>\$ (6,732,479)</u>

Year					
2007 (1)	2008	2009	2010	2011	2012
\$ 3,086,170	\$ 3,223,608	\$ 3,012,703	\$ 4,376,699	\$ 3,523,480	\$ 2,044,188
3,834,433	4,523,302	4,040,110	4,471,942	5,008,177	4,444,193
1,981,804	8,243,979 (2)	5,870,600	2,011,743	1,326,336	3,191,383
307,161	302,712	307,990	239,073	321,532	303,003
500,828	768,483	715,567	780,835	811,818	759,480
<u>9,710,396</u>	<u>17,062,084</u>	<u>13,946,970</u>	<u>11,880,292</u>	<u>10,991,343</u>	<u>10,742,247</u>
3,598,054	3,868,646	4,372,440	4,356,358	4,475,897	4,289,547
<u>3,598,054</u>	<u>3,868,646</u>	<u>4,372,440</u>	<u>4,356,358</u>	<u>4,475,897</u>	<u>4,289,547</u>
<u>\$ 13,308,450</u>	<u>\$ 20,930,730</u>	<u>\$ 18,319,410</u>	<u>\$ 16,236,650</u>	<u>\$ 15,467,240</u>	<u>\$ 15,031,794</u>
\$ 916,164	\$ 1,044,182	\$ 1,161,842	\$ 892,652	\$ 1,243,869	\$ 1,070,691
82,216	1,087,868	3,238,853	664,973	289,739	165,018
-	-	1,248,865	134,259	37,775	3,739,274
<u>998,380</u>	<u>2,132,050</u>	<u>5,649,560</u>	<u>1,691,884</u>	<u>1,571,383</u>	<u>4,974,983</u>
4,829,377	5,462,025	5,594,215	6,048,698	6,829,188	6,040,302
-	-	210,274	-	-	-
<u>624,651</u>	<u>429,824</u>	<u>297,887</u>	<u>133,954</u>	<u>154,624</u>	<u>218,259</u>
<u>5,454,028</u>	<u>5,891,849</u>	<u>6,102,376</u>	<u>6,182,652</u>	<u>6,983,812</u>	<u>6,258,561</u>
<u>\$ 6,452,408</u>	<u>\$ 8,023,899</u>	<u>\$ 11,751,936</u>	<u>\$ 7,874,536</u>	<u>\$ 8,555,195</u>	<u>\$ 11,233,544</u>
\$ (8,712,016)	\$ (14,930,034)	\$ (8,297,410)	\$ (10,188,408)	\$ (9,419,960)	\$ (5,767,264)
1,855,974	2,023,203	1,729,936	1,826,294	2,507,915	1,969,014
<u>\$ (6,856,042)</u>	<u>\$ (12,906,831)</u>	<u>\$ (6,567,474)</u>	<u>\$ (8,362,114)</u>	<u>\$ (6,912,045)</u>	<u>\$ (3,798,250)</u>

CITY OF SEABROOK, TEXAS

CHANGES IN NET ASSETS (Continued)

Last Ten Years

(Accrual Basis of Accounting)

	Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental Activities				
Taxes				
Property taxes	\$ 3,228,844	\$ 3,437,970	\$ 3,895,035	\$ 4,078,227
Sales and use taxes	2,111,669	2,230,393	2,630,514	2,407,583
Franchise fees and local taxes	659,803	726,688	884,485	967,881
Investment revenue	108,304	112,651	274,851	569,204
Other revenues	125,586	-	-	-
Gain on sale of capital assets	3,179	2,800	-	-
Transfers	844,128	1,193,600	921,872	504,497
Total Governmental Activities	<u>7,081,513</u>	<u>7,704,102</u>	<u>8,606,757</u>	<u>8,527,392</u>
Business-Type Activities				
Investment revenue	63,208	61,595	126,703	233,423
Other revenues	163,632	-	-	-
Gain (loss) on sale of capital assets	6,919	(2,625)	-	-
Transfers	(844,128)	(1,193,600)	(921,872)	(504,497)
Total Business-Type Activities	<u>(610,369)</u>	<u>(1,134,630)</u>	<u>(795,169)</u>	<u>(271,074)</u>
Total Primary Government	<u>\$ 6,471,144</u>	<u>\$ 6,569,472</u>	<u>\$ 7,811,588</u>	<u>\$ 8,256,318</u>
Change in Net Assets				
Governmental activities	\$ 477,522	\$ 1,011,457	\$ 1,625,400	\$ 156,092
Business-type activities	249,542	(242,936)	301,559	1,367,747
Total Primary Government	<u>\$ 727,064</u>	<u>\$ 768,521</u>	<u>\$ 1,926,959</u>	<u>\$ 1,523,839</u>

(1) In fiscal year 2007, the Seabrook Economic Development Corporation began to be reported as a discretely presented component unit.

(2) In fiscal year 2008, the City paid \$5 million to Harris County for a construction project on Repsdorph Road (a County road) and incurred approximately \$1.4 million in hurricane-related expenses.

	Year					
	2007 (1)	2008	2009	2010	2011	2012
\$	4,474,598	\$ 4,663,052	\$ 5,056,183	\$ 5,088,332	\$ 5,285,995	\$ 5,442,550
	2,070,950	2,365,779	2,304,229	2,097,398	2,164,992	2,135,045
	1,046,552	1,146,560	1,007,741	1,035,216	1,033,334	1,075,551
	489,208	341,808	56,833	15,843	10,707	10,124
	255,213	788,499	752,317	408,615	501,112	592,662
	-	-	-	-	-	-
	1,354,082	1,180,741	1,289,312	1,447,381	1,569,873	1,339,685
	<u>9,690,603</u>	<u>10,486,439</u>	<u>10,466,615</u>	<u>10,092,785</u>	<u>10,566,013</u>	<u>10,595,617</u>
	270,710	175,165	40,824	10,116	7,337	6,945
	-	-	724,104	35,382	-	247,473
	-	-	-	-	-	-
	<u>(1,354,082)</u>	<u>(1,180,741)</u>	<u>(1,289,312)</u>	<u>(1,447,381)</u>	<u>(1,569,873)</u>	<u>(1,339,685)</u>
	<u>(1,083,372)</u>	<u>(1,005,576)</u>	<u>(524,384)</u>	<u>(1,401,883)</u>	<u>(1,562,536)</u>	<u>(1,085,267)</u>
\$	<u>8,607,231</u>	<u>9,480,863</u>	<u>9,942,231</u>	<u>8,690,902</u>	<u>9,003,477</u>	<u>9,510,350</u>
\$	978,587	\$ (4,443,595)	\$ 2,169,205	\$ (95,623)	\$ 1,146,053	\$ 4,828,353
	772,602	1,017,627	1,205,552	424,411	945,379	883,747
\$	<u>1,751,189</u>	<u>(3,425,968)</u>	<u>3,374,757</u>	<u>328,788</u>	<u>2,091,432</u>	<u>5,712,100</u>

CITY OF SEABROOK, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL ACTIVITIES
 Last Ten Years
 (Accrual Basis of Accounting)

Function	2003	2004	2005	2006
Property	\$ 3,228,844	\$ 3,437,970	\$ 3,895,035	\$ 4,078,227
Sales and use	2,111,669	2,230,393	2,630,514	2,407,583
Franchise fees and local taxes	659,803	726,688	884,485	967,881
	<u>\$ 6,000,316</u>	<u>\$ 6,395,051</u>	<u>\$ 7,410,034</u>	<u>\$ 7,453,691</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Change 2011-2012</u>
\$ 4,474,598	\$ 4,663,052	\$ 5,056,183	\$ 5,088,332	\$ 5,285,995	\$ 5,442,550	3%
2,070,950	2,365,779	2,304,229	2,097,398	2,164,992	2,135,045	-1%
1,046,552	1,146,560	1,007,741	1,035,216	1,033,334	1,075,551	4%
<u>\$ 7,592,100</u>	<u>\$ 8,175,391</u>	<u>\$ 8,368,153</u>	<u>\$ 8,220,946</u>	<u>\$ 8,484,321</u>	<u>\$ 8,653,146</u>	<u>2%</u>

CITY OF SEABROOK, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Years
 (Modified Accrual Basis of Accounting)

	Year			
	2003	2004	2005	2006
General Fund				
Nonspendable	\$ 40,226	\$ 15,952	\$ 44,636	\$ 132,506
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	1,002,207	1,016,352	1,403,969	2,078,835
Total General Fund	<u>\$ 1,042,433</u>	<u>\$ 1,032,304</u>	<u>\$ 1,448,605</u>	<u>\$ 2,211,341</u>
All Other Governmental Funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	9,034,249	7,804,198	11,728,434	8,283,347
Total All Other Governmental Funds	<u>\$ 9,034,249</u>	<u>\$ 7,804,198</u>	<u>\$ 11,728,434</u>	<u>\$ 8,283,347</u>

(1) In fiscal year 2007, the Seabrook Economic Development Corporation began to be reported as a discretely presented component unit.

Year					
2007 (1)	2008	2009	2010	2011	2012
\$ -	\$ -	\$ 2,183	\$ 4,684	\$ 62,076	\$ 24,677
199,131	-	-	-	-	-
192,292	-	-	-	-	853,532
2,361,726	2,691,060	2,831,297	2,855,163	3,185,900	3,345,601
<u>\$ 2,753,149</u>	<u>\$ 2,691,060</u>	<u>\$ 2,833,480</u>	<u>\$ 2,859,847</u>	<u>\$ 3,247,976</u>	<u>\$ 4,223,810</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195
6,069,946	5,418,337	5,680,053	5,489,578	4,818,455	4,701,768
<u>\$ 6,069,946</u>	<u>\$ 5,418,337</u>	<u>\$ 5,680,053</u>	<u>\$ 5,489,578</u>	<u>\$ 4,818,455</u>	<u>\$ 4,701,963</u>

CITY OF SEABROOK, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Years
 (Modified Accrual Basis of Accounting)

	Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 5,987,812	\$ 6,420,281	\$ 7,416,463	\$ 7,448,204
Licenses and permits	354,500	305,010	423,319	456,056
Fines and forfeitures	287,929	291,131	320,391	472,946
Charges for services	73,380	66,621	64,595	62,687
Intergovernmental	125,797	491,309	198,268	17,480
Investment revenue	108,304	112,651	274,851	569,204
Other revenues	125,586	133,506	128,260	152,770
Total Revenues	<u>7,063,308</u>	<u>7,820,509</u>	<u>8,826,147</u>	<u>9,179,347</u>
Expenditures				
General government	1,858,487	1,920,923	2,189,352	2,533,747
Public safety	2,957,356	3,092,887	3,215,425	3,552,847
Public works	1,460,175	1,895,587	1,405,276	1,437,989
Economic development	787,581	2,140,740	1,540,481	2,981,294
Capital outlay	-	-	-	-
Debt service:				
Principal	962,586	900,683	1,942,259	669,588
Interest and fiscal fees	526,307	546,849	563,874	690,730
Total Expenditures	<u>8,552,492</u>	<u>10,497,669</u>	<u>10,856,667</u>	<u>11,866,195</u>
Revenues (Under) Expenditures	(1,489,184)	(2,677,160)	(2,030,520)	(2,686,848)
Other Financing Sources (Uses)				
Transfers in	963,766	1,297,884	1,041,426	2,144,264
Transfers out	(119,638)	(104,284)	(119,554)	(2,139,767)
Refunding bonds issued	1,605,000	-	2,971,250	-
Bonds issued	4,500,000	-	5,175,000	-
Premium on bonds issued	-	-	62,655	-
Discount on bonds issued	-	-	(53,278)	-
Payments to refunded bond escrow agent	(1,571,048)	-	(3,049,675)	-
Capital leases	232,647	-	107,627	-
Insurance proceeds	-	-	-	-
Sales of capital assets	3,179	2,800	-	-
Total Other Financing Sources (Uses)	<u>5,613,906</u>	<u>1,196,400</u>	<u>6,135,451</u>	<u>4,497</u>
Net Change in Fund Balances	<u>\$ 4,124,722</u>	<u>\$ (1,480,760)</u>	<u>\$ 4,104,931</u>	<u>\$ (2,682,351)</u>

Debt service as a percentage of noncapital expenditures	19.18%	17.32%	26.90%	14.60%
---	--------	--------	--------	--------

(1) In fiscal year 2007, the Seabrook Economic Development Corporation began to be reported as a discretely presented component unit.

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Real Property	\$ 536,583,110	\$ 593,331,620	\$ 645,704,001	\$ 715,935,585
Personal Property	59,238,060	56,211,270	59,244,499	57,830,850
Less: Tax Exempt Property	<u>(69,914,930)</u>	<u>(85,826,310)</u>	<u>(94,610,590)</u>	<u>(128,476,929)</u>
Total Taxable Assessed Value (1)	<u>\$ 525,906,240</u>	<u>\$ 563,716,580</u>	<u>\$ 610,337,910</u>	<u>\$ 645,289,506</u>
Total Direct Tax Rate	0.600583	0.608235	0.619573	0.630706

Source: Harris County Certified Tax Rolls and Corrections

(1) Property is assessed at actual value; therefore, the assessed values are equal to actual value.
 Tax rates are per \$100 of assessed value.

Note: In 2002, the City approved creation of the HC MUD 373 and agreed to pay HC MUD 373 12 percent of the taxes collected by the City on land and improvements for entities within the HC MUD 373 jurisdiction for a term of seven and a half years, so long as the HC MUD 373 has any bonded indebtedness. Total direct rates exclude the HC MUD 373 tax of \$0.355 because it only affects 298 tax accounts within the City.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 764,898,295	\$ 800,371,653	\$ 918,598,632	\$ 900,127,932	\$ 916,878,359	\$ 921,323,736
82,426,063	93,001,677	95,312,943	96,447,635	92,903,636	86,707,764
<u>(140,260,655)</u>	<u>(147,046,586)</u>	<u>(161,054,726)</u>	<u>(166,465,212)</u>	<u>(169,009,366)</u>	<u>(169,776,137)</u>
<u>\$ 707,063,703</u>	<u>\$ 746,326,744</u>	<u>\$ 852,856,849</u>	<u>\$ 830,110,355</u>	<u>\$ 840,772,629</u>	<u>\$ 838,255,363</u>
0.621009	0.620252	0.588373	0.613409	0.626807	0.649978

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
City by fund:				
General	\$ 0.41272	\$ 0.42037	\$ 0.43171	\$ 0.44707
Debt service	0.18787	0.18787	0.18787	0.18364
Total Direct Rates	<u>0.60059</u>	<u>0.60824</u>	<u>0.61958</u>	<u>0.63071</u>
Clear Creek School District	1.74000	1.73000	1.74500	1.77500
Harris County	0.38814	0.38803	0.39986	0.39986
Harris County Flood Control District	0.04174	0.04174	0.03318	0.03318
Port of Houston Authority	0.01989	0.02000	0.01673	0.01673
Harris County Hospital District	0.19021	0.19021	0.19021	0.19021
Harris County Dept. of Education	<u>0.00629</u>	<u>0.00629</u>	<u>0.00629</u>	<u>0.00629</u>
Total Direct and Overlapping Rates (1)	<u>\$ 2.98686</u>	<u>\$ 2.98451</u>	<u>\$ 3.01085</u>	<u>\$ 3.05198</u>

Tax rates per \$100 of assessed valuation

Source: Harris County Appraisal District

(1) Overlapping rates are those of local and county governments that apply within the City of Seabrook.

Note: In 2002, the City approved creation of the HC MUD 373 and agreed to pay HC MUD 373 12 percent of the taxes collected by the City on land and improvements for entities within the HC MUD 373 jurisdiction for a term of seven and a half years, so long as the HC MUD 373 has any bonded indebtedness. Total direct rates exclude the HC MUD 373 tax of \$0.355 because it only affects 298 tax accounts within the City.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 0.45328	\$ 0.46980	\$ 0.43012	\$ 0.45628	\$ 0.46556	\$ 0.48269
0.16773	0.15046	0.15825	0.15713	0.16125	0.16729
<u>0.62101</u>	<u>0.62026</u>	<u>0.58837</u>	<u>0.61341</u>	<u>0.62681</u>	<u>0.64998</u>
1.63000	1.32000	1.36000	1.36000	1.36000	1.36000
0.40239	0.39239	0.38923	0.39224	0.38805	0.39117
0.03241	0.03106	0.03086	0.29220	0.02930	0.02809
0.01302	0.01437	0.01773	0.16360	0.02054	0.01856
0.19216	0.19216	0.19216	0.19216	0.19216	0.19406
<u>0.00629</u>	<u>0.00585</u>	<u>0.00584</u>	<u>0.00605</u>	<u>0.00658</u>	<u>0.00658</u>
<u>\$ 2.89728</u>	<u>\$ 2.57609</u>	<u>\$ 2.58419</u>	<u>\$ 3.01966</u>	<u>\$ 2.62344</u>	<u>\$ 2.64844</u>

(This page intentionally left blank.)

CITY OF SEABROOK, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Repsdorph Road LTD	\$ 13,246,501	1	1.58%			
Sinbad Landing Corp.	12,185,700	2	1.45%	\$ 11,750,000	2	2.23%
DMH 90	9,389,802	3	1.12%	7,799,980	4	1.48%
CGMT 2006C5 Repsdorph Rd APT	8,113,216	4	0.97%			
Nasa Road Apartments LLC	7,086,263	5	0.85%			
Centerpoint Energy Inc.	6,529,108	6	0.78%			
SEC Edgelake LLC	6,523,290	7	0.78%			
Lamrock 3/2001LP	6,312,325	8	0.75%			
Omkar Group Seabrook LP	5,181,560	9	0.62%			
Seabrook Land Com	4,346,507	10	0.52%			
Ocean Energy Inc.				15,016,863	1	2.86%
LS General Partnership				7,900,000	3	1.50%
Reliant Energy				6,626,020	5	1.26%
WXII/WCI Real Estate LTD				6,429,180	6	1.22%
Taylor Lake Development LTD				5,547,510	7	1.05%
Seatree 1 LTD Partnership				5,489,590	8	1.04%
Miramar Station LTD				4,255,500	9	0.81%
Seabrook Marina				3,809,180	10	0.72%
Subtotal	<u>78,914,272</u>		<u>9.41%</u>	<u>74,623,823</u>		<u>14.17%</u>
Other Taxpayers	<u>759,341,091</u>		<u>90.59%</u>	<u>451,282,417</u>		<u>85.81%</u>
Total	<u><u>\$ 838,255,363</u></u>		<u><u>100.00%</u></u>	<u><u>\$ 525,906,240</u></u>		<u><u>100%</u></u>

Source: Harris County Tax Assessor-Collector's records.

CITY OF SEABROOK, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Years

	Year			
	2003	2004	2005	2006
Tax levy	\$ 3,158,503	\$ 3,428,722	\$ 3,781,489	\$ 4,069,880
Current tax collected	\$ 3,032,072	\$ 3,314,150	\$ 3,668,404	\$ 3,884,705
Percent of current tax collections	96.00%	96.66%	97.01%	95.45%
Collections in subsequent years	114,497	\$ 99,062	\$ 92,897	\$ 168,289
Total tax collections to date	<u>\$ 3,146,569</u>	<u>\$ 3,413,212</u>	<u>\$ 3,761,301</u>	<u>\$ 4,052,994</u>
Total collections as a percentage of current levy	99.62%	99.55%	99.47%	99.59%

Year						
2007	2008	2009	2010	2011	2012	
\$ 4,363,564	\$ 4,594,030	\$ 4,985,811	\$ 5,050,227	\$ 5,214,919	\$ 5,389,311	
\$ 4,252,282	\$ 4,498,264	\$ 4,894,771	\$ 4,945,845	\$ 5,132,185	\$ 5,327,402	
97.45%	97.92%	98.17%	97.93%	98.41%	98.85%	
95,172	81,063	74,545	82,149	52,442	-	
<u>\$ 4,347,454</u>	<u>\$ 4,579,327</u>	<u>\$ 4,969,316</u>	<u>\$ 5,027,994</u>	<u>\$ 5,184,627</u>	<u>\$ 5,327,402</u>	
99.63%	99.68%	99.67%	99.56%	99.42%	98.85%	

CITY OF SEABROOK, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	Year			
	2003	2004	2005	2006
Primary Government				
Governmental Activities:				
General obligation bonds	\$ 8,581,000	\$ 8,136,625	\$ 12,746,250	\$ 12,419,375
Certificates of obligation	105,000	55,000	-	-
Sales tax revenue bonds	2,880,000	2,640,000	1,350,000	1,200,000
Notes payable	120,000	105,000	105,000	-
Capital leases	267,350	116,042	82,345	29,710
Subtotal	<u>\$ 11,953,350</u>	<u>\$ 11,052,667</u>	<u>\$ 14,283,595</u>	<u>\$ 13,649,085</u>
Business-Type Activities:				
Revenue bonds	\$ 2,195,000	\$ 2,150,000	\$ 4,365,000	\$ 4,220,000
General obligation bonds	1,329,000	1,113,375	888,750	785,625
Subtotal	<u>3,524,000</u>	<u>3,263,375</u>	<u>5,253,750</u>	<u>5,005,625</u>
Total Primary Government	<u>\$ 15,477,350</u>	<u>\$ 14,316,042</u>	<u>\$ 19,537,345</u>	<u>\$ 18,654,710</u>
Personal Income	\$ 332,468,092	\$ 352,329,110	\$ 364,552,822	\$ 377,003,000
Debt as a Percentage of Personal Income	4.66%	4.06%	5.36%	4.95%
Population	10,450	10,803	10,904	11,000
Debt Per Capita	\$ 1,481	\$ 1,325	\$ 1,792	\$ 1,696

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

(1) In fiscal year 2007, the Seabrook Economic Development Corporation began to be reported as a discretely presented component unit.

		Year					
		2007	2008	2009	2010	2011	2012
\$		11,994,375	\$ 18,385,000	\$ 17,872,500	\$ 17,315,625	\$ 16,727,500	\$ 16,110,000
		-	-	-	900,000	900,000	865,000
	(1)	-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
\$		<u>11,994,375</u>	<u>\$ 18,385,000</u>	<u>\$ 17,872,500</u>	<u>\$ 18,215,625</u>	<u>\$ 17,627,500</u>	<u>\$ 16,975,000</u>
\$		4,070,000	\$ 5,522,000	\$ 5,357,000	\$ 5,174,000	4,978,000	4,773,000
		665,625	540,000	412,500	279,375	142,500	-
		<u>4,735,625</u>	<u>6,062,000</u>	<u>5,769,500</u>	<u>5,453,375</u>	<u>5,120,500</u>	<u>4,773,000</u>
\$		<u><u>16,730,000</u></u>	<u><u>\$ 24,447,000</u></u>	<u><u>\$ 23,642,000</u></u>	<u><u>\$ 23,669,000</u></u>	<u><u>\$ 22,748,000</u></u>	<u><u>\$ 21,748,000</u></u>
\$		391,560,094	\$ 415,708,106	\$ 448,887,699	\$ 478,986,277	\$ 421,009,200	\$ 493,026,700
		4.27%	5.88%	5.27%	4.94%	5.40%	4.41%
		11,182	11,577	12,051	12,367	12,683	12,700
\$		1,496	\$ 2,112	\$ 1,962	\$ 1,914	\$ 1,794	\$ 1,712

CITY OF SEABROOK, TEXAS
RATIO OF NET BONDED DEBT TO ASSESSED VALUE,
NET BONDED DEBT PER CAPITA, AND ASSESSED
AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Years

	Year			
	2003	2004	2005	2006
Net Taxable Assessed Value				
All property	\$ 525,906,240	\$ 563,716,580	\$ 610,337,910	\$ 645,289,506
Net Bonded Debt				
Gross bonded debt	\$ 10,015,000	\$ 9,305,000	\$ 13,635,000	\$ 13,205,000
Less debt service funds	870,363	975,145	1,154,167	1,221,007
Net Bonded Debt	<u>\$ 9,144,637</u>	<u>\$ 8,329,855</u>	<u>\$ 12,480,833</u>	<u>\$ 11,983,993</u>
 Ratio of Net Bonded Debt to Assessed Value	1.74%	1.48%	2.04%	1.86%
 Population	10,450	10,803	10,904	11,000
 Net Bonded Debt Per Capita	\$ 875	\$ 771	\$ 1,145	\$ 1,089

Year					
2007	2008	2009	2010	2011	2012
\$ 707,063,703	\$ 746,326,744	\$ 852,856,849	\$ 830,110,355	\$ 840,772,629	\$ 838,255,363
\$ 12,660,000	\$ 18,925,000	\$ 18,285,000	\$ 18,495,000	\$ 17,770,000	\$ 16,975,000
<u>1,547,226</u>	<u>1,604,615</u>	<u>1,691,939</u>	<u>1,689,111</u>	<u>1,708,798</u>	<u>1,746,037</u>
<u>\$ 11,112,774</u>	<u>\$ 17,320,385</u>	<u>\$ 16,593,061</u>	<u>\$ 16,805,889</u>	<u>\$ 16,061,202</u>	<u>\$ 15,228,963</u>
1.57%	2.32%	1.95%	2.02%	1.91%	1.82%
11,182	11,577	12,051	12,367	12,683	12,700
\$ 994	\$ 1,496	\$ 1,377	\$ 1,359	\$ 1,266	\$ 1,199

(This page intentionally left blank.)

CITY OF SEABROOK, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2012

	Net Bonded Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt (1)
Debt Repaid with Property Taxes			
Governmental Unit			
Clear Creek ISD	\$ 643,272	4.58%	\$ 29,462
Harris County (3)	1,750,787	0.21%	3,677
Harris Co. Flood Control District	649,909	0.21%	1,365
Harris County Toll Road	403,884	0.21%	848
Port of Houston Authority	745,874	0.21%	1,566
Municipal Utility District 373	4,725	100.00%	4,725
Subtotal, overlapping debt			41,643
City Direct Debt	16,975	100.00%	16,975
	Total Direct and Overlapping Debt		\$ 58,618

Source: Harris County Auditor's Office

Source: Accounting records of the City and the various taxing authorities

(1) Dollars in thousands

(2) Excludes Toll Road Tax Bonds. The County's policy and practice has been to provide payment of debt service on the outstanding Toll Road Tax Bonds from toll revenues and certain other funds, and to date no tax has been collected to provide for such debt service.

(3) Excludes commercial paper transactions. Harris County and the Harris County Flood Control District have established a general obligation commercial paper program payable from ad valorem taxes for the purpose of financing various short-term assets and temporary construction financing for certain long-term fixed assets. The commercial paper program consists of six series totaling \$655 million. To date, specific projects have been approved for no more than \$462.8 million. As of September 30, 2006, Harris County and the Harris County Flood District had outstanding \$462.8 million of commercial paper.

CITY OF SEABROOK, TEXAS

PLEDGED-REVENUE COVERAGE

Last Ten Years

	Year			
	2003	2004	2005	2006
Gross Revenues (1)	\$ 4,001,998	\$ 4,126,169	\$ 4,538,952	\$ 5,474,903
Operating Expenses (2)	2,529,916	2,706,213	2,835,395	3,011,109
Net Revenues Available for Debt Service	\$ 1,472,082	\$ 1,419,956	\$ 1,703,557	\$ 2,463,794
Debt Service Requirements (3)				
Principal	\$ -	\$ 45,000	\$ 60,000	\$ 145,000
Interest	19,944	114,500	139,031	179,716
Total	\$ 19,944	\$ 159,500	\$ 199,031	\$ 324,716
Coverage	73.81	8.90	8.56	7.59

(1) Total revenues including interest

(2) Total operating expenses less depreciation

(3) Includes revenue bonds only

Year						
2007	2008	2009	2010	2011	2012	
\$ 5,100,087	\$ 5,637,190	\$ 5,635,039	\$ 6,058,814	\$ 6,829,188	\$ 6,294,720	
<u>3,197,851</u>	<u>3,440,044</u>	<u>3,645,954</u>	<u>4,007,300</u>	<u>3,779,560</u>	<u>3,610,061</u>	
\$ 1,902,236	\$ 2,197,146	\$ 1,989,085	\$ 2,051,514	\$ 3,049,628	\$ 2,684,659	
\$ 150,000	\$ 160,000	\$ 165,000	\$ 183,000	\$ 196,000	\$ 205,000	
<u>174,824</u>	<u>204,674</u>	<u>269,083</u>	<u>224,614</u>	<u>237,192</u>	<u>209,571</u>	
<u>\$ 324,824</u>	<u>\$ 364,674</u>	<u>\$ 434,083</u>	<u>\$ 407,614</u>	<u>\$ 433,192</u>	<u>\$ 414,571</u>	
5.86	6.02	4.58	5.03	7.04	6.48	

CITY OF SEABROOK, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Years

<u>Fiscal Year Ended</u>	<u>Population (2)(7)</u>	<u>Personal Income (6)</u>	<u>Per Capita Personal Income (5)(7)(8)</u>	<u>Median Age (5)(7)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)(7)</u>
2003	10,450	\$ 332,468,092	\$ 31,815	n/a	1,935	4.9%
2004	10,803	\$ 352,329,110	\$ 32,614	n/a	1,977	4.2%
2005	10,904	\$ 364,552,822	\$ 33,433	34.0	1,977	4.1%
2006	11,000	\$ 377,003,000	\$ 34,273	34.6	1,744	3.6%
2007	11,182	\$ 391,560,094	\$ 35,017	36.6	1,767	3.8%
2008 (9)	11,577	\$ 415,708,106	\$ 35,908	36.3	1,694	2.9%
2009	12,051	\$ 448,887,699	\$ 37,249	36.6	1,731	3.0%
2010	12,367	\$ 478,986,277	\$ 38,731	36.8	1,721	3.1%
2011 (1)	12,683	\$ 421,009,200	\$ 33,195	37.3	1,776	6.9%
2012 (10)	12,700	\$ 493,026,700	\$ 38,821	38.0	1,794	7.5%

Data sources:

- (1) U.S. Census Bureau
- (2) Records of the City
- (3) Clear Creek Independent School District
- (4) Tracer
- (5) Median age date prior to 2005 is not available.
- (6) Personal income information is a total for the year.
- (7) Sperlings Best Places
- (8) Per capita income figures estimated for 2003-2005 based on growth percentage in Harris County comparable growth rate to equal 2006 figure from Best Places.
- (9) All 2008 figures, except school enrollment, are estimates from the Bay Area Houston Economic Partnership.
- (10) 2012 income figures are from U.S Census Bureau, unemployment rate from Sperlings, population from Buildings department.

CITY OF SEABROOK, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Four Years Ago

<u>Employer</u>	<u>2012</u>		<u>2008 (1)</u>
	<u>Employees</u>	<u>Total City Employment (%)</u>	<u>Employees</u>
Technical Automation Service Corporation	145	3.91%	130
City of Seabrook	101	2.72%	103
Seabrook Intermediate School	100	2.70%	105
Kroger	90	2.43%	95
Bay Area Elementary	80	2.16%	82
Lakewood Yacht Club	80	2.16%	71
Gulf Coast Pipeline Services	64	1.73%	-
Gulf Coast Limestone	55	1.48%	-
Bay Area Trees and Landscape	48	1.29%	45
Mario's Flying Pizza	40	1.08%	35
Seabrook Classic Café	40	1.08%	36
Hooters	35	0.94%	80
McDonald's	32	0.86%	36
Marine Max	30	0.81%	40
Maas Nursery and Landscaping	28	0.75%	32
Kiwo, Inc.	24	0.65%	31
Total	<u>992</u>	<u>26.75%</u>	<u>921</u>

Sources: Bay Area Economic Partnership, City records

(1) Specific numbers of employees by employer for previous years are not available at this time as required by generally accepted accounting principles. As these numbers become available, they will be included in future reports.

(This page intentionally left blank.)

CITY OF SEABROOK, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>General Government:</u>										
City Manager	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Legislative	2.00	2.00	2.00	2.00	2.50	2.50	2.50	3.00	2.50	2.00
Marketing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50
Human Resources	0.50	0.50	0.50	0.50	1.75	1.75	1.75	1.75	1.75	1.75
Purchasing	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Finance	3.00	3.00	3.00	3.00	2.50	2.00	2.50	3.50	2.50	2.50
Administrative Assistant	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00
Information Technology	0.00	0.00	0.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00
Streets & Drainage	7.66	7.66	7.66	7.66	8.29	9.60	8.29	8.29	8.29	8.29
Community Development	4.00	5.00	4.00	4.00	5.05	5.70	5.70	5.70	5.70	6.00
Municipal Court	2.00	2.00	2.00	2.50	2.50	3.00	3.00	3.25	3.00	3.00
Subtotal	<u>22.66</u>	<u>23.66</u>	<u>22.66</u>	<u>23.16</u>	<u>26.09</u>	<u>29.05</u>	<u>28.24</u>	<u>28.99</u>	<u>27.24</u>	<u>27.54</u>
<u>Public Safety:</u>										
Police	34.25	33.25	34.00	26.50	29.00	32.00	30.50	30.50	30.00	32.00
Emergency Management	0.75	0.75	1.00	1.00	1.00	1.00	1.00	0.75	1.00	1.00
Animal Control	1.00	1.00	2.00	2.00	2.48	2.48	1.48	1.48	1.48	1.48
DOT	0.00	0.00	0.00	3.50	3.50	2.50	2.50	2.50	2.50	2.50
Crime District	0.00	0.00	0.00	6.50	6.50	7.00	6.00	6.00	6.00	6.00
Subtotal	<u>36.00</u>	<u>35.00</u>	<u>37.00</u>	<u>39.50</u>	<u>42.48</u>	<u>44.98</u>	<u>41.48</u>	<u>41.23</u>	<u>40.98</u>	<u>42.98</u>
<u>Enterprise Operations:</u>										
Water	6.66	6.66	7.66	4.66	5.57	5.93	6.95	6.95	6.95	6.85
Sewer	5.68	4.68	4.68	4.68	5.57	4.86	4.57	4.57	4.57	4.47
Billing	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00
Subtotal	<u>14.34</u>	<u>13.34</u>	<u>14.34</u>	<u>11.34</u>	<u>13.14</u>	<u>12.79</u>	<u>13.52</u>	<u>13.52</u>	<u>14.52</u>	<u>14.32</u>
Parks and Recreation	9.00	8.00	8.00	7.00	13.19	15.00	13.55	13.68	10.76	9.81
Hotel Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00
Economic Development	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	<u><u>83.00</u></u>	<u><u>81.00</u></u>	<u><u>83.00</u></u>	<u><u>82.00</u></u>	<u><u>95.90</u></u>	<u><u>102.82</u></u>	<u><u>97.79</u></u>	<u><u>98.42</u></u>	<u><u>94.50</u></u>	<u><u>96.65</u></u>

Source: Economic development department

CITY OF SEABROOK, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
 Last Ten Years

Function/Program	Fiscal Year			
	2003	2004	2005	2006
Police				
Arrests	908	1,040	1,113	1,423
Accident reports	195	203	212	239
Citations	4,046	4,201	4,342	5,558
Offense reports	396	369	339	238
Calls for service	15,745	16,002	17,545	21,747
Fire				
Emergency responses	n/a	n/a	n/a	n/a
Fire incidents	n/a	n/a	n/a	n/a
Average response time	n/a	n/a	n/a	n/a
Water				
New accounts	104	100	142	122
Average daily consumption (thousands of gallons)	1,647	1,776	1932	1,652
Total consumption	600,429	651,052	704,588	604,949
Peak daily consumption (thousands of gallons)	2,718	2,686	2,891	2,353
Sewer				
Average daily sewage treatment (thousands of gallons)	1,170	1,233	1,099	1,068
Total consumption	427,557	450,435	400,353	390,394
Peak daily consumption (thousands of gallons)	2,880	3,100	2,470	2,500

Source: Various City departments

(1) Increase is due to excessive rain in October 2006. The jump in peak daily consumption indicates a storm came through the City that day.

Fiscal Year

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
1,155	991	670	882	710	1,046
256	255	209	165	108	235
5,162	7,160	5,267	5,309	6,143	4,222
390	342	363	389	186	198
23,764	28,776	24,573	27,340	16,828	19,069
308	501	376	196	345	290
27	-	28	21	43	37
6:23	6:16	7:12	6:31	5:43	5:49
137	142	88	54	388	380
1,250	1,308	1,365	1,845	2,050	1,774
456,090	477,558	498,186	673,673	749,343	646,133
2,514	2,551	4,420	4,012	2,730	3,425
1,345	1,166	1,130	1,210	985	1,156
478,910	425,590	413,450	441,711	359,524	418,777
6,196 (1)	4,540	4,012	4,904	3,667	4,797

CITY OF SEABROOK, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Years

Function/Program	Year			
	2003	2004	2005	2006
Police				
Stations	1	1	1	1
Patrol units	15	16	15	13
Fire stations	1	1	1	1
Other public works				
Streets (miles - centerlines)	37.4	38.7	39.8	42.0
Streetlights	n/a	n/a	n/a	n/a
Parks and recreation				
Parks	13	14	14	14
Parks acreage	131	138	138	138
Baseball/softball diamonds	4	4	4	4
Swimming pools	1	1	1	1
Community centers	1	1	1	1
Water				
Water mains (miles)	51.3	52.6	53.5	56.3
Fire hydrants	366	397	429	449
Storage capacity (millions of gallons)	1.18	1.1	1.1	2.1
Sewer				
Sanitary sewers (miles)	49.6	50.6	51.8	54.2
Storm sewers (miles)	18	19	20	22
Open ditch/creek/canal drainage (miles)	18.00	18.00	18.00	20.00
Treatment capacity (millions of gallons)	2.5	2.5	2.5	2.5

Source: Various City departments

Year					
2007	2008	2009	2010	2011	2012
1	1	1	1	1	1
17	18	17	17	17	17
1	1	1	1	1	1
42.0	42.0	42.0	42.1	42.1	42.1
n/a	n/a	n/a	n/a	1,000	1,000
14	15	15	15	18	19
138	156	230	230	230	232
4	4	4	4	4	6
1	1	1	1	1	1
2	2	2	2	2	2
56.3	56.3	56.3	56.4	56.4	56.4
469	478	479	479	481	481
2.1	2.1	2.1	2.1	2.1	2.1
54.2	54.2	54.2	54.0	54.4	54.4
22	22	22	22	22	22
20.00	20.00	20.00	20.25	20.25	20.25
2.5	2.5	2.5	2.5	2.5	2.5

(This page intentionally left blank.)