

*City of Seabrook, Texas*

**Comprehensive Annual  
Financial Report**

**October 1, 2012 through September 30, 2013**

*COMPREHENSIVE  
ANNUAL FINANCIAL REPORT*

of the

**CITY OF SEABROOK, TEXAS**

For the Year Ended  
September 30, 2013

Prepared by  
City Administration and the Finance and Accounting Office

Gayle Cook  
City Manager

Sean Landis  
Assistant City Manager

Pamela J. Lab  
Director of Finance

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# CITY OF SEABROOK, TEXAS

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***INTRODUCTORY SECTION***

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March 21, 2014

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 for the fiscal year ended September 30, 2013.

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 certified 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, 2013, are free from 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 unmodified opinion that the financial statements for the year ended September 30, 2013 are fairly presented in conformity with GAAP. The independent auditors' 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 began 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.

## **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 is scheduled to contract a water and sewer rate study in mid-2014. Recommendations from the study will allow the City to update its rate structure accordingly and comply with American Water Works Association (AWWA) standards. The rate plan and current and future needs will be 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.

In April 2013, the City issued \$5.155 million in General Obligation Refunding Bonds resulting in a long term savings of \$669,000.

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

## **Major Initiatives**

### **Waterfront Project**

In June 2013, the Waterfront Project was approved and commenced; the anticipated completion is April 2014. This project was initiated after Hurricane Ike in 2009, when the City was awarded a \$3 million EDA grant and an \$8.57 million CDBG grant in 2010. These funds will combine with an additional \$900,000 approved by the Seabrook Economic Development Corporation 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, adding concrete curbs, sidewalks and side street parking, and finishing the project by installing decorative lighting and palm trees. This area, known 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.

### **Connector Road**

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 (SH 146). This will capitalize on anticipated traffic resulting from the cruise terminal and the increasing traffic on SH 146. The Texas Department of Transportation finished construction on the new SH 146/Red Bluff overpass in January 2013.

### **Drainage Improvements**

In February 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:

### **Pine Gully Drainage Improvements Phase II**

Hurricane Ike/Dolly caused storm surge and heavy rainfalls which led to the existing constructed channel being overloaded and incapable of channeling the retreating storm surge and rain water due to inadequate capacity causing impacts to the community such as the subdivisions of Baybrook I and II being subjected to storm flooding for an extended period of time, which resulted in property damage and impeded recovery efforts. The project consists of clearing, channel excavation and widening, slope stabilization and construction of concrete structures, which will address failure of the affected system by increasing storm water conveyance capacity.

- **Upper Pine Gully Channel** – In June 2013, the clearing and widening of Upper Pine Gully Channel began which involves the widening of approximately 5,300 feet of the gully to a width of approximately 100 feet and will result in enhanced flood control for the City. The resulting fill will be used to raise the roadbed in the Waterfront Project.
- **Lower Pine Gully Channel and Breakwater (Jetties)** – This project, which commenced in September 2013, involves the removal of silt, the restoration of marsh land and the construction of a breakwater (jetties) at the mouth of Pine Gully. This project received 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.

### **Hester's Gully Drainage Improvements**

Hurricane Ike/Dolly caused storm surge and heavy rainfalls which led to the gully being overloaded by storm water and incapable of channeling the retreating storm surge and rain water due to constrictions at North Meyer, the Bay outfall, and the opening in the Todville Road bridge causing impacts to the community such as flood water being impounded in the Miramar subdivision area for an extended period of time, resulting in property damage and impeded recovery efforts. The proposed project consists of replacing the North Meyer culvert with a larger structure, addressing the channel constrictions at the Bay outfall, and enlarging the opening in the Todville Road Bridge.

- **Hester Gully Improvements** – This project shall address channel constrictions at the bay outfall by securing a property in the floodplain of the channel that previously supported a private residence at Hester Gully and Todville Road. The project involves excavating the top one to two feet from the property adjacent to the gully up to the bulkhead and removing approximately one foot off the top of the bulkhead, allowing for water to convey to improve conveyance capacity. Narrow portions of the channel not already protected will be stabilized with riprap. Proposed improvements will protect the watershed from replacement of obstructions to flow and reduce flooding.

Other projects to be funded within the City's budget are:

**Seascope I Paving and Water Line Improvements Phase III – Sanitation Franchise Fee & Impact Fees**

Street replacement will replace the existing asphalt pavement and concrete curb with six-inch concrete pavement and six-inch concrete curbs. Adjacent driveways along the street replacements will be removed and be replaced with six-inch concrete up to the existing right-of-way. Waterline replacement will replace the existing six-inch AC water line with an eight-inch PVC water line and replace the existing water service lines to each customer along the main line to the meter. Phase III will consist of paving and waterline replacement along Hamblen Court, Bay Club Drive and Tharp Avenue.

**Wastewater Treatment Plant Headworks Improvements – CIP**

This project will modify current manual bar screen with an automatic mechanical bar screen to intercept debris 24/7 especially during heavy rains for better process control.

**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, 2012. This was the 33<sup>rd</sup> 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.



**Gayle Cook**  
City Manager

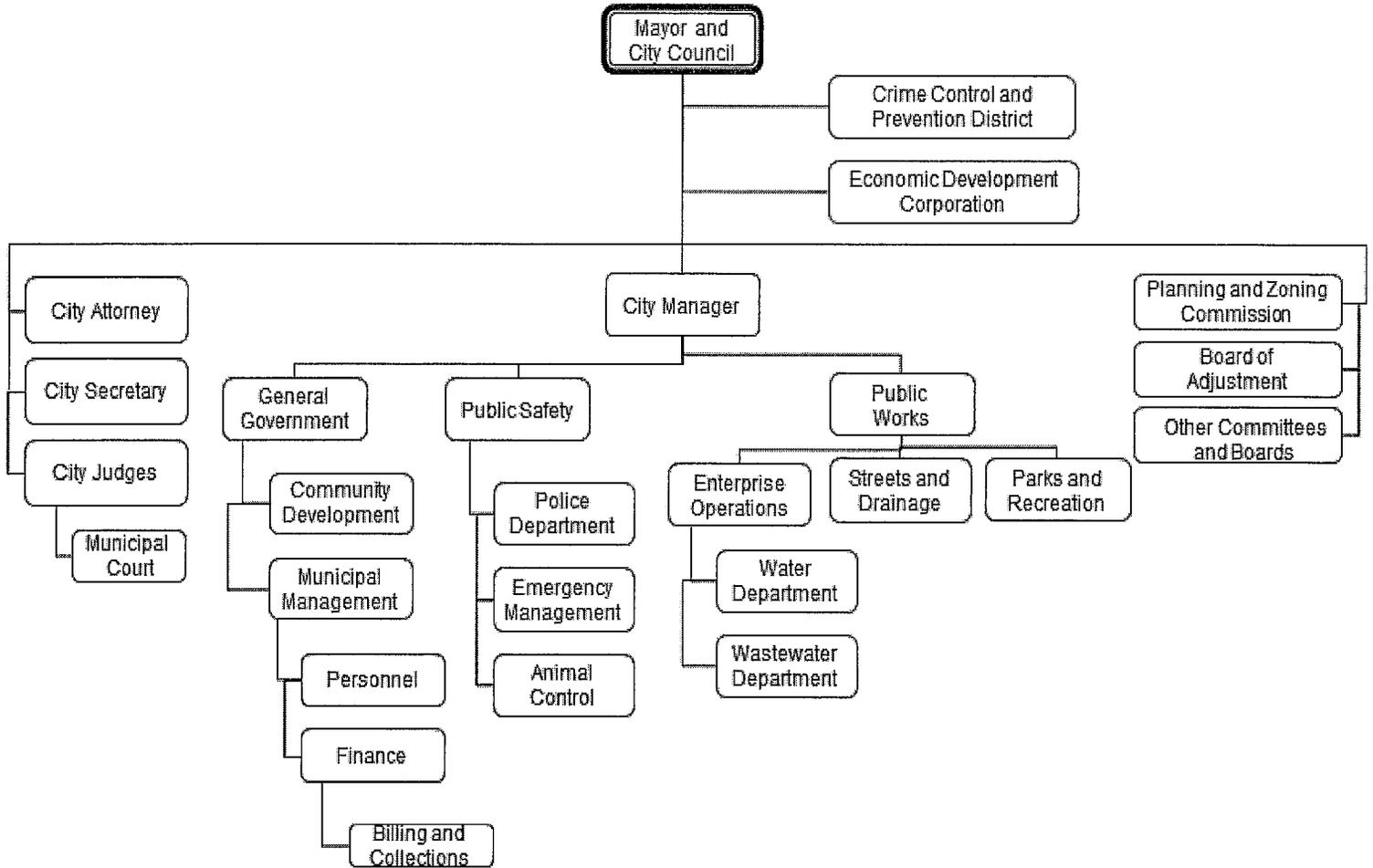


**Pamela J. Lab**  
Director of Finance

# CITY OF SEABROOK, TEXAS

## ORGANIZATIONAL CHART

September 30, 2013



**CITY OF SEABROOK, TEXAS**

*CERTIFICATE OF ACHIEVEMENT FOR  
EXCELLENCE IN FINANCIAL REPORTING*

September 30, 2013



Government Finance Officers Association

**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, 2012**

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive style with a prominent 'J' and 'E'.

Executive Director/CEO

# CITY OF SEABROOK, TEXAS

## PRINCIPAL OFFICIALS

September 30, 2013

<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>
Gayle Cook	City Manager
Sean Landis	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***

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Seabrook, Texas (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and schedule of funding progress, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and schedules, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
March 21, 2014

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

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**CITY OF SEABROOK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2013**

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

The Statement of Net Position and the Statement of Activities divide the City 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 include not only the City itself (known as the primary government), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The Crime Control and Prevention District, although also legally separate, functions for all practical purposes as a department of the City and, therefore, has been included as an integral part of the primary government.

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

**CITY OF SEABROOK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2013**

funds for reporting purposes. 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.

**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, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). RSI includes budgetary comparison schedules for the City's general fund and CDBG grant fund, as well as a schedule of funding progress for the City's pension benefits. RSI can be found after the notes to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities by \$41,053,352 as of September 30, 2013. 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 position, 67 percent, reflects its investment in capital assets (e.g., land, buildings, 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, 2013

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

**SUMMARY STATEMENT OF NET POSITION**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 10,518,150	\$ 10,018,219	\$ 6,715,052	\$ 7,442,527	\$ 17,233,202	\$ 17,460,746
Capital assets, net	33,898,300	30,186,099	13,506,674	12,835,398	47,404,974	43,021,497
<b>Total Assets</b>	<u>44,416,450</u>	<u>40,204,318</u>	<u>20,221,726</u>	<u>20,277,925</u>	<u>64,638,176</u>	<u>60,482,243</u>
Deferred outflow of resources	270,114	-	50,024	-	320,138	-
<b>Total Deferred Outflow of Resources</b>	<u>270,114</u>	<u>-</u>	<u>50,024</u>	<u>-</u>	<u>320,138</u>	<u>-</u>
Long-term liabilities	16,956,006	17,493,095	4,688,020	4,862,804	21,644,026	22,355,899
Other liabilities	1,358,365	900,992	902,571	844,387	2,260,936	1,745,379
<b>Total Liabilities</b>	<u>18,314,371</u>	<u>18,394,087</u>	<u>5,590,591</u>	<u>5,707,191</u>	<u>23,904,962</u>	<u>24,101,278</u>
<b>Net Position:</b>						
Net investment in capital assets	18,283,628	14,178,056	9,357,328	8,449,299	27,640,956	22,627,355
Restricted	4,388,221	4,701,768	2,207,032	2,318,565	6,595,253	7,020,333
Unrestricted	3,700,344	2,930,407	3,116,799	3,802,870	6,817,143	6,733,277
<b>Total Net Position</b>	<u>\$ 26,372,193</u>	<u>\$ 21,810,231</u>	<u>\$ 14,681,159</u>	<u>\$ 14,570,734</u>	<u>\$ 41,053,352</u>	<u>\$ 36,380,965</u>

A portion of the City's net position, \$6,595,253 or 16 percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$6,817,143 or 17 percent, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by \$4,672,387 as compared to the prior year. This increase is largely the result of an increase in capital assets, as well as a decrease in long-term liabilities. The increase in capital assets is attributed to the acquisition of land and completion and capitalization of construction-related projects. The decrease in long-term liabilities occurred primarily as a result of the retirement of debt related to the current year refunding.

**CITY OF SEABROOK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2013

**Statement of Activities:**

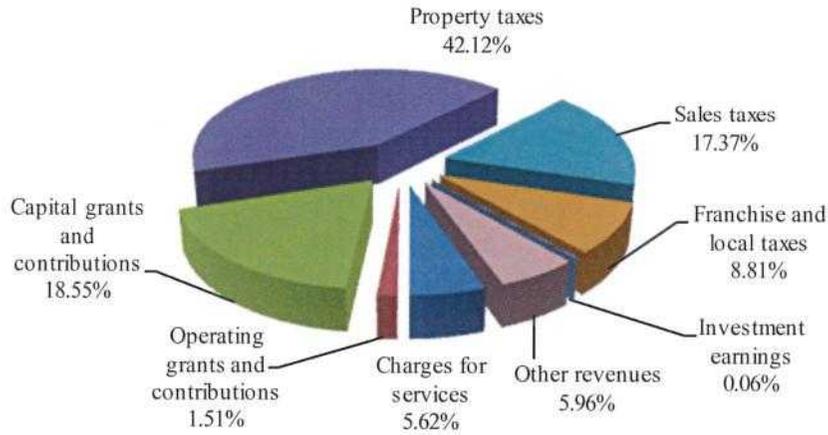
The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 755,111	\$ 1,070,691	\$ 6,209,614	\$ 6,040,302	\$ 6,964,725	\$ 7,110,993
Operating grants and contributions	202,982	165,018	-	-	202,982	165,018
Capital grants and contributions	2,490,787	3,739,274	132,207	218,259	2,622,994	3,957,533
General revenues:						
Property taxes	5,656,089	5,442,550	-	-	5,656,089	5,442,550
Sales taxes	2,332,016	2,135,045	-	-	2,332,016	2,135,045
Franchise and other taxes	1,183,623	1,075,551	-	-	1,183,623	1,075,551
Investment earnings	8,293	10,124	5,562	6,945	13,855	17,069
Other revenues	799,891	592,662	254,257	247,473	1,054,148	840,135
<b>Total Revenues</b>	<u>13,428,792</u>	<u>14,230,915</u>	<u>6,601,640</u>	<u>6,512,979</u>	<u>20,030,432</u>	<u>20,743,894</u>
<b>Expenses</b>						
General government	2,426,528	2,044,188	-	-	2,426,528	2,044,188
Public safety	5,108,700	4,444,193	-	-	5,108,700	4,444,193
Public works	1,941,718	3,191,383	-	-	1,941,718	3,191,383
Economic development	357,550	303,003	-	-	357,550	303,003
Interest and fiscal agent fees	701,007	759,480	194,872	-	895,879	759,480
Utilities	-	-	4,627,670	4,289,547	4,627,670	4,289,547
<b>Total Expenses</b>	<u>10,535,503</u>	<u>10,742,247</u>	<u>4,822,542</u>	<u>4,289,547</u>	<u>15,358,045</u>	<u>15,031,794</u>
<b>Excess of Revenues Over Expenses</b>	2,893,289	3,488,668	1,779,098	2,223,432	4,672,387	5,712,100
Transfers in/(out)	1,668,673	1,339,685	(1,668,673)	(1,339,685)	-	-
<b>Change in Net Position</b>	4,561,962	4,828,353	110,425	883,747	4,672,387	5,712,100
Beginning net position	21,810,231	16,981,878	14,570,734	13,686,987	36,380,965	30,668,865
<b>Ending Net Position</b>	<u>\$ 26,372,193</u>	<u>\$ 21,810,231</u>	<u>\$ 14,681,159</u>	<u>\$ 14,570,734</u>	<u>\$ 41,053,352</u>	<u>\$ 36,380,965</u>

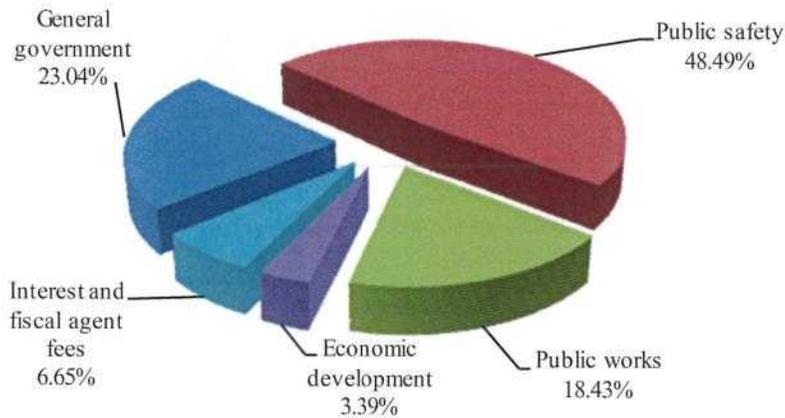
**CITY OF SEABROOK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2013**

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

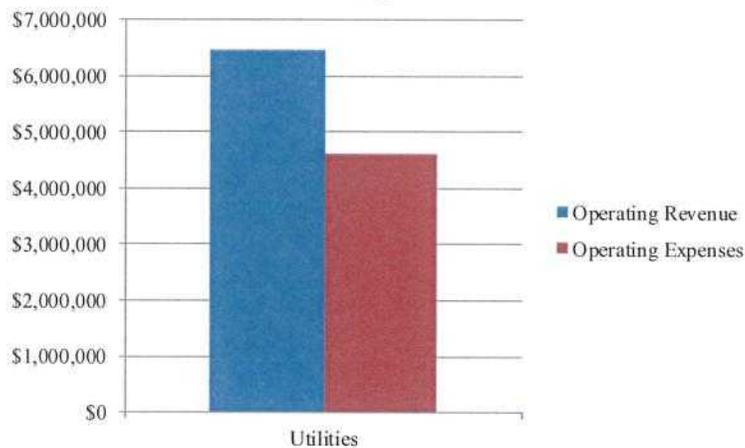
**Governmental Revenues**



**Governmental Expenses**



**Business-Type Activities**



**CITY OF SEABROOK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2013**

For the year ended September 30, 2013, revenues from governmental activities totaled \$13,428,792, which is a decrease of \$802,123 from the prior year. This is primarily due to a decrease in charges for services and capital grants and contributions.

For the year ended September 30, 2013, expenses for governmental activities totaled \$10,535,503. Overall governmental expenses decreased by two percent. This is related to a decrease in public works and interest and fiscal agent fees.

Operating revenues and expenses for business-type activities increased from the prior year. Charges for services increased by \$169,312, or three percent, because of an increase in the number of customers as compared to the prior year. Capital grants and contributions decreased by \$86,052, or 39 percent, because of a decrease 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 \$8,931,624. Of this, \$14,667 is nonspendable, \$4,388,221 is restricted for various purposes, \$801,291 is committed for a stabilization fund to cover potential future budget shortfalls, and \$78,000 is assigned for civil service accrued sick leave payouts. The remaining balance of \$3,649,445 is unassigned in the general fund.

The combined fund balance was comparable to the prior year. It increased slightly by \$5,851.

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 \$3,649,445, while total fund balance reached \$4,542,423. 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 40 percent of total general fund expenditures while total fund balance represents 50 percent of the same amount. The general fund demonstrated an overall increase of \$318,613 primarily due to transfers from other funds.

The debt service fund has a total fund balance of \$1,742,115, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$3,922, which is comparable to prior year.

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, 2013

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There had been a planned increase in budgeted fund balance in the amount of \$255,484 in the general fund. However, the fund balance increased by \$317,854, resulting in a positive variance of \$62,370 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 \$25,610 during 2013. This variance was primarily due to positive variances of \$4,844 for franchise fee revenue and \$16,849 for miscellaneous revenues.

Actual expenditures were less than budgeted amounts by \$36,760 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 \$33,898,300 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$3,712,201.

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

- Land Right-of-Way acquisitions for \$1,190,553
- Various infrastructure projects for \$553,251
- Several vehicles for \$207,390
- Police boat for \$86,794

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 \$20,978,000. Of this amount, \$16,730,000 was general obligation debt, \$3,418,000 was revenue bond debt, and \$830,000 was certificates of obligation debt.

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

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	A1	A
Revenue bonds	A1	A

**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 2014 budget. The City's general fund revenue is principally made up of property taxes, sales taxes, and franchise fees. The revenue projections for the budget are based on historical data and

**CITY OF SEABROOK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2013**

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 \$9.4 million for the 2014 fiscal year. The 2014 budget incorporated a tax rate decrease of \$.014003 (2.1%) to \$0.651229 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>.

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***BASIC FINANCIAL STATEMENTS***

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# CITY OF SEABROOK, TEXAS

## STATEMENT OF NET POSITION

September 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 7,669,390	\$ 3,092,318	\$ 10,761,708	\$ 2,288,196
Receivables, net of allowances	2,823,195	739,017	3,562,212	1,143,006
Internal balances	9,314	(9,314)	-	-
Due from primary government	-	-	-	13,824
Due from component unit	1,584	-	1,584	-
Prepaid items	14,667	65	14,732	-
Restricted assets:				
Temporarily restricted cash and cash equivalents	-	2,892,966	2,892,966	-
	10,518,150	6,715,052	17,233,202	3,445,026
Capital assets:				
Non-depreciable capital assets	15,601,471	1,001,510	16,602,981	-
Depreciable capital assets, net	18,296,829	12,505,164	30,801,993	-
	33,898,300	13,506,674	47,404,974	-
<b>Total Assets</b>	44,416,450	20,221,726	64,638,176	3,445,026
<b><u>Deferred Outflows of Resources</u></b>				
Deferred charge on refunding	270,114	50,024	320,138	-
<b>Total Deferred Outflows of Resources</b>	270,114	50,024	320,138	-
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	1,290,871	877,290	2,168,161	616,019
Due to primary government	-	-	-	1,584
Due to component unit	13,824	-	13,824	-
Unearned revenue	5,268	-	5,268	-
Accrued bond interest	48,402	25,281	73,683	-
Noncurrent liabilities:				
Portion due within one year	1,219,209	315,322	1,534,531	-
Portion due in more than one year	15,736,797	4,372,698	20,109,495	-
<b>Total Liabilities</b>	18,314,371	5,590,591	23,904,962	617,603
<b><u>Net Position</u></b>				
Net investment in capital assets	18,283,628	9,357,328	27,640,956	-
Restricted for:				
Debt service	1,742,115	-	1,742,115	-
Public safety	808,588	-	808,588	-
Parks	75,946	-	75,946	-
Tourism	1,090,290	-	1,090,290	-
Governmental programming	38,482	-	38,482	-
Capital projects	632,800	2,207,032	2,839,832	-
Economic development	-	-	-	2,827,423
Unrestricted	3,700,344	3,116,799	6,817,143	-
<b>Total Net Position</b>	\$ 26,372,193	\$ 14,681,159	\$ 41,053,352	\$ 2,827,423

See Notes to Financial Statements.

# CITY OF SEABROOK, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 2,426,528	\$ 142,670	\$ -	\$ -
Public safety	5,108,700	429,178	77,982	-
Public works	1,941,718	183,263	-	2,490,787
Economic development	357,550	-	125,000	-
Interest and fiscal agent fees	701,007	-	-	-
<b>Total Governmental Activities</b>	<b>10,535,503</b>	<b>755,111</b>	<b>202,982</b>	<b>2,490,787</b>
<b>Business-Type Activities</b>				
Utilities	4,627,670	6,209,614	-	132,207
Interest and fiscal agent fees	194,872	-	-	-
<b>Total Business-Type Activities</b>	<b>4,822,542</b>	<b>6,209,614</b>	<b>-</b>	<b>132,207</b>
<b>Total Primary Government</b>	<b>\$ 15,358,045</b>	<b>\$ 6,964,725</b>	<b>\$ 202,982</b>	<b>\$ 2,622,994</b>
<b>Component Unit</b>				
Seabrook Economic Development Corp	\$ 1,670,914	\$ -	\$ 24,961	\$ 1,352,312
<b>Total Component Unit</b>	<b>\$ 1,670,914</b>	<b>\$ -</b>	<b>\$ 24,961</b>	<b>\$ 1,352,312</b>

**General Revenues:**

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

**Total General Revenues and Transfers**

**Change in Net Position**

Beginning net position

**Ending Net Position**

See Notes to Financial Statements.

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (2,283,858)	\$ -	\$ (2,283,858)	\$ -
(4,601,540)	-	(4,601,540)	-
732,332	-	732,332	-
(232,550)	-	(232,550)	-
(701,007)	-	(701,007)	-
<u>(7,086,623)</u>	<u>-</u>	<u>(7,086,623)</u>	<u>-</u>
-	1,714,151	1,714,151	-
-	(194,872)	(194,872)	-
<u>-</u>	<u>1,519,279</u>	<u>1,519,279</u>	<u>-</u>
<u>(7,086,623)</u>	<u>1,519,279</u>	<u>(5,567,344)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (293,641)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (293,641)</u>
5,656,089	-	5,656,089	-
2,332,016	-	2,332,016	744,990
731,646	-	731,646	-
451,977	-	451,977	-
8,293	5,562	13,855	4,811
799,891	254,257	1,054,148	2,874
1,668,673	(1,668,673)	-	-
<u>11,648,585</u>	<u>(1,408,854)</u>	<u>10,239,731</u>	<u>752,675</u>
4,561,962	110,425	4,672,387	459,034
<u>21,810,231</u>	<u>14,570,734</u>	<u>36,380,965</u>	<u>2,368,389</u>
<u>\$ 26,372,193</u>	<u>\$ 14,681,159</u>	<u>\$ 41,053,352</u>	<u>\$ 2,827,423</u>

# CITY OF SEABROOK, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

September 30, 2013

	General	Debt Service	CDBG Grant	Other Governmental
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 3,357,169	\$ 1,727,430	\$ -	\$ 2,584,791
Receivables, net	978,102	75,405	1,495,510	274,178
Due from other funds	970,359	14,685	-	628
Due from component unit	1,584	-	-	-
Prepaid items	13,687	-	-	980
<b>Total Assets</b>	<b>\$ 5,320,901</b>	<b>\$ 1,817,520</b>	<b>\$ 1,495,510</b>	<b>\$ 2,860,577</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 470,812	\$ -	\$ 512,042	\$ 198,535
Deposits payable	-	-	-	12,182
Due to other funds	6,565	-	969,644	149
Due to component unit	-	-	13,824	-
Other payables	97,300	-	-	-
Unearned revenue	2,643	-	-	2,625
<b>Total Liabilities</b>	<b>577,320</b>	<b>-</b>	<b>1,495,510</b>	<b>213,491</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - property taxes	201,158	75,405	-	-
<b><u>Fund Balances</u></b>				
Nonspendable:				
Prepays	13,687	-	-	980
Restricted for:				
Debt service	-	1,742,115	-	-
Public safety	-	-	-	808,588
Parks	-	-	-	75,946
Tourism	-	-	-	1,090,290
Governmental programming	-	-	-	38,482
Capital projects	-	-	-	632,800
Committed for:				
Stabilization fund	801,291	-	-	-
Assigned for:				
Civil service sick leave	78,000	-	-	-
Unassigned	3,649,445	-	-	-
<b>Total Fund Balances</b>	<b>4,542,423</b>	<b>1,742,115</b>	<b>-</b>	<b>2,647,086</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 5,320,901</b>	<b>\$ 1,817,520</b>	<b>\$ 1,495,510</b>	<b>\$ 2,860,577</b>

See Notes to Financial Statements.

**Total  
Funds**

\$ 7,669,390  
2,823,195  
985,672  
1,584  
14,667  
\$ 11,494,508

\$ 1,181,389  
12,182  
976,358  
13,824  
97,300  
5,268  
2,286,321

276,563

14,667

1,742,115  
808,588  
75,946  
1,090,290  
38,482  
632,800

801,291

78,000  
3,649,445  
8,931,624

\$ 11,494,508

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**CITY OF SEABROOK, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL**  
**FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
September 30, 2013

Total fund balances - governmental funds	\$	8,931,624
--	----	-----------

Amounts reported for governmental activities in the Statement of Net Position 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		15,601,471
Capital assets, net depreciable		18,296,829

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

276,563

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

Accrued interest payable		(48,402)
Deferred charge on refunding		270,114
Non-current liabilities due in one year		(1,219,209)
Non-current liabilities due in more than one year		(15,736,797)

		<u><u>\$ 26,372,193</u></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, 2013

	General	Debt Service	CDBG Grant	Other Governmental
<b>Revenues</b>				
Property taxes	\$ 4,088,820	\$ 1,539,544	\$ -	\$ -
Sales taxes	1,617,582	-	-	714,434
Franchise fees and local taxes	699,844	-	-	31,802
Other taxes	-	-	-	451,977
Licenses and permits	183,263	-	-	-
Fines and forfeitures	391,667	-	-	37,511
Charges for services	63,847	-	-	78,823
Intergovernmental	202,982	-	2,490,787	-
Investment revenue	4,157	2,138	-	1,998
Other revenue	570,391	-	-	229,500
<b>Total Revenues</b>	<b>7,822,553</b>	<b>1,541,682</b>	<b>2,490,787</b>	<b>1,546,045</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	3,531,007	-	-	1,712
Public safety	3,841,530	-	-	897,169
Public works	1,800,076	-	2,490,787	-
Economic development	-	-	-	357,550
<b>Capital outlay</b>	-	-	-	598,454
<b>Debt service:</b>				
Principal	-	850,000	-	-
Interest and fiscal agent fees	-	670,545	-	-
Bond issuance costs	-	42,256	-	-
Advance refunding escrow	-	30,000	-	-
<b>Total Expenditures</b>	<b>9,172,613</b>	<b>1,592,801</b>	<b>2,490,787</b>	<b>1,854,885</b>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<b>(1,350,060)</b>	<b>(51,119)</b>	<b>-</b>	<b>(308,840)</b>
<b>Other Financing Sources (Uses)</b>				
Refunding bonds issued	-	3,975,000	-	-
Payment to refunded bonds escrow agent	-	(3,927,803)	-	-
Transfers in	1,668,673	-	-	-
<b>Total Other Financing Sources</b>	<b>1,668,673</b>	<b>47,197</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>318,613</b>	<b>(3,922)</b>	<b>-</b>	<b>(308,840)</b>
Beginning fund balances	4,223,810	1,746,037	-	2,955,926
<b>Ending Fund Balances</b>	<b>\$ 4,542,423</b>	<b>\$ 1,742,115</b>	<b>\$ -</b>	<b>\$ 2,647,086</b>

See Notes to Financial Statements.

**Total  
Funds**

\$ 5,628,364  
2,332,016  
731,646  
451,977  
183,263  
429,178  
142,670  
2,693,769  
8,293  
799,891  

---

13,401,067

3,532,719  
4,738,699  
4,290,863  
357,550  
598,454

850,000  
670,545  
42,256  
30,000

---

15,111,086

(1,710,019)

3,975,000

(3,927,803)  
1,668,673

---

1,715,870

5,851

---

8,925,773

\$ 8,931,624

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**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, 2013**

Net changes in fund balances - total governmental funds \$ 5,851

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	4,861,983
Disposal of capital assets	(28,619)
Depreciation expense	(1,121,163)

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

Principal payments	850,000
Amortization of premium	(24,499)
Compensated absences	(28,412)
Debt issued - revenue and refunding bonds	(3,975,000)
Payment to refund bond escrow agent	3,957,803
Amortization of deferred charges	27,311
Accrued interest	8,982

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds.

27,725

**Change in Net Position of Governmental Activities** \$ 4,561,962

See Notes to Financial Statements.

# CITY OF SEABROOK, TEXAS

STATEMENT OF NET POSITION (Page 1 of 2)

## PROPRIETARY FUNDS

September 30, 2013

	<u>Business-Type Activities</u>
	<u>Utility</u>
	<u>Enterprise</u>
<b><u>Assets</u></b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 3,092,318
Accounts receivable (net of allowance for uncollectibles)	739,017
Restricted cash and cash equivalents	2,892,966
Due from other funds	4,787
Prepaid expense	65
<b>Total Current Assets</b>	<u>6,729,153</u>
<b>Noncurrent assets</b>	
Capital assets:	
Land	1,001,510
Buildings	3,119,466
Infrastructure	15,479,700
Equipment	2,555,107
Less allowance for depreciation	<u>(8,649,109)</u>
<b>Total Capital Assets (Net)</b>	<u>13,506,674</u>
<b>Total Noncurrent Assets</b>	<u>13,506,674</u>
<b>Total Assets</b>	<u>\$ 20,235,827</u>
<b><u>Deferred Outflows of Resources</u></b>	
Deferred charge on refunding	50,024
<b>Total Deferred Outflows of Resources</b>	<u>50,024</u>

**CITY OF SEABROOK, TEXAS**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**PROPRIETARY FUNDS**

September 30, 2013

	<b>Business-Type Activities</b>
	<b>Utility</b>
	<b>Enterprise</b>
<b><u>Liabilities and Net Position</u></b>	
<b>Current liabilities</b>	
Accounts payable and accrued liabilities	\$ 422,223
Accrued interest payable	25,281
Due to other funds	14,101
Customer deposits	455,067
Bonds payable - current	255,000
Compensated absences	60,322
<b>Total Current Liabilities</b>	<b>1,231,994</b>
<b>Noncurrent liabilities</b>	
Bonds payable, net of deferred charges	4,338,000
Compensated absences	34,698
<b>Total Noncurrent Liabilities</b>	<b>4,372,698</b>
<b>Total Liabilities</b>	<b>5,604,692</b>
<b>Net position</b>	
Net investment in capital assets	9,357,328
Restricted for:	
Capital projects - impact fees	2,207,032
Unrestricted net position	3,116,799
<b>Total Net Position</b>	<b>\$ 14,681,159</b>

See Notes to Financial Statements.

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

For the Year Ended September 30, 2013

	<b>Business-Type Activities</b>
	<b>Utility Enterprise</b>
<b><u>Operating Revenues</u></b>	
Water service	\$ 2,175,654
Sewer service	2,433,248
Sanitation service	1,600,712
Other revenue	254,257
	<b>Total Operating Revenues</b> 6,463,871
<b><u>Operating Expenses</u></b>	
Personnel services	1,036,916
Supplies and materials	56,858
Contractual services	2,689,687
Repairs and maintenance	342,355
Depreciation	501,854
	<b>Total Operating Expenses</b> 4,627,670
	<b>Operating Income</b> 1,836,201
<b><u>Nonoperating Revenues (Expenses)</u></b>	
Investment revenue	5,562
Interest and fiscal agent fees	(179,622)
Bond issuance costs	(15,250)
	<b>Total Nonoperating (Expenses)</b> (189,310)
	<b>Income Before Contributions and Transfers</b> 1,646,891
Capital contribution - impact fees	132,207
Transfers (out)	(1,668,673)
	<b>Total Contributions and Transfers</b> (1,536,466)
	<b>Change in Net Position</b> 110,425
Beginning net position	14,570,734
	<b>Ending Net Position</b> \$ 14,681,159

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, 2013

	Business-Type Activities
	Utility Enterprise
<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from customers and users	\$ 6,380,225
Payments to suppliers	(3,017,166)
Payments to employees	(1,036,973)
	2,326,086
<b><u>Net Cash Provided By Operating Activities</u></b>	
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Transfers to other funds, net	(1,668,673)
	(1,668,673)
<b><u>Net Cash (Used) by Noncapital Financing Activities</u></b>	
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Acquisition and construction of capital assets	(1,173,130)
Proceeds from general obligation bonds	1,180,000
Interest and fiscal agent fees paid	(179,622)
Bond issuance costs	(15,250)
Principal paid on capital debt	(1,354,727)
Capital contribution	132,207
	(1,410,522)
<b><u>Net Cash (Used) by Capital and Related Financing Activities</u></b>	
<b><u>Cash Flows from Investing Activities</u></b>	
Interest on investments	5,562
	5,562
<b><u>Net Cash Provided by Investing Activities</u></b>	
	(747,547)
<b><u>Net (Decrease) in Cash and Cash Equivalents</u></b>	
Cash and cash equivalents, beginning of year	6,732,831
	5,985,284
<b><u>Ending Cash and Cash Equivalents</u></b>	
<b>Ending Cash and Cash Equivalents:</b>	
Unrestricted cash and cash equivalents	\$ 3,092,318
Restricted cash and cash equivalents	2,892,966
	5,985,284
<b><u>Ending Cash and Cash Equivalents</u></b>	

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, 2013

	<u>Business-Type Activities</u> <u>Utility</u> <u>Enterprise</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Operating income	\$ 1,836,201
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>	
Depreciation	501,854
<b>Changes in Operating Assets and Liabilities:</b>	
<b>(Increase) Decrease in Current Assets:</b>	
Accounts receivable	(28,770)
Due from other funds	(4,787)
Prepays	(65)
Deferred charge on refunding	(50,024)
<b>Increase (Decrease) in Current Liabilities:</b>	
Accounts payable and accrued liabilities	55,450
Accrued interest payable	(6,866)
Due to other funds	13,550
Compensated absences	(57)
Customer deposits	9,600
	<hr/>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,326,086</b> <hr/>

See Notes to Financial Statements.

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# CITY OF SEABROOK, TEXAS

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

### 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, 2013

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 position 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 position of the District shall be conveyed to the City.

**B. Government-Wide Financial Statements**

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

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City's funds, including its blended component unit. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

**General Fund**

The general fund is used to account for and report all financial resources not accounted for and reported 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. The general fund is always considered a major fund for reporting purposes.

**Special Revenue Funds**

The special revenue funds are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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 and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest 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 Fund**

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund is considered a nonmajor fund for reporting purposes.

The City reports the following enterprise fund:

**Enterprise Fund**

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, maintenance and improvement of the physical plant facilities required to provide these goods and

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2013**

services are financed from existing cash resources, the issuance of bonds (revenue or general obligation) and other City funds.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

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

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

**F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Cash and Cash Equivalents**

The City 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.”

**2. Investments**

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

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, 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

**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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**4. 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.

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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 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	10 to 50 years
Machinery and equipment	5 to 25 years
Water and sewer system	40 to 50 years
Infrastructure	10 to 50 years
Vehicles	5 to 15 years

**6. Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

**7. 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.

**8. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

**9. Net Position Flow Assumption**

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

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

**10. Fund Balance Flow Assumptions**

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

**11. Fund Balance Policies**

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

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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.

**12. 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

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2013**

and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property Taxes**

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

**3. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except the capital projects fund, which adopts a project length budget. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control 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 fees 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, 2013

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2013, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
TexPool	\$ 15,606,738	0.00
<b>Total Fair Value</b>	<b>\$ 15,606,738</b>	
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, 2013, 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. As of September 30, 2013, market values of pledged securities and FDIC insurance exceeded bank balances.

*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.

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool "AAAm." As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

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	\$ 319,966	\$ 124,296	\$ -	\$ -	\$ -
Sales taxes	266,724	-	-	125,441	133,562
Franchise taxes	67,071	-	-	7,953	-
Other taxes	42,163	-	-	133,466	-
Intergovernmental	380,227	-	1,495,510	-	1,009,444
Other receivables	20,760	-	-	7,318	-
Less allowance	(118,809)	(48,891)	-	-	-
	<u>\$ 978,102</u>	<u>\$ 75,405</u>	<u>\$ 1,495,510</u>	<u>\$ 274,178</u>	<u>\$ 1,143,006</u>

**Proprietary Funds**

	<u>Utility Enterprise</u>
Intergovernmental	\$ 18,946
Accounts receivable	732,709
Other receivables	8,528
Less allowance	(21,166)
<b>Total</b>	<u>\$ 739,017</u>

Governmental funds report unavailable 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 unavailable revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - general fund	\$ 201,158	\$ -
Delinquent property taxes receivable - debt service fund	75,405	-
Grants and revenues prior to meeting all eligibility requirements	-	5,268
<b>Total Deferred Inflow of Resources for Governmental Funds</b>	<u>\$ 276,563</u>	<u>\$ 5,268</u>

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

**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	
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 11,981,878	\$ 1,190,553	\$ -	\$ 13,172,431
Construction in progress	1,026,010	2,313,372	(910,342)	2,429,040
<b>Total capital assets not being depreciated</b>	<b>13,007,888</b>	<b>3,503,925</b>	<b>(910,342)</b>	<b>15,601,471</b>
Other capital assets:				
Infrastructure	16,327,419	1,463,594	-	17,791,013
Buildings and improvements	9,841,307	239,000	-	10,080,307
Machinery and equipment	7,112,259	565,806	(41,733)	7,636,332
<b>Total other capital assets</b>	<b>33,280,985</b>	<b>2,268,400</b>	<b>(41,733)</b>	<b>35,507,652</b>
Less accumulated depreciation for:				
Infrastructure	(8,884,118)	(350,083)	-	(9,234,201)
Buildings and improvements	(3,579,801)	(258,710)	-	(3,838,511)
Machinery and equipment	(3,638,855)	(512,370)	13,114	(4,138,111)
<b>Total accumulated depreciation</b>	<b>(16,102,774)</b>	<b>(1,121,163)</b>	<b>13,114</b>	<b>(17,210,823)</b>
Other capital assets, net	17,178,211	1,147,237	(28,619)	18,296,829
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 30,186,099</b>	<b>\$ 4,651,162</b>	<b>\$ (938,961)</b>	<b>33,898,300</b>
			Plus unspent bond proceeds	632,799
			Plus deferred loss on refunding	270,114
			Less associated debt	(16,517,585)
			<b>Net Investment in Capital Assets</b>	<b>\$ 18,283,628</b>

Depreciation was charged to governmental functions as follows:

General government	\$ 294,950
Public safety	462,395
Public works	363,818
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$ 1,121,163</b>

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

For the Year Ended September 30, 2013

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

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Contract</u>
Waterfront Drive project	\$ 4,338,281	\$ 2,418,612	\$ 1,919,669
Natural Playground	-	10,428	-
	<u>\$ 4,338,281</u>	<u>\$ 2,429,040</u>	<u>\$ 1,919,669</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 95,750	\$ 905,760	\$ -	\$ 1,001,510
Construction in progress	75,974	-	(75,974)	-
<b>Total capital assets not being depreciated</b>	<u>171,724</u>	<u>905,760</u>	<u>(75,974)</u>	<u>1,001,510</u>
Other capital assets:				
Water and sewer system	15,157,856	321,844	-	15,479,700
Buildings and improvements	3,119,466	-	-	3,119,466
Machinery and equipment	2,549,352	21,500	(15,745)	2,555,107
<b>Total other capital assets</b>	<u>20,826,674</u>	<u>343,344</u>	<u>(15,745)</u>	<u>21,154,273</u>
Less accumulated depreciation for:				
Water and sewer system	(5,183,992)	(318,684)	-	(5,502,676)
Buildings and improvements	(1,587,206)	(72,255)	-	(1,659,461)
Machinery and equipment	(1,391,802)	(110,915)	15,745	(1,486,972)
<b>Total accumulated depreciation</b>	<u>(8,163,000)</u>	<u>(501,854)</u>	<u>15,745</u>	<u>(8,649,109)</u>
Other capital assets, net	12,663,674	(158,510)	-	12,505,164
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 12,835,398</u>	<u>\$ 747,250</u>	<u>\$ (75,974)</u>	<u>13,506,674</u>
			Plus unspent bond proceeds	393,630
			Plus deferred charge on refunding	50,024
			Less associated debt	(4,593,000)
			<b>Net Investment in Capital Assets</b>	<u>\$ 9,357,328</u>

Depreciation was charged to governmental functions as follows:

Water and sewer	\$ 501,854
<b>Total Business-Type Activities Depreciation Expense</b>	<u>\$ 501,854</u>

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

**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>
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
General obligation bonds	\$ 16,110,000	\$ 3,975,000	\$ (4,530,000)	\$ 15,555,000	* \$ 860,000
Certificates of obligation	865,000	-	(35,000)	830,000	* 40,000
Deferred amounts:					
Issuance discounts/premiums	108,086	-	24,499	132,585	*
	<u>17,083,086</u>	<u>3,975,000</u>	<u>(4,540,501)</u>	<u>16,517,585</u>	<u>900,000</u>
Other liabilities:					
Compensated absences	410,009	225,523	(197,111)	438,421	319,209
<b>Total Governmental Activities</b>	<u>\$ 17,493,095</u>	<u>\$ 4,200,523</u>	<u>\$ (4,737,612)</u>	<u>\$ 16,956,006</u>	<u>\$ 1,219,209</u>

**Long-term debt due in more than one year** \$ 15,736,797

**\*Debt associated with governmental activity capital assets** \$ 16,517,585

\*\*Beginning balances have been restated.

	<u>Beginning Balance**</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Business-Type Activities:</b>					
Bonds, notes, and other payables:					
General obligation bonds	\$ -	\$ 1,180,000	\$ (5,000)	\$ 1,175,000	* \$ 10,000
Revenue bonds	4,773,000	-	(1,355,000)	3,418,000	* 245,000
Deferred amounts:					
Issuance discounts/premiums	(5,273)	-	5,273	-	-
	<u>4,767,727</u>	<u>1,180,000</u>	<u>(1,354,727)</u>	<u>4,593,000</u>	<u>255,000</u>
Other liabilities:					
Compensated absences	95,077	27,678	(27,735)	95,020	60,322
<b>Total Business-Type Activities</b>	<u>\$ 4,862,804</u>	<u>\$ 1,207,678</u>	<u>\$ (1,382,462)</u>	<u>\$ 4,688,020</u>	<u>\$ 315,322</u>

**Long-term debt due in more than one year** \$ 4,372,698

**\*Debt associated with business-type activity capital assets** \$ 4,593,000

\*\*Beginning balances have been restated.

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Seabrook Economic Development Corporation:</b>					
Revenue bonds	\$ 185,000	\$ -	\$ (185,000)	\$ -	\$ -
Deferred amounts:					
Issuance discounts/premiums	(4,092)	-	4,092	-	-
	<u>180,908</u>	<u>-</u>	<u>(180,908)</u>	<u>-</u>	<u>-</u>
<b>Total Business-Type Activities</b>	<u>\$ 180,908</u>	<u>\$ -</u>	<u>\$ (180,908)</u>	<u>\$ -</u>	<u>\$ -</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.

**Advance Refunding**

The City issued \$5,155,000 of general obligation refunding bonds, series 2013 to provide resources to purchase United States securities that were placed in an irrevocable trust for the purpose of partially refunding the general obligation and refunding bonds, series 2005 and the waterworks and sewer system revenue bonds, series 2005. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The reacquisition price exceeded the net carrying amount of old debt by \$320,138. Of this amount, \$270,114 is attributable to the general obligation and refunding bonds, series 2005 and \$50,024 is attributable to the waterworks and sewer system revenue bonds, series 2005. These amounts are reported as deferred outflows of resources on the statement of net position and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$669,168 and resulted in an economic gain of \$596,175. At September 30, 2013, \$3,715,000 of general obligation and refunding bonds, series 2005 and \$1,120,000 of waterworks and sewer system revenue bonds, series 2005 were considered defeased related to the 2013 refunding.

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

The following is a summary of the terms of general obligation bonds, certificates of obligations and revenue bonds outstanding as of September 30, 2013:

Description	Interest Rates	Balance
<b>Governmental Activities</b>		
<b>General Obligation Bonds</b>		
Series 2003	4.40%	\$ 3,695,000
Series 2003 refunding	3.40%	140,000
Series 2005	3.55-4.30%	1,335,000
Series 2008	4.00-6.00%	6,435,000
Series 2013 refunding	1.86%	3,950,000
<b>Total General Obligation Bonds</b>		<b>15,555,000</b>
<b>Certificates of Obligation</b>		
Series 2010	3.642%	830,000
<b>Total Certificates of Obligation</b>		<b>830,000</b>
<b>Total Governmental Activities Long-Term Debt</b>		<b>\$ 16,385,000</b>
<b>Business-Type Activities</b>		
<b>General Obligation Bonds</b>		
Series 2013 refunding	1.86%	\$ 1,175,000
<b>Total General Obligation Bonds</b>		<b>1,175,000</b>
<b>Revenue Bonds</b>		
Series 2003 refunding	4.45%	1,470,000
Series 2005 refunding	2.50-4.30%	435,000
Series 2008	4.12%	1,513,000
<b>Total Revenue Bonds</b>		<b>3,418,000</b>
<b>Total Business-Type Activities Long-Term Debt</b>		<b>\$ 4,593,000</b>

Annual debt service requirements to retire outstanding general obligation debt and revenue bonds is as follows:

Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 900,000	\$ 604,184	\$ 255,000	\$ 166,361
2015	935,000	569,063	265,000	155,893
2016	975,000	528,504	275,000	145,416
2017	1,020,000	485,695	286,000	134,209
2018	1,065,000	440,391	303,000	122,541
2019-2023	5,910,000	1,629,138	1,649,000	459,306
2024-2028	5,580,000	554,364	1,560,000	155,966
<b>Total</b>	<b>\$ 16,385,000</b>	<b>\$ 4,811,339</b>	<b>\$ 4,593,000</b>	<b>\$ 1,339,692</b>

**Federal Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or 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 the rules and regulations of the IRS.

**E. Interfund Transactions**

The composition of interfund balances as of yearend was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General fund	Utility enterprise fund	\$ 566
General fund	Nonmajor funds	149
General fund	CDBG grant fund	969,644
Debt service fund	General fund	1,150
Debt service fund	Utility enterprise fund	13,535
Utility enterprise fund	General fund	4,787
Nonmajor fund	General fund	628
		<u>\$ 990,459</u>

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:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amounts</u>
Utility enterprise fund	General fund	<u>\$ 1,668,673</u>

Transfers to the general fund were subsidies for administrative expenditures.

**F. Restatement of Net Position**

In the fiscal year ending September 30, 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. In accordance with this statement, beginning net position of the governmental, business-type activities, and component unit has been reduced by \$280,904, \$112,100 and \$6,740, respectively, to remove previously capitalized bond issuance costs.

The beginning net position for governmental activities and business-type activities has also been restated to adjust for the amortization of premium based on the life of related debt.

	<u>Governmental Activities Net Position</u>	<u>Business-Type Activities Net Position</u>	<u>Component Unit Net Position</u>
Beginning net position - as reported	\$ 22,057,729	\$ 14,662,791	\$ 2,375,129
Restatement - bond issuance costs	(280,904)	(112,100)	(6,740)
Restatement - long-term debt premium	33,406	20,043	-
<b>Beginning Net Position - Restated</b>	<u>\$ 21,810,231</u>	<u>\$ 14,570,734</u>	<u>\$ 2,368,389</u>

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

**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 the Texas Municipal League Workers' Compensation Fund (the "Fund"). Workers' compensation premiums are subject to change when audited by the Fund. At yearend, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

**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 rising 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.

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 RSI for TMRS. The report also provides detailed explanations of the contributions,

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2013**

benefits and actuarial methods and assumptions used by the system. This report may be obtained from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2013	2012
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/hrs 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 percentage (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 amortization period.

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

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 budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

Three-year trend information 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>
2011	\$ 1,088,935	\$ 1,088,935	100.00%	\$ -
2012	\$ 1,038,759	\$ 1,038,759	100.00%	\$ -
2013	\$ 1,033,246	\$ 1,033,246	100.00%	\$ -

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarial Valuation Date	12/31/2012	12/31/2011	12/31/2010
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	24.9 years - closed period	25.8 years - closed period	26.9 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%	7.00%
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%

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

The funded status as of December 31, 2012, the most recent valuation date, is as follows:

	2013
Actuarial Valuation Date	12/31/2012
Actuarial Value of Assets	\$ 22,505,880
Actuarial Accrued Liability	\$ 28,365,358
Percentage Funded	79.3%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 5,859,478
Annual Covered Payroll	\$ 5,196,409
Covered Payroll	112.8%

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 Fund**

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, 2013, 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.

**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2013**

The City's contributions to the TMRS SDBF for the fiscal years ended September 30, 2013 and 2012 were \$1,057 and \$1,042, respectively. The City's contribution rates for the past three years are shown below.

	<u>2013</u>	<u>2012</u>	<u>2011</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%

***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, 2013

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual
<b>Revenues</b>					
Property taxes	\$ 4,142,063	\$ 4,087,963	\$ 4,088,820	\$ 857	\$ 4,073,793
Sales taxes	1,440,000	1,616,000	1,617,582	1,582	1,480,279
Franchise fees and taxes	665,000	695,000	699,844	4,844	675,129
Licenses and permits	200,000	183,000	183,263	263	227,156
Fines and forfeitures	708,500	392,400	391,667	(733)	653,232
Charges for services	65,000	65,000	63,847	(1,153)	69,881
Intergovernmental	154,254	200,050	202,982	2,932	165,018
Investment revenue	3,229	3,229	3,398	169	3,984
Other revenue	517,242	553,542	570,391	16,849	386,657
<b>Total Revenues</b>	<b>7,895,288</b>	<b>7,796,184</b>	<b>7,821,794</b>	<b>25,610</b>	<b>7,735,129</b>
<b>Expenditures</b>					
General government:					
Legislative	244,604	261,704	260,281	1,423	252,528
Administrative	989,841	954,841	952,461	2,380	972,947
Information technology	216,051	219,051	217,794	1,257	161,827
Nondepartmental	1,798,249	1,663,249	1,659,383	3,866	1,581,887
Community development	457,429	441,929	441,088	841	429,113
<b>Total general government</b>	<b>3,706,174</b>	<b>3,540,774</b>	<b>3,531,007</b>	<b>9,767</b>	<b>3,398,302</b>
Public safety:					
Public safety	3,342,247	3,174,247	3,173,026	1,221	2,917,786
Emergency management	116,455	166,455	156,038	10,417	106,779
Animal control	115,799	96,499	91,542	4,957	102,801
DOT-CVE	-	-	-	-	225,983
Municipal court	459,526	430,226	420,924	9,302	413,550
<b>Total public safety</b>	<b>4,034,027</b>	<b>3,867,427</b>	<b>3,841,530</b>	<b>25,897</b>	<b>3,766,899</b>
Public works:					
Parks	678,564	640,564	639,482	1,082	579,097
Public works	1,176,308	1,160,608	1,160,594	14	1,110,125
<b>Total public works</b>	<b>1,854,872</b>	<b>1,801,172</b>	<b>1,800,076</b>	<b>1,096</b>	<b>1,689,222</b>
<b>Total Expenditures</b>	<b>9,595,073</b>	<b>9,209,373</b>	<b>9,172,613</b>	<b>36,760</b>	<b>8,854,423</b>
<b>Excess (Deficiency) of Revenues (Over) (Under) Expenditures</b>	<b>(1,699,785)</b>	<b>(1,413,189)</b>	<b>(1,350,819)</b>	<b>62,370</b>	<b>(1,119,294)</b>

**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, 2013**

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 1,668,673	\$ 1,668,673	\$ 1,668,673	\$ -	\$ 1,628,547
Transfers (out)	-	-	-	-	(300,000)
<b>Total Other Financing Sources</b>	<u>1,668,673</u>	<u>1,668,673</u>	<u>1,668,673</u>	<u>-</u>	<u>1,328,547</u>
<b>Net Change in Fund Balance</b>	<u>\$ (31,112)</u>	<u>\$ 255,484</u>	317,854	<u>\$ 62,370</u>	<u>\$ 209,253</u>
Beginning fund balance			<u>3,423,278</u>		
<b>Ending Fund Balance</b>			<u>\$ 3,741,132</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:

<b>Ending Fund Balance</b>	\$ 3,741,132
Net effect of subfunds within the general fund without appropriated budgets	<u>801,291</u>
	<u>\$ 4,542,423</u>

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**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, 2013

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual
<b>Revenues</b>					
Intergovernmental	\$ 5,910,997	\$ 2,490,997	\$ 2,490,787	\$ (210)	\$ 3,739,274
<b>Total Revenues</b>	5,910,997	2,490,997	2,490,787	(210)	3,739,274
<b>Expenditures</b>					
Public works	5,910,997	2,490,997	2,490,787	210	3,739,274
<b>Total Expenditures</b>	5,910,997	2,490,997	2,490,787	210	3,739,274
<b>Net Change in Fund Balance</b>	\$ -	\$ -	-	\$ -	\$ -
Beginning fund balance			-		
<b>Ending Fund Balance</b>			\$ -		

Notes to Required Supplementary Information:

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

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**CITY OF SEABROOK, TEXAS**  
**SCHEDULE OF FUNDING PROGRESS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
For the Year Ended September 30, 2013

Fiscal Year	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarial Valuation Date	12/31/2012	12/31/2011	12/31/2010
Actuarial Value of Assets	\$ 22,505,880	\$ 20,433,923	\$ 18,532,353
Actuarial Accrued Liability	\$ 28,365,358	\$ 26,719,484	\$ 25,092,042
Percentage Funded	79.3%	76.5%	73.9%
Unfunded Actuarial			
Accrued Liability (UAAL)	\$ 5,859,478	\$ 6,285,561	\$ 6,559,689
Annual Covered Payroll	\$ 5,196,409	\$ 5,243,439	\$ 5,114,014
UAAL % of Covered Payroll	112.8%	119.9%	128.3%
Annual Pension Cost (APC)	\$ 1,033,246	\$ 1,038,759	\$ 1,088,935
Contributions Made	(1,033,246)	(1,038,759)	(1,088,935)
<b>NPO at the End of Period</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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***COMBINING STATEMENTS  
AND SCHEDULES***

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**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, 2013

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual
<b>Revenues</b>					
Property taxes	\$ 1,559,816	\$ 1,559,816	\$ 1,539,544	\$ (20,272)	\$ 1,412,466
Investment revenue	1,702	1,702	2,138	436	2,631
<b>Total Revenues</b>	<u>1,561,518</u>	<u>1,561,518</u>	<u>1,541,682</u>	<u>(19,836)</u>	<u>1,415,097</u>
<b>Expenditures</b>					
Debt service:					
Principal	850,000	850,000	850,000	-	652,500
Interest and fiscal agent fees	692,816	692,816	670,545	22,271	725,358
Bond issuance cost	-	80,991	42,256	38,735	-
Advance refunding escrow	-	30,000	30,000	-	-
<b>Total Expenditures</b>	<u>1,542,816</u>	<u>1,653,807</u>	<u>1,592,801</u>	<u>61,006</u>	<u>1,377,858</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>18,702</u>	<u>(92,289)</u>	<u>(51,119)</u>	<u>41,170</u>	<u>37,239</u>
<b>Other Financing Sources (Uses)</b>					
Refunding bonds issued	-	3,975,000	3,975,000	-	-
Payment to refunded bond escrow agent	-	(3,927,804)	(3,927,803)	1	-
<b>Total Other Financing Sources</b>	<u>-</u>	<u>47,196</u>	<u>47,197</u>	<u>1</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 18,702</u>	<u>\$ (45,093)</u>	<u>(3,922)</u>	<u>\$ 41,171</u>	<u>\$ 37,239</u>
Beginning fund balance			<u>1,746,037</u>		
		<b>Ending Fund Balance</b>	<u>\$ 1,742,115</u>		

Notes to Supplementary Information:

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

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# **CITY OF SEABROOK, TEXAS**

## ***NONMAJOR GOVERNMENTAL FUNDS***

### **SPECIAL REVENUE FUNDS**

**Special Revenue Funds** are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

#### **Hotel/Motel Occupancy Tax Fund**

This fund is used to account for revenues generated from a hotel occupancy tax and expenditures for improvements that serve the purpose of attracting visitors and tourists.

#### **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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

# CITY OF SEABROOK, TEXAS

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL FUNDS

September 30, 2013

#### Special Revenue Funds

	Hotel/Motel Occupancy Tax	Municipal Court Programs	Park Improvement Fees	Crime Control and Prevention District
<b>Assets</b>				
Cash and cash equivalents	\$ 986,206	\$ 53,586	\$ 94,488	\$ 286,215
Receivables, net	133,466	-	-	125,441
Due from other funds	628	-	-	-
Prepaid items	-	-	949	31
<b>Total Assets</b>	<b>\$ 1,120,300</b>	<b>\$ 53,586</b>	<b>\$ 95,437</b>	<b>\$ 411,687</b>
<b>Liabilities and Fund Balance</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 30,010	\$ -	\$ 3,735	\$ 29,196
Deposits payable	-	-	12,182	-
Due to other funds	-	-	-	149
Unearned revenue	-	-	2,625	-
<b>Total Liabilities</b>	<b>30,010</b>	<b>-</b>	<b>18,542</b>	<b>29,345</b>
Fund balances:				
Nonspendable:				
Prepays	-	-	949	31
Restricted for:				
Public safety	-	53,586	-	382,311
Parks	-	-	75,946	-
Tourism	1,090,290	-	-	-
Governmental programming	-	-	-	-
Capital projects	-	-	-	-
<b>Total Fund Balances</b>	<b>1,090,290</b>	<b>53,586</b>	<b>76,895</b>	<b>382,342</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,120,300</b>	<b>\$ 53,586</b>	<b>\$ 95,437</b>	<b>\$ 411,687</b>

<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Public Safety Programs</u>	<u>Cable PEG Fees</u>	<u>Capital Projects</u>	
\$ 374,501	\$ 30,529	\$ 759,266	\$ 2,584,791
7,318	7,953	-	274,178
-	-	-	628
-	-	-	980
<u>\$ 381,819</u>	<u>\$ 38,482</u>	<u>\$ 759,266</u>	<u>\$ 2,860,577</u>
\$ 9,128	\$ -	\$ 126,466	\$ 198,535
-	-	-	12,182
-	-	-	149
-	-	-	2,625
<u>9,128</u>	<u>-</u>	<u>126,466</u>	<u>213,491</u>
-	-	-	980
372,691	-	-	808,588
-	-	-	75,946
-	-	-	1,090,290
-	38,482	-	38,482
-	-	632,800	632,800
<u>372,691</u>	<u>38,482</u>	<u>632,800</u>	<u>2,647,086</u>
<u>\$ 381,819</u>	<u>\$ 38,482</u>	<u>\$ 759,266</u>	<u>\$ 2,860,577</u>

**CITY OF SEABROOK, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended September 30, 2013

	Special Revenue Funds			
	Hotel/Motel Occupancy Tax	Municipal Court Programs	Park Improvement Fees	Crime Control and Prevention District
<b>Revenues</b>				
Sales and use taxes	\$ -	\$ -	\$ -	\$ 714,434
Franchise and local taxes	-	-	-	-
Hotel occupancy tax	451,977	-	-	-
Fines and forfeitures	-	16,070	-	-
Charges for services	-	-	78,823	-
Investment revenue	733	43	13	109
Other revenue	1,660	-	-	8
<b>Total Revenues</b>	<u>454,370</u>	<u>16,113</u>	<u>78,836</u>	<u>714,551</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	-	-	-	-
Public safety	-	29,987	-	660,362
Economic development	318,569	-	38,981	-
<b>Capital outlay</b>	-	-	10,428	-
<b>Total Expenditures</b>	<u>318,569</u>	<u>29,987</u>	<u>49,409</u>	<u>660,362</u>
<b>Net Change in Fund Balances</b>	135,801	(13,874)	29,427	54,189
Beginning fund balances	<u>954,489</u>	<u>67,460</u>	<u>47,468</u>	<u>328,153</u>
<b>Ending Fund Balances</b>	<u>\$ 1,090,290</u>	<u>\$ 53,586</u>	<u>\$ 76,895</u>	<u>\$ 382,342</u>

<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Public Safety Programs</u>	<u>Cable PEG Fees</u>	<u>Capital Projects</u>	
\$ -	\$ -	\$ -	\$ 714,434
-	31,802	-	31,802
-	-	-	451,977
21,441	-	-	37,511
-	-	-	78,823
289	-	811	1,998
<u>227,832</u>	<u>-</u>	<u>-</u>	<u>229,500</u>
<u>249,562</u>	<u>31,802</u>	<u>811</u>	<u>1,546,045</u>
-	1,712	-	1,712
206,820	-	-	897,169
-	-	-	357,550
<u>142,055</u>	<u>-</u>	<u>445,971</u>	<u>598,454</u>
<u>348,875</u>	<u>1,712</u>	<u>445,971</u>	<u>1,854,885</u>
(99,313)	30,090	(445,160)	(308,840)
<u>472,004</u>	<u>8,392</u>	<u>1,077,960</u>	<u>2,955,926</u>
<u>\$ 372,691</u>	<u>\$ 38,482</u>	<u>\$ 632,800</u>	<u>\$ 2,647,086</u>

**CITY OF SEABROOK, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**HOTEL/MOTEL OCCUPANCY TAX FUND**  
For the Year Ended September 30, 2013

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual
<b>Revenues</b>					
Hotel occupancy tax	\$ 325,000	\$ 325,000	\$ 451,977	\$ 126,977	\$ 367,316
Investment revenue	1,012	1,012	733	(279)	862
Other revenue	2,700	2,700	1,660	(1,040)	5,594
<b>Total Revenues</b>	<u>328,712</u>	<u>328,712</u>	<u>454,370</u>	<u>125,658</u>	<u>373,772</u>
<b>Expenditures</b>					
<b>Current:</b>					
Economic development	398,712	398,712	318,569	80,143	268,217
<b>Total Expenditures</b>	<u>398,712</u>	<u>398,712</u>	<u>318,569</u>	<u>80,143</u>	<u>268,217</u>
<b>Net Change in Fund Balance</b>	<u>\$ (70,000)</u>	<u>\$ (70,000)</u>	135,801	<u>\$ 205,801</u>	<u>\$ 105,555</u>
Beginning fund balance			<u>954,489</u>		
			<b>Ending Fund Balance</b>	<u>\$ 1,090,290</u>	

Notes to Supplementary Information:

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

**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, 2013

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>2012 Actual</u>
<b>Revenues</b>					
Fines and forfeitures	\$ 28,500	\$ 28,500	\$ 16,070	\$ (12,430)	\$ 28,591
Investment revenue	55	55	43	(12)	54
<b>Total Revenues</b>	<u>28,555</u>	<u>28,555</u>	<u>16,113</u>	<u>(12,442)</u>	<u>28,645</u>
<b>Expenditures</b>					
<b>Current:</b>					
Public safety	73,472	73,472	29,987	43,485	32,427
<b>Total Expenditures</b>	<u>73,472</u>	<u>73,472</u>	<u>29,987</u>	<u>43,485</u>	<u>32,427</u>
<b>Net Change in Fund Balance</b>	<u>\$ (44,917)</u>	<u>\$ (44,917)</u>	(13,874)	<u>\$ 31,043</u>	<u>\$ (3,782)</u>
Beginning fund balance			<u>67,460</u>		
<b>Ending Fund Balance</b>			<u>\$ 53,586</u>		

Notes to Supplementary Information:

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

**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, 2013

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual
<b>Revenues</b>					
Charges for services	\$ 57,000	\$ 63,400	\$ 78,823	\$ 15,423	\$ 64,348
Investment revenue	14	14	13	(1)	18
<b>Total Revenues</b>	<u>57,014</u>	<u>63,414</u>	<u>78,836</u>	<u>15,422</u>	<u>64,366</u>
<b>Expenditures</b>					
<b>Current:</b>					
Economic development	47,380	47,380	38,981	8,399	34,786
<b>Capital outlay</b>	<u>20,000</u>	<u>30,430</u>	<u>10,428</u>	<u>20,002</u>	<u>-</u>
<b>Total Expenditures</b>	<u>67,380</u>	<u>77,810</u>	<u>49,409</u>	<u>28,401</u>	<u>34,786</u>
<b>Net Change in Fund Balance</b>	<u>\$ (10,366)</u>	<u>\$ (14,396)</u>	29,427	<u>\$ 43,823</u>	<u>\$ 29,580</u>
Beginning fund balance			<u>47,468</u>		
<b>Ending Fund Balance</b>			<u>\$ 76,895</u>		

Notes to Supplementary Information:

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

**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, 2013

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>2012 Actual</u>
<b>Revenues</b>					
Sales taxes	\$ 620,000	\$ 620,000	\$ 714,434	\$ 94,434	\$ 654,766
Investment revenue	252	252	109	(143)	168
Other revenue	-	-	8	8	-
<b>Total Revenues</b>	<u>620,252</u>	<u>620,252</u>	<u>714,551</u>	<u>94,299</u>	<u>654,934</u>
<b>Expenditures</b>					
<b>Current:</b>					
Public safety	704,955	704,955	660,362	44,593	633,428
<b>Total Expenditures</b>	<u>704,955</u>	<u>704,955</u>	<u>660,362</u>	<u>44,593</u>	<u>633,428</u>
<b>Net Change in Fund Balance</b>	<u>\$ (84,703)</u>	<u>\$ (84,703)</u>	54,189	<u>\$ 138,892</u>	<u>\$ 21,506</u>
Beginning fund balance			<u>328,153</u>		
<b>Ending Fund Balance</b>			<u>\$ 382,342</u>		

Notes to Supplementary Information:

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

**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, 2013

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual
<b>Revenues</b>					
Fines and forfeitures	\$ 13,700	\$ 13,700	\$ 21,441	\$ 7,741	\$ 27,483
Investment revenue	333	333	289	(44)	371
Other revenue	116,200	183,200	227,832	44,632	173,461
<b>Total Revenues</b>	<u>130,233</u>	<u>197,233</u>	<u>249,562</u>	<u>52,329</u>	<u>201,315</u>
<b>Expenditures</b>					
<b>Current:</b>					
Public safety	149,152	236,108	206,820	29,288	46,537
<b>Capital outlay</b>	<u>227,080</u>	<u>227,080</u>	<u>142,055</u>	<u>85,025</u>	<u>52,383</u>
<b>Total Expenditures</b>	<u>376,232</u>	<u>463,188</u>	<u>348,875</u>	<u>114,313</u>	<u>98,920</u>
<b>Net Change in Fund Balance</b>	<u>\$ (245,999)</u>	<u>\$ (265,955)</u>	(99,313)	<u>\$ 166,642</u>	<u>\$ 102,395</u>
Beginning fund balance			<u>472,004</u>		
<b>Ending Fund Balance</b>			<u>\$ 372,691</u>		

Notes to Supplementary Information:

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

**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, 2013

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>2012 Actual</u>
<b>Revenues</b>					
Franchise and local taxes	\$ 34,000	\$ 34,000	\$ 31,802	\$ (2,198)	\$ 33,106
<b>Total Revenues</b>	<u>34,000</u>	<u>34,000</u>	<u>31,802</u>	<u>(2,198)</u>	<u>33,106</u>
<b>Expenditures</b>					
<b>Current:</b>					
General government	33,795	33,795	1,712	32,083	24,714
<b>Total Expenditures</b>	<u>33,795</u>	<u>33,795</u>	<u>1,712</u>	<u>32,083</u>	<u>24,714</u>
<b>Net Change in Fund Balance</b>	<u>\$ 205</u>	<u>\$ 205</u>	30,090	<u>\$ 29,885</u>	<u>\$ 8,392</u>
Beginning fund balance			<u>8,392</u>		
<b>Ending Fund Balance</b>			<u>\$ 38,482</u>		

Notes to Supplementary Information:

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

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## *STATISTICAL SECTION*

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

<b>Contents</b>	<b>Page</b>
Financial Trends	96
<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	108
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, property tax.</i>	
Debt Capacity	116
<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	124
<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	127
<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 government 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 POSITION BY COMPONENT

Last Ten Years

(Accrual Basis of Accounting)

	Fiscal Year			
	2004	2005	2006	2007 (1)
Governmental Activities				
Net investment in capital assets	\$ 10,000,707	\$ 11,576,574	\$ 12,098,249	\$ 13,391,257
Restricted	4,731,069	4,674,588	3,361,541	2,426,793
Unrestricted	1,150,435	1,492,055	2,439,519	2,635,283
<b>Total Governmental Activities Net Position</b>	<b>\$ 15,882,211</b>	<b>\$ 17,743,217</b>	<b>\$ 17,899,309</b>	<b>\$ 18,453,333</b>
Business-Type Activities				
Net investment in capital assets	\$ 6,188,917	\$ 4,788,420	\$ 4,878,430	\$ 5,013,239
Restricted	160,356	115,302	160,356	2,597,993
Unrestricted	1,394,891	3,142,001	4,374,684	2,574,840
<b>Total Business-Type Activities Net Position</b>	<b>\$ 7,744,164</b>	<b>\$ 8,045,723</b>	<b>\$ 9,413,470</b>	<b>\$ 10,186,072</b>
Primary Government				
Net investment in capital assets	\$ 16,189,624	\$ 16,364,994	\$ 16,976,679	\$ 18,404,496
Restricted	4,891,425	4,789,890	3,521,897	5,024,786
Unrestricted	2,545,326	4,634,056	6,814,203	5,210,123
<b>Total Primary Government Net Position</b>	<b>\$ 23,626,375</b>	<b>\$ 25,788,940</b>	<b>\$ 27,312,779</b>	<b>\$ 28,639,405</b>

- (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 position.

Fiscal Year

2008	2009	2010	2011	2012	2013
\$ 12,212,584	\$ 14,026,951	\$ 14,938,447	\$ 15,440,360	\$ 14,144,650	\$ 18,283,628
2,695,249	3,051,748	3,004,538	3,264,045	4,701,768	4,388,221
(898,092) (2)	(899,753) (2)	(1,859,661) (2)	(1,475,029)	3,211,311	3,700,344
<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>	<u>\$ 26,372,193</u>
\$ 6,146,398	\$ 7,567,091	\$ 7,552,636	\$ 7,593,022	\$ 8,429,256	\$ 9,357,328
1,972,400	2,165,510	2,294,133	2,451,025	2,318,565	2,207,032
3,084,904	2,676,653	2,986,896	3,734,997	3,914,970	3,116,799
<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>	<u>\$ 14,681,159</u>
\$ 18,358,982	\$ 21,594,042	\$ 22,491,083	\$ 23,033,382	\$ 22,573,906	\$ 27,640,956
4,667,649	5,217,258	5,298,671	5,715,070	7,020,333	6,595,253
2,186,812	1,776,900	1,127,235	2,259,968	7,126,281	6,817,143
<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>	<u>\$ 41,053,352</u>

# CITY OF SEABROOK, TEXAS

## CHANGES IN NET POSITION

Last Ten Years

(Accrual Basis of Accounting)

	Fiscal Year			
	2004	2005	2006	2007 (1)
<b>Expenses</b>				
Governmental Activities				
General government	\$ 1,998,928	\$ 2,327,822	\$ 2,604,773	\$ 3,086,170
Public safety	3,153,015	2,648,112	3,786,758	3,834,433
Public works	1,756,738	1,329,337	1,952,880	1,981,804
Economic development	529,691	1,540,481	393,197	307,161
Interest and fiscal agent fees	541,850	270,438	795,631	500,828
<b>Total Governmental Activities Expenses</b>	<u>7,980,222</u>	<u>8,116,190</u>	<u>9,533,239</u>	<u>9,710,396</u>
Business-Type Activities				
Utilities	3,172,880	3,315,521	3,602,659	3,598,054
Interest and fiscal agent fees	-	-	-	-
<b>Total Business-Type Activities Expenses</b>	<u>3,172,880</u>	<u>3,315,521</u>	<u>3,602,659</u>	<u>3,598,054</u>
<b>Total Primary Government Expenses</b>	<u>\$ 11,153,102</u>	<u>\$ 11,431,711</u>	<u>\$ 13,135,898</u>	<u>\$ 13,308,450</u>
<b>Program Revenues</b>				
Governmental Activities				
Charges for services	\$ 796,268	\$ 936,565	\$ 1,144,459	\$ 916,164
Operating grants and contributions	174,786	198,268	17,480	82,216
Capital grants and contributions	316,523	-	-	-
<b>Total Governmental Activities Program Revenues</b>	<u>1,287,577</u>	<u>1,134,833</u>	<u>1,161,939</u>	<u>998,380</u>
Business-Type Activities				
Utilities:				
Charges for services	4,064,574	4,412,249	5,241,480	4,829,377
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	624,651
<b>Total Business-Type Activities Program Revenues</b>	<u>4,064,574</u>	<u>4,412,249</u>	<u>5,241,480</u>	<u>5,454,028</u>
<b>Total Primary Government Program Revenues</b>	<u>\$ 5,352,151</u>	<u>\$ 5,547,082</u>	<u>\$ 6,403,419</u>	<u>\$ 6,452,408</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (6,692,645)	\$ (6,981,357)	\$ (8,371,300)	\$ (8,712,016)
Business-type activities	891,694	1,096,728	1,638,821	1,855,974
<b>Total Primary Government Net Expense</b>	<u>\$ (5,800,951)</u>	<u>\$ (5,884,629)</u>	<u>\$ (6,732,479)</u>	<u>\$ (6,856,042)</u>

Fiscal Year

2008	2009	2010	2011	2012	2013
\$ 3,223,608	\$ 3,012,703	\$ 4,376,699	\$ 3,523,480	\$ 2,044,188	\$ 2,426,528
4,523,302	4,040,110	4,471,942	5,008,177	4,444,193	5,108,700
8,243,979 (2)	5,870,600	2,011,743	1,326,336	3,191,383	1,941,718
302,712	307,990	239,073	321,532	303,003	357,550
768,483	715,567	780,835	811,818	759,480	701,007
<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>	<u>10,535,503</u>
3,868,646	4,372,440	4,356,358	4,475,897	4,289,547	4,627,670
-	-	-	-	-	194,872
<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>4,822,542</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>	<u>\$ 15,358,045</u>
\$ 1,044,182	\$ 1,161,842	\$ 892,652	\$ 1,243,869	\$ 1,070,691	\$ 755,111
1,087,868	3,238,853	664,973	289,739	165,018	202,982
-	1,248,865	134,259	37,775	3,739,274	2,490,787
<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>	<u>3,448,880</u>
5,462,025	5,594,215	6,048,698	6,829,188	6,040,302	6,209,614
-	210,274	-	-	-	-
429,824	297,887	133,954	154,624	218,259	132,207
<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>6,341,821</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>	<u>\$ 9,790,701</u>
\$ (14,930,034)	\$ (8,297,410)	\$ (10,188,408)	\$ (9,419,960)	\$ (5,767,264)	\$ (7,086,623)
2,023,203	1,729,936	1,826,294	2,507,915	1,969,014	1,519,279
<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>	<u>\$ (5,567,344)</u>

# CITY OF SEABROOK, TEXAS

## CHANGES IN NET POSITION (Continued)

Last Ten Years

(Accrual Basis of Accounting)

	Fiscal Year			
	2004	2005	2006	2007 (1)
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities				
Taxes				
Property taxes	\$ 3,437,970	\$ 3,895,035	\$ 4,078,227	\$ 4,474,598
Sales and use taxes	2,230,393	2,630,514	2,407,583	2,070,950
Franchise fees and local taxes	726,688	884,485	967,881	1,046,552
Investment revenue	112,651	274,851	569,204	489,208
Other revenues	-	-	-	255,213
Gain on sale of capital assets	2,800	-	-	-
Transfers	1,193,600	921,872	504,497	1,354,082
<b>Total Governmental Activities</b>	<u>7,704,102</u>	<u>8,606,757</u>	<u>8,527,392</u>	<u>9,690,603</u>
Business-Type Activities				
Investment revenue	61,595	126,703	233,423	270,710
Other revenues	-	-	-	-
Gain (loss) on sale of capital assets	(2,625)	-	-	-
Transfers	(1,193,600)	(921,872)	(504,497)	(1,354,082)
<b>Total Business-Type Activities</b>	<u>(1,134,630)</u>	<u>(795,169)</u>	<u>(271,074)</u>	<u>(1,083,372)</u>
<b>Total Primary Government</b>	<u>\$ 6,569,472</u>	<u>\$ 7,811,588</u>	<u>\$ 8,256,318</u>	<u>\$ 8,607,231</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 1,011,457	\$ 1,625,400	\$ 156,092	\$ 978,587
Business-type activities	(242,936)	301,559	1,367,747	772,602
<b>Total Primary Government</b>	<u>\$ 768,521</u>	<u>\$ 1,926,959</u>	<u>\$ 1,523,839</u>	<u>\$ 1,751,189</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 Repsdorff Road (a County road) and incurred approximately \$1.4 million in hurricane-related expenses.

**Fiscal Year**

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 4,663,052	\$ 5,056,183	\$ 5,088,332	\$ 5,285,995	\$ 5,442,550	\$ 5,656,089
2,365,779	2,304,229	2,097,398	2,164,992	2,135,045	2,332,016
1,146,560	1,007,741	1,035,216	1,033,334	1,075,551	1,183,623
341,808	56,833	15,843	10,707	10,124	8,293
788,499	752,317	408,615	501,112	592,662	799,891
-	-	-	-	-	-
1,180,741	1,289,312	1,447,381	1,569,873	1,339,685	1,668,673
<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>	<u>11,648,585</u>
175,165	40,824	10,116	7,337	6,945	5,562
-	724,104	35,382	-	247,473	254,257
-	-	-	-	-	-
<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>(1,668,673)</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>(1,408,854)</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>	<u>\$ 10,239,731</u>
\$ (4,443,595)	\$ 2,169,205	\$ (95,623)	\$ 1,146,053	\$ 4,828,353	\$ 4,561,962
1,017,627	1,205,552	424,411	945,379	883,747	110,425
<u>\$ (3,425,968)</u>	<u>\$ 3,374,757</u>	<u>\$ 328,788</u>	<u>\$ 2,091,432</u>	<u>\$ 5,712,100</u>	<u>\$ 4,672,387</u>

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

Function	Fiscal Year			
	2004	2005	2006	2007
Property	\$ 3,437,970	\$ 3,895,035	\$ 4,078,227	\$ 4,474,598
Sales and use	2,230,393	2,630,514	2,407,583	2,070,950
Franchise fees and local taxes	726,688	884,485	967,881	1,046,552
	<u>\$ 6,395,051</u>	<u>\$ 7,410,034</u>	<u>\$ 7,453,691</u>	<u>\$ 7,592,100</u>

Fiscal Year						Change
2008	2009	2010	2011	2012	2013	2012-2013
\$ 4,663,052	\$ 5,056,183	\$ 5,088,332	\$ 5,285,995	\$ 5,442,550	\$ 5,656,089	4%
2,365,779	2,304,229	2,097,398	2,164,992	2,135,045	2,332,016	9%
1,146,560	1,007,741	1,035,216	1,033,334	1,075,551	1,183,623	10%
<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>\$ 9,171,728</u>	<u>6%</u>

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

	Fiscal Year			
	2004	2005	2006	2007 (1)
General Fund				
Nonspendable	\$ 15,952	\$ 44,636	\$ 132,506	\$ -
Restricted	-	-	-	199,131
Committed	-	-	-	-
Assigned	-	-	-	192,292
Unassigned	1,016,352	1,403,969	2,078,835	2,361,726
<b>Total General Fund</b>	<u>\$ 1,032,304</u>	<u>\$ 1,448,605</u>	<u>\$ 2,211,341</u>	<u>\$ 2,753,149</u>
All Other Governmental Funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	7,804,198	11,728,434	8,283,347	6,069,946
<b>Total All Other Governmental Funds</b>	<u>\$ 7,804,198</u>	<u>\$ 11,728,434</u>	<u>\$ 8,283,347</u>	<u>\$ 6,069,946</u>

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

Fiscal Year

2008	2009	2010	2011	2012	2013
\$ -	\$ 2,183	\$ 4,684	\$ 62,076	\$ 24,677	\$ 13,687
-	-	-	-	-	-
-	-	-	-	-	801,291
-	-	-	-	853,532	78,000
2,691,060	2,831,297	2,855,163	3,185,900	3,345,601	3,649,445
<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>	<u>\$ 4,542,423</u>
\$ -	\$ -	\$ -	\$ -	\$ 195	\$ 980
5,418,337	5,680,053	5,489,578	4,818,455	4,701,768	4,388,221
<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>	<u>\$ 4,389,201</u>

# CITY OF SEABROOK, TEXAS

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years  
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2004	2005	2006	2007 (1)
<b>Revenues</b>				
Taxes	\$ 6,420,281	\$ 7,416,463	\$ 7,448,204	\$ 7,568,401
Licenses and permits	305,010	423,319	456,056	321,577
Fines and forfeitures	291,131	320,391	472,946	463,600
Charges for services	66,621	64,595	62,687	57,079
Intergovernmental	491,309	198,268	17,480	82,216
Investment revenue	112,651	274,851	569,204	489,206
Other revenues	133,506	128,260	152,770	329,123
<b>Total Revenues</b>	<u>7,820,509</u>	<u>8,826,147</u>	<u>9,179,347</u>	<u>9,311,202</u>
<b>Expenditures</b>				
General government	1,920,923	2,189,352	2,533,747	3,040,338
Public safety	3,092,887	3,215,425	3,552,847	3,551,443
Public works	1,895,587	1,405,276	1,437,989	1,521,301
Economic development	2,140,740	1,540,481	2,981,294	307,161
Capital outlay	-	-	-	1,373,161
Debt service:				
Principal	900,683	1,942,259	669,588	455,687
Interest and fiscal fees	546,849	563,874	690,730	501,128
Bond issuance costs	-	-	-	-
Advance refunding escrow	-	-	-	-
<b>Total Expenditures</b>	<u>10,497,669</u>	<u>10,856,667</u>	<u>11,866,195</u>	<u>10,750,219</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	(2,677,160)	(2,030,520)	(2,686,848)	(1,439,017)
<b>Other Financing Sources (Uses)</b>				
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	-	-
<b>Total Other Financing Sources</b>	<u>5,613,906</u>	<u>1,196,400</u>	<u>6,135,451</u>	<u>4,497</u>
<b>Net Change in Fund Balances</b>	<u>\$ 2,936,746</u>	<u>\$ (834,120)</u>	<u>\$ 3,448,603</u>	<u>\$ (1,434,520)</u>

Debt service as a percentage of noncapital expenditures	19.18%	17.32%	26.90%	14.60%
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(1) In fiscal year 2007, the Seabrook Economic Development Corporation began to be reported as a discretely presented component unit.

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	8,192,323	\$	8,366,511	\$	8,216,879	\$	8,518,658	\$	8,696,855	\$	9,144,003
	249,809		377,942		224,612		205,293		227,156		183,263
	612,481		550,248		539,362		817,057		709,306		429,178
	68,153		62,232		85,766		118,535		134,229		142,670
	987,868		3,238,853		655,528		283,784		3,904,292		2,693,769
	340,531		56,831		15,841		10,708		10,124		8,293
	508,378		580,230		485,496		575,537		592,662		799,891
	<u>10,959,543</u>		<u>13,232,847</u>		<u>10,223,484</u>		<u>10,529,572</u>		<u>14,274,624</u>		<u>13,401,067</u>
	3,168,496		3,400,694		4,096,478		3,595,589		3,456,967		3,532,719
	4,270,881		4,067,881		4,413,552		4,558,181		4,531,674		4,738,699
	2,693,435		5,584,834		1,758,184		1,584,167		5,428,496		4,290,863
	302,712		308,979		239,809		377,864		303,003		357,550
	8,145,648		112,884		1,019,829		961,379		445,831		598,454
	620,214		512,500		584,705		588,125		652,500		850,000
	687,248		773,796		753,618		764,478		725,358		670,545
	-		-		-		-		-		42,256
	-		-		-		-		-		30,000
	<u>19,888,634</u>		<u>14,761,568</u>		<u>12,866,175</u>		<u>12,429,783</u>		<u>15,543,829</u>		<u>15,111,086</u>
	(8,929,091)		(1,528,721)		(2,642,691)		(1,900,211)		(1,269,205)		(1,710,019)
	1,354,082		1,180,741		1,298,154		1,447,381		1,624,942		1,668,673
	-		-		(8,843)		-		(55,069)		-
	-		-		-		-		-		3,975,000
	-		6,835,000		-		900,000		-		-
	-		199,652		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		-		(3,927,803)
	-		-		-		-		-		-
	-		-		578,304		131,202		47,344		-
	-		-		-		-		-		-
	<u>1,354,082</u>		<u>8,215,393</u>		<u>1,867,615</u>		<u>2,478,583</u>		<u>1,617,217</u>		<u>1,715,870</u>
\$	<u>(7,575,009)</u>	\$	<u>6,686,672</u>	\$	<u>(775,076)</u>	\$	<u>578,372</u>	\$	<u>348,012</u>	\$	<u>5,851</u>
	11.67%		8.10%		9.57%		11.66%		12.77%		14.83%

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

	Fiscal Year			
	2004	2005	2006	2007
<b>Real Property</b>	\$ 593,331,620	\$ 645,704,001	\$ 715,935,585	\$ 764,898,295
<b>Personal Property</b>	56,211,270	59,244,499	57,830,850	82,426,063
<b>Less: Tax Exempt Property</b>	<u>(85,826,310)</u>	<u>(94,610,590)</u>	<u>(128,476,929)</u>	<u>(140,260,655)</u>
<b>Total Taxable Assessed Value (1)</b>	<u>\$ 563,716,580</u>	<u>\$ 610,337,910</u>	<u>\$ 645,289,506</u>	<u>\$ 707,063,703</u>
<b>Total Direct Tax Rate</b>	\$ 0.608235	\$ 0.619573	\$ 0.630706	\$ 0.621009

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 Harris County Municipal Utility District (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.

**Fiscal Year**

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 800,371,653	\$ 918,598,632	\$ 900,127,932	\$ 916,878,359	\$ 921,323,736	\$ 937,092,962
93,001,677	95,312,943	96,447,635	92,903,636	86,707,764	90,255,089
<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>(170,919,619)</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>	<u>\$ 856,428,432</u>
\$ 0.620252	\$ 0.588373	\$ 0.613409	\$ 0.626807	\$ 0.649978	\$ 0.665232

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

	Fiscal Year			
	2004	2005	2006	2007
City by fund:				
General	\$ 0.42037	\$ 0.43171	\$ 0.44707	\$ 0.45328
Debt service	0.18787	0.18787	0.18364	0.16773
<b>Total Direct Rates</b>	<u>0.60824</u>	<u>0.61958</u>	<u>0.63071</u>	<u>0.62101</u>
Clear Creek School District	1.73000	1.74500	1.77500	1.63000
Harris County	0.38803	0.39986	0.39986	0.40239
Harris County Flood Control District	0.04174	0.03318	0.03318	0.03241
Port of Houston Authority	0.02000	0.01673	0.01673	0.01302
Harris County Hospital District	0.19021	0.19021	0.19021	0.19216
Harris County Dept. of Education	<u>0.00629</u>	<u>0.00629</u>	<u>0.00629</u>	<u>0.00629</u>
<b>Total Direct and Overlapping Rates (1)</b>	<u>\$ 2.98451</u>	<u>\$ 3.01085</u>	<u>\$ 3.05198</u>	<u>\$ 2.89728</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 Harris County Municipal Utility District (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.

**Fiscal Year**

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
\$ 0.46980	\$ 0.43012	\$ 0.45628	\$ 0.46556	\$ 0.48269	\$ 0.48315
0.15046	0.15825	0.15713	0.16125	0.16729	0.18208
<u>0.62026</u>	<u>0.58837</u>	<u>0.61341</u>	<u>0.62681</u>	<u>0.64998</u>	<u>0.66523</u>
1.32000	1.36000	1.36000	1.36000	1.36000	1.36000
0.39239	0.38923	0.39224	0.38805	0.39117	0.40021
0.03106	0.03086	0.29220	0.02930	0.02809	0.02809
0.01437	0.01773	0.16360	0.02054	0.01856	0.01952
0.19216	0.19216	0.19216	0.19216	0.19406	0.18216
<u>0.00585</u>	<u>0.00584</u>	<u>0.00605</u>	<u>0.00658</u>	<u>0.00658</u>	<u>0.00662</u>
<u>\$ 2.57609</u>	<u>\$ 2.58419</u>	<u>\$ 3.01966</u>	<u>\$ 2.62344</u>	<u>\$ 2.64844</u>	<u>\$ 2.66183</u>

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# CITY OF SEABROOK, TEXAS

## PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	Fiscal Year					
	2013			2004		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Sinbad Landing Corp.	\$ 13,460,160	1	1.57%	\$ 11,750,000	2	2.08%
Repsdorph Road LTD	12,910,000	2	1.51%	-		0.00%
DMH 90	10,574,641	3	1.23%	7,799,980	4	1.38%
Vista Shores 2011LP	9,157,000	4	1.07%	-		0.00%
Nasa Road Apartments LLC	7,500,000	5	0.88%	-		0.00%
SEC Edgelake LLC	6,760,131	6	0.79%	-		0.00%
Centerpoint Energy Inc.	6,710,143	7	0.78%	-		0.00%
Lamrock 3/2001LP	6,501,300	8	0.76%	-		0.00%
Omkar Group Seabrook LP	5,031,276	9	0.59%	-		0.00%
Loomer/Post Rentals of Texas LLC	4,883,949	10	0.57%	-		0.00%
Ocean Energy Inc.	-		0.00%	15,016,863	1	2.66%
LS General Partnership	-		0.00%	7,900,000	3	1.40%
Reliant Energy	-		0.00%	6,626,020	5	1.18%
WXII/WCI Real Estate LTD	-		0.00%	6,429,180	6	1.14%
Taylor Lake Development LTD	-		0.00%	5,547,510	7	0.98%
Seatree 1 LTD Partnership	-		0.00%	5,489,590	8	0.97%
Miramar Station LTD	-		0.00%	4,255,500	9	0.75%
Seabrook Marina	-		0.00%	3,809,180	10	0.68%
Subtotal	83,488,600		9.75%	74,623,823		13.24%
Other Taxpayers	772,939,832		90.25%	489,092,757		86.76%
<b>Total</b>	<b>\$ 856,428,432</b>		<b>100.00%</b>	<b>\$ 563,716,580</b>		<b>100.00%</b>

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

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

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Tax levy	\$ 3,428,722	\$ 3,781,489	\$ 4,069,880	\$ 4,363,564
Current tax collected	\$ 3,314,150	\$ 3,668,404	\$ 3,884,705	\$ 4,252,282
Percent of current tax collections	96.66%	97.01%	95.45%	97.45%
Collections in subsequent years	<u>99,062</u>	<u>93,664</u>	<u>168,305</u>	<u>95,693</u>
Total tax collections to date	<u>\$ 3,413,212</u>	<u>\$ 3,762,068</u>	<u>\$ 4,053,010</u>	<u>\$ 4,347,975</u>
Total collections as a percentage of current levy	99.55%	99.49%	99.59%	99.64%

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 4,594,030	\$ 4,985,811	\$ 5,050,227	\$ 5,214,919	\$ 5,389,311	\$ 5,627,317
\$ 4,498,264	\$ 4,894,771	\$ 4,945,845	\$ 5,132,185	\$ 5,327,402	\$ 5,541,099
97.92%	98.17%	97.93%	98.41%	98.85%	98.47%
82,403	77,205	84,298	57,964	35,601	-
<u>\$ 4,580,667</u>	<u>\$ 4,971,976</u>	<u>\$ 5,030,143</u>	<u>\$ 5,190,149</u>	<u>\$ 5,363,003</u>	<u>\$ 5,541,099</u>
99.71%	99.72%	99.60%	99.53%	99.51%	98.47%

# CITY OF SEABROOK, TEXAS

## RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	Fiscal Year			
	2004	2005	2006	2007 (1)
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General obligation bonds	\$ 8,136,625	\$ 12,746,250	\$ 12,419,375	\$ 11,994,375
Certificates of obligation	55,000	-	-	-
Sales tax revenue bonds	2,640,000	1,350,000	1,200,000	-
Notes payable	105,000	105,000	-	-
Capital leases	116,042	82,345	29,710	-
<b>Subtotal</b>	<u>11,052,667</u>	<u>14,283,595</u>	<u>13,649,085</u>	<u>11,994,375</u>
<b>Business-Type Activities:</b>				
Revenue bonds	2,150,000	4,365,000	4,220,000	4,070,000
General obligation bonds	1,113,375	888,750	785,625	665,625
<b>Subtotal</b>	<u>3,263,375</u>	<u>5,253,750</u>	<u>5,005,625</u>	<u>4,735,625</u>
<b>Total Primary Government</b>	<u>\$ 14,316,042</u>	<u>\$ 19,537,345</u>	<u>\$ 18,654,710</u>	<u>\$ 16,730,000</u>
<b>Personal Income</b>	\$ 352,329,110	\$ 364,552,822	\$ 377,003,000	\$ 391,560,094
<b>Debt as a Percentage of Personal Income</b>	4.06%	5.36%	4.95%	4.27%
<b>Population</b>	10,803	10,904	11,000	11,182
<b>Debt Per Capita</b>	\$ 1,325	\$ 1,792	\$ 1,696	\$ 1,496

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.

**Fiscal Year**

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 18,385,000	\$ 17,872,500	\$ 17,315,625	\$ 16,727,500	\$ 16,110,000	\$ 15,555,000
-	-	900,000	900,000	865,000	830,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>16,385,000</u>
5,522,000	5,357,000	5,174,000	4,978,000	4,773,000	3,418,000
540,000	412,500	279,375	142,500	-	1,175,000
<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>4,593,000</u>
<u>\$ 24,447,000</u>	<u>\$ 23,642,000</u>	<u>\$ 23,669,000</u>	<u>\$ 22,748,000</u>	<u>\$ 21,748,000</u>	<u>\$ 20,978,000</u>
\$ 415,708,106	\$ 448,887,699	\$ 478,986,277	\$ 421,009,200	\$ 493,026,700	\$ 531,297,900
5.88%	5.27%	4.94%	5.40%	4.41%	3.95%
11,577	12,051	12,367	12,683	12,700	12,853
\$ 2,112	\$ 1,962	\$ 1,914	\$ 1,794	\$ 1,712	\$ 1,632

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

	Fiscal Year			
	2004	2005	2006	2007
<b>Net Taxable Assessed Value</b>				
All property	\$ 563,716,580	\$ 610,337,910	\$ 645,289,506	\$ 707,063,703
<b>Net Bonded Debt</b>				
Gross bonded debt	\$ 9,305,000	\$ 13,635,000	\$ 13,205,000	\$ 12,660,000
Less debt service funds	870,363	975,145	1,154,167	1,221,007
<b>Net Bonded Debt</b>	<u>\$ 8,434,637</u>	<u>\$ 12,659,855</u>	<u>\$ 12,050,833</u>	<u>\$ 11,438,993</u>
 <b>Ratio of Net Bonded Debt to Assessed Value</b>	1.50%	2.07%	1.87%	1.62%
<b>Population</b>	10,803	10,904	11,000	11,182
<b>Net Bonded Debt Per Capita</b>	\$ 781	\$ 1,161	\$ 1,096	\$ 1,023

**Fiscal Year**

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 746,326,744	\$ 852,856,849	\$ 830,110,355	\$ 840,772,629	\$ 838,255,363	\$ 856,428,432
\$ 18,925,000	\$ 18,285,000	\$ 18,495,000	\$ 17,770,000	\$ 16,975,000	\$ 17,560,000
<u>1,547,226</u>	<u>1,604,615</u>	<u>1,691,939</u>	<u>1,689,111</u>	<u>1,746,037</u>	<u>1,742,115</u>
<u>\$ 17,377,774</u>	<u>\$ 16,680,385</u>	<u>\$ 16,803,061</u>	<u>\$ 16,080,889</u>	<u>\$ 15,228,963</u>	<u>\$ 15,817,885</u>
2.33%	1.96%	2.02%	1.91%	1.82%	1.85%
11,577	12,051	12,367	12,683	12,700	12,853
\$ 1,501	\$ 1,384	\$ 1,359	\$ 1,268	\$ 1,199	\$ 1,231

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**CITY OF SEABROOK, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
September 30, 2013

	<u>Net Bonded Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Overlapping Debt (1)</u>
<b>Debt Repaid with Property Taxes</b>			
<b>Governmental Unit</b>			
Clear Creek ISD	\$ 640,488	4.58%	\$ 29,334
Harris County (3)	1,640,637	0.21%	3,445
Harris Co. Flood Control District	637,622	0.21%	1,339
Harris County Toll Road	393,410	0.21%	826
Port of Houston Authority	731,969	0.21%	1,537
Municipal Utility District 373	4,170	100.00%	4,170
Subtotal, overlapping debt			40,652
<b>City Direct Debt</b>	16,385	100.00%	16,385
			<u>\$ 57,037</u>
			<u>\$ 57,037</u>

Sources: Harris County Auditor's Office  
Accounting records of the City and the various taxing authorities

(1) Dollars in thousands

(2) Excludes toll road tax bonds. The City'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.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

# CITY OF SEABROOK, TEXAS

## PLEDGED-REVENUE COVERAGE

Last Ten Years

	Fiscal Year			
	2004	2005	2006	2007
<b>Gross Revenues (1)</b>	\$ 4,126,169	\$ 4,538,952	\$ 5,474,903	\$ 5,100,087
<b>Operating Expenses (2)</b>	2,706,213	2,835,395	3,011,109	3,197,851
<b>Net Revenues Available for Debt Service</b>	\$ 1,419,956	\$ 1,703,557	\$ 2,463,794	\$ 1,902,236
<b>Debt Service Requirements (3)</b>				
Principal	\$ 45,000	\$ 60,000	\$ 145,000	\$ 150,000
Interest	114,500	139,031	179,716	174,824
<b>Total</b>	\$ 159,500	\$ 199,031	\$ 324,716	\$ 324,824
<b>Coverage</b>	8.90	8.56	7.59	5.86

(1) Total revenues including interest

(2) Total operating expenses less depreciation

(3) Includes revenue bonds only

**Fiscal Year**

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 5,637,190	\$ 5,635,039	\$ 6,058,814	\$ 6,829,188	\$ 6,294,720	\$ 6,469,433
3,440,044	3,645,954	4,007,300	3,779,560	3,610,061	4,125,816
\$ 2,197,146	\$ 1,989,085	\$ 2,051,514	\$ 3,049,628	\$ 2,684,659	\$ 2,343,617
\$ 160,000	\$ 165,000	\$ 183,000	\$ 196,000	\$ 205,000	\$ 240,000
204,674	269,083	224,614	237,192	209,571	179,623
\$ 364,674	\$ 434,083	\$ 407,614	\$ 433,192	\$ 414,571	\$ 419,623
6.02	4.58	5.03	7.04	6.48	5.59

**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>
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%
2013	12,853	\$ 531,297,900	\$ 41,336	38.0	1,871	5.5%

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 Five Years Ago

<u>Employer</u>	<u>Fiscal Year</u>		
	<u>2013</u>		<u>2008 (1)</u>
	<u>Employees</u>	<u>Total City Employment (%)</u>	<u>Employees</u>
Technical Automation Service Corporation	45	4.88%	130
City of Seabrook	99	10.74%	103
Seabrook Intermediate School	103	11.17%	105
Kroger	101	10.95%	95
Bay Area Elementary	80	8.68%	82
Lakewood Yacht Club	68	7.38%	71
Gulf Coast Pipeline Services	84	9.11%	-
Gulf Coast Limestone	58	6.29%	-
Bay Area Trees and Landscape	50	5.42%	45
Mario's Flying Pizza	30	3.25%	35
Seabrook Classic Café	42	4.56%	36
Hooters	42	4.56%	80
McDonald's	38	4.12%	36
Marine Max	35	3.80%	40
Maas Nursery and Landscaping	25	2.71%	32
Kiwo, Inc.	22	2.39%	31
<b>Total</b>	<u>922</u>	<u>100.00%</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.

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**CITY OF SEABROOK, TEXAS**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
 Last Ten Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b><u>General Government:</u></b>										
City Manager	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50
Legislative	2.00	2.00	2.00	2.50	2.50	2.50	3.00	2.50	2.00	2.00
Marketing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.50
Human Resources	0.50	0.50	0.50	1.75	1.75	1.75	1.75	1.75	1.75	1.25
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	2.50	2.00	2.50	3.50	2.50	2.50	2.50
Administrative Assistants	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00
Information Technology	0.00	0.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Streets & Drainage	7.66	7.66	7.66	8.29	9.60	8.29	8.29	8.29	8.29	8.79
Community Development	5.00	4.00	4.00	5.05	5.70	5.70	5.70	5.70	6.00	5.00
Municipal Court	2.00	2.00	2.50	2.50	3.00	3.00	3.25	3.00	3.00	5.50
Subtotal	<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>29.54</u>
<b><u>Public Safety:</u></b>										
Police	33.25	34.00	26.50	29.00	32.00	30.50	30.50	30.00	32.00	35.00
Emergency Management	0.75	1.00	1.00	1.00	1.00	1.00	0.75	1.00	1.00	1.00
Animal Control	1.00	2.00	2.00	2.48	2.48	1.48	1.48	1.48	1.48	1.48
Commercial Vehicle Enforcement	0.00	0.00	3.50	3.50	2.50	2.50	2.50	2.50	2.50	0.00
Crime District	0.00	0.00	6.50	6.50	7.00	6.00	6.00	6.00	6.00	6.00
Subtotal	<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>43.48</u>
<b><u>Enterprise Operations:</u></b>										
Water	6.66	7.66	4.66	5.57	5.93	6.95	6.95	6.95	6.85	6.80
Sewer	4.68	4.68	4.68	5.57	4.86	4.57	4.57	4.57	4.47	4.41
Billing	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00
Subtotal	<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>	<u>14.21</u>
<b>Parks and Recreation</b>	8.00	8.00	7.00	13.19	15.00	13.55	13.68	10.76	9.81	10.31
<b>Hotel Tax</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.00
<b>Economic Development</b>	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>Total</b>	<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>	<u><u>99.54</u></u>

Source: Economic development department

# CITY OF SEABROOK, TEXAS

## OPERATING INDICATORS BY FUNCTION

Last Ten Years

Function/Program	Fiscal Year			
	2004	2005	2006	2007
<b>Police</b>				
Arrests	1,040	1,113	1,423	1,155
Accident reports	203	212	239	256
Citations	4,201	4,342	5,558	5,162
Offense reports	369	339	238	390
Calls for service	16,002	17,545	21,747	23,764
<b>Fire</b>				
Emergency responses	n/a	n/a	n/a	308
Fire incidents	n/a	n/a	n/a	27
Average response time	n/a	n/a	n/a	6:23
<b>Water</b>				
New accounts	100	142	122	137
Average daily consumption (thousands of gallons)	1,776	1,932	1,652	1,250
Total consumption	651,052	704,588	604,949	456,090
Peak daily consumption (thousands of gallons)	2,686	2,891	2,353	2,514
<b>Sewer</b>				
Average daily sewage treatment (thousands of gallons)	1,233	1,099	1,068	1,345
Total consumption	450,435	400,353	390,394	478,910
Peak daily consumption (thousands of gallons)	3,100	2,470	2,500	6,196 (1)

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					
2008	2009	2010	2011	2012	2013
991	670	882	710	1,046	761
255	209	165	108	235	205
7,160	5,267	5,309	6,143	4,222	1,971
342	363	389	186	198	170
28,776	24,573	27,340	16,828	19,069	10,323
501	376	196	345	290	306
-	28	21	43	37	41
6:16	7:12	6:31	5:43	5:49	5:10
142	88	54	388	380	490
1,308	1,365	1,845	2,050	1,774	1,830
477,558	498,186	673,673	749,343	646,133	667,435
2,551	4,420	4,012	2,730	3,425	3,303
1,166	1,130	1,210	985	1,156	1,092
425,590	413,450	441,711	359,524	418,777	500,420
4,540	4,012	4,904	3,667	4,797	5,200

# CITY OF SEABROOK, TEXAS

## CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Years

Function/Program	Fiscal Year			
	2004	2005	2006	2007
Police				
Stations	1	1	1	1
Patrol units	16	15	13	17
Fire stations	1	1	1	1
Other public works				
Streets (miles - centerlines)	38.7	39.8	42.0	42.0
Streetlights	n/a	n/a	n/a	n/a
Parks and recreation				
Parks	14	14	14	14
Parks acreage	138	138	138	138
Baseball/softball diamonds	4	4	4	4
Swimming pools	1	1	1	1
Community centers	1	1	1	2
Water				
Water mains (miles)	52.6	53.5	56.3	56.3
Fire hydrants	397	429	449	469
Storage capacity (millions of gallons)	1.1	1.1	2.1	2.1
Sewer				
Sanitary sewers (miles)	50.6	51.8	54.2	54.2
Storm sewers (miles)	19	20	22	22
Open ditch/creek/canal drainage (miles)	18.00	18.00	20.00	20.00
Treatment capacity (millions of gallons)	2.5	2.5	2.5	2.5

Source: Various City departments

**Fiscal Year**

2008	2009	2010	2011	2012	2013
1	1	1	1	1	1
18	17	17	17	17	17
1	1	1	1	1	1
42.0	42.0	42.1	42.1	42.1	42.6
n/a	n/a	n/a	1,000	1,000	1048
15	15	15	18	19	19
156	230	230	230	232	232
4	4	4	4	6	5
1	1	1	1	1	1
2	2	2	2	2	2
56.3	56.3	56.4	56.4	56.4	56.4
478	479	479	481	481	493
2.1	2.1	2.1	2.1	2.1	2.1
54.2	54.2	54.0	54.4	54.4	54.7
22	22	22	22	22	23
20.00	20.00	20.25	20.25	20.25	20.25
2.5	2.5	2.5	2.5	2.5	2.5

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