



*City of Seabrook, Texas*

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**Year Ended September 30, 2011**



**CITY OF SEABROOK, TEXAS  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
Year Ended September 30, 2011**



**Prepared By  
City Administration and the Finance and Accounting Office**

**Charles W. Pinto**  
City Manager

**Kelly E. Templin**  
Deputy City Manager

**Pamela J. Lab**  
Director of Finance



**CITY OF SEABROOK, TEXAS**  
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# **CITY OF SEABROOK, TEXAS**

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## **Introductory Section**







March 20, 2012

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

The City of Seabrook, Texas (the City), is required to publish each year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Seabrook for the fiscal year ended September 30, 2011.

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 Null Lairson, P.C., a firm of licensed public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements for the year ended September 30, 2011 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

## **Profile of the Government**

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

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

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

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

## **Local Economy**

The Clear Lake Area, of which Seabrook is a part, is home to NASA's Johnson Space Center and is known to be the third largest boating center in the United States. The regional economy is very diverse and not driven by just one or two industries. Everything from tourism, boating and recreation industries to aerospace, petrochemical and biomedical facilities can be found in the immediate Clear Lake Area. The Port of Houston's Bayport Cruise Terminal, which lies just north of the City and opened in 2008, will bring tourists and related industries to the City.

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. Last year the City completed a redevelopment plan for the South Seabrook Marine District and Seabrook waterfront areas. As part of implementing this plan, the City has initiated an aggressive redevelopment strategy for its waterfront commercial district, known locally as "The Point." The strategy involves the raising of Waterfront Drive along with improved drainage, lighting and landscaping. The Council recently developed architectural design standards for this area. As "The Point" is directly across Clear Creek from the Kemah Boardwalk, it is anticipated this will go a long way to strengthen local tourism and expand Seabrook's tax base.

## Long-Term Financial Planning

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

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

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

Subsequent to year-end, 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 will be set aside to offset any adverse impact caused from the construction on State Highway 146.

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

## Major Initiatives

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

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

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

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

The Port of Houston Authority has completed a cruise ship terminal at their Bayport facility just to the north of Seabrook. The planned access road for this terminal is an eastward extension of Red Bluff Road where it intersects State Highway 146. Recent rezoning in this area made possible the construction of an

86-room Comfort Suites hotel, Shell service station with an adjoining fast food restaurant and 12,000 square foot retail shopping center. These will capitalize on anticipated traffic resulting from the cruise terminal and the increasing traffic on SH 146. TXDOT started construction on the new SH 146/Red Bluff overpass with expected completion date of November 2012.

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

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

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

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

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

**Lakeside Drive Rebuild** – This project involves the rebuilding of 2,200 feet of the boulevard section from NASA Parkway to De Four Trace. Estimated completion if early May, 2012.

**Seascape Subdivision Entries** – This project is well underway and is expected to be complete in early summer, 2012. I involves the rebuilding of the two concrete entries into Seascape Subdivision, both on Todville Road.

**El Mar Street Rebuild** – This project is underway and consists of the replacement of the pavement for the entire length of El Mar, from SH 146 to Meyer Street, Phase 1 of 6 is complete with phases 2 and 3 underway. Expected completion is summer 2012.

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

**Water Well Generators** – This project is nearing completion. It involves the location of natural gas generators at the City's three ground water wells. This investment will allow the city security if it's water supply is interrupted or impeded as a result of a construction, mishap, or act of nature.

**Lower Pine Gully Channel and Breakwater** – This project involves the removal of silt, the restoration of marsh land and the construction of a breakwater at the mouth of Pine Gully. This project is pending approval from the US Army Corps of Engineers and is a cooperative venture between the City, the Port of Houston Authority and the Galveston Bay Foundation. This project will commence in 2012.

## **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, 2010. This was the 29<sup>th</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.



**Kelly E. Templin**  
City Manager



**Pamela J. Lab**  
Director of Finance

# 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, 2010

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



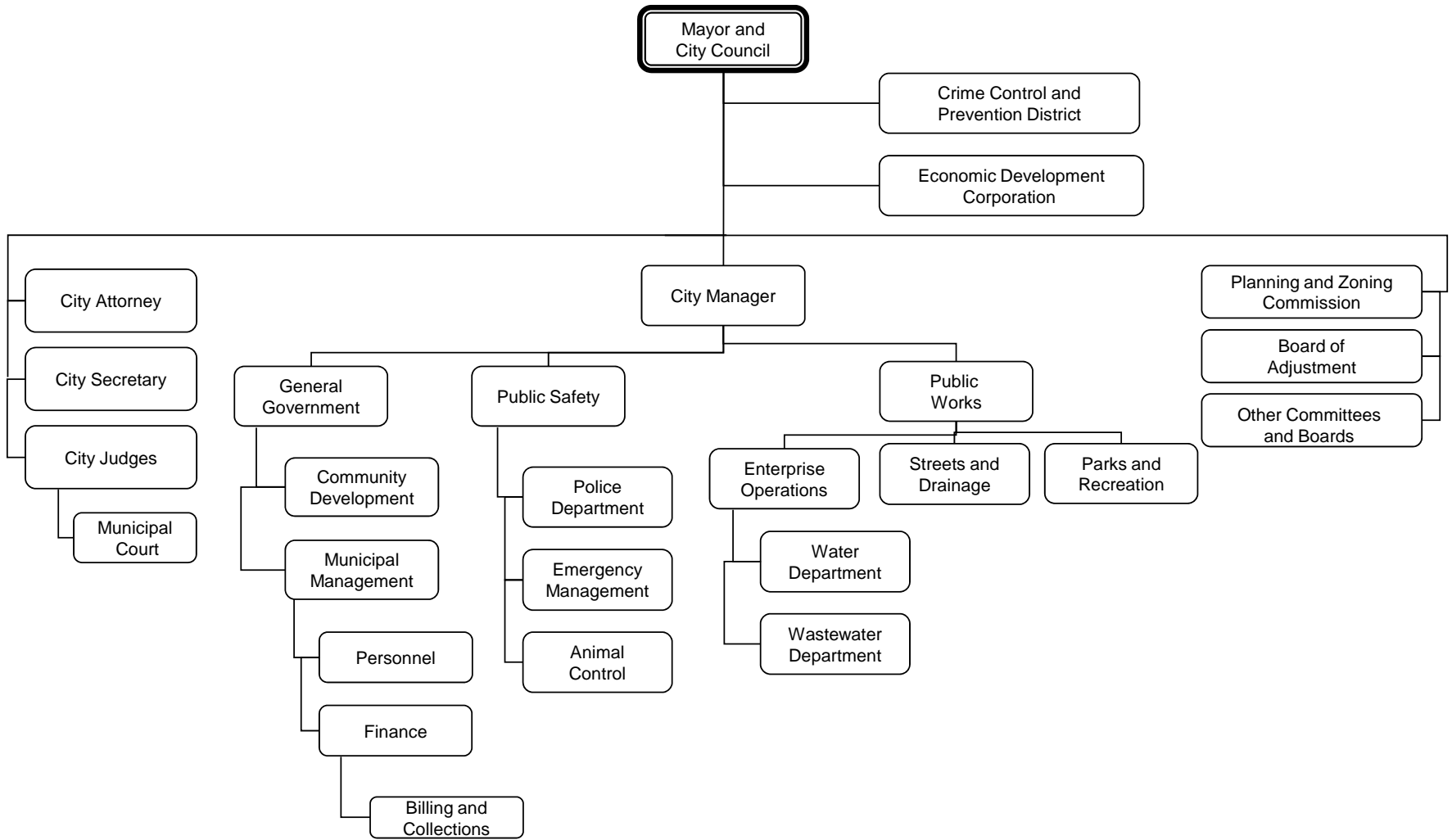
*Linda C. Danson*

President

*Jeffrey R. Emer*

Executive Director

City of Seabrook, Texas  
 ORGANIZATIONAL CHART  
 September 30, 2011



**CITY OF SEABROOK, TEXAS**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**  
*For the year ended September 30, 2011*

<b>Elected Officials</b>	<b>Position</b>	<b>Term Expires May</b>
Glenn Royal	Mayor	05/2014
Kim Morrell	Council Member - Position One	05/2012
Mike Giangrosso	Council Member - Position Two	05/2014
Paul Dunphey	Council Member - Position Three/Mayor Pro Tem	05/2012
Don Holbrook	Council Member - Position Four	05/2014
Thom Kolupski	Council Member - Position Five	05/2012
Laura Davis	Council Member - Position Six	05/2014
<b>City Management</b>	<b>Position</b>	
Charles Pinto	City Manager	
Kelly Templin	Deputy City Manager	
Nona Holomon	Director of Public Safety	
Arturo Chairez	Director of Public Services	
Michele Glaser	City Secretary	
Carolyn Webbon	Municipal Judge	
Pam Lab	Director of Finance	



## **Financial Section**



*Independent Auditors' Report*

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

We have audited the accompanying financial statements of the governmental activities, 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 10 as well as the budgetary comparison and pension system supplementary information on pages 43 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 and individual fund financial information and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Houston, Texas  
March 20, 2012

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**CITY OF SEABROOK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Seabrook (the "City"), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2011. It should be read in conjunction with the accompanying letter of transmittal and the accompanying basic financial statements.

**Overview of the Financial Statements**

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

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

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

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through their user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, community development and culture and recreation. The business-type activities of the City consist of a utility enterprise fund.

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

The government-wide financial statements can be found on pages 13 through 15 of this report.

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

**CITY OF SEABROOK, TEXAS**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)*

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

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

The City maintains seven 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, debt service and capital projects funds, which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation.

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

The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

**Proprietary Funds.** The City charges customers for the utility services it provides. These services are generally reported in the City 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 an enterprise fund to account for its Utility operations (water, sewer and sanitation). The basic proprietary fund financial statements can be found on pages 20 through 22 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 41 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and general fund budgetary comparisons. Required supplementary information can be found on pages 45 through 47 of the City's Comprehensive Annual Financial Report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and supporting schedules can be found beginning on page 52 of the City's Comprehensive Annual Financial Report.

**CITY OF SEABROOK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For the City of Seabrook, assets exceed liabilities by \$31.0 million as of September 30, 2011, in the primary government as follows:

**Condensed Schedule of Net Assets**

*September 30, 2011 and 2010*

*Amounts in (000's)*

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 9,387	9,883	\$ 7,709	\$ 6,609	\$ 17,095	\$ 16,492
Capital assets	26,793	25,870	12,281	12,570	39,073	38,440
<b>Total Assets</b>	<b>36,179</b>	<b>35,753</b>	<b>19,989</b>	<b>19,179</b>	<b>56,168</b>	<b>54,932</b>
Other liabilities	782	918	904	705	1,686	1,623
Long-term liabilities outstanding	18,168	18,751	5,306	5,640	23,474	24,391
<b>Total Liabilities</b>	<b>18,950</b>	<b>19,669</b>	<b>6,210</b>	<b>6,345</b>	<b>25,160</b>	<b>26,014</b>
Net assets:						
Invested in capital assets, net of related debt	15,440	14,938	7,593	7,553	23,033	22,491
Restricted	3,264	3,005	2,451	2,294	5,715	5,299
Unrestricted	(1,475)	(1,860)	3,735	2,987	2,260	1,127
<b>Total Net Assets</b>	<b>\$ 17,229</b>	<b>\$ 16,083</b>	<b>\$ 13,779</b>	<b>\$ 12,834</b>	<b>\$ 31,008</b>	<b>\$ 28,917</b>

**Net Assets Invested in Capital Assets Net of Related Debt**

A large portion of the City's net assets (74%) reflects its investments in capital assets (e.g., land, city hall, emergency services equipment, fleet equipment, parks, streets and drainage systems, as well as the public works facilities), 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.

**Restricted Net Assets**

A portion of the City's net assets, \$5.7 million or 18%, represents resources that are subject to external restriction on how they may be used. The remaining balance is unrestricted net assets, \$2.3 million or 7%, and may be used to meet the City's ongoing obligations to residents and creditors. Both of these categories remained relatively stable compared to the prior year.

**CITY OF SEABROOK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Unrestricted Net Assets**

As noted elsewhere in the report, the City partnered with Harris County to widen Repsdorph Road, a thoroughfare owned by Harris County in order to facilitate mobility in the City of Seabrook. Because the results of the construction of Repsdorph Road did not lead to the City owning any capital assets, the \$3.9 million of outstanding voter approved debt related to this project is netted against the otherwise unrestricted net assets of \$2.4 million resulting in the City reporting a negative unrestricted net assets in the governmental activities of approximately \$1.5 million at September 30, 2011.

The following table summarizes the changes in net assets for the City for the years ended September 30, 2011 and 2010:

**Condensed Schedule of Changes in Net Assets**

*For the Years Ended September 30, 2011 and 2010*

*Amounts in (000's)*

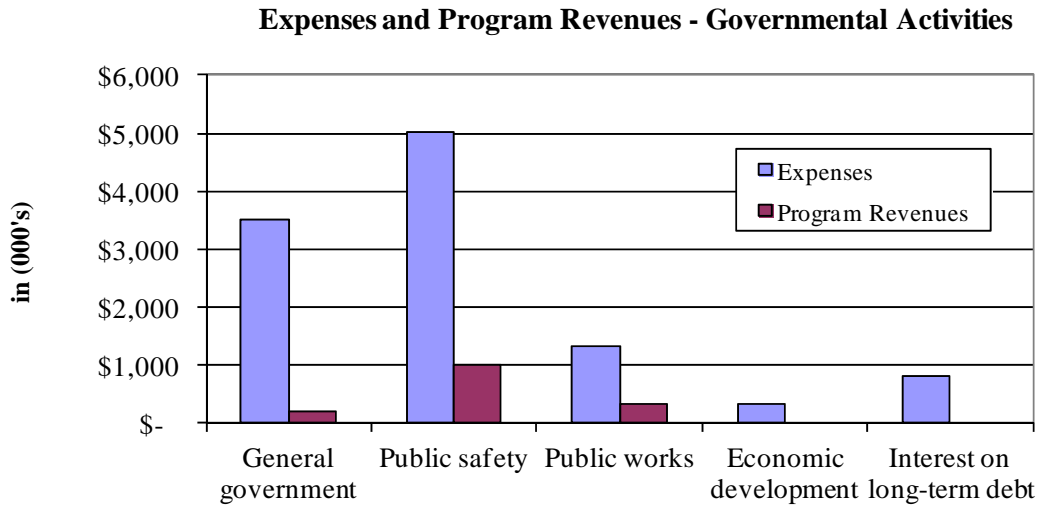
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,244	\$ 893	\$ 6,829	\$ 6,049	\$ 8,074	\$ 6,942
Operating grants and contributions	290	665			290	665
Capital grants and contributions	38	134	154	134	191	268
General revenue						
Property taxes	5,286	5,088			5,286	5,088
Other taxes	3,199	3,133			3,199	3,133
Investment income	11	16	7	10	18	26
Other	501	409		35	501	444
<b>Total Revenues</b>	<u>10,569</u>	<u>10,338</u>	<u>6,990</u>	<u>6,228</u>	<u>17,559</u>	<u>16,566</u>
Expenses						
General government	3,523	4,377			3,523	4,377
Public safety	5,008	4,472			5,008	4,472
Public works	1,326	2,012			1,326	2,012
Economic development	322	239			322	239
Interest on long-term debt	812	781			812	781
Utilities			4,476	4,356	4,476	4,356
<b>Total Expenses</b>	<u>10,992</u>	<u>11,881</u>	<u>4,476</u>	<u>4,356</u>	<u>15,467</u>	<u>16,237</u>
Increase (decrease) in net assets						
before transfers	(424)	(1,543)	2,514	1,872	2,090	329
Transfers	1,570	1,447	(1,570)	(1,447)		
Increase (decrease) in net assets	1,146	(96)	945	425	2,090	329
Net assets - beginning	16,083	16,179	12,834	12,408	28,917	28,587
<b>Net assets - ending</b>	<u>\$ 17,229</u>	<u>\$ 16,083</u>	<u>\$ 13,779</u>	<u>\$ 12,834</u>	<u>\$ 31,008</u>	<u>\$ 28,917</u>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

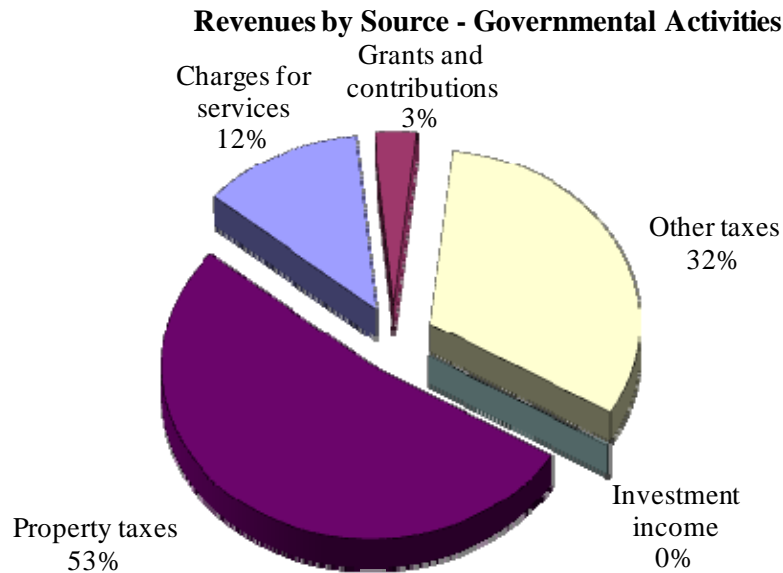


**CITY OF SEABROOK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Governmental Activities.** Governmental activities increased the City's net assets by approximately \$1.1 million primarily due to an increase in municipal court fines as well as a reduction in general expenditures. A comparison of program expenses to program revenues and revenues by source for governmental activities follows:



Revenue sources for governmental activities were distributed as follows:

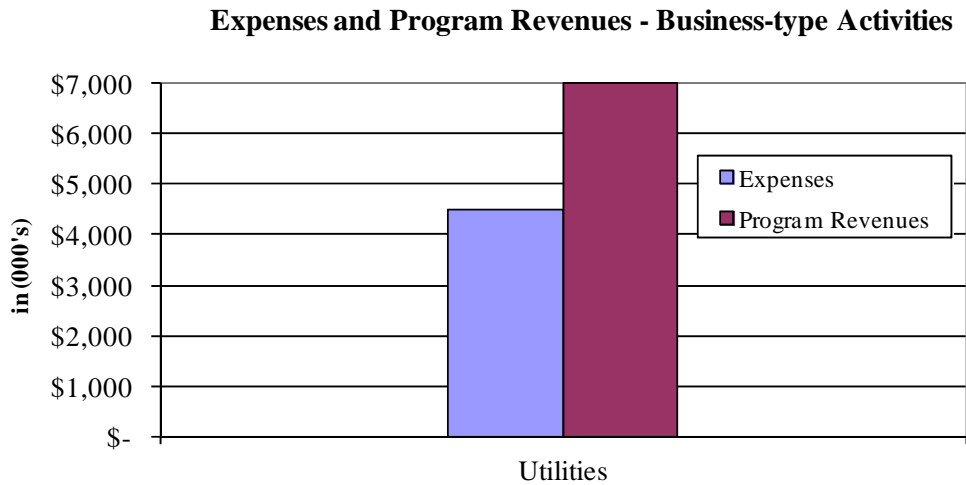


For the year ended September 30, 2011, revenues without transfers in the governmental activities totaled \$10.5 million. This represents an increase of approximately \$230,000 or 2%. The increase is mostly related to higher municipal court revenues.

**CITY OF SEABROOK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Total expenses decreased for fiscal year 2011 in comparison to fiscal year 2010. The decrease in general government was due to the completion of the city hall HVAC system in 2010. The decrease in public works was the result of a reorganization of personnel and redeployment of resources in FY2011.

**Business-type Activities.** The net assets of the City's business-type activities increased by \$945,000 and can be attributed to the 5 year rate plan the city adopted in 2006. A comparison between expenses and program revenues (charges for services) relating to Utility operations follows.



**Financial Analysis of the Government's Funds**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8.1 million, a decrease of \$283,000 from the prior year. This relatively stable fund balance reflects a \$952,000 decrease in capital project balances due to ongoing construction projects and increases in the, General, Debt Service and nonmajor Governmental Funds.

**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 a government's net resources available for spending at the end of the fiscal year.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3.2 million, an increase of \$388,129 compared to last year. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 36% of total general fund expenditures.

The Debt Service fund had a total fund balance of approximately \$1.7 million, all of which is restricted for the payment of debt service. The net increase in fund balance from the prior year of \$19,687 was due to more revenues collected made than debt service payments.

The Capital Projects Fund also experienced a decrease in fund balance in the amount of \$951,504. This was a planned decrease as the City utilized bond funds to construct and acquire various capital assets.

**CITY OF SEABROOK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements.

Unrestricted net assets of the Utility Enterprise fund at the end of the year amounted to approximately \$3.7 million and represents approximately 99% of annual operating expenses for the fund.

**General Fund Budgetary Highlights**

Actual revenues exceeded original and amended General Fund budgeted revenues by \$41,332. Sales taxes, licenses & permits and fines & forfeitures were below projected budget by \$59,130, while property taxes, franchise taxes and charges for services exceeded budget by \$105,506.

Total appropriations exceeded expenditures by \$142,268, the majority of which can be attributed to three departments. Administration was under budget by \$17,584 due to reduced fees for auditing services because a Single Audit was not required. Public safety was under budget by \$45,204 due to a vacant position. Public works expenditures were under budget by \$19,975 due to decreased costs of mosquito control as a result of the drought.

The city made budget adjustments of approximately \$572,000 for municipal court revenues and intergovernmental grant revenues and building repairs and improvements related to the grants.

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities as of September 30, 2011 amounted to \$39.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, park facilities, water and wastewater plants and service lines, machinery and equipment, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was approximately \$630,000. The following table shows capital asset activity for the 2011 fiscal year (in 000's):

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 11,249	\$ 11,210	\$ 96	\$ 96	\$ 11,345	\$ 11,306
Construction in progress	1,103	651	857	853	1,960	1,504
Infrastructure	5,465	4,984	9,299	9,497	14,765	14,482
Buildings and improvements	6,236	6,135	1,605	1,677	7,841	7,812
Machinery and equipment	2,740	2,889	424	446	3,163	3,336
Total Capital Assets	<u>\$ 26,793</u>	<u>\$ 25,871</u>	<u>\$ 12,280</u>	<u>\$ 12,571</u>	<u>\$ 39,072</u>	<u>\$ 38,441</u>

Major capital asset events during the current year include the reporting of park and fire training ground lands.

Construction in progress at year-end represents ongoing projects; to include streets, water tank rehabilitation and sewer projects. Additional information on capital asset activity can be found in note 4 to the financial statements.

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$22.8 million. Of this amount, \$16.9 million is backed by the full faith and credit of the City, and the remainder represents revenue bonds secured solely by specified revenue sources.

**CITY OF SEABROOK, TEXAS**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)*

The City's total debt decreased by approximately \$921,000 during the fiscal year.

The City's Governmental and Utility Enterprise Fund debt has the following ratings:

<b>Debt Type</b>	<b>Moody's</b>	<b>Standard &amp; Poors</b>
General Obligation bonds	A3	AA-
Revenue bonds	Baa1	AA-

The City has no legal debt limit provision in its charter.

Additional information on long-term debt activity can be found in note 5 to the financial statements.

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

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 2012 Budget. The City's general fund revenue is principally made up of property taxes, sales taxes and franchise fees. The revenues projections for the budget are based on historical data, estimates from the finance department and individual department heads, but they have been projected conservatively.

The Seabrook City Council approved a General Fund budget of \$9.39 million for the 2012 fiscal year. The 2012 budget incorporated a tax rate increase of \$.023171 (3.7%) to \$.649878 per \$100 of valuation.

**Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City of Seabrook's finances. Questions concerning this report or requests for additional financial information should be directed 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 [www.ci.seabrook.tx.us](http://www.ci.seabrook.tx.us).

## **Basic Financial Statements**

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**CITY OF SEABROOK, TEXAS**  
**STATEMENT OF NET ASSETS**  
September 30, 2011

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Seabrook Economic Development Corporation</b>
<b>Assets</b>				
Cash and equivalents	\$ 2,941,305	\$ 3,896,450	\$ 6,837,755	\$ 2,229,863
Receivables, net of allowance for uncollectibles	1,343,139	862,603	2,205,742	234,963
Internal Balances	21,175	(21,175)		
Prepaid items	62,076		62,076	13,000
Restricted cash and equivalents	4,714,295	2,857,484	7,571,779	
Deferred charges	304,754	113,323	418,077	10,110
<b>Capital assets:</b>				
Capital assets not subject to depreciation	12,352,437	952,360	13,304,797	
Capital assets, net of accumulated depreciation	14,440,086	11,328,145	25,768,231	
<b>Total Capital Assets</b>	<b>26,792,523</b>	<b>12,280,505</b>	<b>39,073,028</b>	
<b>Total Assets</b>	<b>36,179,267</b>	<b>19,989,190</b>	<b>56,168,457</b>	<b>2,487,936</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	592,568	456,755	1,049,323	42,520
Accrued interest	59,073	34,129	93,202	2,131
Unearned revenues	42,875		42,875	
Customer deposits	87,569	413,037	500,606	
Long-term liabilities:				
Due within one year	873,384	394,944	1,268,328	180,000
Due in more than one year	17,294,422	4,911,281	22,205,703	178,863
<b>Total Liabilities</b>	<b>18,949,891</b>	<b>6,210,146</b>	<b>25,160,037</b>	<b>403,514</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	15,440,360	7,593,022	23,033,382	
<b>Restricted for:</b>				
Capital projects		2,193,276	2,193,276	
Debt service	1,649,725	257,749	1,907,474	223,755
Public safety	747,498		747,498	
Parks	17,888		17,888	
Tourism	848,934		848,934	
Economic development				1,860,667
Unrestricted	(1,475,029)	3,734,997	2,259,968	
<b>Total Net Assets</b>	<b>\$ 17,229,376</b>	<b>\$ 13,779,044</b>	<b>\$ 31,008,420</b>	<b>\$ 2,084,422</b>

See Notes to Financial Statements.

**CITY OF SEABROOK, TEXAS**  
**STATEMENT OF ACTIVITIES**  
*For the Year Ended September 30, 2011*

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government</b>				
Governmental Activities:				
General government	\$ 3,523,480	\$	\$ 223,199	\$
Public safety	5,008,177	936,866	20,972	37,775
Public works	1,326,336	307,003	39,613	
Economic development	321,532		5,955	
Interest on long-term debt	811,818			
<b>Total governmental activities</b>	<b>10,991,343</b>	<b>1,243,869</b>	<b>289,739</b>	<b>37,775</b>
Business-type activities:				
Utilities	4,475,897	6,829,188		154,624
<b>Total business-type activities</b>	<b>4,475,897</b>	<b>6,829,188</b>		<b>154,624</b>
<b>Total primary government</b>	<b>\$ 15,467,240</b>	<b>\$ 8,073,057</b>	<b>\$ 289,739</b>	<b>\$ 192,399</b>
<b>Component Units</b>				
Seabrook Economic Development Corporation	\$ 589,727	\$	\$	\$ 131,529
<b>Total component units</b>	<b>\$ 589,727</b>	<b>\$</b>	<b>\$</b>	<b>\$ 131,529</b>

**General revenues:**

**Taxes:**

Property taxes

Sales and use taxes

Franchise taxes

Unrestricted investment earnings

Miscellaneous

Transfers

**Total general revenues and transfers**

Change in net assets

**Net assets - beginning**

**Net assets - ending**

*See Notes to Financial Statements.*



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

<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Seabrook Economic Development Corporation</b>
\$ (3,300,281)	\$	\$ (3,300,281)	
(4,012,564)		(4,012,564)	
(979,720)		(979,720)	
(315,577)		(315,577)	
(811,818)		(811,818)	
<u>(9,419,960)</u>		<u>(9,419,960)</u>	
	2,507,915	2,507,915	
	2,507,915	2,507,915	
<u>(9,419,960)</u>	<u>2,507,915</u>	<u>(6,912,045)</u>	
			\$ (458,198)
			<u>(458,198)</u>
5,285,995		5,285,995	
2,482,676		2,482,676	710,041
715,650		715,650	
10,707	7,337	18,044	3,276
501,112		501,112	
1,569,873	(1,569,873)		
<u>10,566,013</u>	<u>(1,562,536)</u>	<u>9,003,477</u>	<u>713,317</u>
1,146,053	945,379	2,091,432	255,119
16,083,323	12,833,665	28,916,988	1,829,303
<u>\$ 17,229,376</u>	<u>\$ 13,779,044</u>	<u>\$ 31,008,420</u>	<u>\$ 2,084,422</u>

**CITY OF SEABROOK, TEXAS**

*BALANCE SHEET*

*GOVERNMENTAL FUNDS*

*September 30, 2011*

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 2,941,305	\$ 1,724,496	\$ 1,522,287	\$ 1,469,384	\$ 7,657,472
Receivables, net of allowance for uncollectibles	1,057,814	80,061		205,308	1,343,183
Due from other funds	14,602	1,783		30,380	46,765
Prepaid items	<u>62,076</u>				<u>62,076</u>
<b>Total Assets</b>	<u>\$ 4,075,797</u>	<u>\$ 1,806,340</u>	<u>\$ 1,522,287</u>	<u>\$ 1,705,072</u>	<u>\$ 9,109,496</u>
 <b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 476,249	\$ 17,480	\$ 26,950	\$ 73,805	\$ 594,484
Deposits	78,169			9,400	87,569
Due to other funds	25,323			267	25,590
Payable to other governments					
Deferred revenue	<u>248,080</u>	<u>80,062</u>		<u>7,280</u>	<u>335,422</u>
<b>Total Liabilities</b>	<u>827,821</u>	<u>97,542</u>	<u>26,950</u>	<u>90,752</u>	<u>1,043,065</u>
 <b>Fund balances:</b>					
<b>Nonspendable</b>					
Prepaid items	62,076				62,076
<b>Restricted for:</b>					
Debt service		1,708,798			1,708,798
Public safety				747,498	747,498
Parks				17,888	17,888
Tourism				848,934	848,934
Capital projects			1,495,337		1,495,337
<b>Unassigned</b>	<u>3,185,900</u>				<u>3,185,900</u>
<b>Total Fund balances</b>	<u>3,247,976</u>	<u>1,708,798</u>	<u>1,495,337</u>	<u>1,614,320</u>	<u>8,066,431</u>
 <b>Total Liabilities and Fund Balances</b>	 <u>\$ 4,075,797</u>	 <u>\$ 1,806,340</u>	 <u>\$ 1,522,287</u>	 <u>\$ 1,705,072</u>	 <u>\$ 9,109,496</u>

*See Notes to Financial Statements.*

**CITY OF SEABROOK, TEXAS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**

**STATEMENT OF NET ASSETS**

*September 30, 2011*

**Total fund balance, governmental funds** \$ 8,066,431

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. 26,792,523

Certain other long-term assets (property taxes receivable and adjudicated court fines receivable) are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. 292,547

Some liabilities, are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.

Bonds payable	(16,727,500)
Certificates of Obligation Payable	(900,000)
Compensated absences	(410,775)
Accrued interest governmental activity debt	(59,073)
Deferred charges	304,754
Premium or discount on bonds payable	<u>(129,531)</u>

**Net Assets of Governmental Activities in the Statement of Net Assets** \$ 17,229,376

*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, 2011**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Property taxes	\$ 3,950,763	\$ 1,369,569	\$	\$	\$ 5,320,332
Sales and use taxes	1,509,771			972,905	2,482,676
Franchise taxes	715,650				715,650
Licenses and permits	205,293				205,293
Fines and forfeitures	653,306			163,751	817,057
Charges for services	97,460			21,075	118,535
Investment earnings	4,036	2,721	2,506	1,445	10,708
Intergovernmental	241,325			42,459	283,784
Other	372,329		300	202,908	575,537
<b>Total Revenues</b>	<u>7,749,933</u>	<u>1,372,290</u>	<u>2,806</u>	<u>1,404,543</u>	<u>10,529,572</u>
<b>Expenditures</b>					
<b>Current:</b>					
General government	3,595,589				3,595,589
Public safety	3,744,196			813,985	4,558,181
Public works	1,584,167				1,584,167
Economic development projects				377,864	377,864
<b>Debt Service:</b>					
Principal		588,125			588,125
Interest and other charges		764,478			764,478
<b>Capital outlay</b>			961,379		961,379
<b>Total Expenditures</b>	<u>8,923,952</u>	<u>1,352,603</u>	<u>961,379</u>	<u>1,191,849</u>	<u>12,429,783</u>
Excess (deficiency) of revenues over expenditures	<u>(1,174,019)</u>	<u>19,687</u>	<u>(958,573)</u>	<u>212,694</u>	<u>(1,900,211)</u>
<b>Other Financing Sources (Uses)</b>					
General obligation debt issued					
Insurance proceeds	47,344				47,344
Transfers in	1,569,873		7,069	48,000	1,624,942
Transfers out	(55,069)				(55,069)
<b>Total other financing sources and uses</b>	<u>1,562,148</u>		<u>7,069</u>	<u>48,000</u>	<u>1,617,217</u>
Net change in fund balances	388,129	19,687	(951,504)	260,694	(282,994)
<b>Fund balances - beginning</b>	<u>2,859,847</u>	<u>1,689,111</u>	<u>2,446,841</u>	<u>1,353,626</u>	<u>8,349,425</u>
<b>Fund balances - ending</b>	<u>\$ 3,247,976</u>	<u>\$ 1,708,798</u>	<u>\$ 1,495,337</u>	<u>\$ 1,614,320</u>	<u>\$ 8,066,431</u>

See Notes to Financial Statements.

**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, 2011*

Net change in fund balances - total governmental funds: \$ (282,994)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays \$1,837,999 exceeded depreciation \$940,455 in the current period. 897,544

Capital assets contributed by external entities that do not represent current assets and are not reflected in the governmental fund financial statements. 37,775

Current year disposal of assets are reported in the government-wide financial statement and not in the fund statement. The book value of assets disposals reduces net assets in the government-wide statement. (12,830)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. (34,337)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. 588,125

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Amortization of bond issuance costs (47,340)  
Compensated Absences 110

**Change in net assets of governmental activities** \$ 1,146,053

*See Notes to Financial Statements.*

**CITY OF SEABROOK, TEXAS****STATEMENT OF NET ASSETS****PROPRIETARY FUNDS**

September 30, 2011

	<b>Business-type Activities</b>
	<b>Enterprise Fund</b>
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 3,896,450
Accounts receivable, net of allowance for doubtful accounts	862,603
Restricted cash and cash equivalents	2,857,484
<b>Total Current Assets</b>	<u>7,616,537</u>
<b>Non-current Assets:</b>	
Deferred charges	113,323
Capital Assets:	
Land and improvements	95,750
Construction in progress	856,610
Infrastructure	14,183,227
Buildings	3,119,466
Machinery and equipment	1,739,281
Less Accumulated depreciation	<u>(7,713,829)</u>
<b>Total Non-current Assets</b>	<u>12,393,828</u>
<b>Total Assets</b>	<u>20,010,365</u>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts payable and accrued expenses	456,755
Accrued interest payable	34,129
Due to other funds	21,175
Customer deposits	413,037
Compensated absences - current portion	47,444
Bonds and certificates of obligation payable - current portion	<u>347,500</u>
<b>Total Current Liabilities</b>	<u>1,320,040</u>
<b>Non-current Liabilities:</b>	
Compensated absences	123,518
Bonds and certificates of obligation payable	<u>4,787,763</u>
<b>Total Non-current Liabilities</b>	<u>4,911,281</u>
<b>Total Liabilities</b>	<u>6,231,321</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	7,593,022
Restricted for debt service	257,749
Restricted for capital projects - impact fees	2,193,276
Unrestricted	3,734,997
<b>Total Net Assets</b>	<u>\$ 13,779,044</u>

*See Notes to Financial Statements.*

**CITY OF SEABROOK, TEXAS****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS****PROPRIETARY FUNDS***For the Year Ended September 30, 2011*

	<b>Business-type Activities</b>
	<b>Enterprise Fund</b>
<b>Revenues</b>	
Charges for services	\$ 6,829,188
<b>Total Operating Revenues</b>	<u>6,829,188</u>
<b>Operating Expenses</b>	
Personnel services	1,058,585
Supplies and materials	77,598
Contractual services	2,586,585
Repairs and maintenance	56,792
Depreciation	459,145
<b>Total Operating Expenses</b>	<u>4,238,705</u>
Operating income	<u>2,590,483</u>
<b>Non-operating Revenues (Expenses)</b>	
Earnings on investments	7,337
Interest expense	<u>(237,192)</u>
<b>Total Non-operating Revenue (Expenses)</b>	<u>(229,855)</u>
Income before contributions and transfers	2,360,628
Capital contributions - impact fees	154,624
Transfers out	<u>(1,569,873)</u>
Change in net assets	945,379
<b>Total net assets - beginning</b>	<u>12,833,665</u>
<b>Total net assets - ending</b>	<u>\$ 13,779,044</u>

*See Notes to Financial Statements.*

**CITY OF SEABROOK, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2011

	<b>Business-type Activities</b>
	<b>Enterprise Fund</b>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 6,708,879
Disbursed for personnel services	(1,058,412)
Disbursed for goods and services	(2,539,864)
<b>Net cash provided (used) by operating activities</b>	<u>3,110,603</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers from other funds	
Transfers to other funds	(1,555,394)
<b>Net cash provided by (used by) noncapital financing activities</b>	<u>(1,555,394)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Capital grants and contributions	154,624
Insurance proceeds	
Principal payments on debt	(334,012)
Acquisition and construction of capital assets	(170,043)
<b>Net cash used by capital and related financing activities</b>	<u>(349,431)</u>
<b>Cash Flows from Investing Activities</b>	
Interest received	7,336
Interest paid	(229,614)
<b>Net cash provided by (used by) investing activities</b>	<u>(222,278)</u>
Net increase in cash and equivalents	983,500
<b>Cash and equivalents, beginning of year</b>	<u>5,770,434</u>
<b>Cash and equivalents, at end of year</b>	<u>\$ 6,753,934</u>
Unrestricted cash and equivalents	\$ 3,896,450
Restricted cash and equivalents	<u>2,857,484</u>
	<u>\$ 6,753,934</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income (loss)	\$ 2,590,483
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	459,145
(Increase) decrease in accounts receivable	(140,248)
Increase (decrease) in accounts payable	181,111
Increase (decrease) in salaries payable	173
Increase (decrease) in customer deposits	19,939
<b>Net cash provided by operating activities</b>	<u>\$ 3,110,603</u>

See Notes to Financial Statements.



**CITY OF SEABROOK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

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

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

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 affairs of the City. The City Manager is responsible for 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, fire, and emergency medical services; parks; streets; sanitation, water and sewer services; recreation; public improvements; planning and zoning; and general administration.

**A. Reporting Entity**

In conformity with GAAP, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

The component unit identified above is included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City appoints the organizations' board and is either able to impose its will on them or a financial benefit/burden exists.

**Seabrook Economic Development Corporation**

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

**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 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.

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.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Crime Control and Prevention District (continued)**

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 will remain in existence for a period of five years and may then be extended upon approval by the voters. In the event of dissolution, net assets of the District shall be conveyed to the City.

The financial reporting entity consists of the primary government and other organizations for which the primary government is financially accountable.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

**B. Government-wide and Fund Financial Statements**

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

**Note 1 - Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recognized 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.

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

General property taxes are recorded as receivables when levied and as revenue in the period for which they were levied and become available. Property taxes receivables have been recorded as deferred revenues at year-end. Property taxes collected within 60 days subsequent to September 30, 2009, have not been recorded as revenue as the amount is not considered material. Franchise taxes and sales taxes relating to underlying transactions that occurred prior to September 30, 2009, have been recorded as receivables and revenue. Licenses and permits, and fines and forfeitures are not susceptible to accrual since they are not measurable until received. Revenue on federal and state cost-reimbursement grants is accrued when the related expenditures are incurred. Interest is recorded when earned.

**The City reports the following major governmental funds:**

The *General Fund* is used to account for all financial transactions that are not accounted for in another fund. The principal sources of revenue of the General Fund are property taxes, sales and use taxes, franchise taxes, licenses and permits, and fines and forfeitures. Expenditures are for general government, public safety, public works and other community services.

The *Debt Service Fund* is used to account for the payment of interest and principal on all general long-term debt of the City except for capital leases which are accounted for in the General Fund. The primary source of revenue for the Debt Service Fund is general property taxes.

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

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

**Note 1 - Summary of Significant Accounting Policies (continued)**

**The City has one major proprietary fund.**

The *Utility Enterprise Fund* is used to account for operations of the water and wastewater division and the construction of related facilities. The fund is financed and operated in a manner similar to private business enterprises - where the intent of the City is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation) and other City funds.

Private-sector standards for accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. The City has elected not to follow private sector guidance issued subsequent to that date.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operational expenses for the enterprise funds and internal service fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses.

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

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a Statement of Net Assets and a Statement of Activities. It requires the reclassification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

**Note 1 - Summary of Significant Accounting Policies (continued)**

**D. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and balances in a privately managed public funds investment pool ("TexPool"). For the purpose of the statement of cash flows, the Proprietary Fund Types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

**E. Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Utility fund have not been recognized as of the end of the year as they are considered immaterial.

**F. Due to and from Other Funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These receivables and payables are, for the most part, eliminated from the Government-Wide Statement of Net Assets and are recorded as "due from other funds" or "due to other funds" in the fund financial statements.

**G. Inventory and Prepaid Items**

Inventories are valued at costs using the first in/first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**H. Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of \$5,000 or greater and an estimated useful life in excess of one year. All purchased Capital assets are valued at cost where historical records exist. Donated Capital assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements, including public domain and equipment are capitalized and Proprietary Fund Capital assets are depreciated over the remaining useful lives of the related Capital assets using the straight line method, as applicable.

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

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

**Note 1 - Summary of Significant Accounting Policies (continued)**

**I. 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.

**J. General Property Taxes**

All taxes due the City on real or personal property are payable at the Office of the City Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is October 1, or as soon thereafter as practicable. Taxes are due upon receipt and all taxes not paid prior to February 1 are deemed delinquent and are subject to such penalty and interest set forth by the Property Tax Code. All property located within the City limits on the first day of January of each year are charged with a special lien in favor of the City from such date for taxes due thereon.

**K. Debt Service**

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The full amount estimated to be required for debt service on the general obligation debt is provided by the debt service tax together with interest earned in the Debt Service Fund.

**L. 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.

**M. Bond Discounts/Issuance Costs**

In governmental fund types, bond discounts and issuance costs are recognized in the current period and are deferred and amortized in the Government-wide Statement of Activities. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts and issuance costs are recorded as deferred charges.

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

**Note 1 - Summary of Significant Accounting Policies (continued)**

**N. Fund Equity**

In the fund financial statements, the City reserves or designates all or portions of fund equity in the various governmental fund financial statements. The unassigned fund balances for governmental funds represent the amount available for budgeting future operations. The restricted fund balances for governmental funds represent the amount that has been legally identified for specific purposes.

As of these financial statements, the City has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

**Nonspendable** – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – Amounts that can be spent only for specific purposes because of the City Charter, City Code, State or Federal laws, or externally imposed conditions by grantors or creditors.

**Committed** – Amounts that can be used only for specific purposes determined by ordinances passed by City Council, the City's highest level of decision making authority. Commitments may be modified or rescinded only through ordinances approved by City Council.

**Assigned** – Amounts that are intended to be used for a specific purposes, but do not meet the definition of restricted or committed fund balance. Under the City's policy, amounts can be assigned by the City's Director of Finance.

**Unassigned** – All amounts not included in other spendable classifications.

**General Fund Unassigned Fund Balance**

In accordance with the City's financial policy the City shall maintain the General Fund unassigned fund balance equivalent to 3 months of recurring operating expenditures, based on current year expenditures.

**O. Revenues and Expenditures/Expenses**

In the fund financial statements revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Revenues and expenses in the Government-Wide Statement of Activities are recognized in essentially the same manner as used in commercial accounting.

**P. Post-employment Healthcare Benefits**

The City does not provide post-employment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and the City incurs no direct costs.

**Note 2 - Deposits (Cash) and Investments**

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

**Q. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual amounts could vary from those estimates.

**Authorization for Deposits and Investments**

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City.

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest.

The Council has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City's investment policy. The City's investment policy is more restrictive than the PFIA requires. It is the City's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully collateralized certificates of deposit, bankers' acceptances, mutual funds, repurchase agreements and local government investment pools. The maximum maturity allowed is two years from date of purchase. The City's investment policy does not allow investments in commercial paper, collateralized mortgage obligations, floating rate investments or swaps.

**Deposit and Investment Amounts**

The City's cash and investments are classified as: cash and cash equivalents and restricted cash and investments. The cash and cash equivalents include cash on hand, fully collateralized deposits with financial institutions and in a privately-managed public funds investment pool account (TexPool). The restricted cash and investments are assets restricted for specific use.



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

**Note 2 - Deposits (Cash) and Investments (continued)**

**Deposit and Investment Amounts (continued)**

The following schedule shows the City’s recorded cash and investments at year-end:

	<b>Total Fair Value</b>	
	<b>Primary Government</b>	<b>Component Unit</b>
Cash deposits	\$ 522,093	\$ 10,602
Temporary Investments:		
External Investment Pool	13,887,441	2,219,261
	<u>\$ 14,409,534</u>	<u>\$ 2,229,863</u>

**Investment Risks**

**Interest Rate Risk**

At year-end, the City’s investments (TexPool) had a weighted average maturity of 45 days.

The City measures interest rate risk using the weighted average maturity method for the portfolio. The City’s investment policy specifies a maximum weighted average maturity of 365 days or 12 months based on the stated maturity date for each investment in the portfolio.

To the extent possible, the City attempts to match investments with anticipated cash flow requirements. The City does not directly invest in securities with a stated maturity date more than two years or 730 days from date of purchase. The settlement date is considered the date of purchase.

**Concentration of Credit Risk**

The City had investments in authorized investment pools comprised 100 percent of the total investment portfolio at year-end. The City investment policy allows these investment levels for the portfolio.

At year-end, balances in TexPool, a privately managed public funds investment pool, were rated AAAM by Standard & Poor’s.

**Credit Risk**

The primary objective of the City’s adopted Investment Policy is the safety of principal. Credit risk within the City’s portfolio among authorized investments approved by the City’s adopted Investment Policy is represented in U.S. Treasury Bills, Notes or Bonds, and other securities which are guaranteed as to principal and interest by the full faith and credit of the United States of America, collateralized or fully insured certificates of deposits, FDIC insured banks in the State of Texas, repurchase agreements if secured by U.S. Treasury Bills, Notes or Bonds and Public Funds Investment Pools.

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

**Note 2 - Deposits (Cash) and Investments (continued)**

**Restricted Assets**

The Enterprise Funds have restricted certain cash and investments for customer deposits, and construction.

**Local Government Investment Pools**

As of September 30, 2011, the District's investments included TexPool Investment Pool. The investment pool investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool.

The value of District portions in TexPool are the same as the value of the Shares. These external pooled funds operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

The external pooled funds use amortized cost rather than market value to report net assets to compute share price, such funds have daily liquidity. Although TexPool have weighted average maturities greater than one, the District considers the holdings in these funds to have a one day weighted average maturity.

**Note 3 - Receivables**

Amounts recorded as receivables as of September 30, 2011 for the government's individual major and non-major funds, including the applicable allowance for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Non Major Funds</u>	<u>Enterprise Fund</u>	<u>Component Unit</u>
Receivables					
Property taxes, including penalties and interest	\$ 331,400	\$ 130,130	\$	\$	\$
Sales and other taxes	845,287				234,963
Accounts	311		198,333	873,069	
Allowance for uncollectibles	(118,917)	(50,069)		(10,466)	
	<u>\$ 1,058,081</u>	<u>\$ 80,061</u>	<u>\$ 198,333</u>	<u>\$ 862,603</u>	<u>\$ 234,963</u>

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

**Note 3 - Receivables (continued)**

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Harris County Central Appraisal District ("HCCAD") establishes appraised values. Taxes are levied by the City Council based on the appraised values and operating needs of the City.

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - general fund	\$ 212,484	\$
Delinquent property taxes receivable - debt service fund	80,062	
Grants and revenues prior to meeting all eligibility requirements		42,875
<b>Total Deferred Revenue for Governmental Funds</b>	<u>\$ 292,546</u>	<u>42,876</u>

**Note 4 - Capital Assets**

A summary of activity for capital assets capitalized by the City for the year ended September 30, 2011 follows:

	<u>Primary Government</u>			
	<u>Balance September 30, 2010</u>	<u>Increases</u>	<u>Reclassification/ (Decreases)</u>	
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 11,210,313	\$ 38,953		\$ 11,249,266
Construction in progress	651,076	568,159	(116,064)	1,103,171
Total capital assets not being depreciate	<u>11,861,389</u>	<u>607,112</u>	<u>(116,064)</u>	<u>12,352,437</u>
Other capital assets:				
Infrastructure	13,295,310	754,552		14,049,862
Buildings and improvements	9,233,035	333,880		9,566,915
Machinery and equipment	5,742,100	296,294	(37,400)	6,000,994
Total other capital assets	<u>28,270,445</u>	<u>1,384,726</u>	<u>(37,400)</u>	<u>29,617,771</u>
Less accumulated depreciation for:				
Infrastructure	(8,311,198)	(273,356)		(8,584,554)
Buildings and improvements	(3,097,956)	(232,713)		(3,330,669)
Machinery and equipment	(2,852,647)	(434,385)	24,570	(3,262,462)
Total accumulated depreciation	<u>(14,261,801)</u>	<u>(940,454)</u>	<u>24,570</u>	<u>(15,177,685)</u>
Other capital assets, net	<u>14,008,644</u>	<u>444,272</u>	<u>(12,830)</u>	<u>14,440,086</u>
<b>Totals</b>	<u>\$ 25,870,033</u>	<u>\$ 1,051,384</u>	<u>\$ (128,894)</u>	<u>\$ 26,792,523</u>

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

**Note 4 - Capital Assets (continued)**

	<b>Balance September 30, 2010</b>	<b>Increases</b>	<b>Reclassification/ (Decreases)</b>	<b>Balance September 30, 2011</b>
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 95,750	\$	\$	\$ 95,750
Construction in progress	853,320	3,290		856,610
Total capital assets not being depreciate	<u>949,070</u>	<u>3,290</u>		<u>952,360</u>
Other capital assets:				
Water and sewer system	14,083,591	99,636		14,183,227
Buildings and improvements	3,119,466			3,119,466
Machinery and equipment	1,708,024	67,117	(35,860)	1,739,281
Total other capital assets	<u>18,911,081</u>	<u>166,753</u>	<u>(35,860)</u>	<u>19,041,974</u>
Less accumulated depreciation for:				
Water and sewer system	(4,586,212)	(297,728)		(4,883,940)
Buildings and improvements	(1,442,696)	(72,255)		(1,514,951)
Machinery and equipment	(1,261,637)	(89,161)	35,860	(1,314,938)
Total accumulated depreciation	<u>(7,290,545)</u>	<u>(459,144)</u>	<u>35,860</u>	<u>(7,713,829)</u>
Other capital assets, net	<u>11,620,536</u>	<u>(292,391)</u>		<u>11,328,145</u>
<b>Totals</b>	<u>\$ 12,569,606</u>	<u>\$ (289,101)</u>	<u>\$</u>	<u>\$ 12,280,505</u>

Depreciation was charged to functions of the primary government as follows

:

General government	\$ 219,228
Public safety	409,986
Public works	311,240
<b>Total Governmental Activity</b>	<u>\$ 940,454</u>
Water and sewer	\$ 459,144
<b>Total Business-Type Activity</b>	<u>\$ 459,144</u>

Construction contract commitments outstanding as of September 30, 2011 are as follows:

<u>Project Name</u>	<u>Total In Progress</u>	<u>Remaining Commitment</u>
Fire Boat	\$ 235,385	\$ 235,385
City Hall HVAC	629,934	1,544
Gateway sign	120,973	132,050
Waterfront projects	115,668	
Repsdorph Sewer project	856,609	
TDRA H2O Pro Generator	1,212	
Totals	<u>\$ 1,959,781</u>	<u>\$ 368,979</u>

Construction in progress for Lakeside Repsdorph Circle and the waterfront projects at September 30, 2011 are made up of engineering fees for the projects which are planned to begin in fiscal year 2012. The Repsdorph Sewer project balance in construction in progress is for the amount paid to Harris County. Harris County began the project in fiscal year 2011 and is expected to complete the project in 15-18 months. The amount will be reported in the water and sewer system assets upon completion. The City has no remaining commitment on the project.

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

**Note 5 - Long-Term Debt**

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business type activities. These instruments include general obligation bonds, certificates of obligation and revenue bonds. Future ad valorem tax revenues, water and sewer system revenues or liens on property and equipment secure these debt obligations.

The following is a summary of the terms of obligations, general obligation bonds, certificates of obligations and revenue bonds outstanding as of September 30, 2011:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
<b>Governmental Activities</b>				
<b>General Obligation Bonds</b>				
General Obligation Bonds, Series 2003	\$ 4,500,000	2025	4.40	\$ 4,035,000
General Obligation Bonds, Series 2003R	1,605,000	2025	3.40	565,000
General Obligation Bonds, Series 2005	5,175,000	2025	2.50-4.00	5,175,000
General Obligation Bonds, Series 2005R	1,481,250	2012	3.55-4.30	237,500
General Obligation Bonds, Series 2008	6,835,000	2027	4.00-4.15	6,715,000
<b>Total General Obligation Bonds</b>				<b><u>\$ 16,727,500</u></b>
<b>Certificates of Obligation</b>				
Certificates of Obligation, Series 2010	900,000	2027	3.642	\$ 900,000
<b>Total General Obligation Bonds</b>				<b><u>\$ 900,000</u></b>
<b>Business-Type Activities</b>				
<b>General Obligation Bonds</b>				
General Obligation Bonds, Series 2005	888,750	2012	3.55-4.30	142,500
<b>Total General Obligation Bonds</b>				<b><u>\$ 142,500</u></b>
<b>Revenue Bonds</b>				
Water and Sewer Revenue Bonds, Series 2003R	\$ 2,195,000	2025	4.45	\$ 1,645,000
Water and Sewer Revenue Bonds, Series 2005R	2,275,000	2027	2.50-3.00	1,755,000
Water and Sewer Revenue Bonds, Series 2008	1,612,000	2027	4.12	1,578,000
<b>Total Revenue Bonds</b>				<b><u>\$ 4,978,000</u></b>
Component Unit	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
<b>Seabrook Economic Development Corporation</b>				
Revenue Bonds, Series 2005	\$ 1,490,000	2013	3.58	\$ 365,000
<b>Total Component Unit Long-Term Debt</b>				<b><u>\$ 365,000</u></b>

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

**Note 5 - Long-Term Debt (continued)**

During the year ended September 30, 2011, the following changes occurred in long-term liabilities:

	<b>Balance September 30, 2010</b>	<b>Additions</b>	<b>(Reductions)</b>	<b>Balance September 30, 2011</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities:</b>					
Bonds and notes payable:					
General obligation bonds	\$ 17,315,625	\$	\$ (588,125)	\$ 16,727,500	\$ 617,500
Certificates of obligation	900,000		(35,000)	865,000	35,000
Premium/Discount on bond issuance	124,737		4,794	129,531	
Total bonds payable	<u>18,340,362</u>		<u>(618,331)</u>	<u>17,722,031</u>	<u>652,500</u>
Compensated absences	410,884	240,752	(240,861)	410,775	220,884
<b>Total Governmental Activities</b>	<u>\$ 18,751,246</u>	<u>\$ 240,752</u>	<u>\$ (859,192)</u>	<u>\$ 18,132,806</u>	<u>\$ 873,384</u>
	<b>Balance September 30, 2010</b>	<b>Additions</b>	<b>(Reductions)</b>	<b>Balance September 30, 2011</b>	<b>Amounts Due Within One Year</b>
<b>Business-type Activities:</b>					
Bonds payable:					
General obligation bonds	\$ 279,375	\$	\$ (136,875)	\$ 142,500	\$ 142,500
Revenue bonds	5,174,000		(196,000)	4,978,000	205,000
Premium on bond issuance	40,627		(1,137)	39,490	
	<u>5,494,002</u>		<u>(334,012)</u>	<u>5,159,990</u>	<u>347,500</u>
Other liabilities:					
Compensated absences	170,789	47,001	(46,828)	170,962	47,444
<b>Total Business-type Activities</b>	<u>\$ 5,664,791</u>	<u>\$ 47,001</u>	<u>\$ (380,840)</u>	<u>\$ 5,330,952</u>	<u>\$ 394,944</u>
	<b>Balance September 30, 2010</b>	<b>Additions</b>	<b>(Reductions)</b>	<b>Balance September 30, 2011</b>	<b>Amounts Due Within One Year</b>
<b>Seabrook Economic Development Corporation:</b>					
Revenue bonds	\$ 540,000	\$ (180,000)	\$ (175,000)	\$ 185,000	180,000
Discount on bond issuance	(8,182)		2,045	(6,137)	
<b>Total Seabrook Economic Development Corporation</b>	<u>\$ 531,818</u>	<u>\$ (180,000)</u>	<u>\$ (172,955)</u>	<u>\$ 178,863</u>	<u>\$ 180,000</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. Compensated absences generally are paid by the General Fund for the governmental activities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

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

**Note 5 - Long-Term Debt (continued)**

**General Obligation Bonds and Certificates of Obligations**

The City issues general obligation bonds and certificates of obligations to provide funds for the acquisition and construction of major capital assets. General obligation bonds have been issued for both governmental and business-type activities. Certificates of obligation have been issued for the governmental activities only. General obligation bonds and certificates of obligations are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds and certificates of obligations are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

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

Fiscal Year	General Obligation Bonds				Certificates of Obligation	
	Governmental Activities		Business-Type Activities		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 617,500	\$ 708,692	\$ 142,500	\$ 5,700	\$ 35,000	\$ 32,778
2013	790,000	684,812			35,000	31,503
2014	820,000	653,582			40,000	30,229
2015	855,000	620,662			40,000	28,772
2016	890,000	582,304			45,000	27,315
2017	930,000	541,877			50,000	25,676
2018	970,000	499,140			55,000	23,855
2019	1,010,000	454,005			60,000	21,852
2020	1,055,000	410,930			60,000	19,667
2021	1,100,000	367,490			65,000	17,482
2022	1,145,000	321,736			70,000	15,114
2023	1,195,000	273,988			70,000	12,565
2024	1,250,000	223,788			70,000	10,016
2025	1,305,000	170,847			70,000	7,466
2026	1,365,000	115,310			70,000	4,917
2027	1,430,000	59,346			65,000	2,367
	<u>\$ 16,727,500</u>	<u>\$ 6,688,509</u>	<u>\$ 142,500</u>	<u>\$ 5,700</u>	<u>\$ 900,000</u>	<u>\$ 311,574</u>

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

**Note 5 - Long-Term Debt (continued)**

**Revenue Bonds**

The City also issues bonds in which it pledges income derived from the acquired or constructed assets to pay debt service.

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

<b>Fiscal Year</b>	<b>Water &amp; Sewer Revenue Bonds</b>		<b>Sales Tax Revenue Bonds</b>	
	<b>Business-Type Activities</b>		<b>Seabrook EDC</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2012	\$ 205,000	\$ 209,572	\$ 180,000	\$ 13,067
2013	235,000	200,965	185,000	6,623
2014	245,000	191,106		
2015	255,000	180,824		
2016	265,000	170,534		
2017	276,000	159,512		
2018	288,000	148,030		
2019	300,000	136,049		
2020	313,000	123,335		
2021	326,000	110,054		
2022	340,000	96,220		
2023	355,000	81,655		
2024	369,000	66,447		
2025	385,000	50,487		
2026	402,000	33,825		
2027	419,000	17,262		
	<u>\$ 4,978,000</u>	<u>\$ 1,975,877</u>	<u>\$ 365,000</u>	<u>\$ 19,690</u>



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

**Note 6 - Interfund Activities**

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

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amounts</u>	<u>Purpose</u>
Enterprise Fund	General Fund	\$ 1,569,873	Transfer from Enterprise to GF for operation & maintenance
General Fund	Capital Projects Fund	7,069	Transfer to fund capital projects
General Fund	Nonmajor Funds	48,000	Transfer to fund park improvements
		<u>\$ 1,624,942</u>	

Interfund receivables at year end which represent short term borrowings between funds made in the normal course of operations were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General Fund	Enterprise Fund	\$ 14,335
General Fund	Nonmajor Funds	267
Debt Service Fund	General Fund	1,783
Nonmajor Funds	General Fund	23,540
Enterprise Fund	Nonmajor Funds	6,840
		<u>\$ 46,765</u>

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

**Note 7 - Employee 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), one of 811 currently administered by TMRS, an agent multiple-employer public employee retirement system. Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit. This updated service credit is a theoretical amount. The updated service credit, 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 the 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 ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 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 Actuary annually determines the City's contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

The City's total payroll in fiscal year 2011 was \$5.1 million and the City's contributions were based on a payroll of \$5.1 million. Contributions made by employees totaled approximately \$358,816, and the City made contributions of approximately \$1,069,103 during the fiscal year ended September 30, 2011.

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

**Note 7 - Employee Retirement System (continued)**

Three year trend information is presented below:

<b>Fiscal Year</b>	<b>Annual Pension Cost</b>	<b>Percentage Contributed</b>
2011	\$ 1,088,935	100%
2010	1,069,103	100%
2009	768,961	100%

Note: Annual covered payroll and annual required contributions are presented on a calendar year basis

Because the actuary determines contribution rates on an annual basis and the City pays the calculated rate each month, the City will always have a net pension obligation (NPO) of zero at the beginning and end of the period, and the annually required contributions (ARC) will always equal contributions made.

A schedule of funding progress for TMRS for the most recent actuarial valuation follows:

<b>Actuarial Valuation Date December 31,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liabilities</b>	<b>Percentage Funded</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Annual Covered Payroll</b>	<b>(UAAL) as a Percentage of Covered Payroll</b>
2009	\$ 12,164,651	\$ 19,278,265	63%	\$ 7,113,614	\$ 5,120,835	139%

All assumptions for the December 31, 2008 valuations are contained in the 2008 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153. The following is a summary of the actuarial assumptions:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	28 Years - Closed Period
Asset Valuation Method	10-year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Projected Salary Increases	Varies by age and service
Includes Inflation At	3.0%
Cost-of-Living Adjustments	2.1%

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

**Note 8 - Risk Management**

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,596 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

The City also provides Workers' Compensation insurance on its employees through TML-Workers' Compensation Fund. Workers' Compensation premiums are subject to change when audited by TML-Workers' Compensation Fund. At year-end September 30, 2010, the City believed the amounts paid on Workers' Compensation would not change significantly from the amounts recorded.

**Note 9 - Contingencies**

The City is a defendant in lawsuits. Although the outcome of the lawsuits is not presently determinable, it is the opinion of the City's management that resolution of these matters will not have a materially adverse effect on the financial condition of the City.

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

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

**Required Supplementary Information**

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**CITY OF SEABROOK, TEXAS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**

**FUND BALANCES - BUDGET AND ACTUAL**

*For the year ended September 30, 2011*

*With Comparative Totals for the Year Ended September 30, 2010*

	<b>2011</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>	<b>2010</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget -</b>	
			<b>Positive</b>	<b>Actual</b>	
			<b>(Negative)</b>		
<b>Revenues</b>					
Property taxes	\$ 3,926,367	\$ 3,926,367	\$ 3,950,763	\$ 24,396	\$ 3,780,787
Sales and use taxes	1,450,000	1,520,000	1,509,771	(10,229)	1,511,373
Franchise fees	670,000	670,000	715,650	45,650	711,057
Licenses and permits	225,000	225,000	205,293	(19,707)	224,612
Fees and forfeitures	472,500	682,500	653,306	(29,194)	456,594
Charges for services	62,000	62,000	97,460	35,460	75,016
Investment earnings	4,605	4,605	4,036	(569)	5,652
Intergovernmental	86,393	247,393	241,325	(6,068)	651,569
Other	370,736	370,736	372,329	1,593	432,715
<b>Total Revenues</b>	<u>7,267,601</u>	<u>7,708,601</u>	<u>7,749,933</u>	<u>41,332</u>	<u>7,849,375</u>
<b>Expenditures</b>					
Current:					
General government					
Legislative	256,748	256,748	255,510	1,238	308,467
Administrative	786,618	786,618	769,034	17,584	800,354
Information Technology	148,347	155,047	152,955	2,092	129,988
Nondepartmental	1,616,870	1,803,870	1,740,094	63,776	2,345,052
Community development	513,161	513,161	506,463	6,698	512,617
Public safety					
Public safety	2,961,417	2,961,417	2,916,213	45,204	2,901,404
Emergency management	115,524	115,524	111,922	3,602	88,956
Animal control	113,445	113,445	106,375	7,070	99,064
Department of transportation CVE	226,446	226,446	217,045	9,401	213,795
Municipal court	268,823	347,023	343,340	3,683	243,710
Public works					
Parks	649,463	620,463	608,518	11,945	821,669
Public works	1,061,324	995,624	975,649	19,975	896,421
Hurricane Ike					40,094
<b>Total Expenditures</b>	<u>8,718,186</u>	<u>8,895,386</u>	<u>8,703,118</u>	<u>192,268</u>	<u>9,401,591</u>
Excess (deficiency) of revenues over expenditures	<u>(1,450,585)</u>	<u>(1,186,785)</u>	<u>(953,185)</u>	<u>233,600</u>	<u>(1,552,216)</u>
<b>Other Financing Sources (Uses)</b>					
Insurance proceeds			47,344	47,344	131,202
Transfers in	1,519,872	1,619,872	1,569,873	(49,999)	1,447,381
<b>Total other financing sources and uses</b>	<u>1,519,872</u>	<u>1,509,872</u>	<u>1,562,148</u>	<u>52,276</u>	<u>1,578,583</u>
Net change in fund balances	69,287	323,087	608,963	285,876	26,367
<b>Fund balances, beginning of year</b>	<u>2,859,847</u>	<u>2,859,847</u>	<u>2,859,847</u>		<u>2,833,480</u>
<b>Fund balances at year end</b>	<u>\$ 2,929,134</u>	<u>\$ 3,182,934</u>	<u>\$ 3,468,810</u>	<u>\$ 285,876</u>	<u>\$ 2,859,847</u>

## **CITY OF SEABROOK, TEXAS**

### ***NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION (UNAUDITED)***

***For the Year Ended September 30, 2011***

#### **Budgetary Controls and Procedures**

The objective of the City's budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. The City Manager is required by charter to submit a proposed budget and accompanying message to City Council by August 1. The Council shall review and revise the proposed budget as they deem appropriate prior to circulation for the public hearing. A summary of the proposed budget and notice of the public hearing must be posted in City Hall and be published in the official newspaper at least 2 weeks prior to the hearing. Annual budgets for General, Debt Service, Special Revenue and Enterprise Funds are legally adopted by ordinance and must be done so no later than September 27th. Budgetary control for capital projects funds is achieved through legally binding construction contracts and project length budgets.

The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the total approved budget for each department. The City manager is authorized to transfer part or all of any unencumbered appropriation balance among programs within a department. All other amendments and/or transfers must be approved by Council.

Annual appropriated budgets are adopted for the general, special revenue, and debt service funds, using the same basis of accounting as for financial reporting. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except the capital projects funds, which adopt project length budgets. The City adopts separate budgets for each of the special revenue funds rather than as a whole. 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 is the total approved budget for each department. The City Manager may transfer appropriations within a department without seeking the approval of City Council; however, any revisions that alter total expenditures for any department must be approved by City Council. Appropriations lapse at the end of the year, excluding capital project budgets.



**CITY OF SEABROOK, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**  
*December 31, 2011*

**TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)**  
**Schedule of Funding Progress**

<b>Actuarial Valuation Date December 31,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liabilities</b>	<b>Percentage Funded</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Annual Covered Payroll</b>	<b>(UAAL) as a Percentage of Covered Payroll</b>
2009	\$ 12,164,651	\$ 19,278,265	63%	\$ 7,113,614	\$ 5,120,835	139%
2008	10,755,961	18,271,349	59%	7,515,388	5,418,965	139%
2007	9,923,234	15,586,367	64%	5,663,133	4,252,156	133%

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**Combining and Individual Fund  
Statements and Schedules**

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## **Nonmajor Governmental Funds**

### **Non-major Special Revenue Funds**

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

#### **Hotel and Motel Occupancy Tax Fund**

The Hotel and Motel Occupancy Tax Fund accounts for revenues derived from the City's hotel/motel tax. The expenditures are legally restricted for enhancement and promotion of tourism for the convention and hotel industry within the City and its vicinity.

#### **Municipal Court Program Fund**

The Municipal Court Program Fund is used to account for court fines and fees that are legally restricted to be used in child safety, court security, judicial efficiency, and court technology programs.

#### **Park Improvement Fund**

The Park Improvement Fund accounts for the collection of Park Improvement Fees restricted to park improvement activities.

#### **Crime Control and Prevention District Fund**

The Crime Control and Prevention District Fund accounts 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**

The Public Safety Programs Fund accounts for expenditures for various public safety projects funded primarily through grants and contributions.

#### **Community Development Block Grant (ARRA)**

The Community Development Block Grant Fund accounts for the revenues and expenditures for various capital projects funded by the grants.

**CITY OF SEABROOK, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
*September 30, 2011*

	<b>Hotel and Motel Occupancy Tax Fund</b>	<b>Municipal Court Programs Fund</b>	<b>Park Improvement Fees Fund</b>	<b>Crime Control and Prevention District</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 796,854	\$ 71,372	\$ 21,976	\$ 214,523
Due from other funds			23,000	7,380
Receivables (net of allowance for uncollectibles)	86,540			109,921
<b>Total Assets</b>	<b>\$ 883,394</b>	<b>\$ 71,372</b>	<b>\$ 44,976</b>	<b>\$ 331,824</b>
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 34,460	\$ 130	\$ 10,408	\$ 24,910
Due to other funds				267
Deferred revenue			7,280	-
Other payables			9,400	
<b>Total Liabilities</b>	<b>34,460</b>	<b>130</b>	<b>27,088</b>	<b>25,177</b>
 <b>Fund Balances:</b>				
Restricted for public safety		71,242		306,647
Restricted for parks			17,888	
Restricted for tourism	848,934			
<b>Total Fund Balances</b>	<b>848,934</b>	<b>71,242</b>	<b>17,888</b>	<b>306,647</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 883,394</b>	<b>\$ 71,372</b>	<b>\$ 44,976</b>	<b>\$ 331,824</b>

<b>Public Safety Programs Funds</b>	<b>CDBG/ (ARRA) GRANT</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 364,659	\$	\$ 1,469,384 30,380
6,975	1,872	205,308
<u>\$ 371,634</u>	<u>\$ 1,872</u>	<u>\$ 1,705,072</u>
\$ 2,025	\$ 1,872	\$ 73,805 267 7,280 9,400
<u>2,025</u>	<u>1,872</u>	<u>90,752</u>
369,609		747,498 17,888 848,934
<u>369,609</u>	<u></u>	<u>1,614,320</u>
<u>\$ 371,634</u>	<u>\$ 1,872</u>	<u>\$ 1,705,072</u>

**CITY OF SEABROOK, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS**

*For the Year Ended September 30, 2011*

	<b>Hotel and Motel Occupancy Tax Fund</b>	<b>Municipal Court Programs Fund</b>	<b>Park Improvement Fees Fund</b>	<b>Crime Control and Prevention District</b>
<b>Revenues</b>				
Sales and use taxes	\$ 317,684	\$	\$	\$ 655,221
Fines and forfeitures		42,477		
Charges for services			21,075	
Investment earnings	914	66	15	226
Intergovernmental				
Other	5,955			300
<b>Total revenues</b>	<u>324,553</u>	<u>42,543</u>	<u>21,090</u>	<u>655,747</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public safety		39,823		666,080
Economic development projects	268,671		69,580	
<b>Total Expenditures</b>	<u>268,671</u>	<u>39,823</u>	<u>69,580</u>	<u>666,080</u>
Excess (deficiency) of revenues over expenditures	<u>55,882</u>	<u>2,720</u>	<u>(48,490)</u>	<u>(10,333)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			48,000	
<b>Total other financing sources and uses</b>			<u>48,000</u>	
<b>Special Item</b>				
Proceeds from sale of land				
Net change in fund balances	55,882	2,720	(490)	(10,333)
<b>Fund balances - beginning</b>	<u>793,052</u>	<u>68,522</u>	<u>18,378</u>	<u>316,980</u>
<b>Fund balances - ending</b>	<u>\$ 848,934</u>	<u>\$ 71,242</u>	<u>\$ 17,888</u>	<u>\$ 306,647</u>



<b>Public Safety Programs Funds</b>	<b>CDBG/ (ARRA) GRANT</b>	<b>Total Nonmajor Governmental Funds</b>
\$	\$	\$ 972,905
121,274		163,751
		21,075
224		1,445
2,846	39,613	42,459
196,653		202,908
<u>320,997</u>	<u>39,613</u>	<u>1,404,543</u>
108,082		813,985
	39,613	377,864
<u>108,082</u>	<u>39,613</u>	<u>1,191,849</u>
<u>212,915</u>		<u>212,694</u>
		48,000
		<u>48,000</u>
212,915		260,694
<u>156,694</u>		<u>1,353,626</u>
<u>\$ 369,609</u>	<u>\$</u>	<u>\$ 1,614,320</u>

**CITY OF SEABROOK, TEXAS**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2011*  
*With comparative actual totals for the year ended September 30, 2010*

	<u>2011</u>		<b>Variance Positive / (Negative)</b>	<u>2010</u>
	<u>Final Budget</u>	<u>Actual</u>		
<b>Revenues</b>				
<b>Taxes:</b>				
Property taxes	\$ 1,370,791	\$ 1,369,569	\$ (1,222)	\$ 1,303,478
Investment earnings	3,396	2,721	(675)	4,187
<b>Total Revenues</b>	<u>1,374,187</u>	<u>1,372,290</u>	<u>(1,897)</u>	<u>1,307,665</u>
<b>Expenditures</b>				
<b>Debt Service:</b>				
Principal	588,125	588,125		556,875
Interest	765,666	764,477	1,189	753,618
<b>Total Expenditures</b>	<u>1,353,791</u>	<u>1,352,602</u>	<u>1,189</u>	<u>1,310,493</u>
Net change in fund balance	20,396	19,688	(708)	(2,828)
<b>Fund balances, beginning of year</b>	<u>1,689,111</u>	<u>1,689,111</u>		<u>1,691,938</u>
<b>Fund balances at year end</b>	<u>\$ 1,709,507</u>	<u>\$ 1,708,798</u>	<u>\$ (708)</u>	<u>\$ 1,689,110</u>

**CITY OF SEABROOK, TEXAS****SPECIAL REVENUE FUND - HOTEL AND MOTEL OCCUPANCY TAX FUND****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL***For the Year Ended September 30, 2011**With comparative actual totals for the year ended September 30, 2010*

	<b>2011</b>		<b>Variance</b>	
	<b>Final Budget</b>	<b>Actual</b>	<b>Positive / (Negative)</b>	<b>2010</b>
<b>Revenues</b>				
Hotels occupancy tax	\$ 331,706	\$ 317,684	\$ (14,022)	\$ 271,487
Investment earnings	1,697	914	(783)	1,288
Other		5,955	5,955	
<b>Total Revenues</b>	<u>333,403</u>	<u>324,553</u>	<u>(8,850)</u>	<u>272,775</u>
<b>Expenditures</b>				
<b>Current:</b>				
Economic development projects	333,403	268,671	64,732	219,164
<b>Total Expenditures</b>	<u>333,403</u>	<u>268,671</u>	<u>64,732</u>	<u>219,164</u>
Net change in fund balance		55,882	55,882	53,611
<b>Fund balances, beginning of year</b>	<u>793,052</u>	<u>793,052</u>		<u>729,996</u>
<b>Fund balances at year end</b>	<u>\$ 793,052</u>	<u>\$ 848,934</u>	<u>\$ 55,882</u>	<u>\$ 783,607</u>

**CITY OF SEABROOK, TEXAS****SPECIAL REVENUE FUND - MUNICIPAL COURT PROGRAMS FUND****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL***For the Year Ended September 30, 2011**With comparative actual totals for the year ended September 30, 2010*

	<b>2011</b>		<b>Variance</b>	
	<b>Final Budget</b>	<b>Actual</b>	<b>Positive / (Negative)</b>	<b>2010</b>
<b>Revenues</b>				
Fines and forfeitures	\$ 27,748	\$ 42,477	\$ 14,729	\$ 26,441
Investment earnings	185	66	(119)	68
<b>Total Revenues</b>	<u>27,933</u>	<u>42,543</u>	<u>14,610</u>	<u>26,509</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public safety	89,789	39,823	49,966	30,480
<b>Total Expenditures</b>	<u>89,789</u>	<u>39,823</u>	<u>49,966</u>	<u>30,480</u>
Net change in fund balance	(61,856)	2,720	64,576	(3,971)
<b>Fund balances, beginning of year</b>	<u>68,522</u>	<u>68,522</u>		<u>72,493</u>
<b>Fund balances at year end</b>	<u>\$ 6,666</u>	<u>\$ 71,242</u>	<u>\$ 64,576</u>	<u>\$ 68,522</u>

**CITY OF SEABROOK, TEXAS**  
**SPECIAL REVENUE FUND - PARK IMPROVEMENT FEES FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2011**  
**With comparative actual totals for the year ended September 30, 2010**

	<b>2011</b>			<b>2010</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	
<b>Revenues</b>				
Charges for services	\$ 7,500	\$ 21,075	\$ 13,575	\$ 10,750
Investment earnings		15	15	31
<b>Total Revenues</b>	<u>7,500</u>	<u>21,090</u>	<u>13,590</u>	<u>10,781</u>
<b>Expenditures</b>				
<b>Current:</b>				
Economic development projects	<u>25,000</u>	<u>69,580</u>	<u>(44,580)</u>	<u>19,434</u>
<b>Total Expenditures</b>	<u>25,000</u>	<u>69,580</u>	<u>(44,580)</u>	<u>19,434</u>
Excess (deficiency) of revenues over expenditures	(17,500)	(48,490)	(30,990)	(8,653)
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)		<u>48,000</u>	<u>48,000</u>	
Net changes in fund balance	(17,500)	(490)	17,010	(8,653)
<b>Fund balances, beginning of year</b>	<u>18,378</u>	<u>18,378</u>		<u>27,031</u>
<b>Fund balances at year end</b>	<u>\$ 878</u>	<u>\$ 17,888</u>	<u>\$ 17,010</u>	<u>\$ 18,378</u>

**CITY OF SEABROOK, TEXAS****SPECIAL REVENUE FUND - CRIME CONTROL AND PREVENTION DISTRICT****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL***For the Year Ended September 30, 2011**With comparative actual totals for the year ended September 30, 2010*

	<b>2011</b>			
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2010</b>
<b>Revenues</b>				
Sales taxes	\$ 625,000	\$ 655,221	\$ 30,221	\$ 638,697
Investment earnings	309	226	(83)	285
Other		300	300	49
<b>Total Revenues</b>	<u>625,309</u>	<u>655,747</u>	<u>30,438</u>	<u>639,031</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public Safety	671,410	666,080	5,330	586,647
<b>Total Expenditures</b>	<u>671,410</u>	<u>666,080</u>	<u>5,330</u>	<u>586,647</u>
Net change in fund balance	(46,101)	(10,333)	35,768	52,384
<b>Fund balances, beginning of year</b>	<u>316,980</u>	<u>316,980</u>		<u>264,596</u>
<b>Fund balances at year end</b>	<u>\$ 270,879</u>	<u>\$ 306,647</u>	<u>\$ 35,768</u>	<u>\$ 316,980</u>

**CITY OF SEABROOK, TEXAS**  
**SPECIAL REVENUE FUND - PUBLIC SAFETY PROGRAMS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2011*  
*with comparative actual totals for the year ended September 30, 2010*

	<b>2011</b>			
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2010</b>
<b>Revenues</b>				
Fines and forfeitures	\$ 55,100	\$ 121,274	\$ 66,174	\$ 56,327
Investment earnings	217	224	7	311
Other income	75,400	196,653	121,253	42,912
Intergovernmental	2,830	2,846	16	2,748
<b>Total Revenues</b>	<b>133,547</b>	<b>320,997</b>	<b>187,450</b>	<b>102,298</b>
<b>Expenditures</b>				
Current:				
Public Safety	320,900	108,082	212,818	249,496
<b>Total Expenditures</b>	<b>320,900</b>	<b>108,082</b>	<b>212,818</b>	<b>249,496</b>
Net change in fund balance	(187,353)	212,915	400,268	(147,198)
<b>Fund balances, beginning of year</b>	<b>156,694</b>	<b>156,694</b>		<b>303,892</b>
<b>Fund balances at year end</b>	<b>\$ (30,659)</b>	<b>\$ 369,609</b>	<b>\$ 400,268</b>	<b>\$ 156,694</b>

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## Unaudited Statistical Section

This part of the City of Seabrook, Texas' 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>
<b>Financial Trends</b>	64
<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>	
<b>Revenue Capacity</b>	74
<i>These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax.</i>	
<b>Debt Capacity</b>	80
<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>	
<b>Demographic and Economic Information</b>	85
<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>	
<b>Operating Information</b>	88
<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 for the relevant year.

**CITY OF SEABROOK, TEXAS**

**NET ASSETS BY COMPONENT**

*Last Nine Fiscal Years <sup>(1)</sup>*

*Amounts in (000's)*

*(Accrual Basis of Accounting)*

	<b>Fiscal Year</b>				
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007<sup>(2)</sup></b>
<b>Governmental Activities</b>					
Invested in capital assets, net of related debt	\$ 8,867	\$ 10,001	\$ 11,577	\$ 12,098	\$ 13,391
Restricted	1,646	4,731	4,675	3,362	2,427
Unrestricted	4,329	1,150	1,492	2,440	2,635
<b>Total governmental activities net assets</b>	<b>\$ 14,842</b>	<b>\$ 15,882</b>	<b>\$ 17,744</b>	<b>\$ 17,900</b>	<b>\$ 18,453</b>
<b>Business-type Activities</b>					
Invested in capital assets, net of related debt	\$ 4,267	\$ 6,189	\$ 4,788	\$ 6,265	\$ 5,013
Restricted	160	160	115	1,711	2,598
Unrestricted	3,559	1,395	3,142	2,856	2,575
<b>Total business-type activities net assets</b>	<b>\$ 7,986</b>	<b>\$ 7,744</b>	<b>\$ 8,045</b>	<b>\$ 10,832</b>	<b>\$ 10,186</b>
<b>Primary Government</b>					
Invested in capital assets, net of related debt	\$ 13,134	\$ 16,190	\$ 16,365	\$ 18,363	\$ 18,404
Restricted	1,806	4,891	4,790	5,073	5,025
Unrestricted	7,888	2,545	4,634	5,296	5,210
<b>Total primary government net assets</b>	<b>\$ 22,828</b>	<b>\$ 23,626</b>	<b>\$ 25,789</b>	<b>\$ 28,732</b>	<b>\$ 28,639</b>

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.

<sup>(2)</sup> In fiscal year 2007 the Seabrook Economic Development Corporation began to be reported as a discretely presented component unit.

<sup>(3)</sup> In fiscal year 2008, the City issued voter approved debt of approximately 4.0 million to contribute to the construction of Repsdorph Road, a Harris County owned thoroughfare in order to improve mobility in the City. Because there is no city owned capital asset, the debt related to this expenditure is classified against governmental activity unrestricted net assets.

<b>Fiscal Year</b>			
<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
\$ 12,213	\$ 14,027	\$ 14,938	\$ 15,440
2,695	3,052	3,005	3,264
(898) <sup>(3)</sup>	(900) <sup>(3)</sup>	(1,860) <sup>(3)</sup>	(1,475)
<u>\$ 14,010</u>	<u>\$ 16,179</u>	<u>\$ 16,083</u>	<u>\$ 17,229</u>

\$ 6,596	\$ 7,567	\$ 7,553	\$ 7,593
1,973	2,165	2,294	2,451
2,635	2,677	2,987	3,735
<u>\$ 11,204</u>	<u>\$ 12,409</u>	<u>\$ 12,834</u>	<u>\$ 13,779</u>

\$ 18,809	\$ 21,594	\$ 22,491	\$ 23,033
4,668	5,217	5,299	5,715
1,737	1,777	1,127	2,260
<u>\$ 25,214</u>	<u>\$ 28,588</u>	<u>\$ 28,917</u>	<u>\$ 31,008</u>

**CITY OF SEABROOK, TEXAS**

**CHANGES IN NET ASSETS**

*Last Nine Fiscal Years <sup>(1)</sup>*

*Amounts in (000's)*

*(Accrual basis of accounting)*

	Fiscal Year				
	2003	2004	2005	2006	2007 <sup>(2)</sup>
<b>Expenses</b>					
<b>Governmental activities:</b>					
General government	\$ 1,918	\$ 1,999	\$ 2,328	\$ 2,605	\$ 3,086
Public safety	2,962	3,153	2,648	3,787	3,834
Public works	1,661	1,757	1,329	1,953	1,982
Economic development	411	530	1,540	393	307
Interest on long-term debt	494	542	270	796	501
<b>Total governmental activities expenses</b>	<u>7,446</u>	<u>7,981</u>	<u>8,115</u>	<u>9,534</u>	<u>9,710</u>
<b>Business-type activities:</b>					
Utilities	2,915	3,173	3,316	3,603	3,598
<b>Total business-type activities expenses</b>	<u>2,915</u>	<u>3,173</u>	<u>3,316</u>	<u>3,603</u>	<u>3,598</u>
<b>Total primary government expenses</b>	<u>\$10,361</u>	<u>\$11,154</u>	<u>\$11,431</u>	<u>\$13,137</u>	<u>\$ 13,308</u>
<b>Program Revenue</b>					
<b>Governmental activities:</b>					
Charges for services					
General government					
Public safety	\$ 355	\$ 305	\$ 423	\$ 456	\$ 548
Public works	361	491	520	689	366
Operating grants and contributions					
General government					66
Public safety	126	175	192	17	17
Public works					
Economic development					
Capital grants and contributions					
General government					
Public safety		317			
Public works					
<b>Total governmental activities program revenues</b>	<u>842</u>	<u>1,288</u>	<u>1,135</u>	<u>1,162</u>	<u>997</u>
<b>Business-type activities:</b>					
Utilities:					
Charges for services	3,775	4,065	4,412	5,241	4,829
Operating grants and contributions					
Capital grants and contributions					625
<b>Total business-type activities program revenues</b>	<u>3,775</u>	<u>4,065</u>	<u>4,412</u>	<u>5,241</u>	<u>5,454</u>
<b>Total primary government program revenues</b>	<u>\$ 4,617</u>	<u>\$ 5,353</u>	<u>\$ 5,547</u>	<u>\$ 6,403</u>	<u>\$ 6,451</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (6,604)	\$ (6,693)	\$ (6,980)	\$ (8,372)	\$ (8,713)
Business-type activities	860	892	1,096	1,638	1,856
<b>Total primary government net expense</b>	<u>\$ (5,744)</u>	<u>\$ (5,801)</u>	<u>\$ (5,884)</u>	<u>\$ (6,734)</u>	<u>\$ (6,857)</u>

Fiscal Year			
2008	2009	2010	2011
\$ 3,224	\$ 3,704	\$ 4,377	\$ 3,523
4,523	4,040	4,471	5,007
8,244 <sup>(3)</sup>	5,180	2,012	1,326
303	308	239	322
768	716	781	812
<u>17,062</u>	<u>13,948</u>	<u>11,880</u>	<u>10,990</u>
<u>3,869</u>	<u>4,372</u>	<u>4,356</u>	<u>4,476</u>
<u>3,869</u>	<u>4,372</u>	<u>4,356</u>	<u>4,476</u>
<u>\$ 20,931</u>	<u>\$ 18,320</u>	<u>\$ 16,236</u>	<u>\$ 15,466</u>
\$ 736	\$ 732	\$ 592	\$ 937
308	430	300	307
154	76	193	223
16	18	180	21
918	3,145	283	41
		9	6
	48	102	
	225		38
	<u>976</u>	<u>32</u>	
<u>2,132</u>	<u>5,650</u>	<u>1,691</u>	<u>1,573</u>
5,462	5,594	6,048	6,828
430	298	134	155
<u>5,892</u>	<u>5,892</u>	<u>6,182</u>	<u>6,983</u>
<u>\$ 8,024</u>	<u>\$ 11,542</u>	<u>\$ 7,873</u>	<u>\$ 8,556</u>
\$ (14,930)	\$ (8,298)	\$ (10,189)	\$ (9,418)
2,023	1,520	1,826	2,507
<u>\$ (12,907)</u>	<u>\$ (6,778)</u>	<u>\$ (8,363)</u>	<u>\$ (6,911)</u>

**CITY OF SEABROOK, TEXAS**

**CHANGES IN NET ASSETS**

*Last Nine Fiscal Years*<sup>(1)</sup>

*Amounts in (000's)*

*(Accrual basis of accounting)*

	Fiscal Year				
	2003	2004	2005	2006	2007 <sup>(2)</sup>
<b>General Revenues and Other Changes in Net Assets</b>					
<b>Governmental activities:</b>					
Property taxes	\$ 3,229	\$ 3,438	\$ 3,895	\$ 4,078	\$ 4,475
Sales and use taxes	2,201	2,358	2,891	2,728	2,423
Franchise taxes	571	599	624	648	694
Investment earnings	108	113	275	569	489
Other revenues	129	3			256
Transfers	844	1,194	922	504	1,354
<b>Total governmental activities</b>	<u>7,082</u>	<u>7,705</u>	<u>8,607</u>	<u>8,527</u>	<u>9,691</u>
<b>Business-type activities:</b>					
Investment earnings	63	62	127	233	271
Other revenues	164				
Gain/(Loss) on sale of capital assets	7	(3)			
Transfers	(844)	(1,194)	(922)	(504)	(1,354)
<b>Total business-type activities</b>	<u>(610)</u>	<u>(1,135)</u>	<u>(795)</u>	<u>(271)</u>	<u>(1,083)</u>
<b>Total primary government</b>	<u>\$ 6,472</u>	<u>\$ 6,570</u>	<u>\$ 7,812</u>	<u>\$ 8,256</u>	<u>\$ 8,608</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 478	\$ 1,012	\$ 1,627	\$ 155	\$ 978
Business-type activities	250	(243)	301	1,367	773
<b>Total primary government</b>	<u>\$ 728</u>	<u>\$ 769</u>	<u>\$ 1,928</u>	<u>\$ 1,522</u>	<u>\$ 1,751</u>

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.

<sup>(2)</sup> In fiscal year 2007 the Seabrook Economic Development Corporation began to be reported as a discretely presented component unit.

<sup>(3)</sup> In fiscal year 2008, the City paid \$5million to Harris County for a construction project on Repsdorff Road (a County road) and incurred approximately \$1.4 million in hurricane related expenses.

<b>Fiscal Year</b>			
<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
\$ 4,663	\$ 5,056	\$ 5,088	\$ 5,286
2,806	2,628	2,422	2,483
706	684	711	716
342	57	16	11
256	751	409	501
1,181	1,289	1,447	1,570
<u>9,954</u>	<u>10,465</u>	<u>10,093</u>	<u>10,567</u>
175	41	10	7
		35	
<u>(1,181)</u>	<u>(1,289)</u>	<u>(1,447)</u>	<u>(1,570)</u>
<u>(1,006)</u>	<u>(1,248)</u>	<u>(1,402)</u>	<u>(1,563)</u>
<u>\$ 8,948</u>	<u>\$ 9,217</u>	<u>\$ 8,691</u>	<u>\$ 9,004</u>
\$ (4,976)	\$ 2,167	\$ (96)	\$ 1,149
1,017	272	424	944
<u>\$ (3,959)</u>	<u>\$ 2,439</u>	<u>\$ 328</u>	<u>\$ 2,093</u>

**CITY OF SEABROOK, TEXAS**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
*Last Nine Fiscal Years*<sup>(1)</sup>  
*Amounts in (000's)*  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year				
	2003	2004	2005	2006	2007 <sup>(2)</sup>
<b>General Fund</b>					
Nonspendable	\$ 40	\$ 16	\$ 45	\$ 133	\$ 199
Unassigned	1,002	1,016	1,404	2,079	2,554
<b>Total general fund</b>	<u>\$ 1,042</u>	<u>\$ 1,032</u>	<u>\$ 1,449</u>	<u>\$ 2,212</u>	<u>\$ 2,753</u>
<b>All Other Governmental Funds</b>					
Restricted for:					
Debt service	\$ 870	\$ 975	\$ 1,154	\$ 1,283	\$ 1,599
Public safety					
Parks					
Tourism	308	281	323	452	668
Capital projects	7,856	6,548	10,251	6,548	3,803
<b>Total all other governmental funds</b>	<u>\$ 9,034</u>	<u>\$ 7,804</u>	<u>\$11,728</u>	<u>\$ 8,283</u>	<u>\$ 6,070</u>

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.

<sup>(2)</sup> In fiscal year 2007 the Seabrook Economic Development Corporation began to be reported as a discretely presented component unit.



<b>Fiscal Year</b>			
<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
\$	\$ 2	\$ 5	\$ 62
2,691	2,831	2,855	3,186
<u>\$ 2,691</u>	<u>\$ 2,833</u>	<u>\$ 2,860</u>	<u>\$ 3,248</u>
\$ 2,734	\$ 3,091	\$ 1,689	\$ 1,709
		542	747
		18	18
		793	849
2,684	2,590	2,447	1,495
<u>\$ 5,418</u>	<u>\$ 5,681</u>	<u>\$ 5,489</u>	<u>\$ 4,818</u>

**CITY OF SEABROOK, TEXAS**

**CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS**

*Last Nine Fiscal Years <sup>(1)</sup>*

*Amounts in (000's)*

*(Modified Accrual Basis of Accounting)*

	Fiscal Year				
	2003	2004	2005	2006	2007 <sup>(2)</sup>
<b>Revenues</b>					
Property taxes	\$ 3,216	\$ 3,463	\$ 3,901	\$ 4,072	\$ 4,451
Sales and use taxes	2,201	2,358	2,891	2,728	2,423
Franchise taxes	571	599	624	648	694
Licenses and permits	355	305	423	456	322
Fines and forfeitures	288	291	320	473	464
Charges for services	73	67	65	63	57
Investment earnings	108	113	275	569	489
Intergovernmental	126	491	198	17	82
Other	128	137	129	153	329
<b>Total Revenues</b>	<u>7,066</u>	<u>7,824</u>	<u>8,826</u>	<u>9,179</u>	<u>9,311</u>
<b>Expenditures</b>					
General government	1,858	1,921	2,189	2,534	3,040
Public safety	2,957	3,093	3,217	3,552	3,551
Public works	1,460	1,896	1,405	1,438	1,521
Economic Development	788	2,141	1,540	658	307
Debt service:					
Principal	963	901	1,942	670	456
Interest	526	547	564	691	501
Capital outlay				2,323	1,373
<b>Total Expenditures</b>	<u>8,552</u>	<u>10,499</u>	<u>10,857</u>	<u>11,866</u>	<u>10,749</u>
Excess of revenues over (under) expenditures	(1,486)	(2,675)	(2,031)	(2,687)	(1,438)
<b>Other Financing Sources (Uses)</b>					
General obligation bonds issued	4,500		5,175		
Refunding bonds issued	1,605		2,971		
Premium on refunding bonds issued			63		
Discount on refunding bonds issued			(53)		
Payment to refunded bond escrow agent	(1,571)		(3,050)		
Insurance proceeds					
Transfers in	964	1,298	1,041	2,144	1,354
Transfers out	(120)	(104)	(120)	(2,140)	
Capital lease proceeds	233		108		
<b>Total other financing sources (uses)</b>	<u>5,611</u>	<u>1,194</u>	<u>6,135</u>	<u>4</u>	<u>1,354</u>
Net change in fund balances	<u>\$ 4,125</u>	<u>\$ (1,481)</u>	<u>\$ 4,104</u>	<u>\$ (2,683)</u>	<u>\$ (84)</u>
Debt service as a percentage of noncapital expenditures	19.18%	17.32%	26.90%	14.60%	11.67%

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.

<sup>(2)</sup> In fiscal year 2007 the Seabrook Economic Development Corporation began to be reported as a discretely presented component unit.

<b>Fiscal Year</b>			
<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
\$ 4,680	\$ 5,055	\$ 5,084	\$ 5,320
2,806	2,628	2,422	2,483
706	684	711	716
250	378	225	205
612	550	539	817
68	62	86	118
341	57	16	11
988	3,239	656	284
508	580	485	575
<u>10,959</u>	<u>13,233</u>	<u>10,224</u>	<u>10,529</u>
3,168	3,401	4,096	3,596
4,271	4,068	4,414	4,558
2,693	5,585	1,758	1,584
303	309	240	378
620	513	585	588
687	774	754	764
8,146	113	1,020	961
<u>19,888</u>	<u>14,763</u>	<u>12,867</u>	<u>12,429</u>
(8,929)	(1,530)	(2,643)	(1,900)
6,835		900	
200			
		131	47
1,181	578	1,447	1,625
	1,298		(55)
	(9)		
<u>8,216</u>	<u>1,867</u>	<u>2,478</u>	<u>1,617</u>
<u>\$ (713)</u>	<u>\$ 337</u>	<u>\$ (165)</u>	<u>\$ (283)</u>
8.10%	9.57%	11.66%	12.77%

**CITY OF SEABROOK, TEXAS**  
**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**  
*Last Nine Fiscal Years (1)*

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Total Real Property</b>	<b>Personal Property</b>	<b>Less Other Exemptions and Abatements</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
2003	2002	\$ 536,583,110	\$ 59,238,060	\$ 69,914,930	\$ 525,906,240	\$ 0.600583
2004	2003	593,331,620	56,211,270	85,826,310	563,716,580	0.608235
2005	2004	645,704,001	59,244,499	94,610,590	610,337,910	0.619573
2006	2005	715,935,585	57,830,850	128,476,929	645,289,506	0.630706
2007	2006	764,898,295	82,426,063	140,260,655	707,063,703	0.621009
2008	2007	800,371,653	93,001,677	147,046,586	746,326,744	0.620252
2009	2008	918,598,632	95,312,943	161,054,726	852,856,849	0.588373
2010	2009	900,127,932	96,447,635	166,465,212	830,110,355	0.613409
2011	2010	916,878,359	92,903,636	169,009,366	840,772,629	0.649978

Source: Harris County Certified Tax Rolls and Corrections.

**Note:** The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

<sup>(1)</sup>The requirement for statistical data is ten years; only nine years are available at this time.

<sup>(2)</sup>The Harris County Appraisal District determines the January 1 market value of all taxable property, and the property is appraised at that value unless it is a residence homestead subject to a cap. Capped homesteads are limited to increases in appraised value of 10% each year. Once a property's appraised and market values are equal, further increases (or decreases) in value will depend on the market in that neighborhood.

<sup>(3)</sup>In 2002, the City approved creation of the HC MUD 373 and agreed to pay HC MUD 373 12% 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 excludes the HC MUD 373 tax of \$.41 because it only affects 429 tax accounts within the City.

<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percent of Actual Taxable Value</b>
\$ 525,906,240	100%
563,716,580	100%
610,337,910	100%
645,289,506	100%
707,063,703	100%
746,326,744	100%
852,856,849	100%
830,110,355	100%
840,772,629	100%

**CITY OF SEABROOK, TEXAS**

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**

*Last Nine Fiscal Years* <sup>(1)</sup>

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City of Seabrook by fund:					
General	\$ 0.41272	\$ 0.42037	\$ 0.43171	\$ 0.44707	\$ 0.45328
Debt service	0.18787	0.18787	0.18787	0.18364	0.16773
<b>Total Direct Rates</b>	<u>0.60058</u>	<u>0.60824</u>	<u>0.61957</u>	<u>0.63071</u>	<u>0.62101</u>
Clear Creek School District	1.74000	1.73000	1.74500	1.77500	1.63000
Harris County	0.38814	0.38803	0.39986	0.39986	0.40239
Harris County Flood Control District	0.04174	0.04174	0.03318	0.03318	0.03241
Port of Houston Authority	0.01989	0.02000	0.01673	0.01673	0.01302
Harris County Hospital District	0.19021	0.19021	0.19021	0.19021	0.19216
Harris County Dept. of Education	0.00629	0.00629	0.00629	0.00629	0.00629
<b>Total Direct and</b>					
<b>Overlapping Rates</b> <sup>(2)</sup>	<u>\$ 2.98685</u>	<u>\$ 2.98451</u>	<u>\$ 3.01084</u>	<u>\$ 3.05198</u>	<u>\$ 2.89728</u>

Tax rates per \$100 of assessed valuation

Source: Harris County Appraisal District

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.

<sup>(2)</sup> In 2002, the City approved creation of the HC MUD 373 and agreed to pay HC MUD 373 12% 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 excludes the HC MUD 373 tax of .65 because it only affects 298 tax accounts within the City.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$0.46980	\$0.43012	\$0.45628	\$0.46556
<u>0.15046</u>	<u>0.15825</u>	<u>0.15713</u>	<u>0.16125</u>
<u>0.62025</u>	<u>0.58837</u>	<u>0.61341</u>	<u>0.62681</u>
1.32000	1.36000	1.36000	1.36000
0.39239	0.38923	0.39224	0.38805
0.03106	0.03086	0.29220	0.02930
0.01437	0.01773	0.16360	0.02054
0.19216	0.19216	0.19216	0.19216
<u>0.00585</u>	<u>0.00584</u>	<u>0.00605</u>	<u>0.00658</u>
<u>\$2.57608</u>	<u>\$2.58419</u>	<u>\$3.01966</u>	<u>\$2.62344</u>

**CITY OF SEABROOK, TEXAS**  
**PRINCIPAL PROPERTY TAXPAYERS**  
*Current Year and Eight Years Ago <sup>(1)</sup>*

Property Tax Payer	2011			2003		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Sinbad Landing Corp.	\$12,400,000	1	1.47%	\$ 11,750,000	2	2.23%
Repsdorph Road LTD	12,396,000	2	1.47%			
DMH 90	9,228,742	3	1.10%	7,799,980	4	1.48%
Nasa Road Apartments LLC	7,166,761	4	0.85%			
SEC Edgelake LLC	7,151,000	5	0.85%			
CGMT 2006C5 Repsorph Rd APT	6,820,050	6	0.81%			
Centerpoint Energy Inc.	6,599,848	7	0.78%			
Lamrock 3/2001LP	6,313,062	8	0.75%			
Legend Natural Gas II LP	5,043,070	9	0.60%			
Marina Max	4,789,821	10	0.57%			
Golden Tall Tree LLC			0.00%			
Seatree I LTD Partnership			0.00%	5,489,590	8	1.04%
MBS-Forest Cove			0.00%			
WXII/WCI Real Estate LTD			0.00%	6,429,180	6	1.22%
William Chong			0.00%			
Ocean Energy Inc.				15,016,863	1	2.86%
LS General Partnership				7,900,000	3	1.50%
Reliant Energy				6,626,020	5	1.26%
Taylor Lake Development LTD				5,547,510	7	1.05%
Miramar Station LLC				4,255,500	9	0.81%
Seabrook Marina				3,809,180	10	0.72%
Subtotal	77,908,354		9.27%	74,623,823		14.19%
Other Taxpayers	762,864,275		89.45%	451,282,417		85.81%
Total	840,772,629		98.71%	525,906,240		100.00%

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

(1) The requirement for statistical data is ten years; only eight years are available at this time.



**CITY OF SEABROOK, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
*Last Nine Fiscal Years <sup>(1)</sup>*

Fiscal Year Ended Sept 30,	Taxes Levied for the Fiscal Year	Collected within the		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy			Amount	Percentage of Levy
		Amount	Percentage of Levy			
2003	\$ 3,158,503	\$ 3,032,072	96.0%	\$ 113,531	\$ 3,145,603	99.6%
2004	3,428,722	3,314,150	96.7%	98,834	3,412,984	99.5%
2005	3,781,489	3,668,404	97.0%	92,638	3,761,042	99.5%
2006	4,069,880	3,884,705	95.5%	166,964	4,051,669	99.6%
2007	4,363,564	4,252,282	97.4%	94,196	4,346,478	99.6%
2008	4,594,030	4,498,264	97.9%	78,544	4,576,808	99.6%
2009	4,985,811	4,894,771	98.2%	64,168	4,958,939	99.5%
2010	5,050,227	4,945,845	97.9%	60,622	5,006,467	99.1%
2011	5,214,919	5,132,185	98.4%		5,132,185	98.4%

(1) The requirement for statistical data is ten years; only nine years are available at this time.

**CITY OF SEABROOK, TEXAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
*Last Nine Fiscal Years <sup>(1)</sup>*  
*(dollars in thousands, except per capita)*

Fiscal Year	Governmental Activities				Business-Type Activities	
	General Obligation Bonds	Certificates of Obligation Bonds	Notes Payable	Capital Lease Obligations	Revenue Bonds	General Obligation Bonds
2003	\$ 8,581	\$ 105	\$ 120	\$ 267	\$ 2,195	\$ 1,329
2004	8,137		105	116	2,150	1,113
2005	12,746		105	82	4,365	889
2006	12,419			30	4,220	786
2007	11,994				4,070	666
2008	18,385				5,522	540
2009	17,873				5,357	413
2010	17,316	900			5,174	279
2011	16,728	900			4,978	143

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

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.

<sup>(2)</sup> Population data can be found in demographic and economic statistics table.

<u>Total Primary Government</u>	<u>Percentage of Personal Income <sup>(2)</sup></u>	<u>Per Capita <sup>(2)</sup></u>
\$ 12,597	4.1%	\$ 1,205
11,621	3.5%	1,076
18,187	5.2%	1,668
17,455	4.8%	1,587
16,730	4.4%	1,496
24,447	6.2%	2,112
23,642	5.7%	1,962
23,669	4.9%	1,914
22,748	5.4%	1,794

**CITY OF SEABROOK, TEXAS**

**RATIO OF GENERAL BONDED DEBT TO TAXABLE VALUE,**

**GENERAL BONDED DEBT PER CAPITA,**

**AND TAXABLE VALUE OF ALL PROPERTY**

*Last Nine Fiscal Years <sup>(1)</sup>*

*(dollars in thousands, except per capita)*

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>General Obligation Bonds</b>	<b>Less Debt Service Funds</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Percentage of Personal Income <sup>(2)</sup></b>	<b>Per Capita <sup>(2)</sup></b>
2003	2002	\$ 10,015	\$ 870	\$ 9,145	1.7%	2.8%	\$ 875
2004	2003	9,250	975	8,275	1.5%	2.3%	766
2005	2004	13,635	1,154	12,481	2.0%	3.4%	1,145
2006	2005	13,205	1,221	11,984	1.9%	3.2%	1,089
2007	2006	12,660	1,519	11,141	1.6%	2.8%	996
2008	2007	18,925	1,605	17,320	2.3%	4.2%	1,496
2009	2008	18,285	1,692	16,593	1.9%	3.7%	1,377
2010	2009	18,495	1,689	16,806	2.0%	3.5%	1,359
2011	2010	17,770	1,724	16,046	1.9%	3.8%	1,265

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

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.

<sup>(2)</sup> Population data can be found in demographic and economic statistics table.

**CITY OF SEABROOK, TEXAS**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

September 30, 2011

(dollars in thousands, except per capita)

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>(1)</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Clear Creek ISD	\$ 665,841	4.580%	\$ 30,495
Harris County (2)	1,798,156	0.210%	3,776
Harris Co. Flood Control District	672,536	0.210%	1,412
Harris County Toll Road	451,914	0.210%	949
Port of Houston Authority (3)	763,619	0.210%	1,604
Municipal Utility District 373	4,910	100.000%	<u>4,910</u>
Subtotal, overlapping debt			43,147
<b>City direct debt</b>		100.000%	<u>17,770</u>
<b>Total direct and overlapping debt</b>			<u>60,917</u>
<b>Population</b>			12,683
<b>Per Capita Debt-Direct and Overlapping Debt</b>			<u><u>\$ 4,803</u></u>

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

(2) 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 Harris County Flood District had outstanding \$462.8 million of commercial paper.

**Source:** Harris County Auditor's Office

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

**CITY OF SEABROOK, TEXAS**

**PLEDGED-REVENUE COVERAGE**

*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Gross revenues (1)</b>	<b>Operating expenses (2)</b>	<b>Net revenues available for Debt Service</b>	<b>Debt Service</b>			<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2002	\$4,595,490	\$3,230,161	\$1,365,329	\$125,000	\$ 25,256	\$ 150,256	9.1
2003	4,001,998	2,529,916	1,472,082		19,944	19,944	73.8
2004	4,126,169	2,706,213	1,419,956	45,000	114,500	159,500	8.9
2005	4,538,952	2,835,395	1,703,557	60,000	139,031	199,031	8.6
2006	5,474,903	3,011,109	2,463,794	145,000	179,716	324,716	7.6
2007	5,100,087	3,197,851	1,902,236	150,000	174,824	324,824	5.9
2008	5,637,190	3,440,044	2,197,146	160,000	204,674	364,674	6.0
2009	5,635,039	3,645,954	1,989,085	165,000	269,083	434,083	4.6
2010	6,058,814	4,007,300	2,051,514	183,000	224,614	407,614	5.0
2011	6,829,188	3,779,560	3,049,628	196,000	237,192	433,192	7.0

(1) Total revenues including interest

(2) Total operating expenses less depreciation

(3) Includes revenue bonds only

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

<b>Fiscal Year Ended Sept. 30,</b>	<b>Population (2)(7)</b>	<b>Personal Income<sup>(6)</sup></b>	<b>Per Capita Personal Income<sup>(7)(8)</sup></b>	<b>Median Age<sup>(5)(7)</sup></b>	<b>School Enrollment<sup>(3)</sup></b>	<b>Unemployment Rate<sup>(4)(7)</sup></b>
2002	9,919	307,844,289	31,036	n/a	1,923	4.3%
2003	10,450	332,468,092	31,815	n/a	1,935	4.9%
2004	10,803	352,329,110	32,614	n/a	1,977	4.2%
2005	10,904	364,552,822	33,433	34.0	1,977	4.1%
2006	11,000	377,003,000	34,273	34.6	1,744	3.6%
2007	11,182	391,560,094	35,017	36.6	1,767	3.8%
2008 <sup>(9)</sup>	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 <sup>(1)</sup>	12,683	421,009,200	35,225	37.3	1,776	6.9%

**Data sources:**

- <sup>(1)</sup> Bureau of the Census
- <sup>(2)</sup> Records of the City
- <sup>(3)</sup> Clear Creek Independent School District
- <sup>(4)</sup> Tracer
- <sup>(5)</sup> Median age data prior to 2005 is not available.
- <sup>(6)</sup> Personal income information is a total for the year.
- <sup>(7)</sup> Sperlings Best Places
- <sup>(8)</sup> Per Capita Income figures estimated for 2001-2005 based on growth % in Harris Co. comparable growth rate to equal 2006 figure from Best Places
- <sup>(9)</sup> All 2008 figures, except School Enrollment, are estimates from the Bay Area Houston Economic Partnership.

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**CITY OF SEABROOK, TEXAS****PRINCIPAL EMPLOYERS***Current Year and Three Years Ago*

<b>Employer</b>	<b>2011</b>		<b>2008</b>
	<b>Number of Employees</b>	<b>% Employed</b>	<b>Number of Employees</b>
Technical Automation Service Corporation	159	4.14%	130
Seabrook Intermediate School	100	2.60%	105
City of Seabrook	94	2.45%	103
Kroger	90	2.34%	95
Bay Area Elementary	90	2.34%	82
Lakewood Yacht Club	80	2.08%	71
Gulf Coast Pipeline Services	70	1.82%	0
Gulf Coast Limestone	50	1.30%	0
Bay Area Trees & Landscape	44	1.14%	45
Hooters	40	1.04%	80
Mario's Flying Pizza	40	1.04%	35
Seabrook Classic Café	40	1.04%	36
McDonald's	39	1.01%	36
Marine Max	35	0.91%	40
Maas Nursery & Landscaping	28	0.73%	32
Kiwo, Inc.	24	0.62%	31
<b>Total number of jobs</b>	<b>3843</b>	<b>26.62%</b>	

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.

**CITY OF SEABROOK, TEXAS**

**FULL-TIME EMPLOYEES BY FUNCTION/PROGRAM**

*Last Ten Fiscal Years*

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<b>General Government:</b>						
City Manager	1.00	1.00	1.00	1.00	1.00	1.00
Legislative	2.00	2.00	2.00	2.00	2.00	2.50
Human Resources	0.50	0.50	0.50	0.50	0.50	1.75
Purchasing	0.50	0.50	0.50	0.50	0.50	0.50
Finance	3.00	3.00	3.00	3.00	3.00	2.50
Administrative Assistant	2.00	2.00	2.00	2.00	2.00	2.00
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Streets & Drainage	7.66	7.66	7.66	7.66	7.66	8.29
Community Development	4.00	4.00	5.00	4.00	4.00	5.05
Municipal Court	2.00	2.00	2.00	2.00	2.50	2.50
Subtotal	<u>22.66</u>	<u>22.66</u>	<u>23.66</u>	<u>22.66</u>	<u>23.16</u>	<u>26.09</u>
<b>Public Safety:</b>						
Police	31.25	34.25	33.25	34.00	26.50	29.00
Emergency Management	0.75	0.75	0.75	1.00	1.00	1.00
Animal Control	1.00	1.00	1.00	2.00	2.00	2.48
DOT					3.50	3.50
Crime District					6.50	6.50
Subtotal	<u>33.00</u>	<u>36.00</u>	<u>35.00</u>	<u>37.00</u>	<u>39.50</u>	<u>42.48</u>
<b>Enterprise Operations:</b>						
Water	6.66	6.66	6.66	7.66	4.66	5.57
Sewer	4.68	5.68	4.68	4.68	4.68	5.57
Billing	2.00	2.00	2.00	2.00	2.00	2.00
Subtotal	<u>13.34</u>	<u>14.34</u>	<u>13.34</u>	<u>14.34</u>	<u>11.34</u>	<u>13.14</u>
<b>Parks &amp; Recreation</b>	9.00	9.00	8.00	8.00	7.00	13.19
<b>Economic Development</b>	1.00	1.00	1.00	1.00	1.00	1.00
<b>Total</b>	<u>79.00</u>	<u>83.00</u>	<u>81.00</u>	<u>83.00</u>	<u>82.00</u>	<u>95.90</u>

<b>Fiscal Year</b>			
<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
1.00	1.00	1.00	1.00
2.50	2.50	3.00	2.50
1.75	1.75	1.75	1.75
0.50	0.50	0.50	0.50
2.00	2.50	3.50	2.50
2.00	2.00	1.00	1.00
1.00	1.00	1.00	1.00
9.60	8.29	8.29	8.29
5.70	5.70	5.70	5.70
3.00	3.00	3.25	3.00
<u>29.05</u>	<u>28.24</u>	<u>28.99</u>	<u>27.24</u>
32.00	30.50	30.50	30.00
1.00	1.00	0.75	1.00
2.48	1.48	1.48	1.48
2.50	2.50	2.50	2.50
7.00	6.00	6.00	6.00
<u>44.98</u>	<u>41.48</u>	<u>41.23</u>	<u>40.98</u>
5.93	6.95	6.95	6.95
4.86	4.57	4.57	4.57
2.00	2.00	2.00	3.00
<u>12.79</u>	<u>13.52</u>	<u>13.52</u>	<u>14.52</u>
15.00	13.55	13.68	10.76
1.00	1.00	1.00	1.00
<u>102.82</u>	<u>97.79</u>	<u>98.42</u>	<u>94.50</u>

**CITY OF SEABROOK, TEXAS**

**OPERATING INDICATORS BY FUNCTION / PROGRAM**

*Last Nine Fiscal Years <sup>(1)</sup>*

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Function / Program</b>					
<b>Police</b>					
Arrests	908	1,040	1,113	1,423	1155
Accident reports	195	203	212	239	256
Citations	4,046	4,201	4,342	5,558	5162
Offense reports	396	369	339	238	390
Calls for service	15,745	16,002	17,545	21,747	23764
<b>Fire</b>					
Emergency responses					308
Fire incidents					27
Average response time					6:23
<b>Water</b>					
New accounts	104	100	142	122	137
Average daily consumption (millions of gallons)	1,647	1,776	1,932	1,652	1,250
Total Consumption	600,429	651,052	704,588	604,949	456,090
Peak daily consumption (millions of gallons)	2,718	2,686	2,891	2,353	2,514
<b>Sewer</b>					
Average daily sewage (millions of gallons)	1,170	1,233	1,099	1,068	1,345
Total Consumption	427,557	450,435	400,353	390,394	478,910
Peak daily consumption (millions of gallons)	2,880	3,100	2,470	2,500	6,196 <sup>(2)</sup>

**Source:** Various City departments

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.

<sup>(2)</sup> Increase is due to excessive rain in October, 2006. The jump in peak daily consumption indicates a storm came through the city on that day.

<b>Fiscal Year</b>			
<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
991	670	882	710
255	209	165	108
7160	5267	5309	6143
342	363	389	186
28776	24573	27340	16828
501	376	196	345
	28	21	43
6:16	7:12	6:31	5:43
142	88	54	388
1,308	1,365	1,845	2,050
477,558	498,186	673,673	749,343
2,551	4,420	4,012	2,730
1,166	1,130	1,210	985
425,590	413,450	441,711	359,524
4,540	4,012	4,904	3,667

**CITY OF SEABROOK, TEXAS**  
**CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM**  
*Last Nine Fiscal Years* <sup>(1)</sup>

	<b>Fiscal Year</b>				
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Function / Program</b>					
Police					
Stations	1	1	1	1	1
Patrol units	15	16	15	13	17
Fire stations	1	1	1	1	1
Other public works					
Streets (miles - centerlines)	37.4	38.7	39.8	42	42
Streetlights					
Parks and recreation					
Parks	13	14	14	14	14
Parks acreage	131	138	138	138	138
Baseball / softball diamonds	4	4	4	4	4
Swimming pools	1	1	1	1	1
Community centers	1	1	1	1	2
Water					
Water mains (miles)	51.3	52.6	53.5	56.3	56.3
Fire hydrants	366	397	429	449	469
Storage capacity (millions of gallons)	1.175	1.1	1.1	2.1	2.1
Sewer					
Sanitary sewers (miles)	49.6	50.6	51.8	54.2	54.2
Storm sewers (miles)	18	19.2	20	21.6	22
Open ditch / creek / canal drainage (miles)	18	18	18	20	20
Treatment capacity (millions of gallons)	2.5	2.5	2.5	2.5	2.5

**Source:** Various City departments

<sup>(1)</sup> The requirement for statistical data is ten years; only nine years are available at this time.

<b>Fiscal Year</b>			
<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
1	1	1	1
18	17	17	17
1	1	1	1
42	42	42.1	42.1
			1000
15	15	15	18
156	230	230	230
4	4	4	4
1	1	1	1
2	2	2	2
56.3	56.3	56.4	56.4
478	479	479	481
2.1	2.1	2.1	2.1
54.2	54.2	54.4	54.4
22	22	22	22
20	20	20.25	20.25
2.5	2.5	2.5	2.5