SEABROOK CITY COUNCIL
NOTICE OF REGULAR CITY COUNCIL MEETING
TUESDAY, APRIL 1, 2014 - 7:00 PM

NOTICE IS HEREBY GIVEN THAT THE SEABROOK CITY COUNCIL WILL MEET ON **TUESDAY APRIL 1, 2014 AT 7:00 PM** IN THE SEABROOK CITY HALL COUNCIL CHAMBERS, 1700 FIRST STREET, SEABROOK, TX 77586, **TO DISCUSS, CONSIDER, AND IF APPROPRIATE, TAKE ACTION** WITH RESPECT TO THE ITEMS LISTED BELOW.

THIS FACILITY IS WHEELCHAIR ACCESSIBLE AND ACCESSIBLE PARKING SPACES ARE AVAILABLE. REQUESTS FOR OTHER ACCOMMODATIONS OR INTERPRETIVE SERVICES, MUST BE MADE, 48 HOURS PRIOR TO THIS MEETING. PLEASE CONTACT THE CITY SECRETARY'S OFFICE AT (281) 291-5600 OR FAX (281) 291-5710 FOR FURTHER INFORMATION.

PLEDGE OF ALLEGIANCE

1.0 PRESENTATIONS

ATTACHMENT 1

1.1 Present the audit for FY 2012/13 to the City Council. (Lab/Auditors)

1.2 Update on the Homeowner's Flood Insurance Affordability Act and Biggert-Waters Act 2012. (Landis)

2.0 PUBLIC COMMENTS AND ANNOUNCEMENTS

At this time we would like to listen to any member of the audience on any subject matter, whether or not that item is on the agenda. All comments are limited to a maximum of four minutes for each speaker. In accordance with the Open Meetings Act, members may not discuss or take action on any item that has not been posted on the agenda. When your name is called, please come to the podium and state your name and address clearly into the microphone before making your comments. Thank you.

2.1 Mayor, City Council and/or members of the city staff may make announcements about city/community events. (Council)

3.0 CONSENT AGENDA - Council will discuss, consider and if appropriate, take action on the items listed below.

All consent agenda items are considered by the City Council to be routine and will be enacted by one motion. There will be no separate discussion of these items unless a council member, city manager, city attorney or city secretary so requests, in which event the item will be removed from the Consent Agenda and considered immediately following the Consent Agenda.

3.1 Accept City Audit for FY 2012/13. (Lab)

ATTACHMENT 2

3.2 Approve the appointment of Barbara Clemmons as a regular member of the Ethics Review Commission with a term ending 10/15. Mrs. Clemmons currently serves as an alternate member. (Glaser)

3.3 Approve excused absences for Councilor Thom Kolupski for the March 18, 2014 council meeting and for Councilor Robert Llorente for the May 6, 2014 council meeting. (Glaser)

ATTACHMENT 3

3.4 Approve the minutes of the March 18, 2014 regular City Council meeting. (Glaser)

END OF CONSENT AGENDA

4.0 NEW BUSINESS - Council will discuss, consider and if appropriate, take action on the items listed below.

ATTACHMENT 4

4.1 Consider replacement of carpeting on the second floor of city hall in the approximate amount of $10,000.00. Monies are available in non-reserved fund balance. (Cook)

ATTACHMENT 5

4.2 Consider approval of the purchase of updated communications equipment for the police department in the approximate amount of $195,000. Monies are available in the non-reserved fund balance. (Holomon)

5.0 ROUTINE BUSINESS - Council will discuss, consider and if appropriate, take action on the items listed below.

ATTACHMENT 6

5.1 Consider approval of the Action Items Checklist which is attached and made a part of this agenda. (Council)

ATTACHMENT 7

5.2 Establish future meeting dates and agenda items. (Council)

6.0 EXECUTIVE SESSION

The City Council will now hold a closed executive meeting pursuant to the provisions of the open meetings Act, Charter 551, Government Code, and Vernon's Texas Codes Annotated, in accordance with the authority contained in one or more of the following sections: Section 551.071, Consultation with Attorney; Section

551.072, Real Property; Section 551.073, Deliberation Regarding a Prospective Gift; Section 551.074, Personnel Matters; Section 551.076. Security Devices; and Section 551.087, Economic Development.

Section 551.071

6.1 Consult with attorney to receive legal advice in relation to legal issues associated with the Memorandum of Understanding with the Port of Houston Authority. (Cook)

Section 551.071

6.2 Consult with attorney to receive legal advice in relation to legal issues associated with a proposed right-of-way for Surf Oaks Subdivision, pursuant to the Texas Government Code, Section 551.071. (Cook)

Section 551.072

6.3 Conduct executive session pursuant to Section 551.072 Texas Government Code to deliberate the purchase, exchange, lease, or value of real property, as deliberation in an open meeting would have a detrimental effect on the position of the EDC/City in negotiations with a third party. (Cook)

Section 551.087

6.4 Discuss commercial information the City has received from a business prospect that it seeks to have locate, stay or expand in the City and which the City is conducting economic development negotiations, including deliberation of a financial offer or incentive, as provided by Section 551.087 of the Texas Government Code. (Cook)

7.0 OPEN MEETING

Council will reconvene in open session to allow for possible action on any of the agenda items listed above under "Executive Session".

7.1 Consider/take action, as applicable, on any or all of the items considered in Executive Session. (Cook)

THE CITY COUNCIL RESERVES THE RIGHT TO HEAR ANY OF THE ABOVE DESCRIBED AGENDA ITEMS THAT QUALIFY FOR AN EXECUTIVE SESSION IN AN EXECUTIVE SESSION BY PUBLICLY ANNOUNCING THE APPLICABLE SECTION NUMBER OF THE OPEN MEETINGS ACT, (CHAPTER 551 OF THE TEXAS GOVERNMENT CODE) THAT JUSTIFIES EXECUTIVE SESSION TREATMENT.

CERTIFICATE

I certify that this notice was posted on the bulletin board on or before Friday, March 28, 2014 and that this notice will remain posted until the meeting has ended.

Michele L. Glaser, TRMC
City Secretary

BELT HARRIS PECHACEK
CERTIFIED PUBLIC ACCOUNTANTS
www.texasauditors.com

GOVERNMENT AUDITS SEALED WITH EXCELLENCE

Management Letter

March 21, 2014

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

The American Institute of Certified Public Accountants Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit* (SAS 115), provides guidance to auditors on communicating internal control matters to management and the governing body, board of directors, or equivalent body.

It is important to note when reviewing findings reported within this letter that classification of the findings is based on the definitions required by SAS 115 as further discussed below. Please note that these classifications are based on the potential impact to the financial statements, not necessarily the likelihood of actual loss to the City. Accordingly, the City's assessment of the "significance" or ranking of severity will likely be substantially different based on a number of factors including, but not limited to, its assessment of risk and the cost benefit of making the change.

Our report is as follows:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Seabrook, Texas (the "City") as of and for the year ended September 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be other matters.

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

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

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our findings and additional comments are as follows:

CURRENT YEAR MATTERS

Other Matters:

2013-01. CAPITAL ASSET RECONCILIATION PROCEDURES

Finding

The City's capital asset subsidiary schedule maintained in the accounting software package did not reconcile to capital asset ending balances of the summary schedule maintained for reporting purposes. The unreconciled difference was due to adjustments recorded in one schedule but not the other.

Recommendation

The City should modify its capital asset procedures to include a reconciliation process between the summary and subsidiary schedules. Any differences identified in the process should be adjusted as needed.

This communication is intended solely for the information and use of management, City Council, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the City Council and the City's management for their cooperation during the course of our audit. Please feel free to contact us at your convenience to discuss this report or any other concerns that you may have.

Belt Harris Pechacek, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

BELT HARRIS PECHACEK
CERTIFIED PUBLIC ACCOUNTANTS
www.texasauditors.com

Required Auditor Disclosure Letter

March 21, 2014

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Seabrook, Texas (the "City") as of and for the year ended September 30, 2013, and have issued our report thereon dated March 21, 2014. Professional standards require that we provide the City Council (the "governing body") with the following information related to our audit.

I. Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 10, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with the governing body's oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve the governing body or management of its responsibilities.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

II. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our engagement letter dated July 10, 2012.

III. Significant Audit Findings

1. Qualitative Aspects of Accounting Practices

A. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements. As described in Note III.F. to the financial statements, the City changed accounting policies related to bond issuance costs by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year 2013. We noted no transactions entered intoby the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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B. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of capital assets is based on industry standards relating to capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

C. The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term debt in the financial statements is significant to financial statement users because it discloses the City's long-term financial obligations.

2. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes both material and immaterial misstatements detected as a result of our audit procedures.

4. Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

5. Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 21, 2014.

6. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

IV. Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Mayor, City Council, and management and is not intended to be and should not be used by anyone other than these specified parties.

Belt Harris Pechacek, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

3/24/2014
2:21 PM

Client: *City of Seabrook, Texas*
Engagement: *4.1 - Seabrook 9/30/13*
Period Ending: *9/30/2013*
Workpaper: *2.5.06 - Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		I.06a		
To record issuance of Series 2013 refunding allocated to governmental activities; client should post as of 9/30/13 and not reverse				
08-808-5471	PAYMENT TO ESCROW		30,000.00	
08-808-5471	PAYMENT TO ESCROW		3,927,803.40	
08-808-9541	REFUNDING PROCEEDS		55,931.60	
26-026-1510	GENERAL OBILGATION BONDS		3,715,000.00	
08-808-5472	BOND ISSUANCE COSTS			8,735.00
08-808-5472	BOND ISSUANCE COSTS			30,000.00
08-808-9600	REFUNDING BONDS ISSUED			3,975,000.00
26-026-2120	FB - GENERAL FUND			3,715,000.00
Total			**7,728,735.00**	**7,728,735.00**
Adjusting Journal Entries JE # 2		I.06a		
To record issuance of Series 2013 refunding allocated to business-type activities; client should post as of 9/30/13 and not reverse				
20-020-1500	REVENUE BONDS PAYABLE		1,120,000.00	
20-020-1525	DEFERRED AMT ON REFUNDING BOND		50,024.10	
20-902-5470	DEBT SERVICE AGENT		15,250.00	
20-020-1500	REVENUE BONDS PAYABLE			1,180,000.00
20-020-1541	CONTRA AMORT DISC			5,274.10
Total			**1,185,274.10**	**1,185,274.10**
Adjusting Journal Entries JE # 3		I.02		
To clear fully amortized deferred charges from PYs and to remove remaining bond issuance costs balances; client should post as of 9/30/13 and not reverse				
20-020-1526	CONTRA DEFERRED		17,228.00	
20-020-1531	CONTRA ISSUANCE COSTS		170,485.24	
20-020-1535	UNAMORT PREM ON BOND ISSUE		47,449.28	
20-020-1541	CONTRA AMORT DISC		7,048.10	
20-020-1541	CONTRA AMORT DISC		8,114.00	
20-020-1525	DEFERRED AMT ON REFUNDING BOND			17,227.62
20-020-1530	UNAMORTIZED ISSUANCE COSTS			170,485.24
20-020-1536	CONTRA UNAMORT PREM			37,884.03
20-020-1540	ACCRUED INTEREST PAYABLE			8,114.00
20-020-1540	ACCRUED INTEREST PAYABLE			16,613.35
20-902-6400	AMORTIZATION EXPENSE			0.38
Total			**250,324.62**	**250,324.62**
Adjusting Journal Entries JE # 4		I.01a		
To reduce liability for WSF portion of Series 2013 payment; client should post as of 9/30/13 and not reverse				
20-020-1500	REVENUE BONDS PAYABLE		5,000.00	
20-902-6325	REDEMPTION OF BONDS			2,500.00
20-912-6325	REDEMPTION OF BONDS			2,500.00
Total			**5,000.00**	**5,000.00**
Adjusting Journal Entries JE # 5		C.01		
To adjust the property tax receivable, deferred and allowance; client should post as of 9/30/13 and not reverse				
01-001-0100	ACCOUNTS RECEIVABLE/TAXES		27,395.83	
08-008-0100	ACCOUNTS RECEIVABLE/TAXES		9,877.41	
01-001-1013	ALLOW FOR DOUBT ACCTS-PR TAX			7,317.12
01-001-1550	DEFERRED TAX REVENUES			20,078.71

Client: *City of Seabrook, Texas*
Engagement: *4.1 - Seabrook 9/30/13*
Period Ending: *9/30/2013*
Workpaper: *2.5.06 - Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
08-008-1013	ALLOW FOR DOUBT ACCT-PR TAX			2,230.96
08-008-1550	DEFERRED TAX REVENUES			7,646.45
Total			**37,273.24**	**37,273.24**
Adjusting Journal Entries JE # 6		**F.03c**		
Client provided entry to record Comp time. 2012-2013; client should post as of 9/30/13 and reverse 10/1/13				
20-905-3010	SALARIES		29.85	
26-260-3010	COMP ABSENCES - CHANGE		23,159.87	
20-020-1041	COMP TIME SALARY			23.44
20-020-1042	COMP TIME FICA			1.79
20-020-1043	COMP TIME TMRS			4.62
26-026-1565	COMP TIME SALARY			18,187.43
26-026-1566	COMP TIME FICA			1,391.34
26-026-1567	COMP TIME TMRS			3,581.10
Total			**23,189.72**	**23,189.72**
Adjusting Journal Entries JE # 7		**F.03c**		
Client provided entry to reverse Comp time. 2011-2012; client should post as of 9/30/13 and reverse 10/1/13				
20-020-1041	COMP TIME SALARY		184.01	
20-020-1042	COMP TIME FICA		14.07	
20-020-1043	COMP TIME TMRS		36.56	
26-026-1565	COMP TIME SALARY		26,058.25	
26-026-1566	COMP TIME FICA		1,993.46	
26-026-1567	COMP TIME TMRS		5,177.78	
20-905-3010	SALARIES			117.26
20-912-3010	SALARIES			117.38
26-260-3010	COMP ABSENCES - CHANGE			33,229.49
Total			**33,464.13**	**33,464.13**
Adjusting Journal Entries JE # 8		**2.2.03b**		
Client provided entry to adjust CIP; client should post as of 9/30/13 and not reverse				
25-025-0993	CONSTRUCTION IN PROGRESS		2,737.59	
25-025-2310	INVEST IN GEN FIXED ASSET			2,737.59
Total			**2,737.59**	**2,737.59**
Adjusting Journal Entries JE # 9		**2.2.03a**		
Client provided entry to properly record Franchise tax for 12-13; client should post as of 9/30/13 and reverse $7,952.65 entry as of 10/1/13				
83-083-0510	ACCRUED RECEIVABLE		7,952.65	
83-830-7210	FRANCHISE TAX		7,803.43	
83-083-0510	ACCRUED RECEIVABLE			7,803.43
83-830-7210	FRANCHISE TAX			7,952.65
Total			**15,756.08**	**15,756.08**
Adjusting Journal Entries JE # 10		**E.09**		
Client prepared entry to correct insurance payments from 2011 and 2012; client should post as of 9/30/13 and not reverse				
01-001-1033	UNUM INSURANCE DEDUCTS		7,211.86	
01-001-1033	UNUM INSURANCE DEDUCTS		9,061.40	
01-001-1038	CIGNA INSURANCE PAYABLE			7,211.86

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Client: *City of Seabrook, Texas*
Engagement: *4.1 - Seabrook 9/30/13*
Period Ending: *9/30/2013*
Workpaper: *2.5.06 - Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
01-001-1038	CIGNA INSURANCE PAYABLE			9,061.40
Total			**16,273.26**	**16,273.26**
Adjusting Journal Entries JE # 11		**H.01**		
To remove expense for land purchase that was capitalized; client should post as of 9/30/13 and not reverse				
20-902-6021	METER REPLACEMENT PROGRAM		905,759.83	
20-902-6070	LAND			905,759.83
Total			**905,759.83**	**905,759.83**
Adjusting Journal Entries JE # 12		**I.01b**		
Client prepared entry; to adjust for accrued interest payable in GLTD; client should post as of 9/30/13 and not reverse				
26-026-1540	ACCRUED INT PAYABLE		8,982.00	
26-026-1541	ACCRUED INT PAYABLE - SEDC		1,080.00	
26-260-6351	AMORT COST/PREM/DISC (GO)			1,080.00
26-260-6351	AMORT COST/PREM/DISC (GO)			8,982.00
Total			**10,062.00**	**10,062.00**
Adjusting Journal Entries JE # 13		**I.02**		
To adjust GLTD deferred charges to tie to schedules; client should post as of 9/30/13 and not reverse				
26-026-1534	UNAMORT PREM/DISC GO REF		270,114.45	
26-026-1535	UNAMORT PREMIUM/DISCOUNT		14,343.03	
26-026-2120	FB - GENERAL FUND		7,166.97	
26-026-1534	UNAMORT PREM/DISC GO REF			21,510.00
26-026-2120	FB - GENERAL FUND			270,114.45
Total			**291,624.45**	**291,624.45**
Adjusting Journal Entries JE # 14		**I.02**		
To post current year amortization expense for deferred charges (premium); client should post as of 9/30/13 and not reverse				
26-260-6351	AMORT COST/PREM/DISC (GO)		2,046.00	
26-260-6351	AMORT COST/PREM/DISC (GO)		24,499.17	
26-026-1535	UNAMORT PREMIUM/DISCOUNT			24,499.17
26-026-1536	UNAMORT PREM/DISC - SEDC			2,046.00
Total			**26,545.17**	**26,545.17**
Adjusting Journal Entries JE # 15		**2.3.01**		
To adjust for negative cash balance in CDBG fund; entry is for reporting purposes only, client does not need to post				
01-001-0515	DUE FROM SPECIAL REVENUE FUND		969,643.63	
13-013-0001	CLAIM TO CASH-POOLED		969,643.63	
01-001-0001	CLAIM TO CASH-POOLED			969,643.63
13-013-1060	DUE TO GENERAL FUND			969,643.63
Total			**1,939,287.26**	**1,939,287.26**
Adjusting Journal Entries JE # 16		**C.05**		
To adjust interfund liability in EDC fund; client should post as of 9/30/13 and not reverse				
70-707-5465	MISC EXPENSE		40.00	
70-070-1060	DUE TO GENERAL FUND			40.00
Total			**40.00**	**40.00**
Adjusting Journal Entries JE # 17		**I.01a**		

3/24/2014
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Client: *City of Seabrook, Texas*
Engagement: *4.1 - Seabrook 9/30/13*
Period Ending: *9/30/2013*
Workpaper: *2.5.06 - Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
To adjust GLTD based on Series 2013 refunding; client should post as of 9/30/13 and not reverse				
26-026-1510	GENERAL OBILGATION BONDS		25,000.00	
26-026-2120	FB - GENERAL FUND		3,975,000.00	
26-026-1510	GENERAL OBILGATION BONDS			3,975,000.00
26-260-6325	BOND REDEMPTION (GO)			25,000.00
Total			**4,000,000.00**	**4,000,000.00**
Adjusting Journal Entries JE # 18		**H.01**		
To adjust governmental capital assets to tie to fixed asset master report; client should post as of 9/30/13 and not reverse				
25-025-0920	EQUIPMENT		6,647.29	
25-025-2310	INVEST IN GEN FIXED ASSET			6,647.29
Total			**6,647.29**	**6,647.29**
Adjusting Journal Entries JE # 19		**H.02a**		
Client prepared entry; to remove disposed assets from general ledger; client should post as of 9/30/13 and not reverse				
25-025-0921	ALLOW FOR DEPR-EQUIPMENT		13,113.90	
25-025-2310	INVEST IN GEN FIXED ASSET		28,619.48	
25-025-0920	EQUIPMENT			41,733.38
Total			**41,733.38**	**41,733.38**
Adjusting Journal Entries JE # 20				
Client prepared entry; to adjust depreciation expense for project completed in PY (Repsdorph Sewer); client should post as of 9/30/13 and not reverse				
20-902-6999	DEPRECIATION EXPENSE		17,132.18	
20-020-0955	ALLOW DEPR/WATER-SEWER			17,132.18
Total			**17,132.18**	**17,132.18**

City of Seabrook, Texas

Comprehensive Annual Financial Report

October 1, 2012 through September 30, 2013

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

of the

CITY OF SEABROOK, TEXAS

For the Year Ended
September 30, 2013

Prepared by
City Administration and the Finance and Accounting Office

Gayle Cook
City Manager

Sean Landis
Assistant City Manager

Pamela J. Lab
Director of Finance

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CITY OF SEABROOK, TEXAS

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CITY OF SEABROOK, TEXAS

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INTRODUCTORY SECTION

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SEABROOK

March 21, 2014

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

The City of Seabrook, Texas (the "City") is required to publish each year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City for the fiscal year ended September 30, 2013.

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

The City's financial statements have been audited by Belt Harris Pechacek, LLLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City, for the fiscal year ended September 30, 2013, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the financial statements for the year ended September 30, 2013 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

Profile of the Government

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

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

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

As an independent political subdivision of the State of Texas, the City is considered a primary government. Pursuant to standards established by the Governmental Accounting Standards Board (GASB), the City reports for all funds for which the City, as a primary government, is financially accountable. As such, this report includes financial activities of two component units as follows:

- The Seabrook Economic Development Corporation was created by the City in 1992 under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting and enhancing economic and related development activities on behalf of the City.
- The Seabrook Crime Control and Prevention District was created under the authority granted by Chapter 363 of the Texas Local Government Code and Section 323.105 of the Texas Tax Code for the purpose of strengthening and enhancing crime control activities of the City.

Local Economy

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

The City of Seabrook continues to remain in a strong financial position in the Clear Lake area, while still recovering from the effects and rebuilding from Hurricane Ike along with balancing the effects of the national economic crisis. The City of Seabrook continues to have a strong economic position as part of the greater Clear Lake area.

Long-Term Financial Planning

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

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

The City is scheduled to contract a water and sewer rate study in mid-2014. Recommendations from the study will allow the City to update its rate structure accordingly and comply with American Water Works Association (AWWA) standards. The rate plan and current and future needs will be reviewed each year allowing the City to set rates that will fully support the utility operations and future capital and debt obligations while, at the same time, minimizing the impact to the citizens.

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

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

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

Major Initiatives

Waterfront Project
In June 2013, the Waterfront Project was approved and commenced; the anticipated completion is April 2014. This project was initiated after Hurricane Ike in 2009, when the City was awarded a $3 million EDA grant and an $8.57 million CDBG grant in 2010. These funds will combine with an additional $900,000 approved by the Seabrook Economic Development Corporation to provide much needed improvements to Waterfront Drive which includes the relocation of electric, water and sanitary sewer utilities, as well as the raising and widening of the road, adding concrete curbs, sidewalks and side street parking, and finishing the project by installing decorative lighting and palm trees. This area, known as "The Point", is directly across Clear Creek from the Kemah Boardwalk. It is anticipated this will go a long way to strengthen local tourism and expand Seabrook's tax base.

Connector Road
The Port of Houston Authority has completed a cruise ship terminal at their Bayport facility just to the north of Seabrook. The planned access road for this terminal is an eastward extension of Red Bluff Road where it intersects State Highway 146 (SH 146). This will capitalize on anticipated traffic resulting from the cruise terminal and the increasing traffic on SH 146. The Texas Department of Transportation finished construction on the new SH 146/Red Bluff overpass in January 2013.

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

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

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

- **Upper Pine Gully Channel** – In June 2013, the clearing and widening of Upper Pine Gully Channel began which involves the widening of approximately 5,300 feet of the gully to a width of approximately 100 feet and will result in enhanced flood control for the City. The resulting fill will be used to raise the roadbed in the Waterfront Project.

- **Lower Pine Gully Channel and Breakwater (Jetties)** – This project, which commenced in September 2013, involves the removal of silt, the restoration of marsh land and the construction of a breakwater (jetties) at the mouth of Pine Gully. This project received approval from the US Army Corps of Engineers and is a cooperative venture between the City, the Port of Houston Authority and the Galveston Bay Foundation.

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

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

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

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

Wastewater Treatment Plant Headworks Improvements – CIP
This project will modify current manual bar screen with an automatic mechanical bar screen to intercept debris 24/7 especially during heavy rains for better process control.

Certificate of Achievement

The City of Seabrook received the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the year ended September 30, 2012. This was the 33rd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting standards and applicable legal requirements.

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

Acknowledgments

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

Gayle Cook

Gayle Cook
City Manager

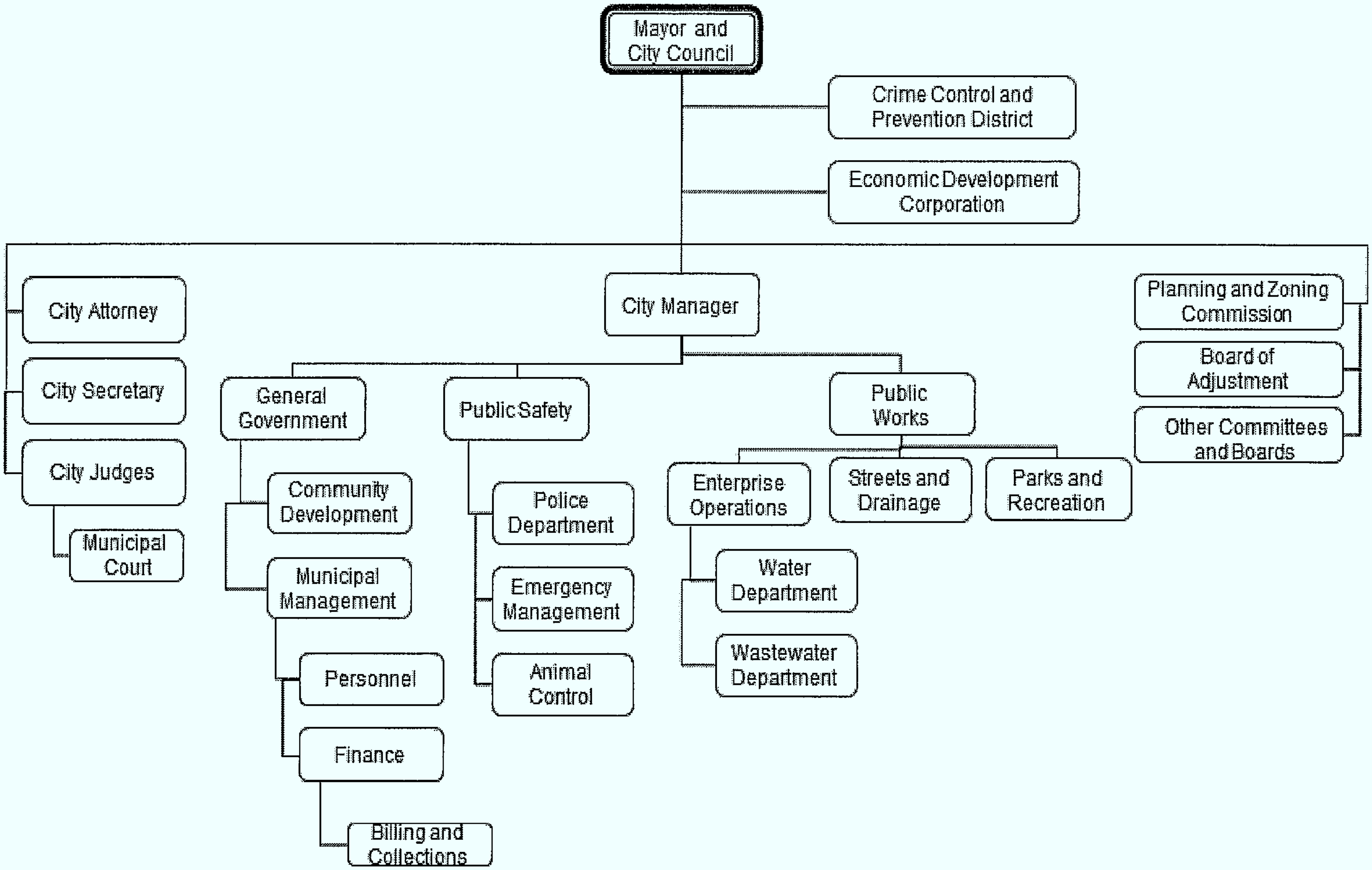
Pamela J. Lab

Pamela J. Lab
Director of Finance

CITY OF SEABROOK, TEXAS

ORGANIZATIONAL CHART

September 30, 2013



CITY OF SEABROOK, TEXAS

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

September 30, 2013

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Seabrook Texas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

CITY OF SEABROOK, TEXAS

PRINCIPAL OFFICIALS

September 30, 2013

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

Key Staff	Position
Gayle Cook	City Manager
Sean Landis	Assistant City Manager
Pam Lab	Finance Director
Michele Glaser	City Secretary
Nona Holomon	Director of Public Safety
Arturo Chairez	Director of Public Services
Carolyn Webbon	Municipal Judge

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Belt Harris Pechacek, LLLP

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF SEABROOK, TEXAS

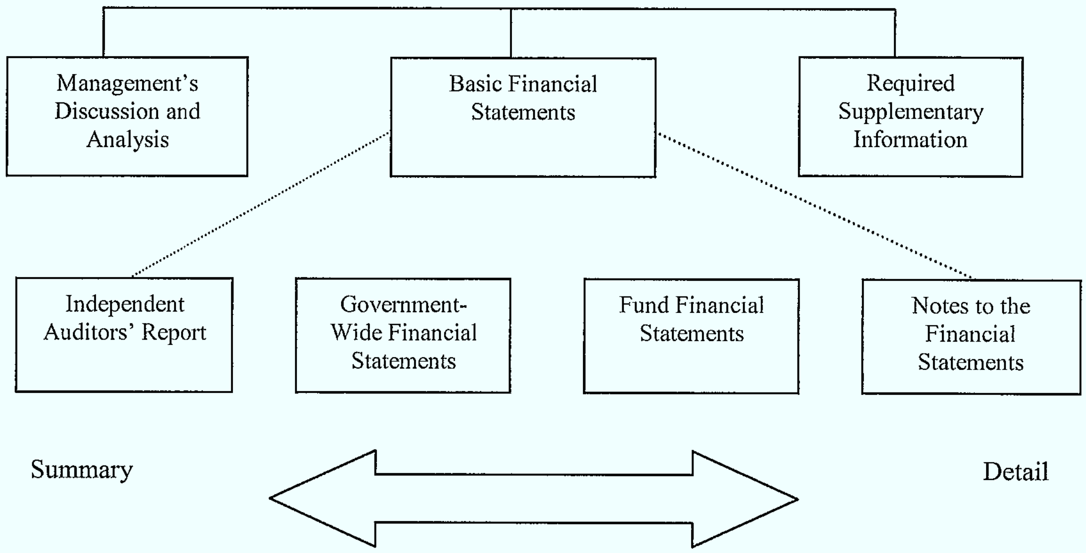
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2013

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Seabrook, Texas (the "City") for the year ending September 30, 2013. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

<u>Government-Wide Statements</u>

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

CITY OF SEABROOK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2013

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

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

1. *Governmental Activities* – Most of the City's basic services are reported here including public safety, public works, economic development, and general administrative services. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise taxes, municipal court fines and permit fees finance most of these activities.

2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water, sewer, and sanitation services.

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

Proprietary Funds

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities by $41,053,352 as of September 30, 2013. A comparative analysis of government-wide data has been presented as a component of the MD&A for the year ending September 30, 2012. The largest portion of the City's net position, 67 percent, reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF SEABROOK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2013

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

SUMMARY STATEMENT OF NET POSITION

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

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

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

City of Seabrook, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2013

Statement of Activities:

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

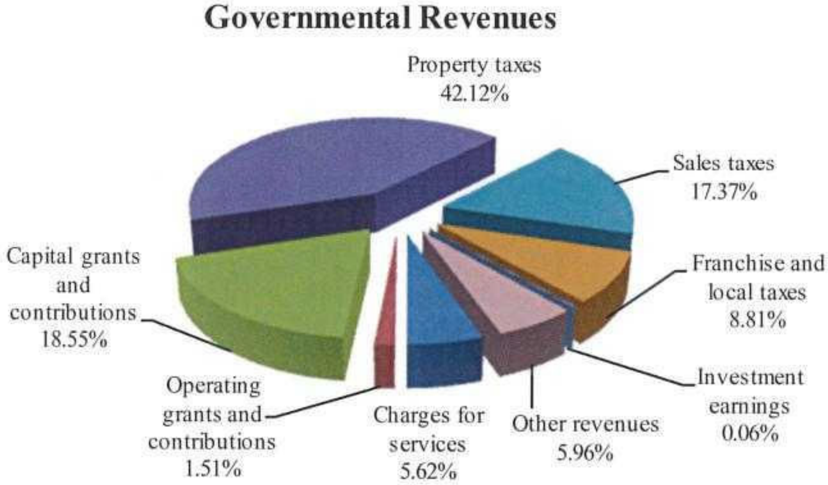
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	$ 755,111	$ 1,070,691	$ 6,209,614	$ 6,040,302	$ 6,964,725	$ 7,110,993
Operating grants and contributions	202,982	165,018	-	-	202,982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

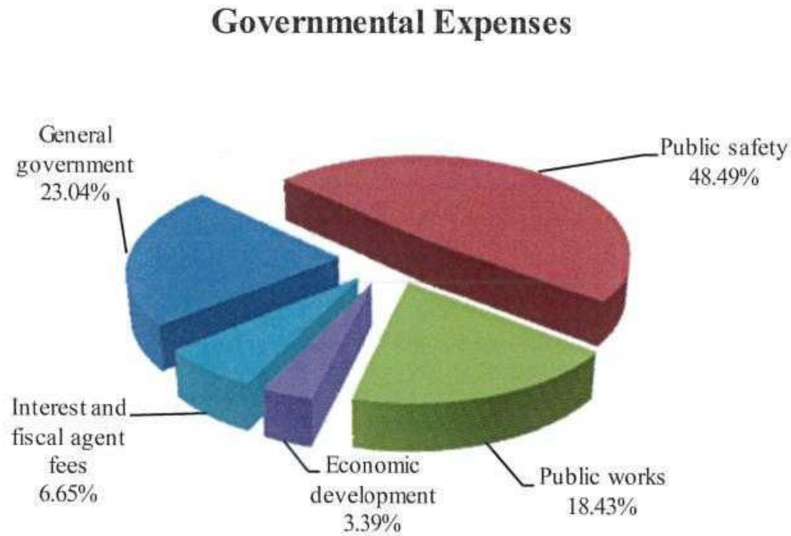
CITY OF SEABROOK, TEXAS

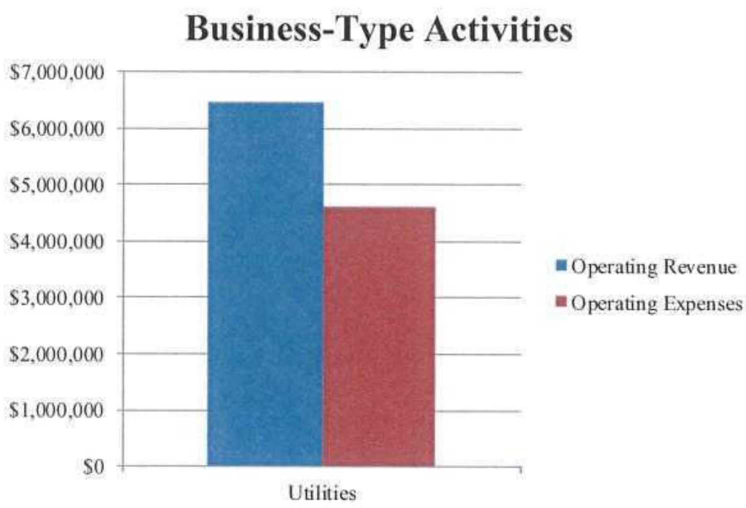
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2013

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







CITY OF SEABROOK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2013

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

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

Operating revenues and expenses for business-type activities increased from the prior year. Charges for services increased by $169,312, or three percent, because of an increase in the number of customers as compared to the prior year. Capital grants and contributions decreased by $86,052, or 39 percent, because of a decrease in water and sewer impact fees.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The City's governmental funds reflect a combined fund balance of $8,931,624. Of this, $14,667 is nonspendable, $4,388,221 is restricted for various purposes, $801,291 is committed for a stabilization fund to cover potential future budget shortfalls, and $78,000 is assigned for civil service accrued sick leave payouts. The remaining balance of $3,649,445 is unassigned in the general fund.

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

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was $3,649,445, while total fund balance reached $4,542,423. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 40 percent of total general fund expenditures while total fund balance represents 50 percent of the same amount. The general fund demonstrated an overall increase of $318,613 primarily due to transfers from other funds.

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

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

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

CITY OF SEABROOK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2013

GENERAL FUND BUDGETARY HIGHLIGHTS

There had been a planned increase in budgeted fund balance in the amount of $255,484 in the general fund. However, the fund balance increased by $317,854, resulting in a positive variance of $62,370 from budgeted as amended over actual. This was largely due to lower-than-anticipated expenditures across all functions.

Actual general fund revenues were more than original and amended budgeted revenues by $25,610 during 2013. This variance was primarily due to positive variances of $4,844 for franchise fee revenue and $16,849 for miscellaneous revenues.

Actual expenditures were less than budgeted amounts by $36,760 for the fiscal year. The greatest positive variances were in the general government and public safety functions.

CAPITAL ASSETS

At the end of the current year, the City's governmental activities funds had invested $33,898,300 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of $3,712,201.

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

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

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

LONG-TERM DEBT

At the end of the current year, the City had total bonds and certificates of obligation outstanding of $20,978,000. Of this amount, $16,730,000 was general obligation debt, $3,418,000 was revenue bond debt, and $830,000 was certificates of obligation debt.

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

Current underlying ratings on debt issues are as follows:

Debt Type	Moody's Investors Services	Standard and Poor's
General obligation bonds	A1	A
Revenue bonds	A1	A

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council provided staff with their vision for the future of the City and specific policy guidance with which to propose the fiscal year 2014 budget. The City's general fund revenue is principally made up of property taxes, sales taxes, and franchise fees. The revenue projections for the budget are based on historical data and estimates from the finance department and individual department heads, but they have been projected conservatively.

The Seabrook City Council approved a general fund budget of $9.4 million for the 2014 fiscal year. The 2014 budget incorporated a tax rate decrease of $.014003 (2.1%) to $0.651229 per $100 of valuation.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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CITY OF SEABROOK, TEXAS

STATEMENT OF NET POSITION

September 30, 2013

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

See Notes to Financial Statements.

CITY OF SEABROOK, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2013

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

General Revenues:
- Property taxes
- Sales taxes
- Franchise fees and local taxes
- Other taxes
- Investment revenue
- Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

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

CITY OF SEABROOK, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2013

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

See Notes to Financial Statements.

Total Funds
$ 7,669,390
2,823,195
985,672
1,584
14,667
$ 11,494,508
$ 1,181,389
12,182
976,358
13,824
97,300
5,268
2,286,321
276,563
14,667
1,742,115
808,588
75,946
1,090,290
38,482
632,800
801,291
78,000
3,649,445
8,931,624
$ 11,494,508

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CITY OF SEABROOK, TEXAS

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

September 30, 2013

Total fund balances - governmental funds	$	8,931,624
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Capital assets, non-depreciable		15,601,471
Capital assets, net depreciable		18,296,829
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		276,563
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Accrued interest payable		(48,402)
Deferred charge on refunding		270,114
Non-current liabilities due in one year		(1,219,209)
Non-current liabilities due in more than one year		(15,736,797)
Net Position of Governmental Activities	$	26,372,193

See Notes to Financial Statements.

CITY OF SEABROOK, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2013

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

See Notes to Financial Statements.

Total Funds
$ 5,628,364
2,332,016
731,646
451,977
183,263
429,178
142,670
2,693,769
8,293
799,891
13,401,067
3,532,719
4,738,699
4,290,863
357,550
598,454
850,000
670,545
42,256
30,000
15,111,086
(1,710,019)
3,975,000
(3,927,803)
1,668,673
1,715,870
5,851
8,925,773
$ 8,931,624

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CITY OF SEABROOK, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2013

Net changes in fund balances - total governmental funds	$	5,851
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		4,861,983
Disposal of capital assets		(28,619)
Depreciation expense		(1,121,163)
The issuance of long-term debt (e.g., bonds, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Net Position.		
Principal payments		850,000
Amortization of premium		(24,499)
Compensated absences		(28,412)
Debt issued - revenue and refunding bonds		(3,975,000)
Payment to refund bond escrow agent		3,957,803
Amortization of deferred charges		27,311
Accrued interest		8,982
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds.		27,725
Change in Net Position of Governmental Activities	$	4,561,962

See Notes to Financial Statements.

CITY OF SEABROOK, TEXAS

STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUNDS

September 30, 2013

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

CITY OF SEABROOK, TEXAS

STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUNDS

September 30, 2013

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

See Notes to Financial Statements.

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CITY OF SEABROOK, TEXAS

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

For the Year Ended September 30, 2013

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

See Notes to Financial Statements.

CITY OF SEABROOK, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2013

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

See Notes to Financial Statements.

CITY OF SEABROOK, TEXAS

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

For the Year Ended September 30, 2013

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

See Notes to Financial Statements.

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CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

Discretely Presented Component Units

<u>Seabrook Economic Development Corporation</u>

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

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

Blended Component Units

Crime Control and Prevention District

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

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

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

B. Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

D. Basis of Presentation – Fund Financial Statements

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

The City reports the following governmental funds:

General Fund

The general fund is used to account for and report all financial resources not accounted for and reported in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, and public works. The general fund is always considered a major fund for reporting purposes.

Special Revenue Funds

The special revenue funds are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The special revenue funds are considered nonmajor funds for reporting purposes, with the exception of the CDBG grant fund.

Debt Service Fund

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on all long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Fund

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

The City reports the following enterprise fund:

Enterprise Fund

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

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

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

E. Measurement Focus and Basis of Accounting

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

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

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

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

1. Cash and Cash Equivalents

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

2. Investments

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

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

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

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased (i.e., the consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Restricted Assets

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

5. Capital Assets

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

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

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

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

Asset Description	Estimated Useful Life
Buildings	50 years
Building improvements	10 to 50 years
Machinery and equipment	5 to 25 years
Water and sewer system	40 to 50 years
Infrastructure	10 to 50 years
Vehicles	5 to 15 years

6. Deferred Outflows/Inflows of Resources

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

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

CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

7. Compensated Employee Absences

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

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

8. Long-Term Obligations

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

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

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

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

9. Net Position Flow Assumption

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

CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

10. Fund Balance Flow Assumptions

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

11. Fund Balance Policies

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

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

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

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

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

12. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements

CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Investment Type	Fair Value	Weighted Average Maturity (Years)
TexPool	$ 15,606,738	0.00
Total Fair Value	$ 15,606,738	
Portfolio weighted average maturity		0.00

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

Credit risk. The City's investment policy limits investments in public fund investment pools rated as to investment quality not less than "AM" or "AAA-m," or at an equivalent rating by at least one nationally recognized rating service. Investments in SEC registered and regulated money market mutual funds must have an investment quality not less than "AAA-," or at an equivalent rating by at least one nationally recognized rating service. As of September 30, 2013, the City's investment in TexPool was rated "AAAm" by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2013, market values of pledged securities and FDIC insurance exceeded bank balances.

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

Restricted Assets

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

TexPool

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

CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

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

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

B. Receivables

The following comprise receivable balances at year end:

Governmental Funds

	General	Debt Service	CDBG Grant	Nonmajor	Component Unit
Property taxes	$ 319,966	$ 124,296	$ -	$ -	$ -
Sales taxes	266,724	-	-	125,441	133,562
Franchise taxes	67,071	-	-	7,953	-
Other taxes	42,163	-	-	133,466	-
Intergovernmental	380,227	-	1,495,510	-	1,009,444
Other receivables	20,760	-	-	7,318	-
Less allowance	(118,809)	(48,891)	-	-	-
	$ 978,102	$ 75,405	$ 1,495,510	$ 274,178	$ 1,143,006

Proprietary Funds

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

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

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

CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

C. Capital Assets

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

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

Depreciation was charged to governmental functions as follows:

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

CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

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

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

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

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

Depreciation was charged to governmental functions as follows:

Water and sewer	$ 501,854
Total Business-Type Activities Depreciation Expense	$ 501,854

CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

D. Long-Term Debt

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

	Beginning Balance**	Additions	Reductions	Ending Balance		Amounts Due Within One Year
Governmental Activities:						
Bonds, notes and other payables:						
General obligation bonds	$ 16,110,000	$ 3,975,000	$ (4,530,000)	$ 15,555,000	*	$ 860,000
Certificates of obligation	865,000	-	(35,000)	830,000	*	40,000
Deferred amounts:						
Issuance discounts/premiums	108,086	-	24,499	132,585	*	-
	17,083,086	3,975,000	(4,540,501)	16,517,585		900,000
Other liabilities:						
Compensated absences	410,009	225,523	(197,111)	438,421		319,209
Total Governmental Activities	$ 17,493,095	$ 4,200,523	$ (4,737,612)	$ 16,956,006		$ 1,219,209
			Long-term debt due in more than one year	$ 15,736,797		
			***Debt associated with governmental activity capital assets**	$ 16,517,585		

**Beginning balances have been restated.

	Beginning Balance**	Additions	Reductions	Ending Balance		Amounts Due Within One Year
Business-Type Activities:						
Bonds, notes, and other payables:						
General obligation bonds	$ -	$ 1,180,000	$ (5,000)	$ 1,175,000	*	$ 10,000
Revenue bonds	4,773,000	-	(1,355,000)	3,418,000	*	245,000
Deferred amounts:						
Issuance discounts/premiums	(5,273)	-	5,273	-		-
	4,767,727	1,180,000	(1,354,727)	4,593,000		255,000
Other liabilities:						
Compensated absences	95,077	27,678	(27,735)	95,020		60,322
Total Business-Type Activities	$ 4,862,804	$ 1,207,678	$ (1,382,462)	$ 4,688,020		$ 315,322
			Long-term debt due in more than one year	$ 4,372,698		
			***Debt associated with business-type activity capital assets**	$ 4,593,000		

**Beginning balances have been restated.

CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

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

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

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

Advance Refunding

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

CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

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

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

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

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

Federal Arbitrage

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

CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the City. Although the City does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

E. Interfund Transactions

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

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

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

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

Transfer Out	Transfer In	Amounts
Utility enterprise fund	General fund	$ 1,668,673

Transfers to the general fund were subsidies for administrative expenditures.

F. Restatement of Net Position

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

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

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

CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

IV. OTHER INFORMATION

A. Risk Management

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

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

B. Contingent Liabilities

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

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

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

C. Pension Plans

Texas Municipal Retirement System

<u>Plan Description</u>

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and RSI for TMRS. The report also provides detailed explanations of the contributions,

City of Seabrook, Texas

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

benefits and actuarial methods and assumptions used by the system. This report may be obtained from TMRS' website at www.TMRS.com.

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

	2013	2012
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Benefits

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

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

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's amortization period.

CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits such as Updated Service Credits and Annuity Increases.

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

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

Fiscal Year	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
2011	$ 1,088,935	$ 1,088,935	100.00%	$ -
2012	$ 1,038,759	$ 1,038,759	100.00%	$ -
2013	$ 1,033,246	$ 1,033,246	100.00%	$ -

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

	2013	2012	2011
Actuarial Valuation Date	12/31/2012	12/31/2011	12/31/2010
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 Equivalent Single Amortization Period	24.9 years - closed period	25.8 years - closed period	26.9 years - closed period
Amortization Period for New Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.00%	7.00%	7.00%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.10%	2.10%	2.10%

CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

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

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

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

D. Other Post Employment Benefits

TMRS Supplemental Death Benefits Fund

Plan Description

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other post employment benefit," or OPEB. For the year ended September 30, 2013, the City offered the supplemental death benefit to both active and retired employees.

Contributions

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

CITY OF SEABROOK, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

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

	2013	2012	2011
Annual Req. Contrib. (Rate)	0.02%	0.02%	0.02%
Actual Contribution Made	0.02%	0.02%	0.02%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SEABROOK, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND (Page 1 of 2)

For the Year Ended September 30, 2013

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

CITY OF SEABROOK, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND (Page 2 of 2)

For the Year Ended September 30, 2013

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

Notes to Required Supplementary Information:

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

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

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CITY OF SEABROOK, TEXAS

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

For the Year Ended September 30, 2013

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

Notes to Required Supplementary Information:

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

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CITY OF SEABROOK, TEXAS

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

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

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COMBINING STATEMENTS AND SCHEDULES

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CITY OF SEABROOK, TEXAS

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

For the Year Ended September 30, 2013

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

Notes to Supplementary Information:

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

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CITY OF SEABROOK, TEXAS

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Hotel/Motel Occupancy Tax Fund

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

Municipal Court Programs Fund

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

Park Improvement Fees Fund

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

Crime Control and Prevention District Fund

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

Public Safety Programs Fund

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

Cable PEG Fees Fund

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

CAPITAL PROJECTS FUND

Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

CITY OF SEABROOK, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2013

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

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

CITY OF SEABROOK, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2013

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

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

CITY OF SEABROOK, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL HOTEL/MOTEL OCCUPANCY TAX FUND

For the Year Ended September 30, 2013

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

Notes to Supplementary Information:

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

CITY OF SEABROOK, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL MUNICIPAL COURT PROGRAMS FUND

For the Year Ended September 30, 2013

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

Notes to Supplementary Information:
1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF SEABROOK, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL PARK IMPROVEMENT FEES FUND

For the Year Ended September 30, 2013

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

Notes to Supplementary Information:

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

City of Seabrook, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CRIME CONTROL AND PREVENTION DISTRICT FUND

For the Year Ended September 30, 2013

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

Notes to Supplementary Information:

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

CITY OF SEABROOK, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL PUBLIC SAFETY PROGRAMS FUND

For the Year Ended September 30, 2013

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

Notes to Supplementary Information:

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

City of Seabrook, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CABLE PEG FEES FUND

For the Year Ended September 30, 2013

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

Notes to Supplementary Information:

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

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STATISTICAL SECTION

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

Contents **Page**

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

CITY OF SEABROOK, TEXAS

NET POSITION BY COMPONENT

Last Ten Years
(Accrual Basis of Accounting)

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

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

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

Fiscal Year					
2008	2009	2010	2011	2012	2013
$ 12,212,584	$ 14,026,951	$ 14,938,447	$ 15,440,360	$ 14,144,650	$ 18,283,628
2,695,249	3,051,748	3,004,538	3,264,045	4,701,768	4,388,221
(898,092) (2)	(899,753) (2)	(1,859,661) (2)	(1,475,029)	3,211,311	3,700,344
$ 14,009,741	$ 16,178,946	$ 16,083,324	$ 17,229,376	$ 22,057,729	$ 26,372,193
$ 6,146,398	$ 7,567,091	$ 7,552,636	$ 7,593,022	$ 8,429,256	$ 9,357,328
1,972,400	2,165,510	2,294,133	2,451,025	2,318,565	2,207,032
3,084,904	2,676,653	2,986,896	3,734,997	3,914,970	3,116,799
$ 11,203,702	$ 12,409,254	$ 12,833,665	$ 13,779,044	$ 14,662,791	$ 14,681,159
$ 18,358,982	$ 21,594,042	$ 22,491,083	$ 23,033,382	$ 22,573,906	$ 27,640,956
4,667,649	5,217,258	5,298,671	5,715,070	7,020,333	6,595,253
2,186,812	1,776,900	1,127,235	2,259,968	7,126,281	6,817,143
$ 25,213,443	$ 28,588,200	$ 28,916,989	$ 31,008,420	$ 36,720,520	$ 41,053,352

CITY OF SEABROOK, TEXAS

CHANGES IN NET POSITION

Last Ten Years

(Accrual Basis of Accounting)

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

Fiscal Year					
2008	2009	2010	2011	2012	2013
$ 3,223,608	$ 3,012,703	$ 4,376,699	$ 3,523,480	$ 2,044,188	$ 2,426,528
4,523,302	4,040,110	4,471,942	5,008,177	4,444,193	5,108,700
8,243,979 (2)	5,870,600	2,011,743	1,326,336	3,191,383	1,941,718
302,712	307,990	239,073	321,532	303,003	357,550
768,483	715,567	780,835	811,818	759,480	701,007
17,062,084	13,946,970	11,880,292	10,991,343	10,742,247	10,535,503
3,868,646	4,372,440	4,356,358	4,475,897	4,289,547	4,627,670
-	-	-	-	-	194,872
3,868,646	4,372,440	4,356,358	4,475,897	4,289,547	4,822,542
$ 20,930,730	$ 18,319,410	$ 16,236,650	$ 15,467,240	$ 15,031,794	$ 15,358,045
$ 1,044,182	$ 1,161,842	$ 892,652	$ 1,243,869	$ 1,070,691	$ 755,111
1,087,868	3,238,853	664,973	289,739	165,018	202,982
-	1,248,865	134,259	37,775	3,739,274	2,490,787
2,132,050	5,649,560	1,691,884	1,571,383	4,974,983	3,448,880
5,462,025	5,594,215	6,048,698	6,829,188	6,040,302	6,209,614
-	210,274	-	-	-	-
429,824	297,887	133,954	154,624	218,259	132,207
5,891,849	6,102,376	6,182,652	6,983,812	6,258,561	6,341,821
$ 8,023,899	$ 11,751,936	$ 7,874,536	$ 8,555,195	$ 11,233,544	$ 9,790,701
$ (14,930,034)	$ (8,297,410)	$ (10,188,408)	$ (9,419,960)	$ (5,767,264)	$ (7,086,623)
2,023,203	1,729,936	1,826,294	2,507,915	1,969,014	1,519,279
$ (12,906,831)	$ (6,567,474)	$ (8,362,114)	$ (6,912,045)	$ (3,798,250)	$ (5,567,344)

City of Seabrook, Texas

CHANGES IN NET POSITION (Continued)

Last Ten Years

(Accrual Basis of Accounting)

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

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

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

Fiscal Year					
2008	2009	2010	2011	2012	2013
$ 4,663,052	$ 5,056,183	$ 5,088,332	$ 5,285,995	$ 5,442,550	$ 5,656,089
2,365,779	2,304,229	2,097,398	2,164,992	2,135,045	2,332,016
1,146,560	1,007,741	1,035,216	1,033,334	1,075,551	1,183,623
341,808	56,833	15,843	10,707	10,124	8,293
788,499	752,317	408,615	501,112	592,662	799,891
-	-	-	-	-	-
1,180,741	1,289,312	1,447,381	1,569,873	1,339,685	1,668,673
10,486,439	10,466,615	10,092,785	10,566,013	10,595,617	11,648,585
175,165	40,824	10,116	7,337	6,945	5,562
-	724,104	35,382	-	247,473	254,257
-	-	-	-	-	-
(1,180,741)	(1,289,312)	(1,447,381)	(1,569,873)	(1,339,685)	(1,668,673)
(1,005,576)	(524,384)	(1,401,883)	(1,562,536)	(1,085,267)	(1,408,854)
$ 9,480,863	$ 9,942,231	$ 8,690,902	$ 9,003,477	$ 9,510,350	$ 10,239,731
$ (4,443,595)	$ 2,169,205	$ (95,623)	$ 1,146,053	$ 4,828,353	$ 4,561,962
1,017,627	1,205,552	424,411	945,379	883,747	110,425
$ (3,425,968)	$ 3,374,757	$ 328,788	$ 2,091,432	$ 5,712,100	$ 4,672,387

CITY OF SEABROOK, TEXAS

TAX REVENUES BY SOURCE, GOVERNMENTAL ACTIVITIES

Last Ten Years
(Accrual Basis of Accounting)

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

Fiscal Year						Change
2008	2009	2010	2011	2012	2013	2012-2013
$ 4,663,052	$ 5,056,183	$ 5,088,332	$ 5,285,995	$ 5,442,550	$ 5,656,089	4%
2,365,779	2,304,229	2,097,398	2,164,992	2,135,045	2,332,016	9%
1,146,560	1,007,741	1,035,216	1,033,334	1,075,551	1,183,623	10%
$ 8,175,391	$ 8,368,153	$ 8,220,946	$ 8,484,321	$ 8,653,146	$ 9,171,728	6%

CITY OF SEABROOK, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

(Modified Accrual Basis of Accounting)

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

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

Fiscal Year					
2008	2009	2010	2011	2012	2013
$ -	$ 2,183	$ 4,684	$ 62,076	$ 24,677	$ 13,687
-	-	-	-	-	-
-	-	-	-	-	801,291
-	-	-	-	853,532	78,000
2,691,060	2,831,297	2,855,163	3,185,900	3,345,601	3,649,445
$ 2,691,060	$ 2,833,480	$ 2,859,847	$ 3,247,976	$ 4,223,810	$ 4,542,423
$ -	$ -	$ -	$ -	$ 195	$ 980
5,418,337	5,680,053	5,489,578	4,818,455	4,701,768	4,388,221
$ 5,418,337	$ 5,680,053	$ 5,489,578	$ 4,818,455	$ 4,701,963	$ 4,389,201

CITY OF SEABROOK, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2004	2005	2006	2007 (1)
Revenues				
Taxes	$ 6,420,281	$ 7,416,463	$ 7,448,204	$ 7,568,401
Licenses and permits	305,010	423,319	456,056	321,577
Fines and forfeitures	291,131	320,391	472,946	463,600
Charges for services	66,621	64,595	62,687	57,079
Intergovernmental	491,309	198,268	17,480	82,216
Investment revenue	112,651	274,851	569,204	489,206
Other revenues	133,506	128,260	152,770	329,123
Total Revenues	7,820,509	8,826,147	9,179,347	9,311,202
Expenditures				
General government	1,920,923	2,189,352	2,533,747	3,040,338
Public safety	3,092,887	3,215,425	3,552,847	3,551,443
Public works	1,895,587	1,405,276	1,437,989	1,521,301
Economic development	2,140,740	1,540,481	2,981,294	307,161
Capital outlay	-	-	-	1,373,161
Debt service:				
Principal	900,683	1,942,259	669,588	455,687
Interest and fiscal fees	546,849	563,874	690,730	501,128
Bond issuance costs	-	-	-	-
Advance refunding escrow	-	-	-	-
Total Expenditures	10,497,669	10,856,667	11,866,195	10,750,219
(Deficiency) of Revenues (Under) Expenditures	(2,677,160)	(2,030,520)	(2,686,848)	(1,439,017)
Other Financing Sources (Uses)				
Transfers in	963,766	1,297,884	1,041,426	2,144,264
Transfers out	(119,638)	(104,284)	(119,554)	(2,139,767)
Refunding bonds issued	1,605,000	-	2,971,250	-
Bonds issued	4,500,000	-	5,175,000	-
Premium on bonds issued	-	-	62,655	-
Discount on bonds issued	-	-	(53,278)	-
Payments to refunded bond escrow agent	(1,571,048)	-	(3,049,675)	-
Capital leases	232,647	-	107,627	-
Insurance proceeds	-	-	-	-
Sales of capital assets	3,179	2,800	-	-
Total Other Financing Sources	5,613,906	1,196,400	6,135,451	4,497
Net Change in Fund Balances	$ 2,936,746	$ (834,120)	$ 3,448,603	$ (1,434,520)
Debt service as a percentage of noncapital expenditures	19.18%	17.32%	26.90%	14.60%

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

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

CITY OF SEABROOK, TEXAS

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Years

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

Source: Harris County Certified Tax Rolls and Corrections

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

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

Fiscal Year					
2008	2009	2010	2011	2012	2013
$ 800,371,653	$ 918,598,632	$ 900,127,932	$ 916,878,359	$ 921,323,736	$ 937,092,962
93,001,677	95,312,943	96,447,635	92,903,636	86,707,764	90,255,089
(147,046,586)	(161,054,726)	(166,465,212)	(169,009,366)	(169,776,137)	(170,919,619)
$ 746,326,744	$ 852,856,849	$ 830,110,355	$ 840,772,629	$ 838,255,363	$ 856,428,432
$ 0.620252	$ 0.588373	$ 0.613409	$ 0.626807	$ 0.649978	$ 0.665232

City of Seabrook, Texas

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years

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

Tax rates per $100 of assessed valuation

Source: Harris County Appraisal District

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

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

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

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CITY OF SEABROOK, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

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

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

City of Seabrook, Texas

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years

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

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

CITY OF SEABROOK, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

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

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

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

Fiscal Year					
2008	**2009**	**2010**	**2011**	**2012**	**2013**
$ 18,385,000	$ 17,872,500	$ 17,315,625	$ 16,727,500	$ 16,110,000	$ 15,555,000
-	-	900,000	900,000	865,000	830,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
18,385,000	17,872,500	18,215,625	17,627,500	16,975,000	16,385,000
5,522,000	5,357,000	5,174,000	4,978,000	4,773,000	3,418,000
540,000	412,500	279,375	142,500	-	1,175,000
6,062,000	5,769,500	5,453,375	5,120,500	4,773,000	4,593,000
$ 24,447,000	$ 23,642,000	$ 23,669,000	$ 22,748,000	$ 21,748,000	$ 20,978,000
$ 415,708,106	$ 448,887,699	$ 478,986,277	$ 421,009,200	$ 493,026,700	$ 531,297,900
5.88%	5.27%	4.94%	5.40%	4.41%	3.95%
11,577	12,051	12,367	12,683	12,700	12,853
$ 2,112	$ 1,962	$ 1,914	$ 1,794	$ 1,712	$ 1,632

CITY OF SEABROOK, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

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

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

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CITY OF SEABROOK, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2013

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

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

(1) Dollars in thousands

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

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

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

CITY OF SEABROOK, TEXAS

PLEDGED-REVENUE COVERAGE

Last Ten Years

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

(1) Total revenues including interest
(2) Total operating expenses less depreciation
(3) Includes revenue bonds only

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

CITY OF SEABROOK, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years

Fiscal Year Ended	Population (2)(7)	Personal Income (6)	Per Capita Personal Income (5)(7)(8)	Median Age (5)(7)	School Enrollment (3)	Unemployment Rate (4)(7)
2004	10,803	$ 352,329,110	$ 32,614	n/a	1,977	4.2%
2005	10,904	$ 364,552,822	$ 33,433	34.0	1,977	4.1%
2006	11,000	$ 377,003,000	$ 34,273	34.6	1,744	3.6%
2007	11,182	$ 391,560,094	$ 35,017	36.6	1,767	3.8%
2008 (9)	11,577	$ 415,708,106	$ 35,908	36.3	1,694	2.9%
2009	12,051	$ 448,887,699	$ 37,249	36.6	1,731	3.0%
2010	12,367	$ 478,986,277	$ 38,731	36.8	1,721	3.1%
2011 (1)	12,683	$ 421,009,200	$ 33,195	37.3	1,776	6.9%
2012 (10)	12,700	$ 493,026,700	$ 38,821	38.0	1,794	7.5%
2013	12,853	$ 531,297,900	$ 41,336	38.0	1,871	5.5%

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

CITY OF SEABROOK, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Five Years Ago

	Fiscal Year		
	2013		2008 (1)
Employer	**Employees**	**Total City Employment (%)**	**Employees**
Technical Automation Service Corporation	45	4.88%	130
City of Seabrook	99	10.74%	103
Seabrook Intermediate School	103	11.17%	105
Kroger	101	10.95%	95
Bay Area Elementary	80	8.68%	82
Lakewood Yacht Club	68	7.38%	71
Gulf Coast Pipeline Services	84	9.11%	-
Gulf Coast Limestone	58	6.29%	-
Bay Area Trees and Landscape	50	5.42%	45
Mario's Flying Pizza	30	3.25%	35
Seabrook Classic Café	42	4.56%	36
Hooters	42	4.56%	80
McDonald's	38	4.12%	36
Marine Max	35	3.80%	40
Maas Nursery and Landscaping	25	2.71%	32
Kiwo, Inc.	22	2.39%	31
Total	922	100.00%	921

Sources: Bay Area Economic Partnership, City records

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

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CITY OF SEABROOK, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government:										
City Manager	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50
Legislative	2.00	2.00	2.00	2.50	2.50	2.50	3.00	2.50	2.00	2.00
Marketing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.50
Human Resources	0.50	0.50	0.50	1.75	1.75	1.75	1.75	1.75	1.75	1.25
Purchasing	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Finance	3.00	3.00	3.00	2.50	2.00	2.50	3.50	2.50	2.50	2.50
Administrative Assistants	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00
Information Technology	0.00	0.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Streets & Drainage	7.66	7.66	7.66	8.29	9.60	8.29	8.29	8.29	8.29	8.79
Community Development	5.00	4.00	4.00	5.05	5.70	5.70	5.70	5.70	6.00	5.00
Municipal Court	2.00	2.00	2.50	2.50	3.00	3.00	3.25	3.00	3.00	5.50
Subtotal	23.66	22.66	23.16	26.09	29.05	28.24	28.99	27.24	27.54	29.54
Public Safety:										
Police	33.25	34.00	26.50	29.00	32.00	30.50	30.50	30.00	32.00	35.00
Emergency Management	0.75	1.00	1.00	1.00	1.00	1.00	0.75	1.00	1.00	1.00
Animal Control	1.00	2.00	2.00	2.48	2.48	1.48	1.48	1.48	1.48	1.48
Commercial Vehicle Enforcement	0.00	0.00	3.50	3.50	2.50	2.50	2.50	2.50	2.50	0.00
Crime District	0.00	0.00	6.50	6.50	7.00	6.00	6.00	6.00	6.00	6.00
Subtotal	35.00	37.00	39.50	42.48	44.98	41.48	41.23	40.98	42.98	43.48
Enterprise Operations:										
Water	6.66	7.66	4.66	5.57	5.93	6.95	6.95	6.95	6.85	6.80
Sewer	4.68	4.68	4.68	5.57	4.86	4.57	4.57	4.57	4.47	4.41
Billing	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00
Subtotal	13.34	14.34	11.34	13.14	12.79	13.52	13.52	14.52	14.32	14.21
Parks and Recreation	8.00	8.00	7.00	13.19	15.00	13.55	13.68	10.76	9.81	10.31
Hotel Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.00
Economic Development	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	81.00	83.00	82.00	95.90	102.82	97.79	98.42	94.50	96.65	99.54

Source: Economic development department

CITY OF SEABROOK, TEXAS

OPERATING INDICATORS BY FUNCTION

Last Ten Years

	Fiscal Year				
	2004	**2005**	**2006**	**2007**	
Function/Program					
Police					
Arrests	1,040	1,113	1,423	1,155	
Accident reports	203	212	239	256	
Citations	4,201	4,342	5,558	5,162	
Offense reports	369	339	238	390	
Calls for service	16,002	17,545	21,747	23,764	
Fire					
Emergency responses	n/a	n/a	n/a	308	
Fire incidents	n/a	n/a	n/a	27	
Average response time	n/a	n/a	n/a	6:23	
Water					
New accounts	100	142	122	137	
Average daily consumption (thousands of gallons)	1,776	1932	1,652	1,250	
Total consumption	651,052	704,588	604,949	456,090	
Peak daily consumption (thousands of gallons)	2,686	2,891	2,353	2,514	
Sewer					
Average daily sewage treatment (thousands of gallons)	1,233	1,099	1,068	1,345	
Total consumption	450,435	400,353	390,394	478,910	
Peak daily consumption (thousands of gallons)	3,100	2,470	2,500	6,196	(1)

Source: Various City departments

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

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

CITY OF SEABROOK, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Years

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

Source: Various City departments

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

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SINGLE AUDIT REPORTS

CITY OF SEABROOK, TEXAS

For the Year Ended
September 30, 2013

CITY OF SEABROOK, TEXAS

SINGLE AUDIT REPORTS

September 30, 2013

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

March 21, 2014

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Seabrook, Texas (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Belt Harris Pechacek, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

March 21, 2014

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

Report on Compliance for Each Major Federal Fund

We have audited the City of Seabrook, Texas' (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated March 21, 2014 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Belt Harris Pechacek, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

CITY OF SEABROOK, TEXAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended September 30, 2013

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

None

CITY OF SEABROOK, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the City of Seabrook, Texas.

2. No significant deficiencies in internal control were disclosed by the audit of the financial statements.

3. No instances of noncompliance material to the basic financial statements were disclosed during the audit.

4. No significant deficiencies in internal control over major federal award programs were disclosed by the audit.

5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.

6. No audit findings relative to the major federal award programs for the City are reported.

7. The programs included as major programs are:

Programs	CFDA Number
Community Development Block Grant – State's Program	14.228
Economic Adjustment Assistance	11.307

8. The threshold for distinguishing Type A and B programs was $300,000.

9. The City did not qualify as a low-risk auditee in the context of OMB Circular A-133.

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None

C. FINDINGS – FEDERAL AWARDS

None

CITY OF SEABROOK, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2013

Grantor/Program Title	CFDA Number	Grant/Contract Number	Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass-through Texas General Land Office			
Community Development Block Grant - State's Program	14.228	11-323-000-5294	$ 2,490,787
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			2,490,787
DEPARTMENT OF COMMERCE			
Pass-through Economic Development Administration			
Economic Adjustment Assistance	11.307	08-79-04380	1,352,313
TOTAL DEPARTMENT OF COMMERCE			1,352,313
DEPARTMENT OF JUSTICE			
Pass-through Bureau of Justice Assistance			
Bulletproof Vest Partnership Program	16.607	BVX13068990	2,619
TOTAL DEPARTMENT OF JUSTICE			2,619
DEPARTMENT OF HOMELAND SECURITY			
Pass-through Texas Division of Emergency Management			
Emergency Management Performance Grants	97.042	13TX-EMPG-0368	25,062
Pass-through Texas Department of Public Safety			
Homeland Security Grant Program	97.073	12-SR-66392-01	49,761
TOTAL DEPARTMENT OF HOMELAND SECURITY			74,823
TOTAL FEDERAL AWARDS EXPENDED			$ 3,920,542

CITY OF SEABROOK, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2013

1. REPORTING ENTITY

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the City of Seabrook, Texas.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF SEABROOK

AGENDA BRIEFING

Date of Meeting: TUESDAY, APRIL 1, 2014

Submitter/Requestor: Michele Glaser **Date Submitted: 3/24/2014 1:57:19 PM**

Presenter: Michele Glaser

Description/Subject:

Appointment of Barbara Clemmons to the Ethics Review Commission with a term ending 10/15. Ms. Clemmons currently serves as an alternate member with a term ending 10/14. If appointed, we will still have one opening for a regular member and two openings for alternate members.

Purpose/Need: NA

Background/Issue(What prompted this need):

Impacted Parties(Expected/Notified):

Miscellaneous Comments:

Attachments:
(Please list description of attachments and number of pages in each attachment)

Fiscal Impact:	Budgeted	Yes	Finance Officer Review:
	Budget Amendment Required	Yes	
	Future/Ongoing Impact	Yes	
	Budget Dept/Line Item Number		

Funding Comments:

Where on the agenda should this item be placed?
Consent Agenda

Suggested Motion:

Approval. There are no other applicants for these positions.

Agenda Language:

Approve the appointment of Barbara Clemmons as a regular member of the Ethics Review Commission with a term ending 10/15. Mrs. Clemmons currently serves as an alternate member. (Glaser)

City Manager Review:

(All items are to be reviewed and approved by the city manager, except items submitted by the mayor or any council member or routine consent agenda items such as minutes and second & third readings of ordinances)

(City Attorney should review all ordinances, resolutions, contracts and executive session items.)

The City Council of the City of Seabrook met in regular session on Tuesday, March 18, 2014 at 7:00 p.m. in Seabrook City Hall, 1700 First Street, Seabrook, Texas to discuss, consider and if appropriate, take action on the items listed below.

THOSE PRESENT WERE:

GLENN R. ROYAL	MAYOR
ROBERT LLORENTE	COUNCIL PLACE NO. 1
MIKE GIANGROSSO	COUNCIL PLACE NO. 2
GARY JOHNSON	COUNCIL PLACE NO. 3
DON HOLBROOK	COUNCIL PLACE NO. 4
THOM KOLUPSKI - Ex. Abs.	COUNCIL PLACE NO. 5
LAURA DAVIS	MAYOR PRO TEM & COUNCIL PLACE NO. 6
GAYLE COOK	CITY MANAGER
SEAN LANDIS	ASSISTANT CITY MANAGER
STEVEN L. WEATHERED	CITY ATTORNEY
MICHELE L. GLASER	CITY SECRETARY

Mayor Royal called the meeting to order at 7:00 p.m. and led the audience in the United States and Texas Pledges of Allegiance.

1.0 PRESENTATIONS

1.1 Seabrook Police Department Badge Presentation for Officer Jason Young. (Holomon)

This item was deferred.

2.0 PUBLIC COMMENTS AND ANNOUNCEMENTS

Paul Robinson, Dickinson, organizer of the Texas Outlaw Challenge thanked Council for its previous support. He stated that last year's event was one of the top four events of this type nationally and was responsible for 1250 room nights. He added that the goal for FY 2014/15 was to become the second largest event nationally with 1,500+ room nights. He also reported that most of the events this year will be in Kemah, but room blocks have been reserved in Seabrook hotels.

2.1 Mayor, City Council and/or members of the city staff may make announcements about city/community events. (Council)

Councilor Giangrosso reported on several upcoming events. Mayor Royal thanked Mayor Pro Tem Davis for chairing the March 4 meeting.

3.0 CONSENT AGENDA

3.1 Approve the February 2014 Public Safety Report. (Holomon)

3.2 Approve February 2014 Building report. (Landis)

3.3 Approve special events permit and temporary signs for Keels & Wheels annual Classic Automobile and Vintage Boat Show at Lakewood Yacht Club to be held May 3-4, 2014. (Applicant)

3.4 Approve the minutes of the March 4, 2014 regular City Council meeting. (Glaser)

3.5 Approve second and final reading of proposed Ordinance No. 2014-07, "Amendment to the Regulation of itinerant Vendors." (Council)

AN ORDINANCE AMENDING ORDINANCE NO. 2013-25 AND THE SEABROOK CITY CODE, CHAPTER 22, “BUSINESSES,” ARTICLE III. “PEDDLERS, ITINERANT VENDORS, HAWKERS, SOLICITORS AND CANVASSERS”, SECTION 22-82, “ITINERANT VENDORS ON PRIVATE PROPERTY” TO ALLOW NON-PROFIT YOUTH ORGANIZATIONS TO BE EXEMPTED FROM THE REQUIREMENT TO OBTAIN AN ITINERANT VENDORS PERMIT; PROVIDING A PENALTY IN AN AMOUNT OF $500.00 OR THE MAXIMUM AMOUNT PROVIDED BY LAW FOR VIOLATION OF ANY PROVISION HEREOF BY INCLUSION IN THE CODE; REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES INCONSISTENT OR IN CONFLICT HEREWITH; PROVIDING FOR SEVERABILITY; AND PROVIDING FOR NOTICE.

3.6 Approve the reappointment of Carl Kuehnel to the Ethics Review Commission for a two-year term which will expire October 31, 2015. (Glaser)

Motion was made by Councilor Holbrook and seconded by Councilor Giangrosso

To approve the Consent Agenda.

MOTION CARRIED BY UNANIMOUS CONSENT.

END OF CONSENT AGENDA

4.0 NEW BUSINESS

4.1 Review and allocation of funds for events funded with Hotel Occupancy Tax for FY 2014/15. (Dearman)

Director of Public Information, LeaAnn Dearman reported on the recommendations from the Committee for expenditures in FY 2014/15.

Yachty Gras	$ 1,500
Lucky Trails Marathon	$25,000
Keels & Wheels	$50,000

Outlaw Challenge	Defer decision until after this year’s event
Gulf Coast Film Festival	$2,500
Saltwater Derby	Defer decision until after this year’s event
Seabrook Festival of the Arts	$15,000.
Bay Access Sailing Program	$25,000
JFest	$15,000
Possible Contingency	$13,000

The only recommendation for an increase in funding is Bay Access from $10,000 in FY 2013/14 to $25,000 in FY 2014/15.

Ms. Dearman stated that the representatives of the Boatober event had not responded to her requests for submission of an application. Councilor Llorente asked if the group may submit at a later date. Mayor Royal stated all groups funded in the previous year must submit by the deadline. New groups may submit after the deadline for the first year only. Ms. Dearman stated that she sent out applications last fall, sent reminders in January and extended the deadline until February 14 for all groups including the Boatober Fest.

Councilor Llorente asked why the committee recommended deferring a decision on the Outlaw Challenge event. Ms. Dearman explained that the Committee had recommended deferment for the Outlaw Challenge event until the completion of this year’s event so it can be determined if the organization met the criteria established by Council.

Mayor Royal asked if the Committee had a recommendation for events taking place outside of Seabrook. Ms. Dearman stated that the committee recommended that any event held outside the city limits should be limited to a maximum of $5,000. Ms. Dearman stated that this recommendation would have to be approved by Council before implementation.

Councilor Johnson asked why the committee had recommended an increase of $15,000 for Bay Access. Ms. Dearman stated that Bay Access consists of several events throughout the year, with each having potential to increase hotel stays. Councilor Johnson stated that this was a significant increase, especially as he has not yet seen the reward to the city.

From the audience, Andrea Tederro, Lakewood Yacht Club and a planner of the Bay Access youth sailing events, stated that she had requested $25,000 from the city last year. However, as the deadline had passed, most funds had been committed and only $10,000 was available. She stated that the January youth sailing event alone was responsible for an additional 141 room nights at the Springhill Marriott. A contribution of $25,000 (which will be approximately 14 percent of the entire Bay Access budget) will make the city a platinum sponsor which will give the city greater advertising presence. Ms. Tederro stated that it is difficult to calculate hotel stays for some events as many of the participants do not make advance hotel reservations although they actually stay one or two nights in a hotel. She added that she planned to reach out to Seabrook bed and breakfast facilities that typically do not benefit from these events and ask for brochures that will be given to participants.

Councilor Giangrosso stated that he would like to see a report of the number of room nights at each hotel for each event. Mayor Royal stated that has been told by many groups that it had been a challenge to quantify hotel stay nights. He asked Ms. Dearman if she had suggestions to help in this area. Ms. Dearman stated that she has committee recommendations for all applicants.

Mayor Royal announced that he would recuse himself from voting on Yachty Gras.

Motion was made by Councilor Giangrosso and seconded by Councilor Davis

To approve the above recommendations for events in the FY 2014/15 Hotel Tax Budget with the exception of Yachty Gras which will be considered in a separate vote.

Councilor Llorente stated that the $13,000 contingency would not cover the requests of the Outlaw Challenge, the Saltwater Derby and Boatober Fest at a later date. Ms. Dearman stated that the listed contingency is an estimate based on last year's budget. She stated that the reason she asks for a Council vote early is to allow her to make adjustments to other items in the proposed Hotel Tax Budget. Councilor Davis explained that some expenses in FY 2013/14 may not be required in FY 2014/15, thereby possibly increasing the contingency amount.

Ayes: Royal, Davis, Giangrosso, Holbrook.
Nay: Johnson, Llorente.

MOTION CARRIED BY MAJORITY VOTE.

Mayor Royal left the table and Mayor Pro Tem Davis conducted the meeting for the next motion.

Motion was made by Councilor Holbrook and seconded by Councilor Giangrosso

To approve Yachty Gras in the amount of $1,500 as recommended.

Ayes: Davis, Giangrosso, Holbrook.
Nays: Johnson, Llorente
Recused and not voting: Royal.

MOTION CARRIED BY MAJORITY VOTE.

Mayor Royal returned to the table and resumed as Chair.

4.2 Accept the City Secretary's certification that all candidates are unopposed for the General Municipal Election scheduled to be held on May 10, 2014 and consider approval of first and final reading of proposed Ordinance No. 2014-08, "Cancellation of the May 10, 2014 Election. " (Glaser)

AN ORDINANCE CANCELLING THE SEABROOK GENERAL MUNICIPAL ELECTION SCHEDULED TO BE HELD ON MAY 10, 2014 IN ACCORDANCE WITH SECTION 2.053(A) OF THE TEXAS ELECTION CODE AS ALL CANDIDATES ARE UNOPPOSED.

Motion was made by Councilor Holbrook and seconded by Councilor Giangrosso

To accept the City Secretary's certification that all candidates are unopposed for the General Municipal Election scheduled to be held on May 10, 2014 **and** approve first and final reading of proposed Ordinance No. 2014-08, "Cancellation of the May 10, 2014 Election. "

MOTION CARRIED BY UNANIMOUS CONSENT.

4.3 Consider approval of first and final reading of proposed Ordinance No. 2014-09, "Amending the FY 2012/13 Budget." (Lab)

AN ORDINANCE AMENDING THE BUDGET FOR THE FISCAL YEAR BEGINNING ON OCTOBER 1, 2012 AND ENDING ON SEPTEMBER 30, 2013 FOR THE CITY OF SEABROOK.

Motion was made by Councilor Llorente and seconded by Councilor Davis

To approve first and final reading of proposed Ordinance No. 2014-09.

MOTION CARRIED BY UNANIMOUS CONSENT.

5.0 ROUTINE BUSINESS

5.1 Consider approval of the Action Items Checklist which is attached and made a part of this agenda. (Council)

Mrs. Cook reported that the Surf Oaks survey is complete and the surveyor will meet with the property owners regarding some items on the survey.

Motion was made by Councilor Holbrook and seconded by Councilor Johnson

To approve the Action Items Checklist as presented.

MOTION CARRIED BY UNANIMOUS CONSENT.

5.2 Establish future meeting dates and agenda items including possible rescheduling of May Council meetings. (Council)

Council agreed to reschedule the May 20 meeting to May 13, as three members are unable to attend the May 20 meeting. New members will take the oath of office at the May 13 meeting.

Upon motion, Mayor Royal adjourned the meeting at 7:38 p.m.

Approved this 1st day of April 2014.

____
Glenn R. Royal, Mayor

____
Michele L. Glaser, TRMC
City Secretary

CITY OF SEABROOK

AGENDA BRIEFING

Date of Meeting: TUESDAY, APRIL 1, 2014

Submitter/Requestor: Gayle Cook **Date Submitted: 3/26/2014 10:12:10 AM**

Presenter:

Description/Subject:

Over the past year at city hall, we have had a number of offices re-carpeted as a result of special projects on the second floor at city hall. Projects include the remodeling of the second floor lobby to add a new permanent water department desk area and was funded by enterprise fund. This resulted in the re-carpeting of the lobby and adjoining water department personnel's offices. And most recently, the Emergency Operations Center (EOC) on the second floor received approval and funds from the Public Safety Fund for office improvements and was just re-carpeted this past week. We are now left with the remaining part of the second floor of city hall with the original carpet that is over 18 years old and very badly worn in many areas. While the manufacturer still produces this carpet, we would like to request that funding be approved to re-carpet the remaining areas from funds in the non-reserved fund balance as a one time expenditure.

Purpose/Need: NA

Background/Issue(What prompted this need):

Impacted Parties(Expected/Notified):

Miscellaneous Comments:

Attachments:
(Please list description of attachments and number of pages in each attachment)
carpet photos
carpet estimate

Fiscal Impact:	Budgeted	Yes	Finance Review:	Officer

Budget Amendment Required	Yes
Future/Ongoing Impact	Yes

Budget Dept/Line Item Number

Funding Comments:

Where on the agenda should this item be placed?
New Business

Suggested Motion:

Agenda Language:

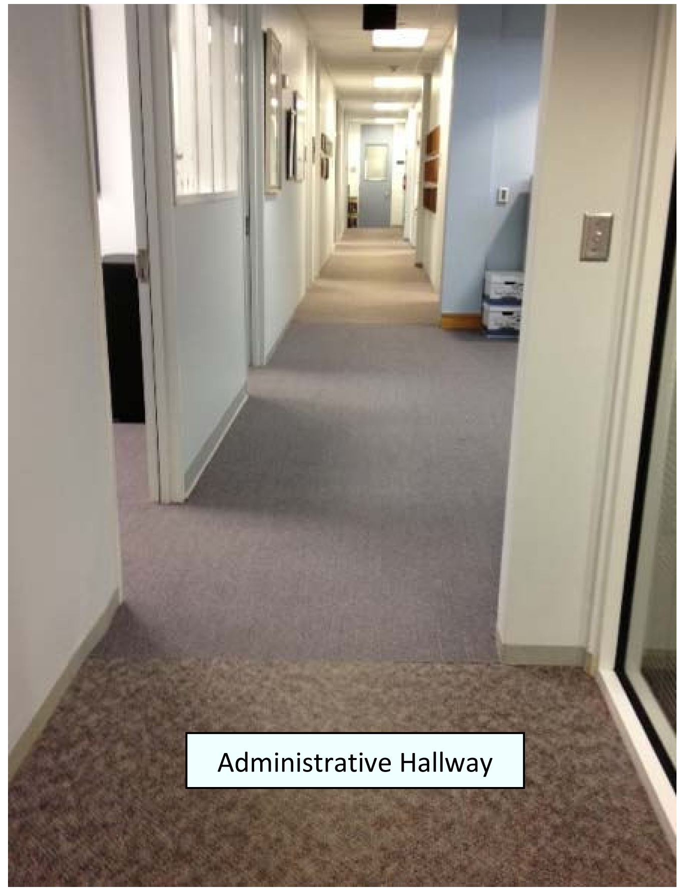
Consider replacement of carpeting on the second floor of city hall in the approximate amount of $10,000.00. Monies are available in non-reserved fund balance. (Cook)

City Manager Review:

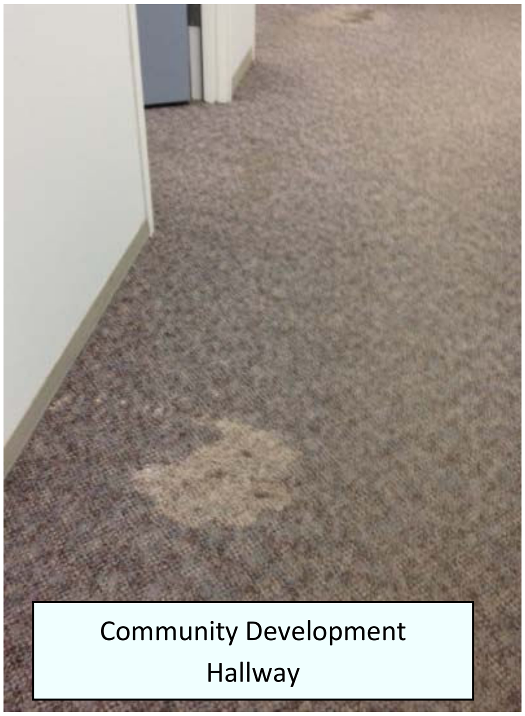
(All items are to be reviewed and approved by the city manager, except items submitted by the mayor or any council member or routine consent agenda items such as minutes and second & third readings of ordinances)

(City Attorney should review all ordinances, resolutions, contracts and executive session items.)


EOC Room


Administrative Hallway


EDC Office



Community Development
Hallway

Court Department

Area almost showing cement

THE SHERWIN-WILLIAMS COMPANY
Floorcovering Proposal and Contract

ROADRUNNER RESTORATIONS

STORE NUMBER, NAME, PHONE	DATE
#7377 PHONE 713-682-6161 FAX 936-231-3241	8/1/2012

CUSTOMER'S NAME	BILLING ADDRESS	PHONE NUMBER	FAX NUMBER	INSTALLATION DATE
CITY OF SEABROOK	CITY HALL	281-291-5705	281-291-5690	

INSTALLATION ADDRESS	ESTIMATOR	INSTALLATION NAME
1700 1ST STREET	BRYAN D. HANKS CELL # 713-398-0339	

CITY, STATE, ZIP CODE	TYPE OF ORDER	MSD.BY	CUT BY	DATE CUT
SEABROOK TEXAS 77586	slandis@ci.seabrook.tx.us			

	AREA	PRODUCT DESCRIPTION	COLOR/PATTERN	SIZE	SQ.FT.	SQ.YDS.	PRICE PER UNIT	TOTAL PRICE
1)	FRT OFFICE	NEYLAND II 50530	RIVER ROCK 30454	12X477	5724	636.00	$1.09	$6,239.16
2)	210,212,							
3)	COPY RM,213							
4)	215,LUNCH RM	**CUSTOMER TO MOVE ALL FURNITURE**						
5)	EOC,221,201							
6)	202,203,	**DIRECT GLUE DOWN**						
7)	FAITHS OFF							
8)	MEETING RM							
9)	205,206,	***PRICE QUOTE SUBJECT TO CHANGE***						
10)	HALLS	***DUE TO MARKET INSTABILITY***						

MISC. ACCESSORIES OR LABOR CHARGES			
CARPET TAKE UP	5724.00	$0.25	$1,431.00
CARPET GLUE DOWN	5724.00	$0.50	$2,862.00
FLOOR PREP $35 PER BAG IF NEEDED			
		SUBTOTAL	$10,532.16
		TAX	$514.73
		TOTAL	$11,046.89
		LESS: DEPOSIT	
		BALANCE DUE	$11,046.89

The Company agrees to sell, if specified, deliver and arrange for the installation of the materials listed above, on the reverse side, and/or on attached sketches and specification sheets.

Installation: If installation is specified, it is understood that the Company may authorize a contractor, licensed where required, to make installation of the materials and the Customer authorizes the Company:

(1) to issue to said contractor an installation work order with specifications set forth herein; (2) to inspect installation upon completion thereof; and (3) to pay the contractor his charge for such installation.

There shall be no liability for delays in or failure to complete delivery or installation of all or any of the above-mentioned merchandise or materials, if due to fire or other casualties, labor disputes, war, governmental regulations, interruption of or delay in transportation, or any cause beyond the control of the Company.

Any changes made by Customer in the above specifications necessitating additional materials or labor shall not be included or covered by this Contract, but shall be provided for under separate and additional written orders from the Customer.

The Contract shall constitute the entire agreement between the parties. Verbal understandings and agreements shall not be binding unless set forth herein, and this Contract may not be canceled or modified without the express written consent of the Company and the Customer.

In the event Customer's Credit is not approved by the Company's Credit Department any payment made hereunder shall be refunded to the Customer, less any cancellation charge by the manufacturer not to exceed $50.00, and this Contract shall be null, void and of no effect.

PLEASE SIGN AND FAX BACK TO 936-231-3241

Payment: Customer agrees to pay to the Company the total balance due as follows:

___ Flexible Revolving Charge Account-per Flexible Revolving Credit Agreement. net 20th Prox

___ Cash On Completion - Payment of full balance due upon delivery and/or installation of the specified materials at the installation address.

A cash-on-completion sale is a conditional sale, and title to the specified materials shall remain with the Company and shall not pass to the Customer until the total balance due has been paid in full.

Customer specifically and knowingly grants to the Company the right and authority, upon the customer's failure to pay the total balance due in full at the time of completion of delivery and/or installation, to immediately remove and retake the specified materials included in this contract from the installation address, with or without legal process, but without breach of the peace.

Company shall have the right to remove and retake the specified materials, whether or not the removing and retaking shall cause any damage or injury to the installation address or any part thereof, and Company shall not be liable for any such damage or injury.

If removal and retaking of the specified materials is necessitated by the Customer's default in payment, and deposit or downpayment paid by Customer to the Company pursuant to this contract shall be forfeited by Customer, and shall be applied toward the cost of removal of the specified materials, and any other costs incident to this contract.

By signing, I confirm that I have read the above terms and that I fully understand their meaning and import.

CUSTOMER'S SIGNATURE | DATE

The Sherwin-Williams Company

STORE MANAGER'S SIGNATURE & DATE

STREET ADDRESS
3532 EAST T.C. JESTER BLVD
CITY, STATE & ZIP CODE
HOUSTON,TEXAS 77018-6023
EMPLOYEE'S NAME/SIGNATURE

CITY OF SEABROOK

AGENDA BRIEFING

Date of Meeting: TUESDAY, APRIL 1, 2014

Submitter/Requestor: Nona Holomon **Date Submitted: 3/26/2014 10:22:27 AM**

Presenter:

Description/Subject:

Due to the mandatory change for police radios on the Harris County System to be P25 and TDMA compliance, the Seabrook Police Department will need to replace our current radio system and be in complete compliance by the end of 2015.

It has also been recommended by our IT director that we upgrade and replace our radio and phone recording system. The current system runs on windows XP and that operating system will no longer be supported. Currently, the Police Department has been looking for ways to find additional funding methods through grants and special funds; however, applications have not deemed successful.

The importance of communications to our department with surrounding jurisdictions is critical and having a phased approach on this project due to future funding could delay the City of Seabrook reaching the anticipated deadline. Therefore, I am recommending to city council that this project be approved with funds from the non-reserved fund balance.

The Public Safety Budget for FY 12/13 due to extended position vacancies, ended the fiscal year with a surplus of $168,000.

Purpose/Need: NA

Background/Issue(What prompted this need):

Impacted Parties(Expected/Notified):

Miscellaneous Comments:

Attachments:

(Please list description of attachments and number of pages in each attachment)
List of Equipment
Information from Harris County
presentation

Fiscal Impact:	Budgeted	Yes	Finance Officer Review:
	Budget Amendment Required	Yes	
	Future/Ongoing Impact	Yes	
	Budget Dept/Line Item Number		

Funding Comments:

Where on the agenda should this item be placed?
New Business

Suggested Motion:

Agenda Language:

Consider approval of the purchase of updated communications equipment for the police department in the approximate amount of $195,000. Monies are available in the non-reserved fund balance. (Holomon)

City Manager Review:

(All items are to be reviewed and approved by the city manager, except items submitted by the mayor or any council member or routine consent agenda items such as minutes and second & third readings of ordinances)

(City Attorney should review all ordinances, resolutions, contracts and executive session items.)

Seabrook Police Communications Project

Captain Sean A. Wright

Background Information

- 2003
  - Police department received funds to move to the 800 mhz. radio system.
  - Police department purchased mobile (vehicle), portables (handhelds) and consolettes (dispatch center) radios.
  - Police department subscribed to the Harris County Radio system.
  - Police department dispatches via 800 mhz. to officers and conventional UHF/VHF frequencies for fire department.

Background Information

- 2008
  - Hurricane IKE hits Seabrook.
  - Dispatch office flooded.
  - As a result funds were awarded to police department for communications.
  - Secondary dispatch created upstairs in the emergency management office with two operating positions.

Background Information

- 2013
  - Police radio failed and was submitted for repair
  - Radio will not be repaired (end of life) per Motorola.
  - Police department current police radio is a loaner from Harris County.
  - Police department informed about Harris County mandatory change.

Background Information

MOTOROLA

Ship To: 1012852910-001 HOUSTON 2 WAY RADIO SERVICE LLC 4100 N SAM HOUSTON PKWY W STE 290 HOUSTON, TX, 77086, US	Bill To: 1012852910-001 HOUSTON 2 WAY RADIO SERVICE LLC 4100 N SAM HOUSTON PKWY W STE 290 HOUSTON, TX, 77086, US	PO Number Steve Self	PO Auth Livanec Stacy 713-681-2525
		Contract Number NONE	Sale Type RETURNED UNREPAIRED
		Receive Date 29-Aug-2013	Ship Date 25-Sep-2013
713-681-2525			

PACKING SLIP ONLY
THIS IS NOT AN INVOICE
SERVICE REPORT/WORK TICKET

Serial Number IN 761CDU0051	Model Id ASTRO CONSOLETTE
	Description ASTRO CONSOLETT
Serial Number OUT 761CDU0051	Customer Problem Description RECEIVE DEFECT
Model Number / Part ID L04UJH9PW7AN	
RMA No JS00867613	

Services Performed

Notes	Parts	Part Description	Qty	Price	Extended
"This radio is past the required service support window. The radio is being returned unrepaired after a commercially reasonable attempt at repairing the unit found the parts needed are no longer available."					

Resolution Information

NO LONGER SUPPORTED, RETURNING UNREPAIRED

Flat Rate	0.00
Parts	0.00
Tax	0.00
Shipping	0.00
Labor	0.00
Total	0.00

Background Information

- **Harris County   Information Technology Center, Radio Services Search Harris County**

  Only ITC Radio Services Welcome to Harris County Information Technology Center, Radio Services Website!
- **ASTRO 25 Integrated Voice and Data Network**
- Reliable, accurate and real-time information can make the difference between a difficult and a successful outcome. ASTRO® 25 networks, our Project 25 standards based mission-critical network, provides integrated voice and data communications for emergency response and coordinated communications during and after an incident.

  ASTRO 25 Mission Critical Integrated Voice and Data Network provides the backbone for delivering information that's needed, anywhere, anytime. From voice communications, to text messaging, to over the air reprogramming, users have access to information for enhanced decision making.
- **Regional Radio Goals**
- To provide and manage mobile and portable radio communications for Harris County departments and qualified agencies
- The Regional Radio System operates as a CLOSED RADIO NETWORK. Only authorized users may lawfully access this network
- Since these features are now active, it is mandatory that all new radios include RADIO AUTHENTICATION and PHASE II TDMA Due to end of life for existing analog radio system hardware and pending changes to Federal Communication Commission (FCC) requirements , Harris County will be migrating to a pure digital Project 25 radio system by December 31, 2015. **STARTING 2016, ANALOG RADIOS WILL NO LONGER WORK ON OUR RADIO SYSTEM.**

Current issue

- Police department needed to replace communication network.
- Due to the police and fire operating under one communication dispatch a collaborative effort between police, fire and emergency management found a solution.
- Solution included updating and enhancing communications.

Current Issue

- Solution was divided into phases.
- Funding from phase I and III was secured.
- Phase II can be secured with the requested excess funds.
- Solution will increase the interoperability of the first responders for the City of Seabrook.
- During an emergency event the city will have back up capability to stay in communication and respond to the event.

Current Issue

Equipment	Manufacturer	Model	Number	Cost
• Portable Radios	Motorola	Apex 600	40	103,840.00
• Speaker	Motorola	Apex 600	40	3300.00
• Charger	Motorola	Apex 600	40	3084.00
• Mobile radios	Motorola	Apex 6500	20	67,809.80
• Voice Recorder	Alliance	Slick Ver. 5	1	15,000.00
•				
• **Total**				**193,033.00***

- ***approximate cost**

Current issue

- This change will have to be met.
- The earlier the better, postponing the purchase may hurt a smaller agency when the mandatory change occurs, all agencies will try to get equipment and it may become problematic. Larger agencies may become a priority due to their purchase power.
- With the planned construction on 146, communications will be extremely important.

Seabrook Police Department Equipment Summary

Due to the mandatory change for police radios on the Harris County System to be P25 and TDMA compliance the Seabrook Police Department will need to up replace our current radio system. It has also been recommended by our IT director that we upgrade and replace our radio and phone recording system. The current system runs on windows XP and that operating system will no longer be supported. All equipment is listed on HGAC so the bid process is not necessary. The change is mandatory for the fire department as well. In a collaborative effort between the police department, the fire department, and the office of emergency management this mandatory change was broken down into phases. Phase I was the radio infrastructure, the change was funded by bond funds. Phase II is the replacement of police mobile, portables and voice recorder (see below). This is the proposed budget amendment. Phase III is a local repeater that will be funded by public safety funds.

Equipment	**Manufacturer**	**Model**	**Number**	**Cost**
Portable Radios	Motorola	Apex 600	40	103,840.00
Speaker	Motorola	Apex 600	40	3300.00
Charger	Motorola	Apex 600	40	3084.00
Mobile radios	Motorola	Apex 6500	20	67,809.80
Voice Recorder	Alliance	Slick Ver. 5	1	15,000.00
Total				**193,033.00**

Harris County
Information Technology Center, Radio Services

Search Harris County

Search

Only ITC Radio Services

Welcome to Harris County Information Technology Center, Radio Services Website!

ASTRO 25 Integrated Voice and Data Network

Reliable, accurate and real-time information can make the difference between a difficult and a successful outcome. ASTRO® 25 networks, our Project 25 standards based mission-critical network, provides integrated voice and data communications for emergency response and coordinated communications during and after an incident.

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Regional Radio Goals

- To provide and manage mobile and portable radio communications for Harris County departments and qualified agencies
- The Regional Radio System operates as a CLOSED RADIO NETWORK. Only authorized users may lawfully access this network
- Since these features are now active, it is mandatory that all new radios include RADIO AUTHENTICATION and PHASE II TDMA
  - Due to end of life for existing analog radio system hardware and pending changes to Federal Communication Commission (FCC) requirements , Harris County will be migrating to a pure digital Project 25 radio system by December 31, 2015. **STARTING 2016, ANALOG RADIOS WILL NO LONGER WORK ON OUR RADIO SYSTEM.**

Return to Website

ACTION ITEM CHECK LIST STATUS

#		STATUS	DATE ASSIGNED	NEXT REVIEW DATE	PROPOSED CLOSURE DATE	RESPONSIBLE ORGANIZATION	City Council RESPONSIBILITY	PLANNING OBJECTIVE #	AGENDA ITEM NUMBER	DESCRIPTION OF ACTION ITEM	STATUS AND DATE
4		OPEN/IN WORK	12/4/2012			Staff/Council			6.1	Consider transportation alternatives from hotels to new cruise terminal.	Tabled on 12/3/13 for re-evaluation in six months.
5		OPEN/IN WORK	12/4/2012			Staff/P&Z			5.4	Ord. No. 2012-24, "Deleting Existing Point Overlay Sign Regulations" was tabled for staff & P&Z review.	P&Z recommends future discussion/consideration be deferred until the waterfront improvements are complete.
19		OPEN/IN WORK	8/20/2013			City Manager			4.5	Coordinate and lead project to attempt to have Surf Oaks Drive dedicated to allow Precinct 2 to repave.	On 3/18/14 City Mgr reported that survey is complete and surveyor will meet with residents to review survey.
23		OPEN/IN WORK	12/3/2013			Mayor/ City Mgr.			5.1	Provide periodic updates on TxDOT's progress to improve/widen SH 146.	Last update on 3/4/14.
25		OPEN/IN WORK	1/21/2014			Council			5.1	Appointments to Charter Review & Master Plan Review Commission in 07/14.	Reminder to Council to begin looking for candidates.
28		OPEN/IN WORK	1/21/2014			City Manager & TxDOT			4.3	Determine if Option 1 is enforceable concerning left hand turns on SH 146 and write a letter to TxDOT asking for assistance in funding.	Option 2 selected as Option 1 not enforceable. On 3/4/14 Ms. Cook reported that TxDOT did not like Option 2 (delineators) due to maintenance costs; TxDOT considering whether to install curbs to prevent left turns.

April 2014

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1 **Council**	2	3 **Open Space**	4 **Council Work Session** **8 a.m. to 3 p.m.**	5
6	7	8	9	10 **EDC**	11	12
13	14	15 **Council**	16	17 **P&Z** **HCMCA**	18 **Holiday** **City Hall Closed**	19 **Easter Egg Hunt**
20 **Easter**	21	22	23	24	25	26
27	28	29	30			

May 2014

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1 **Open Space & Trails**	2	3 **Keels & Wheels**
4 **Keels & Wheels**	5	6 **Council**	7	8 **EDC**	9	10 **City Election Cancelled**
11	12	13 **Council New officers sworn in**	14	15 **P&Z HCMCA**	16	17
18	19	20 **Citizens in Space 5/20 To 5/23**	21	22 **Hurricane Workshop**	23 **Citizens in Space Ends**	24
25	26 **Memorial Day**	27 **Harris Co. primary runoff**	28	29	30	31