

POPULAR ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2016



A Message From The City Manager

I am pleased to present to you the City of Seagoville Popular Annual Financial Report (PAFR) for the year ended September 30, 2016. This report is intended to increase awareness throughout the community of the financial operations of the City. As such, this report is written in a manner that will summarize and communicate, in a user friendly manner, the City's financial condition.

As we strive to keep citizens informed about the City's financial position, we understand the importance of being accountable for the receipt and expenditure of public funds. Through easier, more user friendly financial reporting, the PAFR is another example of our commitment to improve communication with our citizens and increase public confidence in the City of Seagoville. I want to thank the directors and their staff for their commitment to develop a budget that provides funding support for a quality level of service delivery while maintaining expenditures within fiscally conservative parameters. I also wish to express appreciation to you, citizens of Seagoville, and to the Mayor and City Council, for your commitment to this municipal organization.

I welcome any feedback, comments, or concerns regarding the information included in this report.

Sincerely,

Patrick Stallings

Pat Stallings, City Manager

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INTRODUCTION



Seagoville, a suburban residential community, is on State Highway 175 and the Southern Pacific line ten miles southeast of Mesquite in southeastern Dallas County. Interstate Highway 635, State Highway 75, and Interstate Highway 20 all skirt the community.



Seagoville is on the original land grant of J. D. Merchant. One of the first recorded settlers in the area was Hugh L. Buchanan, who arrived in the 1860s. By 1867 John A. Brinegar had constructed a one-room log school with seats made of split logs. The early 1870s saw the arrival of the next group of settlers, which included the Cravens, Sorrells, Peaks, Moores, and Hawthornes, as well as the town's founder, T. K. Seago, who built a general store there in 1876. A community began to develop around the store, and in 1876 it was known as Seago. In that year B. F. Peak built a cotton gin, and two years later the community's first Baptist church was completed. Freight was shipped and received from locks on the Trinity River. In 1910 the community's first brick school was constructed; it had ten grades and fifteen students. That year the post office name was changed to Seagoville to avoid confusion with the town of Sego. In 1925 Seagoville secured electrical service, and in 1926 it incorporated.

The City of Seagoville is a Home rule city which operates under a Council/City Manager form of government, serving an estimated population of 15,130. The Council consists of the Mayor and five Council members. Council members serve two- year terms and are responsible for appointing the City Manager, Municipal Judge and City Secretary. The City Manager serves as the administrative head of the government and is responsible for implementing and carrying out the goals and objectives set forth by the City Council; and is responsible for the overall operations of the entire city. The City provides a full range of services, general administrative services, public safety services, to include: police and fire protection, communications, ambulance services, an animal shelter and code enforcement; community services: municipal court, library, senior center, health and sanitation; community development: building inspection, planning, streets, parks and recreation; additionally, water and sewer utility services.

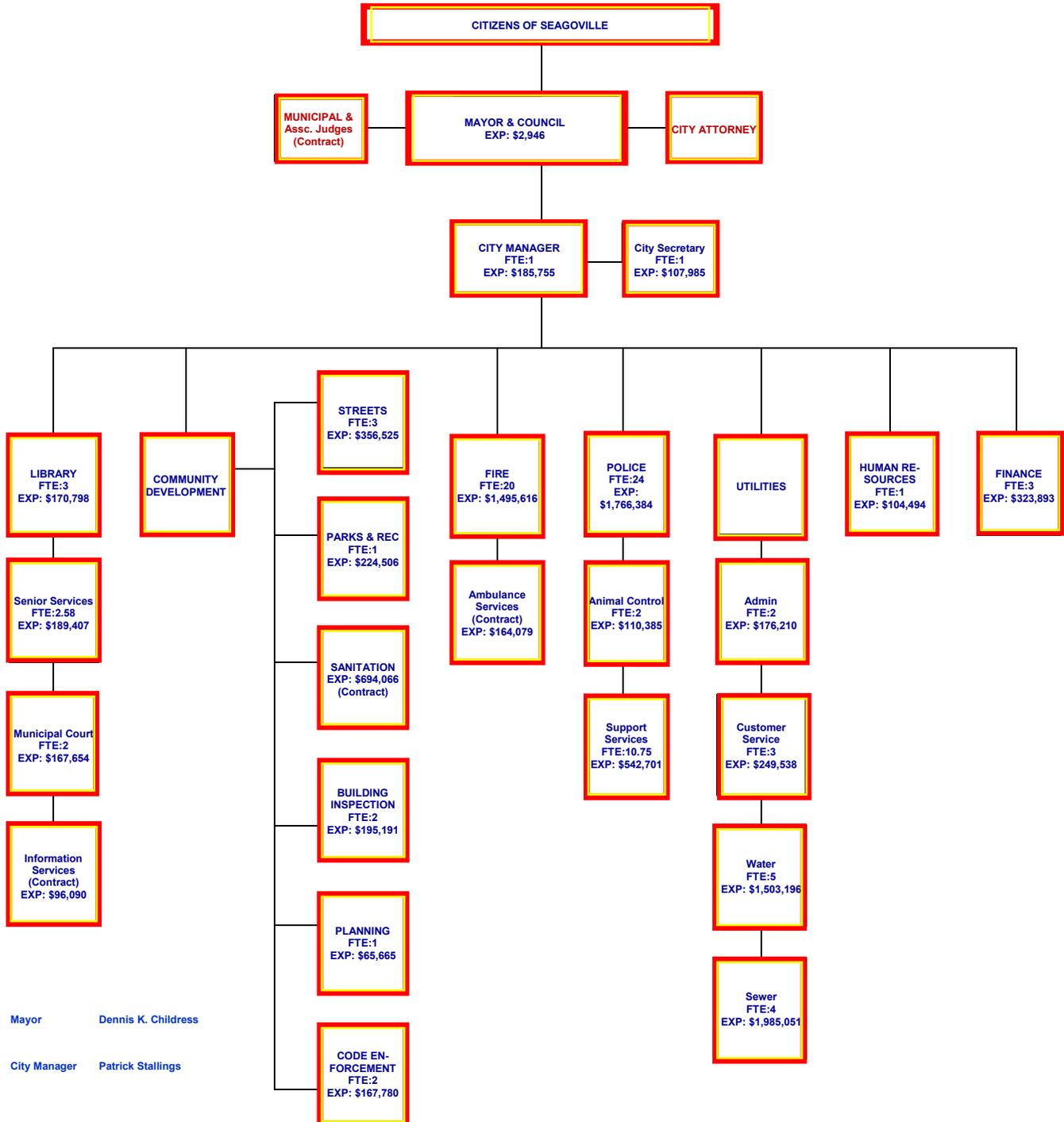
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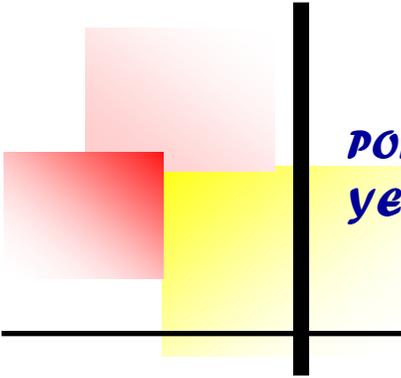


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Organization Chart





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MAJOR INITIATIVES

The City of Seagoville under the directive of the City Council undertook a number of initiatives during the fiscal year to provide for and improve the quality of governmental service, the citizens of Seagoville have come to expect. These improvements were identified after a systematic review of all activities of the City in which each program was analyzed to ensure that it was needed and wanted by the community and that it was being provided with maximum efficiency at the lowest cost possible.

Public safety improvements enhanced the quality of life for Seagoville residents. This year, the city added a public safety vehicle and replaced an emergency siren on Ard Road. The City improved the quality of street infrastructure through the reconstruction of Robinwood Addition improvements, Ard Road, Stark Road and South Kaufman Road.

This year's budget allowed for the establishment of a two person litter crew to abate litter issues, provide mowing and upkeep of City Rights of way. The City also acquired a litter crew truck and an asphalt roller for the Street department and Toro mower for the Parks department. With the assistance of the Seagoville Economic Development Corporation (SEDC), the City installed improvements in Bearden Park.

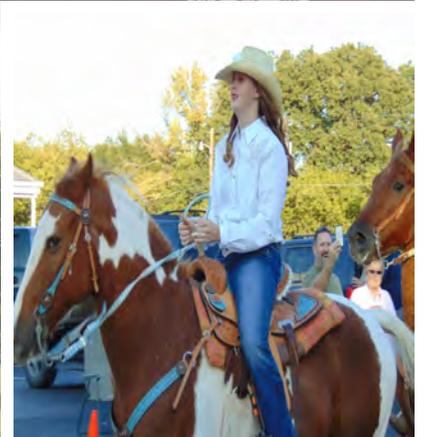
Throughout the year the City operated with an extremely lean budget and reduced service costs without sacrificing quality or impacting critical core areas.

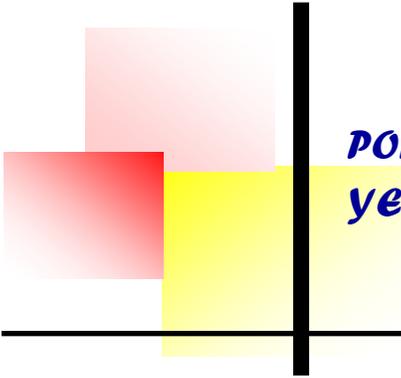
MISSION STATEMENT AND FOCUS AREAS

The long-term goals of the City of Seagoville are to provide quality municipal services to all our citizens and to respond in the most appropriate and fiscally responsible manner to citizen needs and concerns with the active participation of those citizens. These services include general government, public safety, community services and community development. Our focus areas in support of the long term goals are:

1. Provide quality safety services
2. Open, transparent and responsive governance and business services
3. Provide quality leisure opportunities to the community
4. Support economic and community development initiatives
5. Infrastructure operations and maintenance
6. Retain and attract quality employees

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ABOUT THIS FINANCIAL REPORT

As part of our continuous effort to keep you informed of how your tax dollars are being spent, we are pleased to present the 2016 Popular Annual Financial Report (PAFR). The PAFR is a summary of the financial activities of the City's governmental funds and was drawn from information found in the Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in conformance with generally accepted accounting principles (GAAP) and includes financial statements audited by Fox, Byrd & Company, P.C.

Unlike the CAFR, the PAFR is unaudited and presented on a non-GAAP basis. The GAAP basis presentation in the CAFR includes the City's component unit and the presentation of individual funds, as well as, full disclosure of all material events, financial and non-financial, in the notes to the financial statements. Seagoville's CAFR can be viewed by the public at City Hall, at the Public Library and online at www.seagoville.us.

AWARDS

The City received the following awards (valid for one year only) from the Government Finance Officers Association (GFOA):

- ◆ Certificate of Achievement for Excellence in Financial Reporting for the CAFR for the year ended September 30, 2015.
- ◆ Award for Distinguished Budget Presentation for the fiscal year beginning October 1, 2015.
- ◆ Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended September 30, 2014

FINANCIAL HIGHLIGHTS

- ⇒ The City's combined net position (difference between assets and liabilities in governmental business-type activities) at September 30, 2016 totaled \$32,378,964 as follows: \$25,262,872 net investment in capital assets, \$1,882,253 restricted and \$5,233,839 unrestricted (can be used to meet the government's ongoing obligations to the citizens and creditors). Net position is the residual of all other financial statement elements presented in a statement of financial position. Net investment in capital assets is one of three components of net position, consisting of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets (assets whose use is subject to external constraints or constraints imposed by law) reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the difference between total net position and net investment in capital assets and restricted net position.
- ⇒ Total revenues for all governmental funds were \$8,383,026 and total spending was \$9,242,075. The fund balances for these funds were \$3,577,055 in FY 2016 and \$2,981,708 in FY 2015.
- ⇒ Total revenues for business-type activities at the end of FY 2016 were \$5,557,465 and total spending was \$4,697,193 (including interest revenue and interest expense). Total net position was \$13,890,866 as compared to \$14,303,295 in FY 2015.

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GENERAL FINANCIAL INFORMATION

Most City services and projects are accounted for in a general category known as Governmental Funds. These concise descriptions should provide you with a better understanding of the accounts.

GOVERNMENTAL FUNDS

- ◆ **General Fund** - Accounts for revenues and expenditures associated with the general operations of the City that are not required to be accounted for in separate funds.
- ◆ **Special Revenue Funds** – Account for proceeds of specific revenue sources that are legally restricted for specific purposes (e.g. public safety).
- ◆ **Debt Service Fund** – Account for the payment of principal, interest and related costs on general long-term debt.
- ◆ **Capital Projects Funds** – Account for the financial resources used for the construction and/or acquisition of major capital facilities.

PROPRIETARY FUNDS

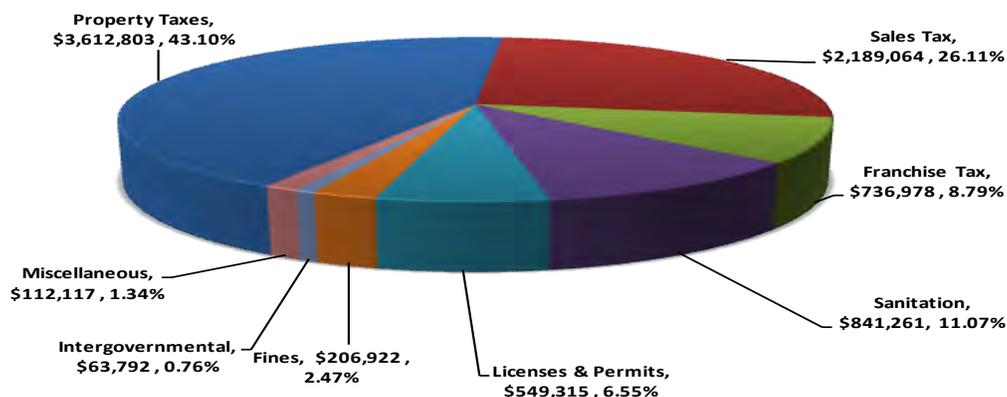
Proprietary Funds account for activities the City operates similar to private businesses. The City of Seagoville has two proprietary funds: the Water and Sewer Fund and the Group Insurance Trust Fund.

This Popular Annual Financial Report (PAFR) focuses on the City’s two largest funds, (General and Water and Sewer) which are of the most interest to citizens.

GOVERNMENTAL FUNDS’ FINANCIAL ACTIVITIES

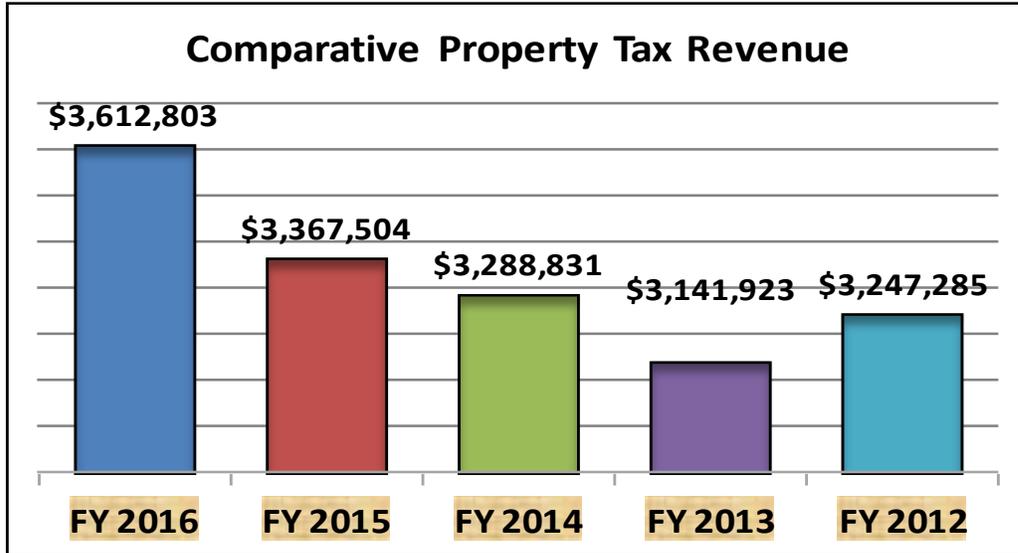
At September 30, 2016 the City’s governmental funds reflected a combined fund balance of \$3,577,055, a \$595,347 increase from the previous year at \$2,981,708. These financial activities comprise the major categories in governmental fund revenue sources:

GOVERNMENTAL REVENUES



GENERAL FINANCIAL INFORMATION (continued)

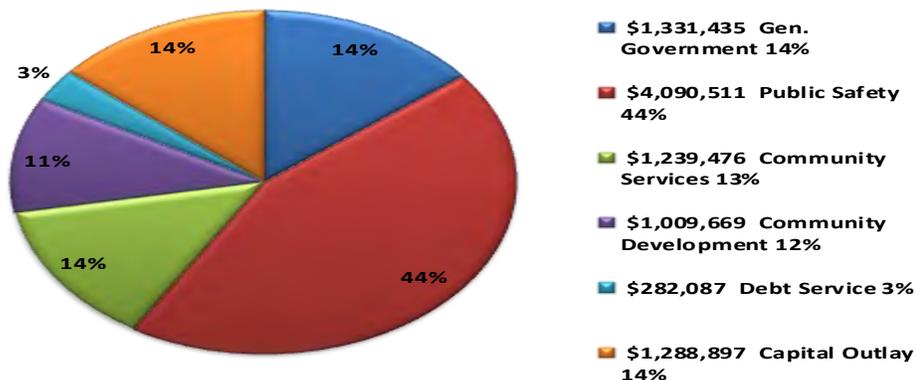
Total revenues for the governmental funds (\$8,383,026) showed an increase of 7.74% or \$602,120 compared to the prior year (\$7,780,906). The primary reasons for the increase were due to an increase in the property tax valuation from \$494,621,920 in the current fiscal year to \$468,560,132 in FY 2015, and increases in sales taxes and building permit revenue.



GOVERNMENTAL EXPENDITURES

Total governmental expenditures decreased by \$125,332 (1.34%) in fiscal year 2016 (\$9,242,075) from 2015 (\$9,367,407). The City's capital outlay decreased \$364,755 in FY 2016 from FY 2015. FY 2016 capital outlay expenditures include one patrol vehicle and camera added (\$45,962 and \$5,008 respectively) along with the repair of the City Hall roof (\$173,423), the replacement of the Ard Road emergency siren (\$24,985) and acquisition of a litter crew truck (\$24,761), an asphalt roller for the Street department (\$39,999) a Toro mower for the Parks department (\$72,125). In the infrastructure category, the City completed street improvements in the Robinwood Addition (\$391,185), Malloy Bridge Road (\$196,547), Stark Road (\$97,686), Ard Road (\$253,973) and South Kaufman Road (\$86,291)

FY 2016 GOVERNMENTAL FUND EXPENDITURES



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GENERAL FINANCIAL INFORMATION (continued)

CAPITAL ASSETS

The City of Seagoville has \$32,316,668 in the following categories of capital assets:

Land

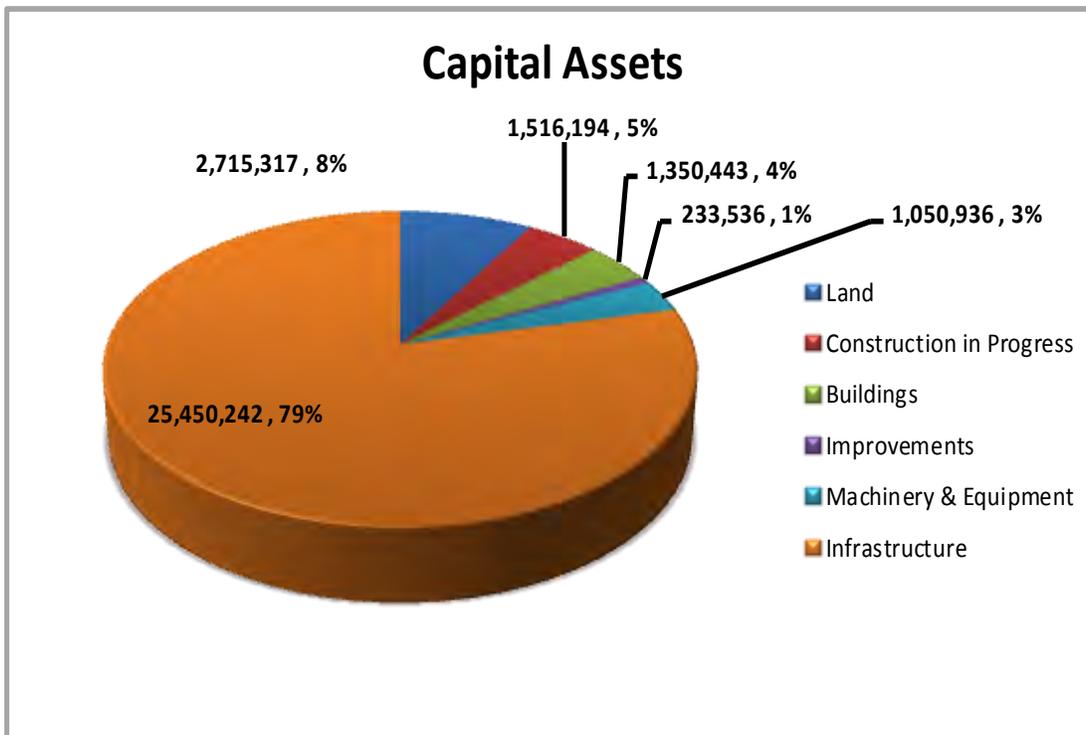
Construction in Progress - This class of capital assets is used for costs incurred to construct or develop capital assets before it is substantially ready to be placed in service.

Buildings – Includes permanent structures like City Hall, the police facility and fire station.

Improvements – This class of assets is used for permanent (i.e., non-movable) improvements other than buildings that add value to land. Examples include fencing, parking lots and landscaping.

Machinery and Equipment

Infrastructure – These are long-lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include streets, drainage systems, water and sewer systems.



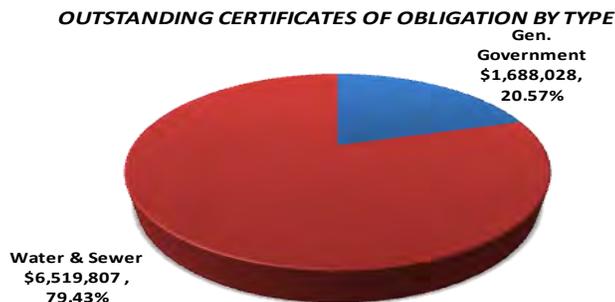
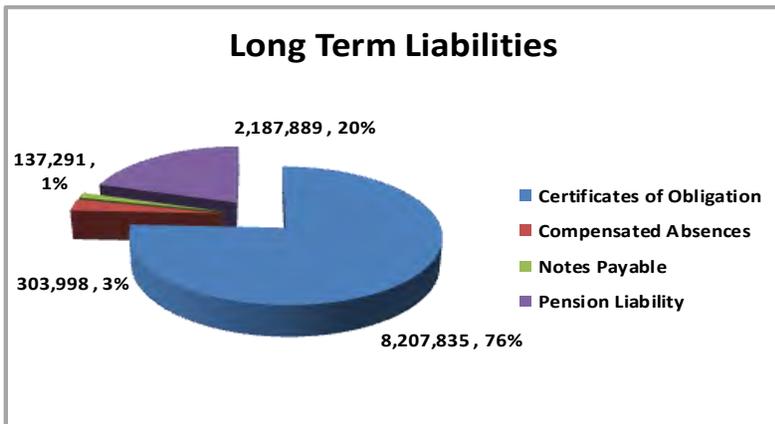
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GENERAL FINANCIAL INFORMATION (continued)

LONG-TERM LIABILITIES

As of the fiscal year end, the City had \$10,837,013 in long-term liabilities compared to \$9,877,046 in 2015 (\$959,967 increase or 9.72%). This increase represents an increase in pension liabilities in the amount of \$1,325,712 due to actuarial changes in the assumptions used to determine the City's fiscal year end pension liability. The City is a member of the Texas Municipal Retirement System (TMRS) agent multiple-employer defined benefit pension plan. Based on the stated assumptions and projection of cash flows, the City's fiduciary net position and future contributions are sufficient to finance future benefit payments of current plan members. The other increase in long term liabilities was due to the note payable incurred to provide resources for the City Hall facility roof repair (\$137,291). Decreases to long term liabilities were \$471,903 in scheduled payments and amortization on the City's certificates of obligation debt and a reduction in compensated absences (\$31,133), reflecting staff turnover.

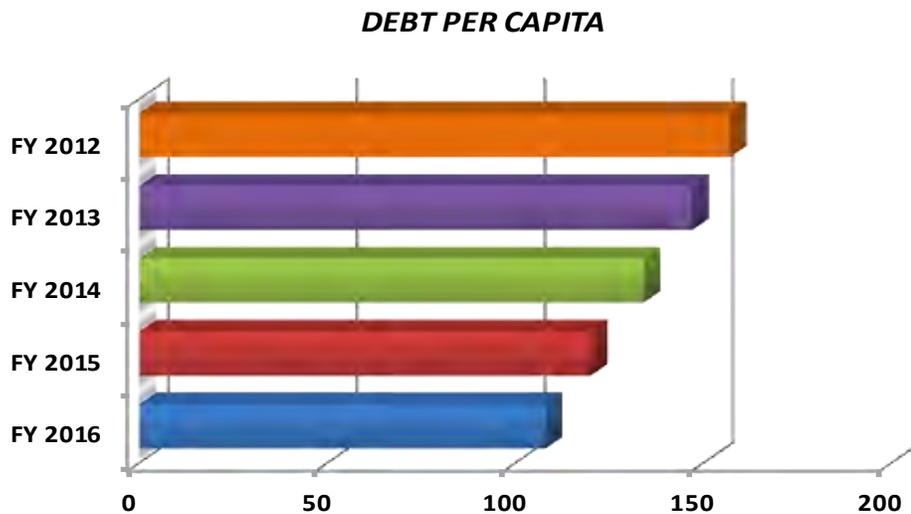


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GENERAL FINANCIAL INFORMATION (continued)

LONG-TERM LIABILITIES



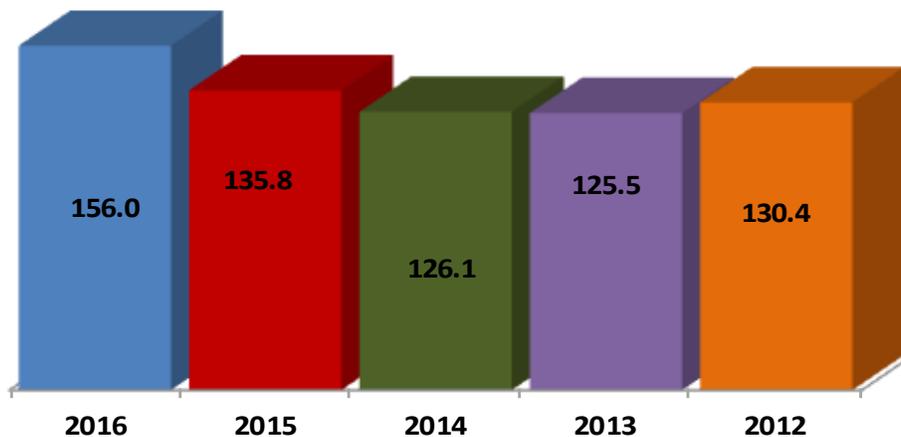
The City's current bond rating is A1 (Moody's). The rating recommendation reflects the stable local economy benefiting from the Dallas/Fort Worth location, the affordability despite low wealth levels, and management's maintenance of a low debt profile, healthy general fund balance and manageable pension burden. The rating also reflects the relatively small tax base and moderate taxpayer concentration present.

GENERAL FUND

FUND BALANCE

Fund balance is the excess of what is owned (assets) over what is owed (debts or liabilities). Because the General Fund reports only a subset of related assets (i.e., financial assets) and liabilities (i.e., those normally expected to be liquidated with current financial resources), the difference (fund balance) between the two is more of a measure of liquidity. The Financial Policies of the City of Seagoville require the General Fund to maintain a minimum 60 day reserve of budgeted expenditures. The City has consistently exceeded this goal, as shown in the chart below. The General Fund reported an unassigned fund balance at September 30, 2016 of \$3,172,548, an increase of \$469,854 (17.38%) in comparison with the prior year of \$2,702,694 (Governmental Funds' combining ending fund balances were \$3,577,055 compared to FY 2015 at \$2,981,708 producing a \$595,347 or 19.97% increase. This increase in General Fund balance was largely generated by increases in property tax revenues due to an increase in assessed valuations, sanitation services reflecting community growth and increased commercial and residential development enhancing licenses, permits and fees revenue. Of the total General Fund balance of \$3,335,644, \$3,172,548 constitutes the unassigned fund balance, which is available for spending at the government's discretion (referred to as unassigned fund balance). Comparative days of fund balance is an indication of how many days of reserve the City has available to fund operations. The chart below provides fund balance comparisons:

COMPARATIVE DAYS OF GENERAL FUND BALANCE



GENERAL FUND EXPENDITURES

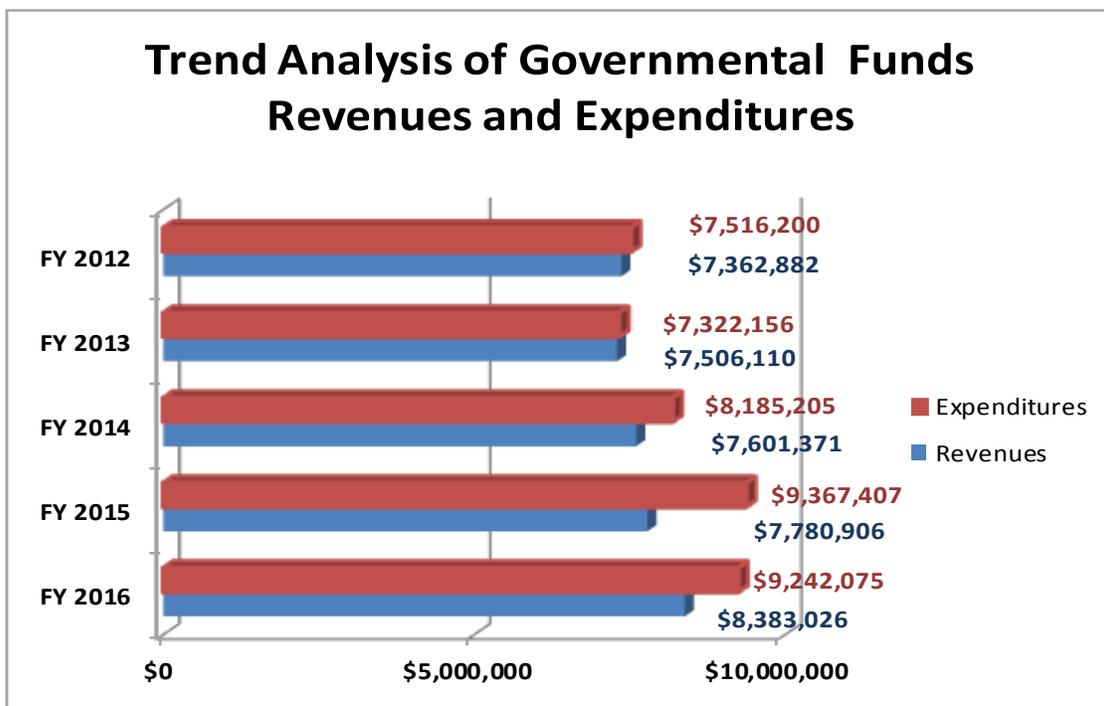
General Fund expenditures total \$8,942,848 for FY 2016, a decrease of \$59,739 or .66% compared with FY 2015 (\$9,002,587). In FY 2016, the City's capital expenditures (\$1,288,897) for asset acquisitions and street improvements decreased by \$364,755, compared to FY 2015 expenditure of \$1,653,652. There were increases in retention pay for first responders and civilian employees with increased fringe benefit expenditures for medical and dental insurance. Other increases in expenditures can be attributed to increased firefighter uniform and minor equipment acquisitions, and the staffing and equipping of the two person litter crew to enhance the City's litter control efforts. Increases or decreases for major functions are as follows:



GENERAL FUND EXPENDITURES

Major Functions	Amount	Percent of Total	Increase (Decrease) over 2015
General Government	\$ 1,297,528	14.51%	\$ 176,411
Public Safety	4,079,168	45.61%	60,578
Community Services	1,221,927	13.66%	29,366
Community Development	1,009,669	11.29%	(6,998)
Debt Service	45,659	0.52%	45,659
Capital Outlay	1,288,897	14.41%	(364,755)
Total	\$ 8,942,848	100.00%	\$ (59,739)

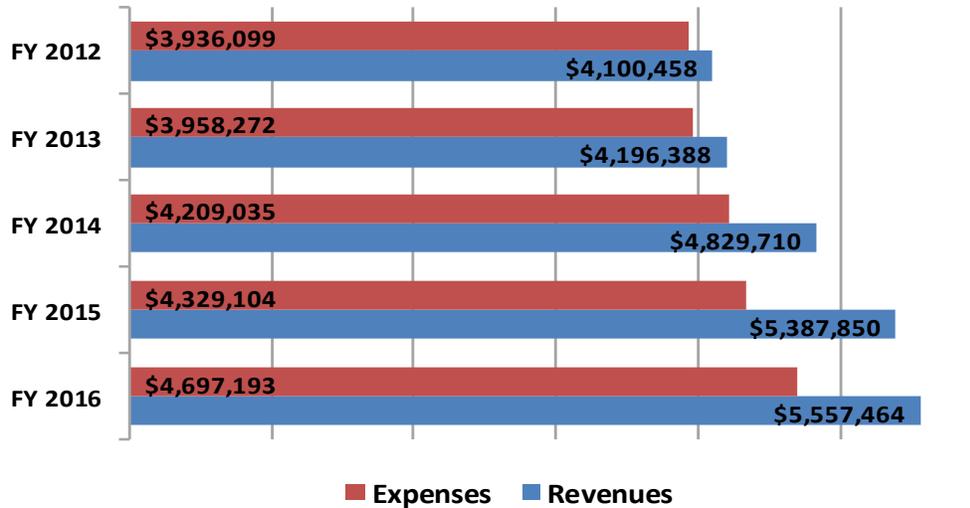
The chart below illustrates trend data for total governmental revenue and expenditures:



WATER AND SEWER FUND

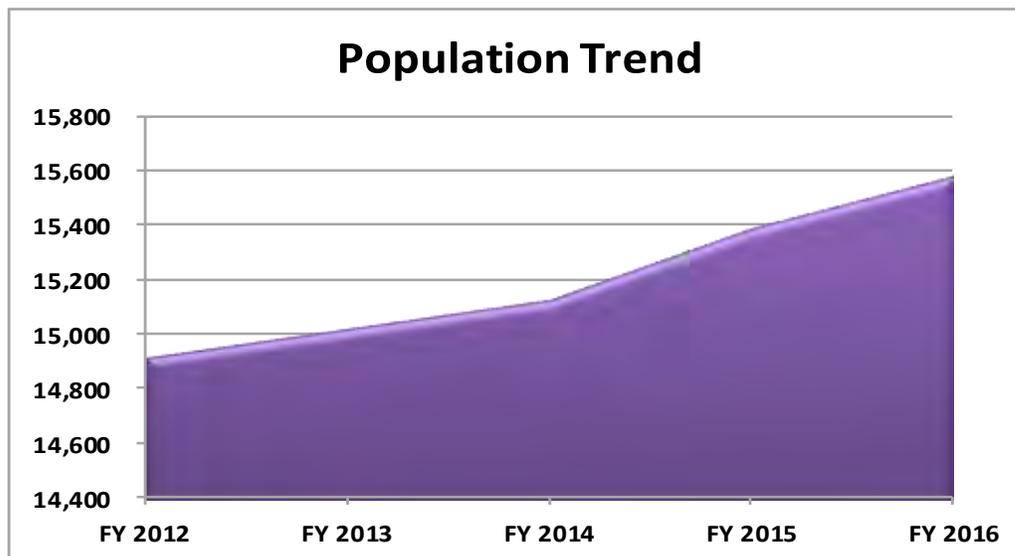
The City's Water and Sewer Fund has experienced steady growth and the customer base has grown to approximately 4,151 water customers and 3,862 sewer customers. The operating income on customer sales for FY 2016 totaled \$1,080,949 compared to last year's amount of \$1,412,588. The decrease in operating income results from increased cost of purchases of raw water from Dallas Water Utilities, and sewer treatment services provided by the North Texas Municipal Water District.

Water and sewer operations are reflected as follows:



OTHER INFORMATION

The following charts provides a look at population trends and the top ten taxpayers of the City



Taxpayer Name	Type of Business	2016 Assessed Value	Percentage of Total Assessed Value	Percentage of Top Ten Taxpayers to Assessed Value
OReilly Auto Parts	Distribution	\$ 41,045,731	7.80%	39.45%
WalMart	Retailer	16,488,810	3.13%	15.85%
YES Companies EXP2 LLC	Mobile Home Park	11,432,300	2.17%	10.99%
ONCOR Electric Delivery	Public Utility	11,157,140	2.12%	10.72%
Equity Development	Property Management	5,750,000	1.09%	5.53%
TSCA 202 LTD	Property Management	5,200,000	0.99%	5.00%
Round Hill LTD PS	Mobile Home Park	3,920,000	0.75%	3.77%
Villas of Seagoville, LLP	Aging Services	3,550,000	0.67%	3.41%
Polar Corp	Steel Fabrication	2,899,771	0.55%	2.79%
JP MORGAN CHASE	Financial Services	2,600,000	0.49%	2.50%
TOTAL		\$ 104,043,752	19.77%	100.00%

NEED MORE INFORMATION?

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Seagoville, Patrick Harvey, Director of Finance, 702 N. Hwy. 175, Seagoville, Texas, 75159.

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