

City of Seagoville, TX

POPULAR ANNUAL FINANCIAL REPORT

2018

I am pleased to present to you the City of Seagoville Popular Annual Financial Report (PAFR) for the year ended September 30, 2018. 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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City of Seagoville

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Seagoville, TX 75159
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<http://www.seagoville.us/>



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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 Segoe. 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 16,180. 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.



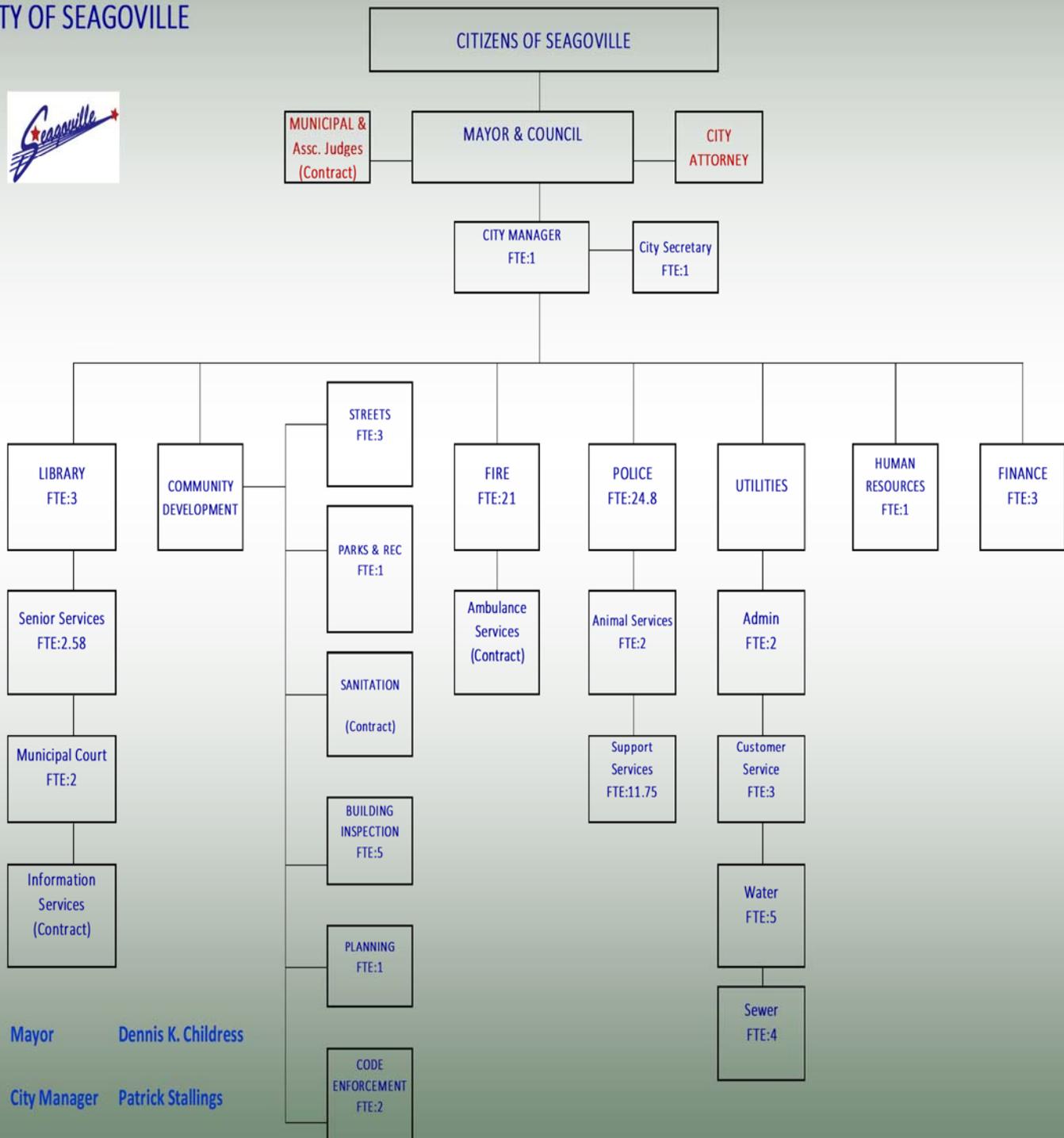
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ORGANIZATION CHART

CITY OF SEAGOVILLE



Major Initiatives

The City of Seagoville, Texas 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 services 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.

Capital asset acquisitions enhanced the quality of life for Seagoville residents. This year, the city added an Animal Services vehicle, four police vehicles, a Fire command vehicle and acquired a major ladder truck. The City improved the quality of street infrastructure through the renovation of Hall Street, Lasater/Simonds and Woodhaven Addition.

The City also acquired a Kubota tractor, a Kubota skid steer, a Ford F550, an equipment trailer and a rotary cutter for Community Development. The City also acquired a replacement air conditioning/heating unit and a video security system for the Water and Sewer function.

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, Texas 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. Perform 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 2018 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, 2017.
- Award for Distinguished Budget Presentation for the fiscal year beginning October 1, 2017.
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended September 30, 2017

FINANCIAL HIGHLIGHTS

The City's combined net position (difference between assets and liabilities in governmental and business-type activities) at September 30, 2018 totaled 35,970,067 as follows: \$26,319,852 net investment in capital assets, \$1,206,310 restricted and \$8,443,905 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 \$9,921,153 and total spending was \$10,529,841. The fund balances for these funds were \$5,292,416 in FY 2018 and \$5,525,603 in FY 2017.

Total revenues for business-type activities at the end of FY 2018 were \$7,536,781 and total spending was \$5,526,975 (including interest revenue and interest expense). Total net position was \$15,585,414 as compared to \$13,948,970 in FY 2017.

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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.

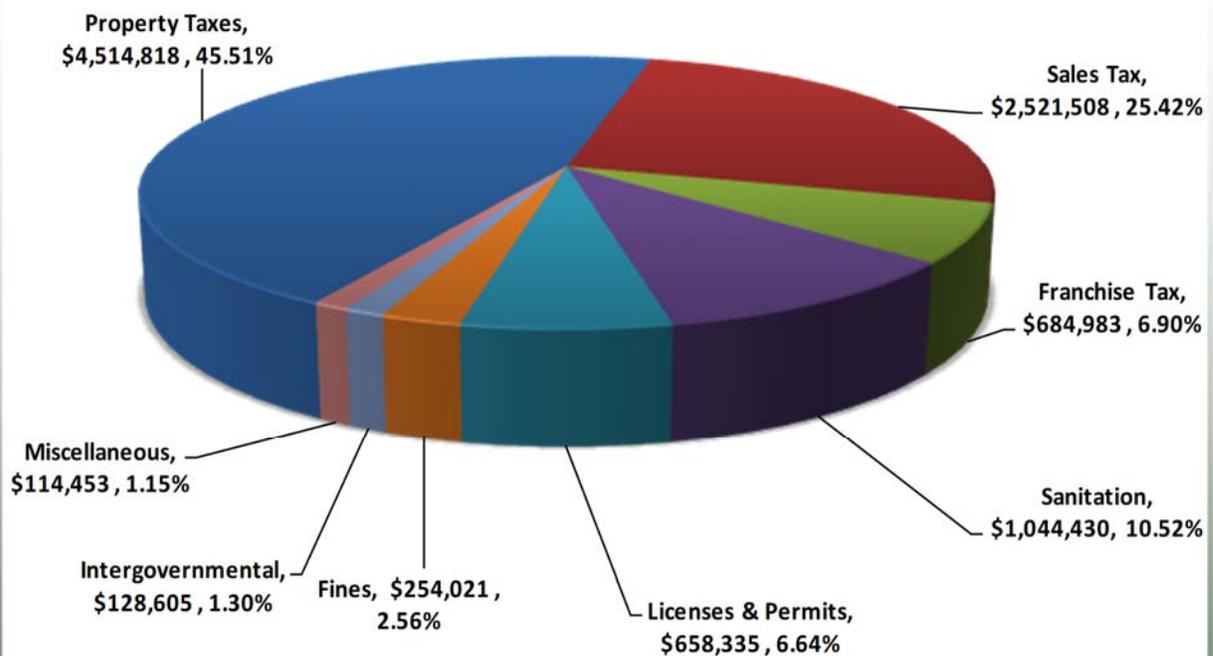
PROPRIETARY FUNDS

Proprietary Funds account for activities the City operates similar to private businesses. The City of Seagoville, Texas 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.

At September 30, 2018 the City's governmental funds reflected a combined fund balance of \$5,292,416, a \$233,187 decrease from the previous year at \$5,525,603. These financial activities comprise the major changes in governmental fund balances.

Governmental Revenues



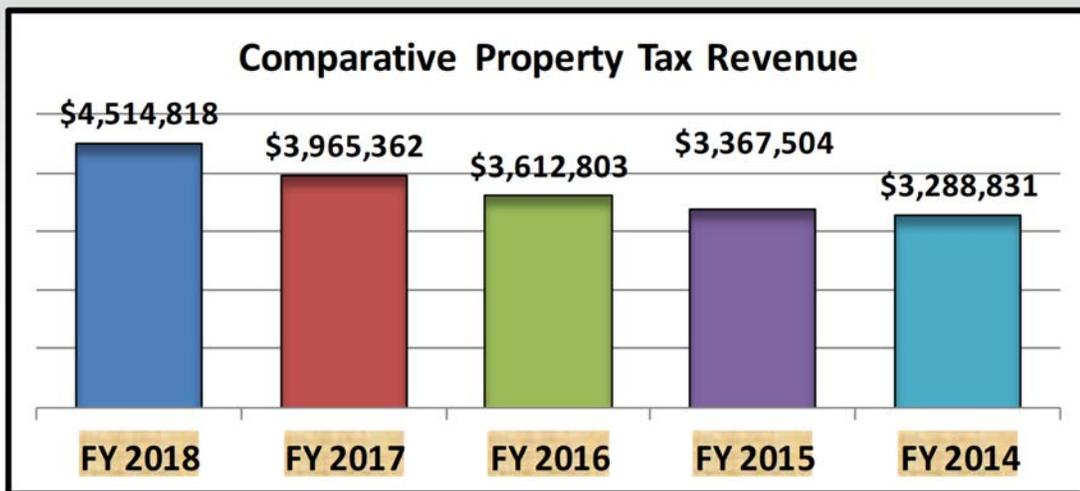
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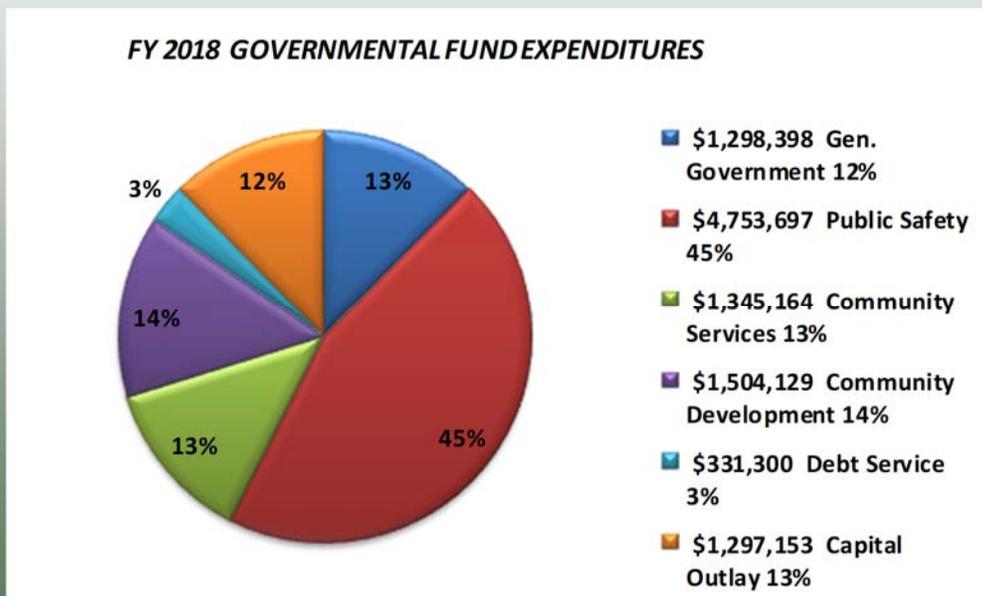
GENERAL FINANCIAL INFORMATION (continued)

Total revenues for the governmental funds (\$9,921,153) showed an increase of 10.46% or \$939,454 compared to the prior year (\$8,981,699). The primary reasons for the increase were due to an increase in the property tax valuation from \$526,144,667 in the prior fiscal year to \$607,531,041 in FY 2018, and increases in sales taxes and building permit revenue.



GOVERNMENTAL EXPENDITURES

Total governmental expenditures increased by \$491,663 (4.90%) in fiscal year 2018 (\$10,529,841) from 2017 (\$10,038,178). The City's capital outlay decreased \$415,884 in FY 2018 from FY 2017. FY 2018 capital outlay expenditures include four police vehicles (\$122,890) along with the acquisition of a major fire ladder truck (\$891,933), the purchase of a Kubota tractor (\$31,438) and a Kubota skid steer for Community Development (\$49,538). In the infrastructure category, the City completed street improvements for Hall Street (\$287,183), Lasater/Simonds (\$160,695), and Woodhaven Addition (\$1,005,950)



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CAPITAL ASSETS

The City of Seagoville has \$33,461,372 in the following categories of capital assets:

Land

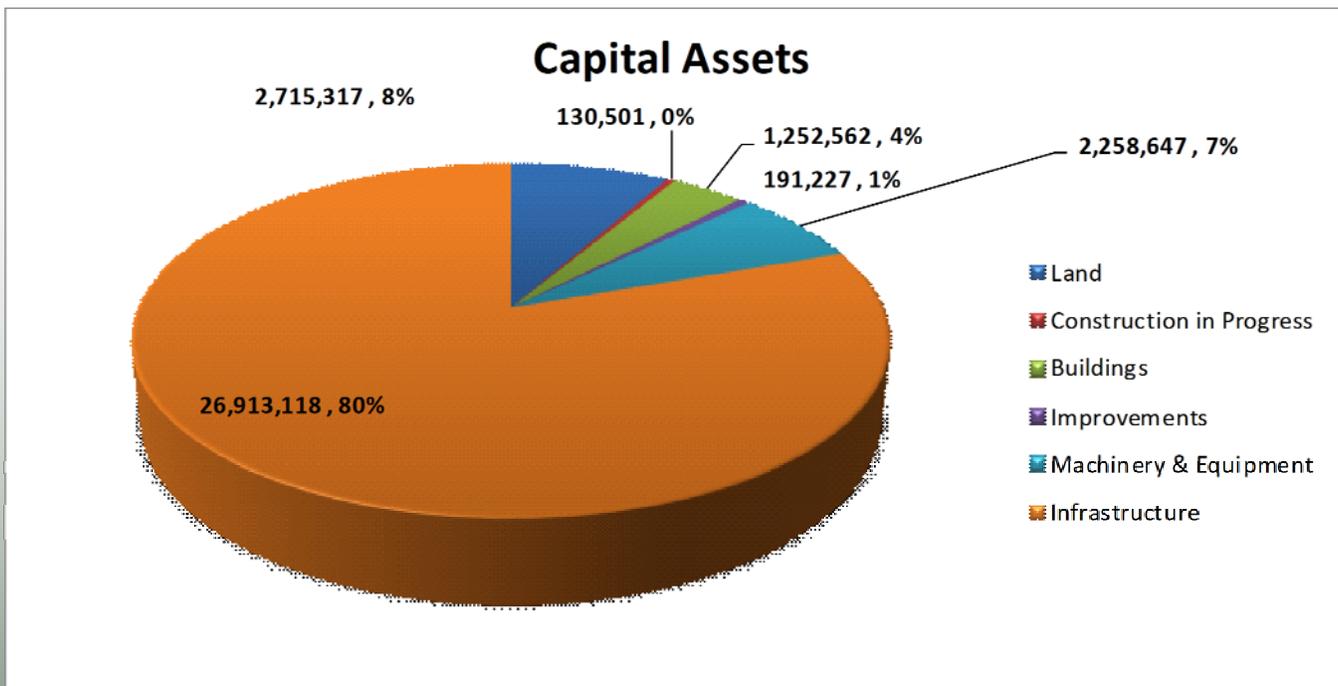
Construction in Progress - This class of capital assets is used for costs incurred to construct or develop capital assets before it is substantially ready to be placed in service.

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.

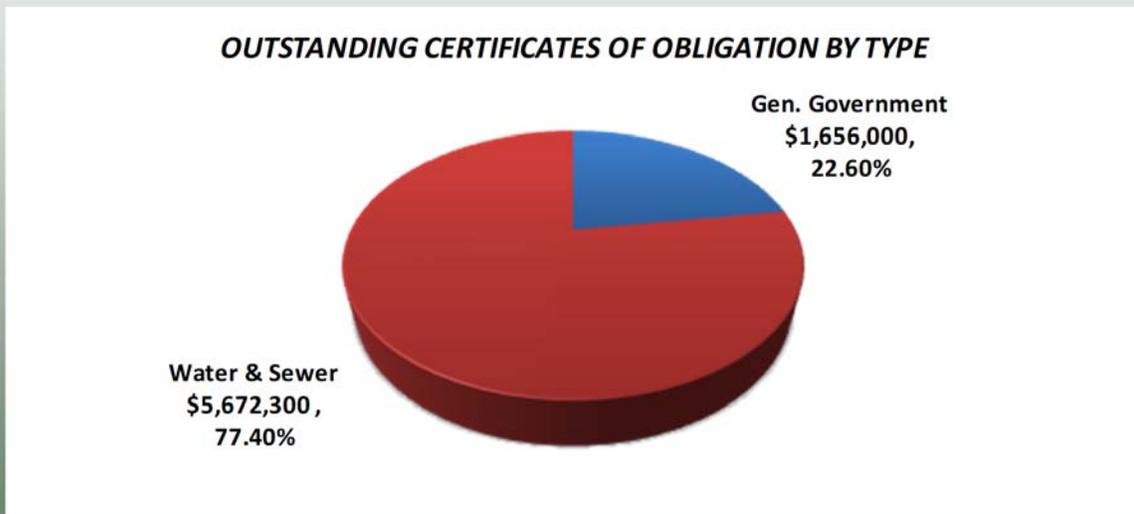
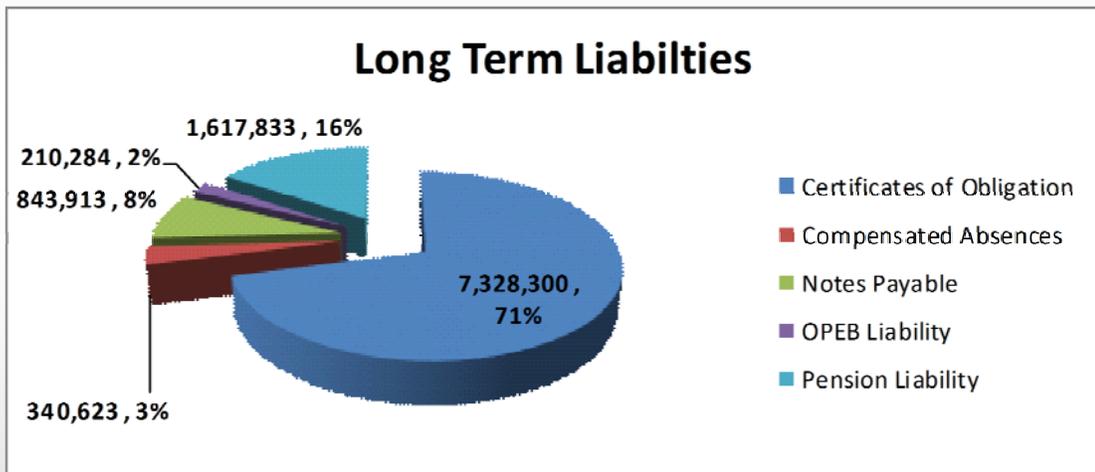
Machinery and Equipment

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.



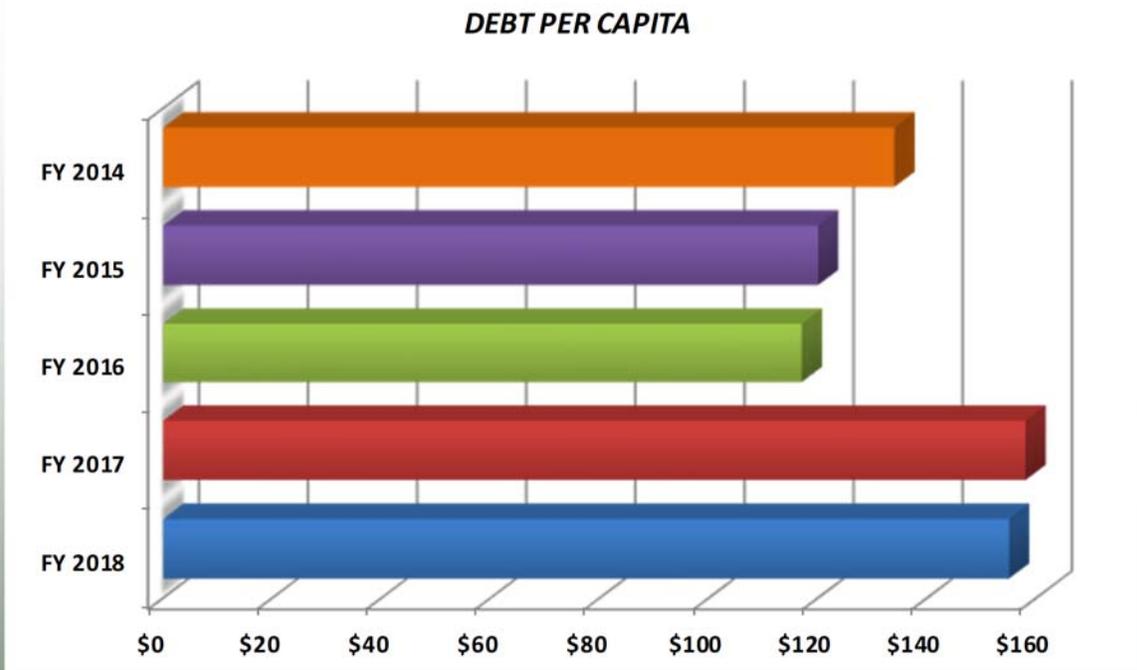
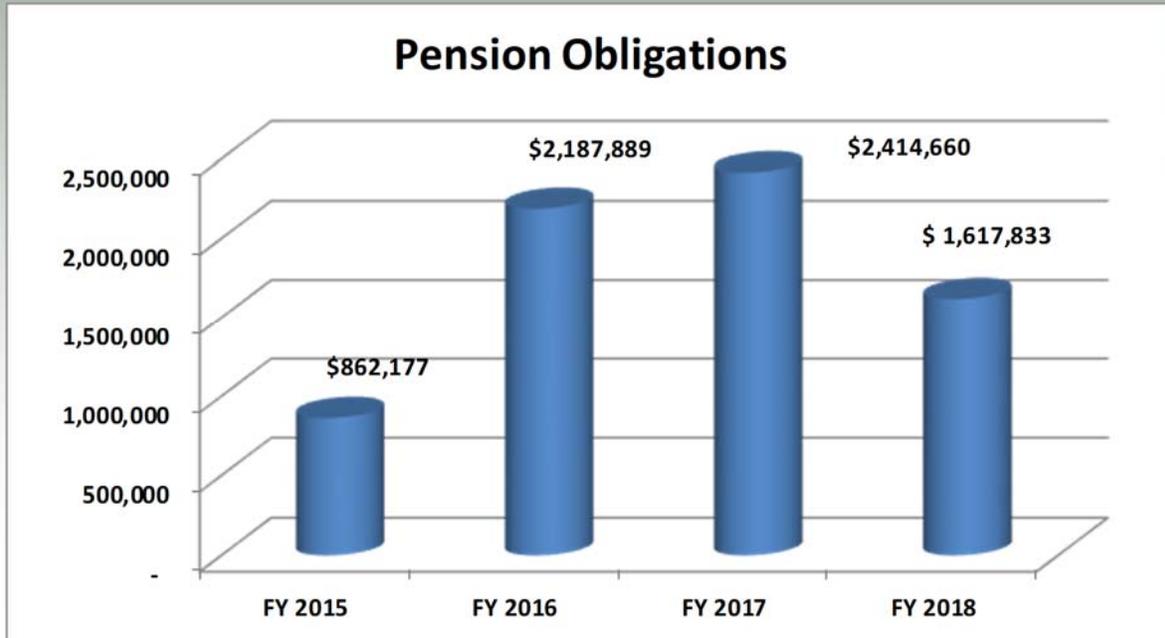
LONG-TERM LIABILITIES

As of the fiscal year end, the City had \$10,340,952 in long-term liabilities compared to \$11,434,903 in 2017 (\$1,093,951 decrease or 9.57%). This decrease represents a decrease in pension liabilities in the amount of \$796,827 in determining 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 decrease in long term liabilities was due to scheduled payments on the note payable incurred for the acquisition of a quint firefighting vehicle (\$90,766). Decreases to long term liabilities were \$437,632 in scheduled debt payments, debt refunding and amortization on the City’s certificates of obligation debt and an increase in compensated absences (\$20,990). There was also the first time recognition of OPEB liabilities (\$210,284).



GENERAL FINANCIAL INFORMATION (continued)

LONG-TERM LIABILITIES

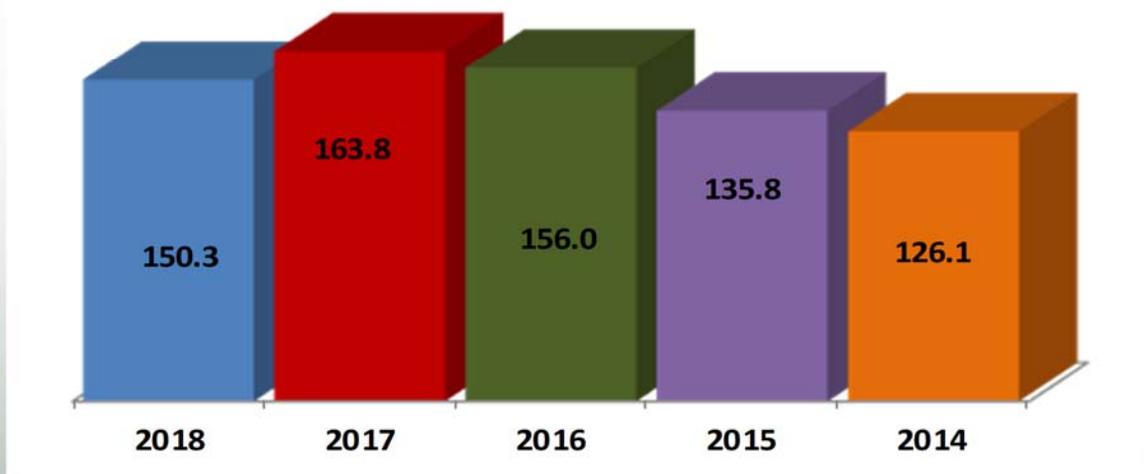


The City's current bond rating is A1 (Moody's). The rating recommendation reflects the stable local economy benefitting from the Dallas/Fort Worth location, the affordability despite low wealth levels, and management's maintenance of a low debt profile, healthy general fund balance and manageable pension 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, 2018 of \$3,679,056, an increase of \$24,467 (.67%) in comparison with the prior year of \$3,654,589 (Governmental Funds' combining ending fund balances were \$5,292,416 compared to FY 2017 at \$5,525,603 producing a (\$233,187) or 4.41% decrease. 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 \$4,921,455, \$3,679,056 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

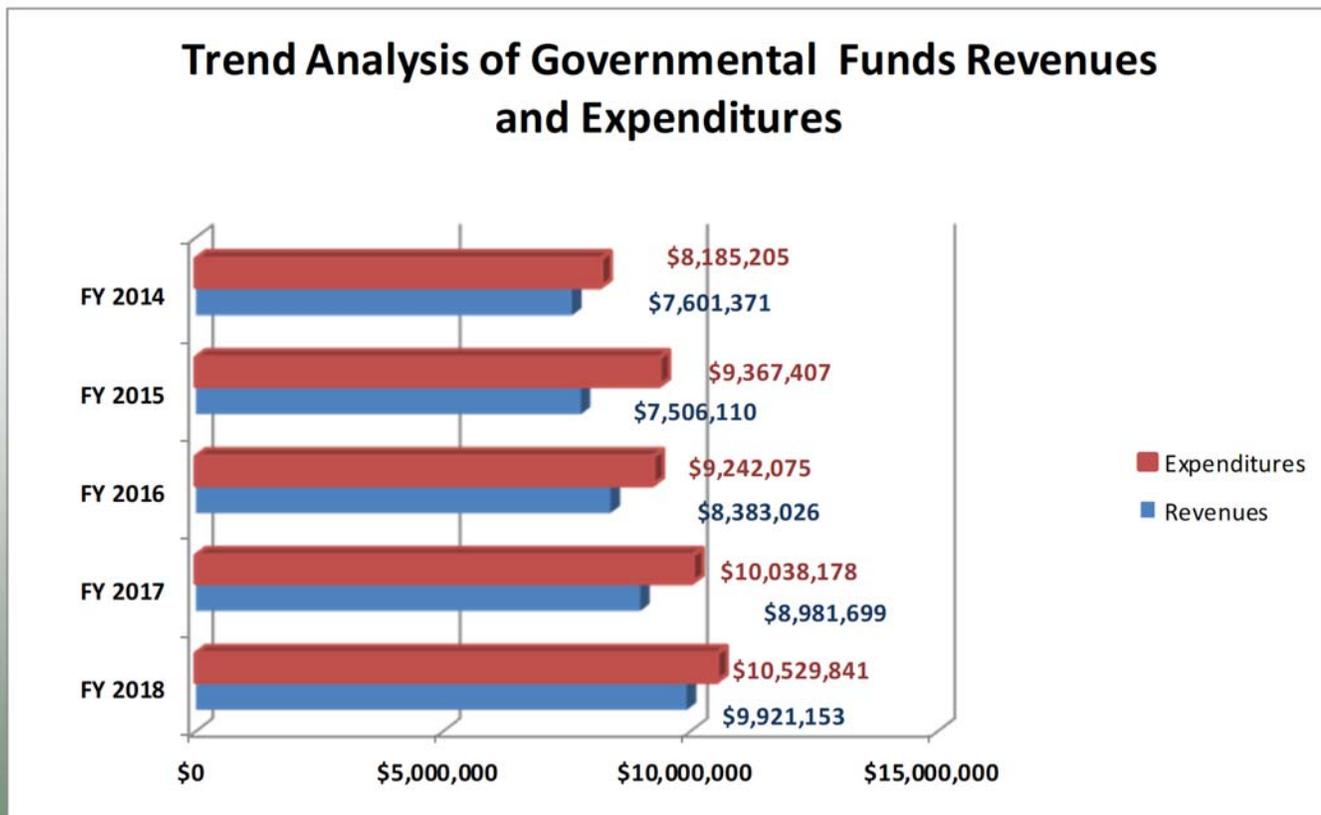
General Fund expenditures total \$10,216,991 for FY 2018, an increase of \$483,239 or 4.96% compared with FY 2017 (\$9,733,752). In FY 2018, the City's capital expenditures (\$1,297,153) for asset acquisitions and street improvements decreased by \$415,884, compared to FY 2017 expenditure of \$1,713,037. There were increases in base 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 emphasis on street repair and park maintenance, and the debt service on the 2017 note payable. Increases or decreases for major functions are as follows:

GENERAL FUND CONTINUED

GENERAL FUND EXPENDITURES

| Major Functions | Amount | Percent of Total | Increase (Decrease) over 2017 |
|-----------------------|----------------------|------------------|-------------------------------|
| General Government | \$ 1,276,667 | 12.50% | 23,888 |
| Public Safety | 4,739,785 | 46.39% | 496,908 |
| Community Services | 1,344,069 | 13.16% | 69,873 |
| Community Development | 1,444,793 | 14.14% | 313,400 |
| Debt Service | 114,524 | 1.13% | (4,946) |
| Capital Outlay | 1,297,153 | 12.70% | (415,884) |
| Total | \$ 10,216,991 | 100.00% | 483,239 |

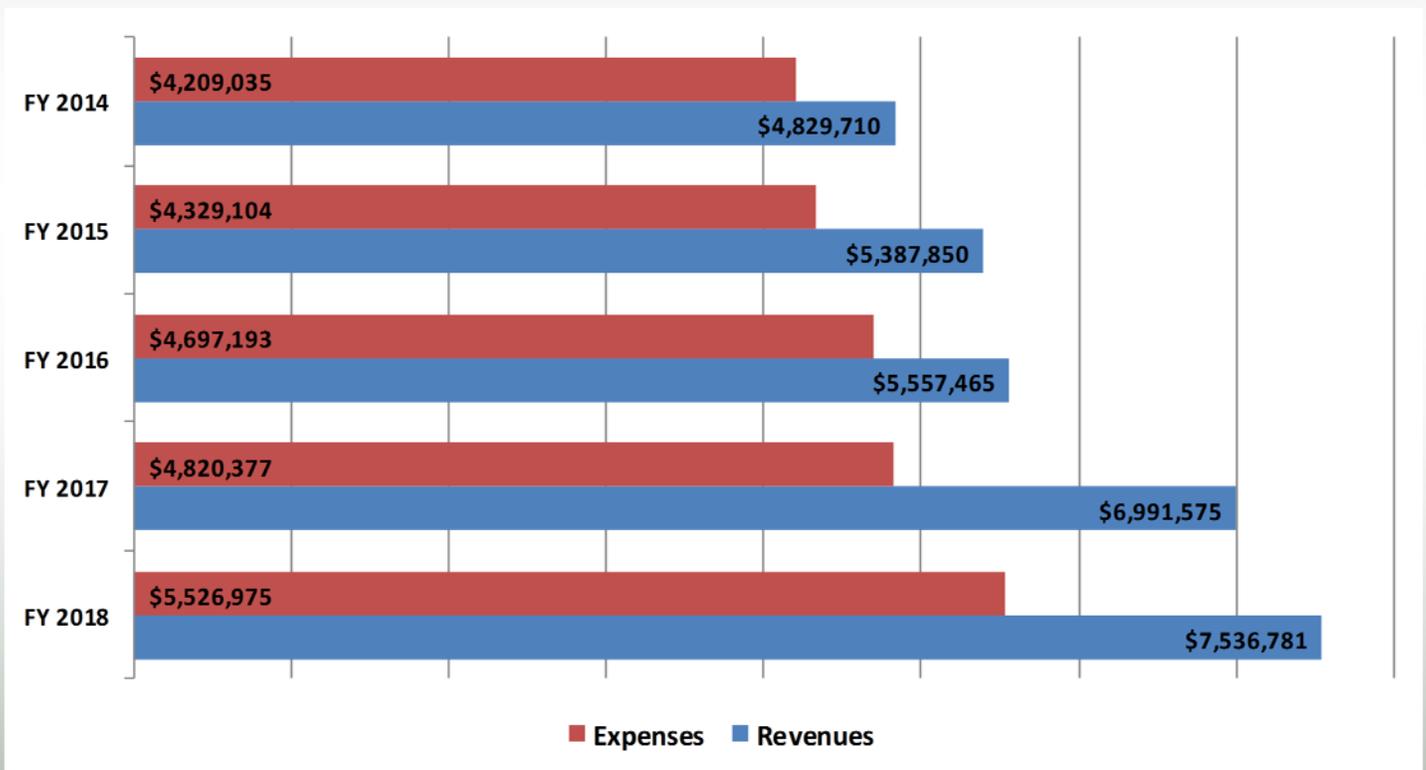
The chart below illustrates trend data for total governmental revenue and expenditures:



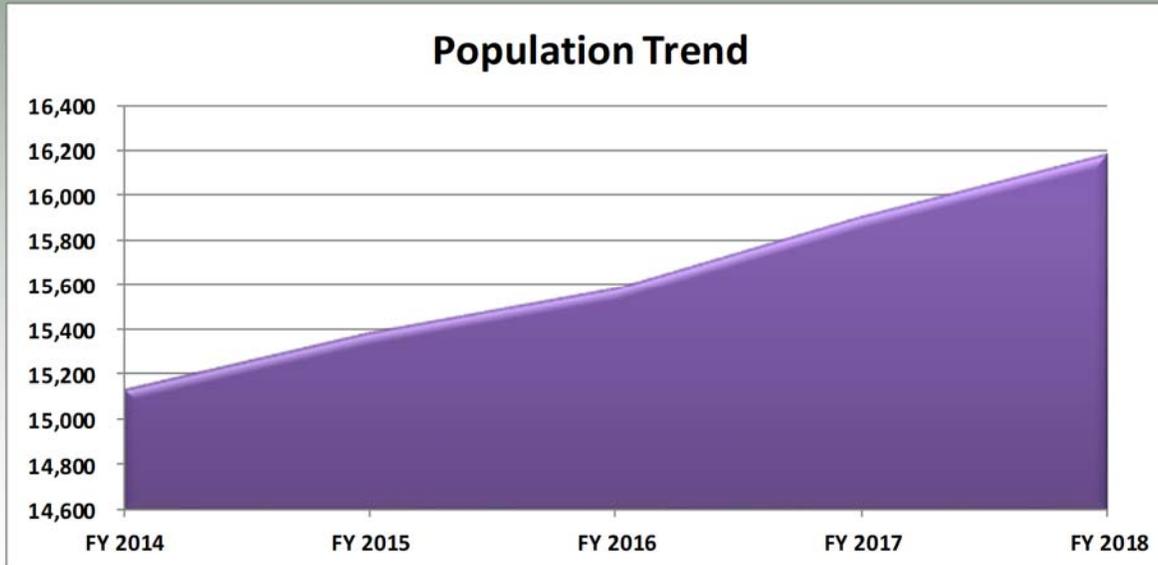
WATER AND SEWER FUND

The City's Water and Sewer Fund has experienced steady growth and the customer base has grown to approximately 4,302 water customers and 4,009 sewer customers. The operating income on customer sales for FY 2018 totaled \$2,005,573 compared to last year's amount of \$2,342,776. The decrease in operating income results from increased costs for water purchases from Dallas Water Utilities and sewerage treatment from North Texas Municipal Water District.

Water and sewer operations are reflected as follows:



OTHER INFORMATION



| Taxpayer Name | Type of Business | 2018 Assessed Value | % of Total Assessed Value | % of Top 10 Taxpayers to Assessed Value |
|-------------------------------|-------------------------|----------------------------|----------------------------------|--|
| Heartland Express Inc of Iowa | Distribution | \$ 42,275,340.00 | 6% | 29% |
| OReilly Auto Parts | Distribution | \$ 40,602,792.00 | 6% | 28% |
| WalMart | Retailer | \$ 14,589,910.00 | 2% | 10% |
| ONCOR Electric Delivery | Public Utility | \$ 11,693,450.00 | 2% | 8% |
| YES Companies EXP2 LLC | Mobile Home Park | \$ 10,778,650.00 | 2% | 7% |
| Equity Development | Property Management | \$ 6,450,000.00 | 1% | 4% |
| Seagoville CP LLC | Property Management | \$ 6,000,000.00 | 1% | 4% |
| TSCA 202 LTD | Property Management | \$ 5,350,000.00 | 1% | 4% |
| Seagoville Self Storage LP | Storage | \$ 3,947,020.00 | 1% | 3% |
| Villas of Seagoville LLP | Property Management | \$ 3,550,000.00 | 1% | 2% |
| TOTAL | | \$ 145,237,162.00 | 21% | 100% |

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NEED MORE INFORMATION?

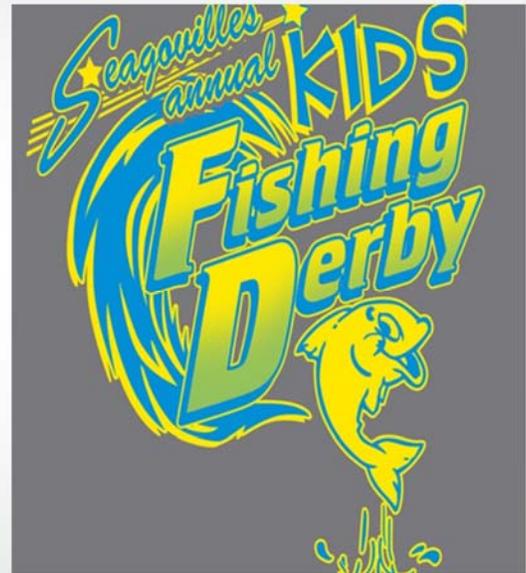
Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Seagoville, Patrick Harvey, Director of Finance, 702 N. Hwy. 175, Seagoville, Texas, 75159.



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City of Seagoville, Texas Principal City Officials 2018 – 2019 City Council

Dennis Childress

Mayor

Term Expires May, 2019

Rick Howard

Council Member Place 1

Term Expires May, 2020

Jose Hernandez

Council Member Place 2

Term Expires May, 2019

Harold Magill

Council Member Place 3

Term Expires May, 2020

Mike Fruin

Council Member Place 4

Term Expires May, 2019

Jon Epps

Mayor Pro-Tem Place 5

Term Expires May, 2020

