

# *City of Huntsville, Texas*

*Comprehensive Annual Financial Report*

*For the year ended September 30, 2017*



SAM HOUSTON



**CITY OF HUNTSVILLE, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2017**

**Prepared By:**  
**City of Huntsville, Texas**  
**Finance Department**

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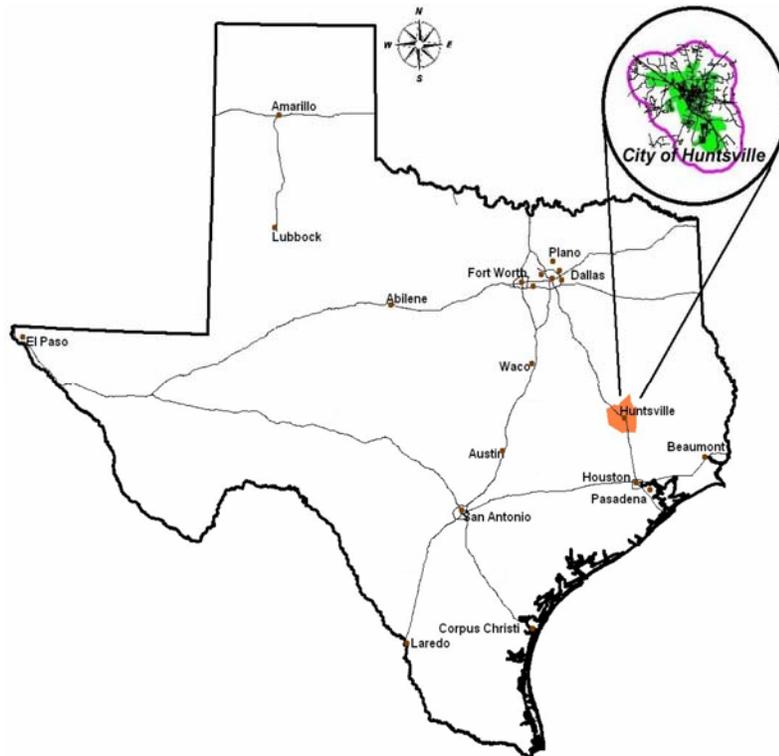
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# **INTRODUCTORY SECTION**

***WELCOME TO  
THE CITY OF HUNTSVILLE, TEXAS***

The City of Huntsville is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated January 30, 1845 and first adopted its Home Rule Charter on September 28, 1968. The City operates under a Council/Manager form of government, where the Mayor and eight Council members are elected for staggered two-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The City of Huntsville is the county seat and principal commercial center of Walker County, located on Interstate 45, approximately 70 miles north of Houston, 170 miles southeast of Dallas, and approximately 130 miles west of the Louisiana state line. The City's 2010 census was 38,548, a 10% increase from the 2000 census. Population estimates include inmates within the Texas Department of Criminal Justice (TDCJ) system.



Walker County is an east Texas County with an economy based on Sam Houston State University, the state prison system, lumbering, and agribusiness. Principal sources of agricultural income include cattle, horses, cotton, grain, and timber. Minerals produced in the county include gas, sand, stone, and gravel. The 2010 census for the county was 67,861, an increase of 10% from the 2000 census. The Sam Houston National Forest covers 53,461 acres of Walker County.

Huntsville State Park is located within the national forest and on the outskirts of Huntsville. Nearby, Lake Livingston and Lake Conroe also provide recreational facilities for residents and visitors. Other tourism attractions include the Sam Houston Memorial Museum and Park Complex, located near SHSU, and the Visitors Center, located at the Sam Houston statue site. "A Tribute to Courage," the Sam Houston Statue, was designed and constructed by artist David Adickes. He dedicated the statue to the City of Huntsville on October 22, 1994. It is the world's tallest statue of an American Hero, at 67 feet tall, standing upon a 10-foot sunset granite base.

Huntsville is the headquarters for TDCJ, which is the only state agency located outside of the capital. Five of its prison units are located within the city limits, and there are two additional units located outside the city limits.

Founded in 1879 and named in honor of the most important figure in Texas history, Sam Houston State University (SHSU) is the third oldest public university in Texas. With a current enrollment of over 19,000 students and over 3,300 employees, the university has been one of the fastest growing universities in the state. Founded as the first teacher training institution in the southwest, the campus comprises 316 acres, including part of the original home site of the Houston family. With six colleges (Arts and Mass Communications, Business, Criminal Justice, Education, Humanities and Social Science, Health Sciences, and College of Sciences), the university offers over eighty undergraduate degree programs, fifty-six masters' programs, and six doctoral programs.

According to the United States Bureau of Economic Analysis, the 2013 per capita income for Walker County was \$28,055, compared to the state median of \$43,862. The Bureau of Labor Statistics reported 25,084 persons employed in Walker County in 2009. Fifty-one percent (51.1%) of the population is between the ages of 18 to 44, and seventy-eight percent (78.2%) over the age of 25 has a high school degree or higher level of education. The Walker County unemployment rate in September, 2014 was 5.1%.

Other governmental presence in Huntsville includes Region VI Educational Service Center, Gulf Coast Trades Center, Sam Houston State Park and non-profit Sam Houston National Forest, and the various units of local government and state field offices. The large governmental presence keeps the unemployment rate low, but also places much greater pressure on the property tax rate and utility rates.



March 9, 2018

Honorable Mayor and City Council members, Citizens  
City of Huntsville  
Huntsville, Texas 77340

The Comprehensive Annual Financial Report (CAFR) of the City of Huntsville, Texas, for the fiscal year ended September 30, 2017 is presented herein. Disclosures necessary to enable the reader to gain an understanding of the City of Huntsville's financial activities have been included. The Contents of the CAFR is the responsibility of Management of the City of Huntsville.

### Financial Statement Overview

The CAFR is presented in four sections: introductory, financial, other supplementary information, and statistical. The introductory section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The financial section includes the basic financial statements and the combining financial statements, budgetary comparison schedules, the other supplementary information section, capital asset schedules, and federal and state awards reports and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. This report includes all city funds.

The report is in the fourteenth compliance year under Rule 34 as established by the Governmental Accounting Standards Board (GASB31). Under this rule, an entity-wide statement of net position is presented with depreciation of assets. Under the rule, statements are presented on a government-wide and Fund statement basis. Both the government-wide and the Fund Financials present information supporting the other, and the Fund Financials provide additional information not reported in the government-wide statements.

The report is in its seventh year of compliance with GASB 54. Under this rule, Governmental fund balances are designated in nonspendable, restricted, committed, assigned, or unassigned categories, according to levels established under statute, judicial decrees council or internal administrative commitments.

The report is in its third year of compliance with Governmental Accounting Standards (GASB) Statement No. 68 "Accounting and Financial Reporting for Pensions" and Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB 68". These standards require the inclusion of the expense and unfunded liabilities for pension benefits in the financial statements of the City.

The government-wide statements report on the city as a whole using the accrual basis of accounting. The statements are comprised of a Statement of Net Position and a Statement of Activities with supplemental information provided in the Fund statements. The Statement of Net Position reports changes in net financial position, presenting all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the city. The Statement of Activities presents revenues and expenses by function, demonstrating how those activities have changed, and distinguishes activities supported by user fees compared with those supported by taxes and intergovernmental transfers. The statements distinguish between traditional governmental activities and business-type activities.

Fund financial statements are reported using the modified accrual basis of accounting under traditional fund accounting principles. More detailed information is presented about significant (major) and non-major funds. The funds are divided among governmental, enterprise, internal service (business-type or proprietary funds), and agency funds. The Fund financial statements focus on current or near-current inflows and outflows and available balances. Proprietary fund information presented in this manner reinforces information provided in the government-wide statements for business-type activities.

The Management's Discussion and Analysis section preceding the financial statements provides an analysis of the financials and highlights changes from the prior year. Both the government-wide and the government fund financial focus are presented.

## City Services

The City provides police and fire protection, solid waste services, maintenance of streets and utility infrastructure, wastewater and water services, parks, a public library, and cultural services. Water is provided to the community by a combination of water produced from City owned and operated water wells and from a surface water treatment plant in partnership with the Trinity River Authority of Texas. The costs associated with operations of the surface water treatment plant are shown as an expense of the Water Fund. Street activities and operations are accounted for in the General Fund.

## Priorities and Objectives

Council expanded recycling to new areas within the City and now all areas of the City have recycling service. Infrastructure improvements were continued to underserved areas. Health insurance and wellness initiatives were researched and costs were held at previous year levels.

Primary priorities were the continued review of the health insurance and retirement programs, and to present options to reduce costs and unfunded liabilities while maintaining affordable benefits comparable with other governmental and commercial entities in the City.

Grant activity through the City's Neighborhood Resources Department oversaw the following projects:

- \$6.8 million for a major storm water drainage project.
- Almost \$500,000 in various other grants.

The property tax rate for FY 2017 was reduced to \$0.3809 from the 2016 rate of \$0.3838 per \$100 valuation. Water rates were increased according to the rate study financial plan which was completed in fiscal year 2011.

## Summary of Financial Activities

The General Fund posted a net decrease in its Fund Balance of \$1,766,953.

The Water Fund revenue increased over \$2,270,450 (roughly 13.0%) compared to the prior year. Water Fund had an increase in net position for the year in the amount of \$7.1 million. Wastewater had an increase in net position of \$8.2 million. Net position for the Solid Waste Fund increased by roughly \$500,000.

On a government-wide basis, net position for Government activities increased \$1.4 million from operations. Net position for business-type activities increased \$15.7 million from operations.

## Comprehensive Plan

The City initiated a process for public involvement in the development of a Comprehensive Plan that was completed two years prior. Public and committee meetings were held to discuss City issues and priorities, and to finalize strategic objectives and priorities in developing the plan. Plan changes were made in the map section showing land use areas. The council meets annually to establish strategic objectives. The plan and the annual strategic planning meeting were incorporated into the budget process.

## Economic Development

The City participated in a TIRZ (Tax Increment Reinvestment Zone) with the County pursuant to agreement with the developer. The TIRZ Fund reimbursed infrastructure costs. In the summer of 2009, Target opened in the developed area. In 2004 when the TIRZ was created the taxable value of the property in area was approximately \$360,000. The value of the property within the TIRZ for FY 2017 was \$31,684,000. The FY 2017 value was up significantly, \$8,318,000 (35%), over the previous FY 2016 value. Sales Tax from businesses within the TIRZ area for FY 2017 totaled \$895,000, which was substantially greater than the prior fiscal year amount of \$859,000. The increase is the result of new retail stores opening in the retail center in the 2015 – 2016 fiscal year. Per a "380 Agreement" with the TIRZ developer one half of the Sales Tax received from business within the TIRZ are paid to the developer. The "380 Agreement" is in effect through FY 2019. In fiscal year 2017 there were 26 businesses operating within the TIRZ.

### Tourism, Cultural Services, and Visitors Center

A Director of Tourism heads operations of the Visitors Center, gift shop, and tourism expenditures, as well as management of the Wynne Home Arts Center. The department had expenditures of \$496,391 for tourism, \$193,870 for the Arts center, \$104,358 for Visitors Center operations, and \$79,647 for the Gift shop with total revenues for these divisions of \$750,840.

### Capital Projects

Construction-in-progress for enterprise fund projects in the Water and Wastewater Funds are recorded in their respective funds. The Water Fund recorded \$5,245,000 in construction and the Wastewater Fund recorded \$10,128,000 in construction. Governmental Activities improvements totaled \$1,619,000.

Completed Capital Projects for the fiscal year were:

- Water projects \$6,006,000
- Wastewater extension projects \$660,000
- Governmental Activities projects \$5,131,000

### Debt Issues

The City did not issue any new debt in the 2017 Fiscal Year. There were no debt refundings during the year. General Obligation/Tax Debt at 9/30/2017 was \$8,364,620. Water Fund Debt totaled \$11,259,636. Wastewater Fund Debt was \$2,220,379. Solid Waste Fund Debt was \$2,675,000.

### Debt Service Fund

The fund balance for the Debt Service Fund servicing general obligation debt increased \$8,063 to 348,731.

### Utility and Tax Rates

The adopted property tax rate for fiscal year 2017 was \$0.3809 which was reduced from the previous fiscal year rate of \$0.3838. The calculated Effective Tax Rate for FY 2017 was \$.3809 and the calculated Rollback Rate was \$0.4181. The highest rate in the previous 10 years was for fiscal year 2014 in the amount of \$0.4206. The average rate in the last 10 years is \$0.4024.

A sales tax increase of ½ cent dedicated for property tax reduction was approved by voters in August 1987. The City sales tax rate is 1.5%.

The City water volumetric rates were increased for fiscal year 2017 in accordance with rates from a rate study performed by a consultant. Wastewater rates remained unchanged. In fiscal year 2010 the minimum billing amounts for Water and Wastewater were reduced from \$15 to \$13 each per month and the minimum bill amount has not changed since. The City Council adopted changes to Solid Waste rates in January 2015 increasing the monthly residential collection fee by \$1.00 from the existing \$20.00 fee.

Also, fees for dumpster and roll-off services were increased 3% and fees for disposal of waste at the City's Solid Waste Transfer Station by outside City customers and institutional customers were increased 25%.

### Cash Management

City policy is governed by the laws of the State of Texas. Authorized investments are governed by state code. Demand deposits for the City are covered by pledged securities in the City's name at the Federal Reserve Bank pursuant to state law and the City's depository contract. Funds needed for daily operations are kept in demand deposits and pools with the remainder invested in approved short-term agencies and municipal bonds. Investments were diversified into insured and pledged money markets, government agencies and short term municipals. Base reserves and long term dedicated funds were invested in longer term instruments up to five years.

## **Budget Process**

The Budget process begins with an annual update by council of the strategic objectives and is coordinated with the vision and objectives formulated by the comprehensive plan. In accordance with these objectives a capital improvement plan is updated for presentation to council. Departments present budget requests detailed by line items. Supplemental requests are submitted based on the City's comprehensive strategic plans. The City has initiated performance measures as effectiveness tools which are updated during the process. The budget is reviewed throughout the year during monthly financial reporting. Amendments are presented to the City Manager or the Finance Committee according to the policy. Council approves amendments reviewed by the Finance Committee.

## **Internal Controls**

The City relies on certain internal financial controls as identified in the financial, purchasing, personnel, and fixed asset policies. Adopted by ordinance, they provide the basis for reliance on the financial statements. Such assurances do not, themselves, guarantee the prevention of fraud. By monitoring internal controls, the basis of reliance on the financial statement as a fair presentation in all material respects is provided. The city completed a revision of purchasing process controls during the year. The financial position of governmental and business-type activities of each fund, and the reliance on the compliance with laws, regulations, contracts, grants, ordinances, and policies is provided.

## **Independent Audit**

The City Charter requires an annual audit by independent certified public accountants. The accounting firm of Pattillo, Brown & Hill, L.L.P. was recommended by the City Council Finance Committee and selected by the Council. In addition to meeting the requirements set forth in State statutes, the audit was also designed to meet the requirements of Government Auditing Standards. The auditor's report on the general purpose financial statements is in the financial section of this report. The auditor's report on compliance and on internal control over financial reporting and additional reports are provided in the other supplementary information section.

## **Awards**

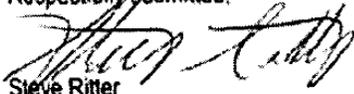
The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Huntsville for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2016. This was the 41<sup>st</sup> year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the governmental body must publish a CAFR with required criteria for management discussion and analysis in conformity with generally accepted accounting standards under GASB (the Governmental Accounting Standards Board) and in conformity with GFOA requirements.

This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. In addition, the City of Huntsville also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the past 30 years. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document must be judged to be proficient in several categories including policy documentation, financial planning, and organization. The budget for the fiscal year beginning October 1, 2017 (FY 2017-18), has been submitted for review.

## Acknowledgements

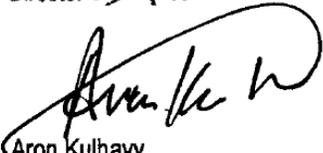
We would like to express our appreciation to the City Council for their concern in providing fiscal accountability to the citizens of our City. The preparation of this report could not be accomplished without the efficient and dedicated services of the Council, employees, and entire staff.

Respectfully submitted,



Steve Ritter

Director of Finance



Aron Kulhavy

Interim City Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Huntsville  
Texas**

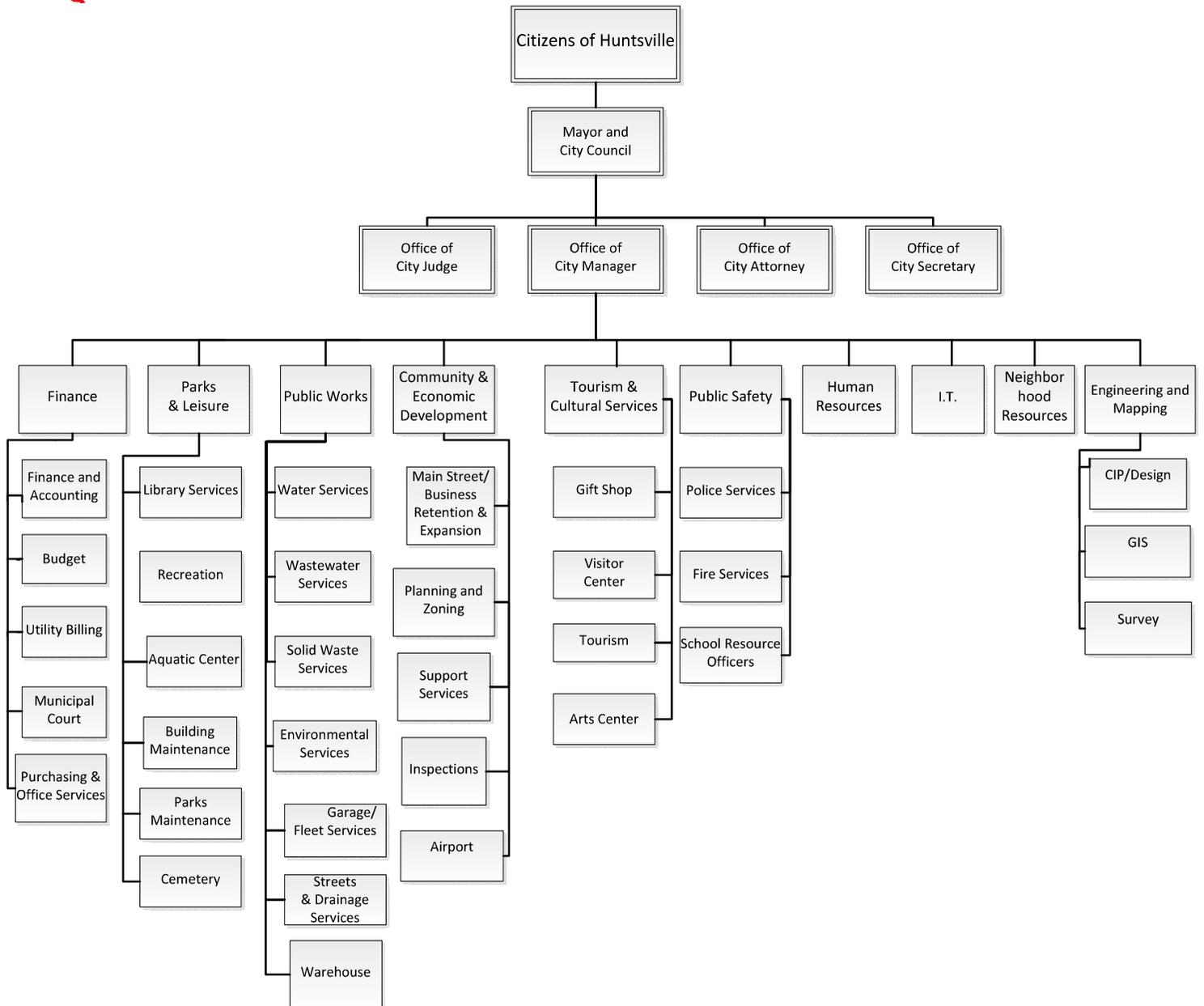
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

Executive Director/CEO



# Organizational Chart FY 2016-17



# CITY OF HUNTSVILLE, TEXAS

## LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2017

### Elected Officials

<u>Name</u>	<u>Office</u>
Andy Brauninger	Mayor
Joe Emmett	Councilmember - Ward 1
Tish Humphrey	Councilmember - Ward 2
Ronald Allen	Councilmember - Ward 3
Joe Rodriquez	Councilmember - Ward 4
Paul Davidhizar	Councilmember - Position 1
Tyler McCaffety	Councilmember - Position 2
Clyde Loll	Councilmember - Position 3
Keith Olson	Councilmember - Position 4

### Appointed Officials & Directors

<u>Name</u>	<u>Office</u>
Matt Benoit	City Manager
Lee Woodward	City Secretary
Leonard Schneider	City Attorney
John Gaines	Municipal Court Judge
Steve Ritter	Director of Finance
Joseph Wiggs	Director of Parks & Leisure
Kevin Lunsford	Director of Public Safety
Aron Kulhavy	Director of Community & Economic Development
Carol Reed	Director of Public Works
Kimm Thomas	Director of Tourism and Cultural Services
Chris Vasquez	Director of Information Technology
Julie O'Connell	Director of Human Resources
Sherry McKibben	Director of Neighborhood Resources
Y.S. Ramachandra	City Engineer

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# **FINANCIAL SECTION**

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PATILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntsville, Texas (the "City"), as of and for the year ended September 30, 2017, 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***

The City's 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 auditor's 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, 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, the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual—General Fund, the pension information on pages 4 through 13 and 61 through 63 and the Schedule of Funding Progress – Other Post-Employment Benefits Plan 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 and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the Schedule of Expenditures of Federal Awards 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 and individual nonmajor fund financial statements and schedules and the Schedule of Expenditures of Federal Awards 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 9, 2018, 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.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
March 9, 2018

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**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

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## MANAGEMENT DISCUSSION AND ANALYSIS

As management of the City of Huntsville, Texas (the “City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to vii of this report, and the financial statements which follow this section.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the 2017 fiscal year by \$140,290,044 (net position). Of this amount, \$28,093,908 (unrestricted net position) may be used to meet the government’s ongoing obligations to citizens and creditors.
- As of the close of fiscal year 2017, the City’s governmental funds reported combined ending fund balances of \$21,563,787, an increase of \$1,101,399 from the prior year. Approximately 48% of this total amount is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,443,697 or 48% of total General Fund expenditures.
- The City’s total capital assets net of accumulated depreciation increased by \$14,541,298. This is primarily due to the fact that additions to capital assets exceeded the value of capital asset deletions and depreciation expense for the current year.
- The City’s governmental and business-type activities long-term liabilities decreased \$4,357,572 due to debt service payments for TRA contract revenue bonds, certificates of obligations, and general obligation refunding bonds offset by increases to net pension liability and net OPEB obligation.

### Overview of the Financial Statements

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

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

The statement of net position presents information on all of the City’s assets deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two 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.

The statement of activities presents information in order to present how the City's net position changed during the fiscal 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. Thus, revenues and expenses reported in this statement for some items will only result in changes in cash flows for future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and community services. The business-type activities of the City include water, wastewater, and solid waste operations.

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

**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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains 22 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 and Debt Service Fund, which are considered to be major funds. Data from the other 20 governmental funds are combined into a single aggregate presentation.

**Proprietary funds.** 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, wastewater and solid waste operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water, wastewater and solid waste, all of which are considered to be major funds.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to the accounting used for proprietary funds. See Note I for additional information pertaining to fiduciary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 28 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison schedules for the General Fund and Street Special Revenue Fund and information concerning the City's progress in funding its OPEB and pension obligations. Required supplementary information immediately follows the notes to the financial statements. Supplementary information including combining statements and budgetary comparison schedules for non-major governmental funds follow the section on required supplementary information.

## **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2017, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$140,290,044.

The largest portion of the City's net position (78%) reflects its investment in capital assets (e.g., land, building, 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 capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$28,093,908, may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2017, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities.

**City of Huntsville, Texas'**  
**Summary Statement of Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 30,180,279	\$ 28,361,795	\$ 32,940,986	\$ 34,110,256	\$ 63,121,265	\$ 62,472,051
Capital assets	<u>31,747,127</u>	<u>31,250,886</u>	<u>103,330,926</u>	<u>89,285,869</u>	<u>135,078,053</u>	<u>120,536,755</u>
Total assets	<u>61,927,406</u>	<u>59,612,681</u>	<u>136,271,912</u>	<u>123,396,125</u>	<u>198,199,318</u>	<u>183,008,806</u>
Deferred outflows of resources	<u>4,299,183</u>	<u>4,958,031</u>	<u>1,394,895</u>	<u>1,694,012</u>	<u>5,694,078</u>	<u>6,652,043</u>
Long-term liabilities outstanding	33,507,157	33,569,169	24,419,654	28,110,083	57,926,811	61,679,252
Other liabilities	<u>2,069,318</u>	<u>1,632,927</u>	<u>3,425,363</u>	<u>2,813,196</u>	<u>5,494,681</u>	<u>4,446,123</u>
Total liabilities	<u>35,576,475</u>	<u>35,202,096</u>	<u>27,845,017</u>	<u>30,923,279</u>	<u>63,421,492</u>	<u>66,125,375</u>
Deferred inflows of resources	<u>139,796</u>	<u>219,458</u>	<u>42,064</u>	<u>69,379</u>	<u>181,860</u>	<u>288,837</u>
Net position:						
Net investment, in capital assets	23,317,618	21,330,247	86,446,730	71,212,528	109,764,348	92,542,775
Restricted	2,431,788	3,598,041	-	-	2,431,788	3,598,041
Unrestricted	<u>4,760,912</u>	<u>4,220,870</u>	<u>23,332,996</u>	<u>22,884,951</u>	<u>28,093,908</u>	<u>27,105,821</u>
Total net position	<u>\$ 30,510,318</u>	<u>\$ 29,149,158</u>	<u>\$ 109,779,726</u>	<u>\$ 94,097,479</u>	<u>\$ 140,290,044</u>	<u>\$ 123,246,637</u>

**Governmental activities.** Net position increased by \$1,361,160 in fiscal year 2017. This is compared to an increase of \$762,007 in fiscal year 2016. The increase in net position as compared to the prior year is comprised of various factors. Related to revenues, the major factors include an increase in charges for services of \$388,502. On the expense side, there was a decrease of \$34,724 in interest expense.

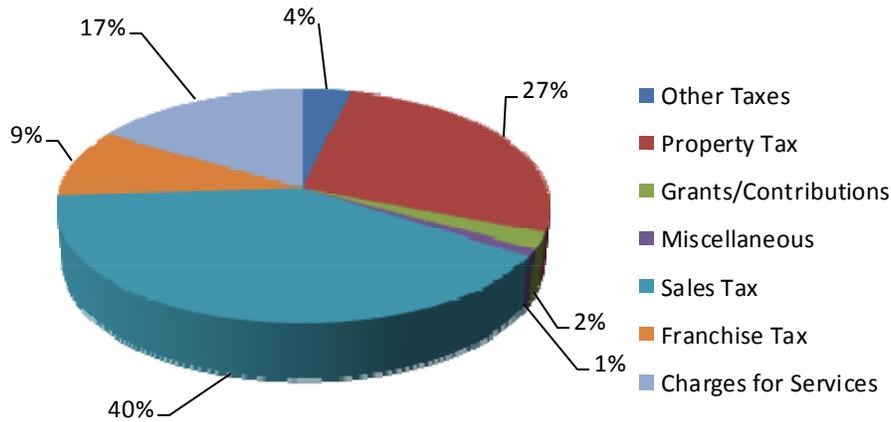
**Business-type activities.** Net position increased by \$15,682,247 in the current year compared to an \$8,972,594 increase in fiscal year 2016. Major factors contributing to the increase in net position for fiscal year 2017 were increased charges for services revenues of over \$900,000, increase in operating grants of \$1.3 million, and transfers. All of these revenues increased due to an increase in economic activity in the City which has caused an increased demand for the City's public utilities.

**Analysis of the City's Operations.** The following table provides a summary of the City's operations for the year ended September 30, 2017. Overall, the City had an increase in net position of \$17,043,407. Major factors contributing to the increase are explained in the previous two paragraphs.

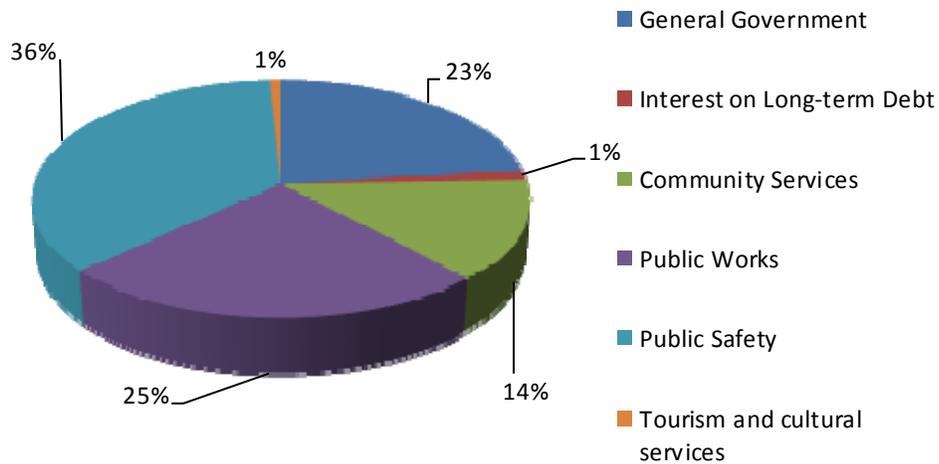
## City of Huntsville, Texas' Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 3,284,916	\$ 2,891,963	\$ 32,030,554	\$ 30,174,501	\$ 35,315,470	\$ 33,066,464
Operating grants and contributions	370,234	430,311	7,123,788	1,449,514	7,494,022	1,879,825
Capital grants and contributions	113,643	121,190	-	-	113,643	121,190
General revenues:						
Property taxes	6,124,340	5,816,471	-	-	6,124,340	5,816,471
Sales taxes	9,001,502	7,956,186	-	-	9,001,502	7,956,186
Franchise taxes	2,094,257	2,083,559	-	-	2,094,257	2,083,559
Other taxes	824,729	980,206	-	-	824,729	980,206
Investment earnings	297,980	210,191	267,211	327,113	565,191	537,304
Miscellaneous	223,297	125,828	1,131,561	404,109	1,354,858	529,937
Total revenues	<u>22,334,898</u>	<u>20,615,905</u>	<u>40,553,114</u>	<u>32,355,237</u>	<u>62,888,012</u>	<u>52,971,142</u>
Expenses:						
General government	6,189,702	5,947,780	-	-	6,189,702	5,947,780
Public works	6,748,483	5,632,124	-	-	6,748,483	5,632,124
Community services	3,618,287	3,940,687	-	-	3,618,287	3,940,687
Public safety	9,594,739	8,725,431	-	-	9,594,739	8,725,431
Tourism and cultural services	219,586	236,656	-	-	219,586	236,656
Interest on long-term debt	341,943	376,667	-	-	341,943	376,667
Water production and distribution	-	-	9,373,310	9,083,478	9,373,310	9,083,478
Wastewater collection and treatment	-	-	5,572,691	5,148,292	5,572,691	5,148,292
Solid waste	-	-	4,185,864	4,145,426	4,185,864	4,145,426
Total expenses	<u>26,712,740</u>	<u>24,859,345</u>	<u>19,131,865</u>	<u>18,377,196</u>	<u>45,844,605</u>	<u>43,236,541</u>
Increases in net position before transfers	( 4,377,842)	( 4,243,440)	21,421,249	13,978,041	17,043,407	9,734,601
Transfers	<u>5,739,002</u>	<u>5,005,447</u>	<u>( 5,739,002)</u>	<u>( 5,005,447)</u>	<u>-</u>	<u>-</u>
Increase in net position	1,361,160	762,007	15,682,247	8,972,594	17,043,407	9,734,601
Net position, beginning	29,149,158	28,588,301	94,097,479	85,124,885	123,246,637	113,713,186
Prior period adjustment	<u>-</u>	<u>( 201,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 201,150)</u>
Net position, beginning, as restated	29,149,158	28,387,151	94,097,479	85,124,885	123,246,637	113,512,036
Net position, ending	<u>\$ 30,510,318</u>	<u>\$ 29,149,158</u>	<u>\$ 109,779,726</u>	<u>\$ 94,097,479</u>	<u>\$ 140,290,044</u>	<u>\$ 123,246,637</u>

**Revenues - Governmental Activities  
Fiscal Year 2017 (excludes transfers)**



**Primary Government Functional Expenses for  
Governmental Activities - Fiscal Year 2017**



**Financial Analysis and Budgetary Highlights of City Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate 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 a City’s net resources available for spending at the end of the fiscal year.

At the end of the 2017 fiscal year, the City's governmental funds reported combined ending fund balances of \$21,563,787, an increase of \$1,101,399 from the prior year before a prior year adjustment. Approximately 48% of this total amount is available for spending at the City's discretion. The remainder of fund balance is not available for new spending because it is restricted to pay debt service (\$348,731) and for a variety of other purposes.

**General Fund.** The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10,443,697, while the total fund balance was \$11,654,872. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 48% of the General Fund expenditures, while total fund balance represents 54% of that same amount.

The final budget for fiscal year 2017 reflected a \$4,881,300 drawdown of fund balance, while still providing for a sufficient reserve balance. The actual change in fund balance was a decrease of \$1,766,953. Contributing factors was the realization of revenues \$1,779,122 over the budgeted amounts and overall expenditures \$1,226,857 under budgeted amounts. Key factors affecting fund balance are as follows:

- Total General Fund revenues of \$18,681,702 were increased from FY 2016 by \$1,757,186.
  - Property tax revenue increased \$132,664 from FY 2016 actuals due to an increase in values.
  - Sales tax revenue increases by \$1,045,316 due to increased economic activity within the City.
  - Other taxes decreased by \$7,096 due to a decrease in electrical franchise tax collection.
  - Charges for services decreased by \$12,461 while licenses and permits increased by \$225,972.
  - Fines and forfeitures increased by \$253,463 primarily due to an increase in the number of positions filled in the police department for traffic enforcement from the prior year.
- Total General Fund expenditures of \$21,780,606 increased from FY 2016 by \$2,107,901.
  - General government expenditures increased by \$429,804 from FY 2016. The most significant reason for this increase is increased funding of vehicle and equipment replacement.
  - Total public safety expenditures increased by \$741,307 from FY 2016. This was primarily due to being closer to fully staffed throughout the year.
  - Public works expenditures increased by \$930,634 from FY 2016. This increase is primarily the result of increased street maintenance repairs in FY 2017.
  - Community services expenditures increased by \$18,227 from FY 2016.

The actual revenues of \$18,681,702 were more than the budgeted revenues by \$1,779,122. Sales tax revenue and licenses and permits exceeded the budgeted amounts by \$1,143,782 and \$423,602, respectively. The actual expenditures of \$21,780,606 were \$1,226,857 less than the budgeted expenditures of \$23,007,463.

Debt Service fund balance increased by \$8,063. Fund balance was projected to increase by \$127 in the final budget, and property tax revenues were more than final budgeted amounts by \$3,924.

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

Unrestricted net position of the respective proprietary funds are Water – \$13,559,505, Wastewater – \$7,851,301, and Solid Waste – \$1,922,190. The net position for Water increased \$7,052,604; Wastewater increased \$8,156,923 and Solid Waste increased \$472,720. The overall change in net position for business-type activities increased by \$15,682,247 which is an increase of \$6,709,653 from the FY 2016 change in net position of \$8,972,594. Overall Utility operating revenues of \$33,162,115 reflected an increase of \$2,583,505 or an increase of 8.4% compared to FY 2016. Utility operating expenses of \$18,576,641 reflected an increase of \$830,729 or an increase of 4.7% over FY 2016. The increase in net position for each of the enterprise funds can be attributed to an increase in consumption and charges for services for public utility service provided.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2017, the City had over \$135,078,053 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and water and sewer lines. This amount represents a net increase of approximately 12.06% over the amounts for the prior fiscal year.

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,872,245	\$ 1,872,245	\$ 782,325	\$ 782,325	\$ 2,654,570	\$ 2,654,570
Construction in progress	536,230	4,048,060	18,275,854	7,476,633	18,812,084	11,524,693
Buildings and improvements	6,557,407	7,066,015	481,497	512,750	7,038,904	7,578,765
Improvements other than buildings	10,525,136	7,473,140	1,492,247	60,234	12,017,383	7,533,374
Machinery, furniture and equipment	5,330,653	4,639,829	320,993	23,085	5,651,646	4,662,914
Water rights	-	-	30,732,925	31,724,310	30,732,925	31,724,310
Infrastructure	6,925,456	6,151,597	51,245,085	48,706,532	58,170,541	54,858,129
Total	\$ 31,747,127	\$ 31,250,886	\$ 103,330,926	\$ 89,285,869	\$ 135,078,053	\$ 120,536,755

Major capital asset events during the 2017 fiscal year include the following:

- \$2.0 million was spent on building a new Solid Waste Transfer Station.
- \$2.1 million was spent on various wastewater projects.

- \$8.1 million was spent on a major drainage project whose total project costs are expected to be around \$11.5 million. Approximately \$8.3 million of the project costs will be paid with grant (FEMA) funds.
- \$5.2 million was spent on water projects.
- The City spent a little over \$1 million on a major street renovation.
- \$583,000 was spent on various other Governmental Activities projects.
- In FY 2017 the City purchased new equipment and vehicles for various operations totaling approximately \$2.4 million. Major purchases included a Solid Waste truck for approximately \$295,000 and a fire brush truck in the amount of \$537,000.

Additional information on the City’s capital assets can be found in Note II beginning on page 43 of this report.

Debt Administration

At the end of the current fiscal year, the City had total bonded debt outstanding of \$25,668,939. The remainder of the City’s long-term obligations comprises compensated absences, the net OPEB obligation, legal judgments, and contractual obligations.

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 4,864,620	\$ 6,192,772	\$ 2,220,379	\$ 2,882,228	\$ 7,084,999	\$ 9,075,000
Certificates of obligation	3,500,000	3,650,000	2,675,000	2,780,000	6,175,000	6,430,000
Revenue bonds	-	-	11,259,636	14,279,636	11,259,636	14,279,636
Premium on bonds issued	64,889	77,867	1,084,415	1,306,140	1,149,304	1,384,007
Compensated absences	1,202,465	962,534	295,272	216,562	1,497,737	1,179,096
Net pension liability	16,367,752	15,851,208	4,925,019	5,011,134	21,292,771	20,862,342
Net OPEB obligation	5,457,664	4,355,302	1,959,933	1,634,383	7,417,597	5,989,685
Developer TIRZ	2,049,767	2,479,486	-	-	2,049,767	2,479,486
	<u>\$ 33,507,157</u>	<u>\$ 30,533,971</u>	<u>\$ 24,419,654</u>	<u>\$ 31,750,412</u>	<u>\$ 57,926,811</u>	<u>\$ 62,284,383</u>

The long-term liabilities for the City decreased overall by \$4,357,572 for fiscal year 2017. This was due to regularly scheduled debt service payments.

Additional information on the City’s long-term debt can be found in Note II beginning on page 45 of this report.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The following economic factors currently affect the City of Huntsville and were considered in developing the 2017-2018 fiscal year budget.

Sales Tax revenue makes up approximately 33% of the Revenues for General Fund. These revenues were budgeted to increase by \$262,480 (3.5%) in FY 2018 from the 2017 fiscal year budgeted amount of \$7,428,000.

A 1.3% increase in water volumetric rates beginning October 1, 2017 was approved. This was the sixth year of increases in the volumetric rates. The rates adopted were rates received from a rate study performed by a consultant completed in FY 2011. The major factors the consultant used in developing proposed rates for the City thru fiscal year 2030 were 1) almost \$20,000,000 of debt issued in fiscal year 2012 for the expansion and improvement of the drinking water treatment plant from which the City obtains 75% of its water and 2) projection for the need of approximately \$650,000 annually for the replacement and renewal of decades old existing water distribution infrastructure. Also included in developing the rate are anticipated expenditure increases due to normal inflation increases to operating costs.

The property tax rate of \$0.3809 per \$100 valuation for FY 2017 was reduced for FY 2018 to \$0.3666. For fiscal year 2018 General Fund's budgeted expenditures for regular operations were increased by approximately 5.7% (\$1,258,000) from FY 2017. Also, there were \$1,097,000 of General Fund one time only non-operational expenditures budgeted to be paid from Fund Balance.

Interest rates are expected to remain at low levels throughout fiscal year 2017-18.

The unemployment rate for the City of Huntsville in September 2017 was 5.3 percent, which is a slight decrease of 0.2% from the September 2016 rate of 5.5 percent.

### **Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Finance Department, 1212 Avenue M, Huntsville, Texas 77340.

**CITY OF HUNTSVILLE, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,813,388	\$ 16,541,271	\$ 29,354,659
Investments	13,779,986	9,044,098	22,824,084
Prepaid expenses	5,878	10,000	15,878
Accounts receivable (net of allowances for uncollectable):			
Accounts	94,777	3,352,489	3,447,266
Taxes	2,316,706	-	2,316,706
Intergovernmental	60,849	2,420,197	2,481,046
Interest	99,865	59,896	159,761
Other	289,769	-	289,769
Internal balances	293,781	( 293,781)	-
Inventories	108,409	197,801	306,210
Property held for sale	14,253	-	14,253
Restricted assets:			
Cash and cash equivalents	-	1,609,015	1,609,015
Investment in joint venture	302,618	-	302,618
Capital assets not being depreciated	2,408,475	19,058,178	21,466,653
Capital assets (net of accumulated depreciation)	<u>29,338,652</u>	<u>84,272,748</u>	<u>113,611,400</u>
Total assets	<u>61,927,406</u>	<u>136,271,912</u>	<u>198,199,318</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on bond refunding	-	101,280	101,280
Deferred outflows of resources related to pensions	4,299,183	1,293,615	5,592,798
Total deferred outflows of resources	<u>4,299,183</u>	<u>1,394,895</u>	<u>5,694,078</u>
<b>LIABILITIES</b>			
Accounts payable	1,242,452	2,143,108	3,385,560
Accrued liabilities	519,740	67,410	587,150
Accrued interest	37,757	-	37,757
Liabilities payable from restricted assets:			
Accrued interest	-	70,673	70,673
Due to other governments	162,786	27,492	190,278
Other liabilities	106,583	-	106,583
Customer deposits	-	1,116,680	1,116,680
Noncurrent liabilities:			
Due within one year	2,375,492	3,759,566	6,135,058
Due in more than one year	<u>31,131,665</u>	<u>20,660,088</u>	<u>51,791,753</u>
Total liabilities	<u>35,576,475</u>	<u>27,845,017</u>	<u>63,421,492</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	139,796	42,064	181,860
Total deferred inflows of resources	<u>139,796</u>	<u>42,064</u>	<u>181,860</u>
<b>NET POSITION</b>			
Net investment in capital assets	23,317,618	86,446,730	109,764,348
Restricted for:			
Library - nonspendable	106,914	-	106,914
Cemetery - nonspendable	354,873	-	354,873
Debt service	390,148	-	390,148
Promotion of tourism	420,226	-	420,226
Court technology and security	195,374	-	195,374
Purpose of grantors, trustees and donors	763,222	-	763,222
Law enforcement	201,031	-	201,031
Unrestricted	<u>4,760,912</u>	<u>23,332,996</u>	<u>28,093,908</u>
Total net position	<u>\$ 30,510,318</u>	<u>\$ 109,779,726</u>	<u>\$ 140,290,044</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HUNTSVILLE, TEXAS**

**STATEMENT OF ACTIVITIES**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 6,189,702	\$ 175,178	\$ -	\$ 15,783
Public safety	9,594,739	1,752,123	333,620	97,860
Public works	6,748,483	750,952	-	-
Community services	3,618,287	165,472	24,129	-
Tourism and cultural services	219,586	441,191	12,485	-
Interest on long-term debt	341,943	-	-	-
Total governmental activities	<u>26,712,740</u>	<u>3,284,916</u>	<u>370,234</u>	<u>113,643</u>
Business-type activities:				
Water	9,373,310	17,802,407	311,883	-
Wastewater	5,572,691	8,654,704	6,811,905	-
Solid waste	4,185,864	5,573,443	-	-
Total business-type activities	<u>19,131,865</u>	<u>32,030,554</u>	<u>7,123,788</u>	<u>-</u>
Total primary government	<u>\$ 45,844,605</u>	<u>\$ 35,315,470</u>	<u>\$ 7,494,022</u>	<u>\$ 113,643</u>

General revenues:

Taxes:

  Property

  Sales

  Franchise

  Other

Unrestricted investment earnings

Miscellaneous

Transfers

    Total general revenues and transfers

    Change in net position

Net position, beginning

Net position, ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenues and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
\$( 5,998,741)	\$ -	\$( 5,998,741)
( 7,411,136)	-	( 7,411,136)
( 5,997,531)	-	( 5,997,531)
( 3,428,686)	-	( 3,428,686)
234,090	-	234,090
<u>( 341,943)</u>	<u>-</u>	<u>( 341,943)</u>
<u>( 22,943,947)</u>	<u>-</u>	<u>( 22,943,947)</u>
-	8,740,980	8,740,980
-	9,893,918	9,893,918
<u>-</u>	<u>1,387,579</u>	<u>1,387,579</u>
<u>-</u>	<u>20,022,477</u>	<u>20,022,477</u>
( 22,943,947)	20,022,477	( 2,921,470)
6,124,340	-	6,124,340
9,001,502	-	9,001,502
2,094,257	-	2,094,257
824,729	-	824,729
297,980	267,211	565,191
223,297	1,131,561	1,354,858
<u>5,739,002</u>	<u>( 5,739,002)</u>	<u>-</u>
<u>24,305,107</u>	<u>( 4,340,230)</u>	<u>19,964,877</u>
1,361,160	15,682,247	17,043,407
29,149,158	94,097,479	123,246,637
<u>\$ 30,510,318</u>	<u>\$ 109,779,726</u>	<u>\$ 140,290,044</u>

**CITY OF HUNTSVILLE, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,550,684	\$ 344,932	\$ 7,105,101	\$ 9,000,717
Investments	9,585,960	-	2,366,685	11,952,645
Receivables (net of allowance for uncollectibles):				
Accounts	94,627	-	150	94,777
Taxes	2,126,402	82,973	107,331	2,316,706
Intergovernmental	10,462	-	50,387	60,849
Interest	79,804	-	10,017	89,821
Other	47,470	-	-	47,470
Due from other funds	300,650	-	95	300,745
Inventory	108,409	-	-	108,409
Property held for sale	-	-	14,253	14,253
Prepays	<u>5,878</u>	<u>-</u>	<u>-</u>	<u>5,878</u>
 Total assets	 <u>\$ 13,910,346</u>	 <u>\$ 427,905</u>	 <u>\$ 9,654,019</u>	 <u>\$ 23,992,270</u>
<b>LIABILITIES</b>				
Accounts payable	606,407	-	24,311	630,718
Accrued liabilities	502,183	-	17,557	519,740
Due to other funds	321	-	6,643	6,964
Due to other governments	117,462	-	45,324	162,786
Unearned revenue	615,440	-	-	615,440
Other liabilities	<u>106,583</u>	<u>-</u>	<u>-</u>	<u>106,583</u>
Total liabilities	<u>1,948,396</u>	<u>-</u>	<u>93,835</u>	<u>2,042,231</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	<u>307,078</u>	<u>79,174</u>	<u>-</u>	<u>386,252</u>
Total deferred inflows of resources	<u>307,078</u>	<u>79,174</u>	<u>-</u>	<u>386,252</u>
<b>Fund balances:</b>				
Nonspendable	114,287	-	461,787	576,074
Restricted	-	348,731	1,579,853	1,928,584
Assigned	1,096,888	-	7,518,544	8,615,432
Unassigned	<u>10,443,697</u>	<u>-</u>	<u>-</u>	<u>10,443,697</u>
Total fund balances	<u>11,654,872</u>	<u>348,731</u>	<u>9,560,184</u>	<u>21,563,787</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 13,910,346</u>	 <u>\$ 427,905</u>	 <u>\$ 9,654,019</u>	 <u>\$ 23,992,270</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF HUNTSVILLE, TEXAS

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

SEPTEMBER 30, 2017

Total fund balances - governmental funds balance sheet	\$ 21,563,787
Amounts reported for governmental activities in the statement of net position are different	
Capital assets used in governmental activities are not reported in the funds.	27,665,605
Property taxes receivable, related penalties and interest, and franchise fees are unavailable to pay for current period expenditures are reported as deferred inflows of resources in the funds.	872,407
Court fines receivable unavailable to pay for current period expenditures are reported as deferred inflows of resources in the funds.	129,285
Payables for bond interest which are not due in the current period are not reported in the funds.	( 37,757)
The investment in joint venture is not considered a financial asset. Therefore, this is not reported in the governmental funds balance sheet.	302,618
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consist of:	
Bonds payable	( 8,364,620)
Bond premiums	( 64,889)
Compensated absences	( 1,202,465)
Net pension liability	( 16,367,752)
Net OPEB obligation	( 5,457,664)
Deferred outflows (inflows) related to pensions	4,159,387
Contractual obligation	( 2,049,767)
The assets and liabilities of Internal Service Funds are included in governmental activities in the statement of net position.	<u>9,362,143</u>
Net position of governmental activities - statement of net position	\$ <u><u>30,510,318</u></u>

# CITY OF HUNTSVILLE, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	General	Debt Service	Other Governmental	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property	\$ 4,337,759	\$ 1,512,189	\$ 218,285	\$ 6,068,233
Sales	9,001,502	-	-	9,001,502
Franchise	2,088,756	-	-	2,088,756
Other	103,603	-	721,126	824,729
Licenses and permits	791,402	-	-	791,402
Charges for sales and services	449,902	330,502	488,072	1,268,476
Fines, fees, and forfeitures	1,430,584	-	68,601	1,499,185
Donations, contributions, and grants	69,349	-	159,777	229,126
Investment earnings	210,244	4,113	83,623	297,980
Miscellaneous	198,601	-	930	199,531
Total revenues	18,681,702	1,846,804	1,740,414	22,268,920
<b>EXPENDITURES</b>				
Current:				
General government	5,631,798	-	24,950	5,656,748
Public safety	7,996,066	-	678,991	8,675,057
Public works	4,945,159	-	1,738,799	6,683,958
Community services	2,987,997	-	846,101	3,834,098
Tourism and cultural services	219,586	-	-	219,586
Debt service:				
Principal retirement	-	1,478,152	-	1,478,152
Interest and fiscal charges	-	360,589	-	360,589
Total expenditures	21,780,606	1,838,741	3,288,841	26,908,188
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 3,098,904)	8,063	( 1,548,427)	( 4,639,268)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,789,752	-	5,817,983	11,607,735
Transfers out	( 4,459,466)	-	( 1,409,267)	( 5,868,733)
Sale of capital assets	1,665	-	-	1,665
Total other financing sources (uses)	1,331,951	-	4,408,716	5,740,667
<b>NET CHANGE IN FUND BALANCES</b>	( 1,766,953)	8,063	2,860,289	1,101,399
<b>FUND BALANCES, BEGINNING</b>	13,421,825	340,668	6,699,895	20,462,388
<b>FUND BALANCES, ENDING</b>	\$ 11,654,872	\$ 348,731	\$ 9,560,184	\$ 21,563,787

The accompanying notes are an integral part of these financial statements.

**CITY OF HUNTSVILLE, TEXAS**

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

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Net change in fund balances - total governmental funds	\$ 1,101,399
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. This is the amount of capital assets recorded in the current period.	1,663,114
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	( 1,928,017)
The issuance of long-term debt (e.g. bonds) 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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Debt issued or incurred:	
Bond premium	12,978
Repayment of principal of long-term debt	1,478,152
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	49,915
Property tax penalties and interest	6,192
Franchise fees	5,501
Change in equity interest in joint venture	( 12,987)
Court fines and fees	2,705
Current year changes in certain long-term liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	( 239,931)
Net OPEB obligation	( 1,102,362)
Contractual obligation	429,719
Interest is accrued in the government-wide financial statements but not at the fund level. This represents the change in the accrual during the period.	5,668
Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension liability were amortized.	( 1,095,730)
The net revenue (expense) of internal service funds is reported with governmental activities.	<u>984,844</u>
Change in net position of governmental activities - statement of activities	<u>\$ 1,361,160</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HUNTSVILLE, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2017**

	Enterprise Funds		
	Water	Wastewater	Solid Waste
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 8,631,963	\$ 5,299,017	\$ 2,610,291
Investments	5,239,937	2,340,293	1,463,868
Accounts receivable (net of allowance for uncollectibles):			
Accounts	1,749,861	947,653	654,975
Intergovernmental	394,995	2,025,202	-
Interest	31,580	16,321	11,995
Due from other funds	-	246	-
Inventories	185,360	12,441	-
Prepays	10,000	-	-
Restricted assets:			
Cash and cash equivalents	442,929	1,166,086	-
Total current assets	<u>16,686,625</u>	<u>11,807,259</u>	<u>4,741,129</u>
Noncurrent assets:			
Capital assets not being depreciated	2,097,065	13,440,181	3,520,932
Capital assets (net of accumulated depreciation)	<u>51,883,869</u>	<u>32,102,618</u>	<u>286,261</u>
Total noncurrent assets	<u>53,980,934</u>	<u>45,542,799</u>	<u>3,807,193</u>
Total assets	<u>70,667,559</u>	<u>57,350,058</u>	<u>8,548,322</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on bond refunding	40,554	60,726	-
Deferred outflow related to pensions	<u>441,831</u>	<u>474,829</u>	<u>376,955</u>
Total deferred outflows of resources	<u>482,385</u>	<u>535,555</u>	<u>376,955</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	492,147	1,510,203	140,758
Accrued liabilities	20,366	23,295	23,749
Customer deposits	390,503	308,087	418,090
Liabilities payable from restricted assets:			
Accrued interest payable	53,486	6,718	10,469
Due to other funds	81,516	27,941	184,570
Due to other governments	-	-	27,492
Noncurrent liabilities due within one year	<u>3,164,824</u>	<u>458,307</u>	<u>136,435</u>
Total current liabilities	<u>4,202,842</u>	<u>2,334,551</u>	<u>941,563</u>
Noncurrent liabilities:			
Due in more than one year	<u>11,353,224</u>	<u>4,389,790</u>	<u>4,917,074</u>
Total noncurrent liabilities	<u>11,353,224</u>	<u>4,389,790</u>	<u>4,917,074</u>
Total liabilities	<u>15,556,066</u>	<u>6,724,341</u>	<u>5,858,637</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow related to pensions	<u>14,367</u>	<u>15,440</u>	<u>12,257</u>
Total deferred inflows of resources	<u>14,367</u>	<u>15,440</u>	<u>12,257</u>
<b>NET POSITION</b>			
Net investment in capital assets	42,020,006	43,294,531	1,132,193
Unrestricted	<u>13,559,505</u>	<u>7,851,301</u>	<u>1,922,190</u>
Total net position	<u>\$ 55,579,511</u>	<u>\$ 51,145,832</u>	<u>\$ 3,054,383</u>

The accompanying notes are an integral part of these financial statements.

<u>Total Enterprise</u>	<u>Internal Service</u>
\$ 16,541,271	\$ 3,812,671
9,044,098	1,827,341
3,352,489	-
2,420,197	-
59,896	10,044
246	-
197,801	-
10,000	-
<u>1,609,015</u>	<u>-</u>
<u>33,235,013</u>	<u>5,892,355</u>
19,058,178	-
<u>84,272,748</u>	<u>4,081,522</u>
<u>103,330,926</u>	<u>4,081,522</u>
<u>136,565,939</u>	<u>9,973,877</u>
101,280	-
<u>1,293,615</u>	<u>-</u>
<u>1,394,895</u>	<u>-</u>
2,143,108	611,734
67,410	-
1,116,680	-
70,673	-
294,027	-
27,492	-
<u>3,759,566</u>	<u>-</u>
<u>7,478,956</u>	<u>611,734</u>
<u>20,660,088</u>	<u>-</u>
<u>20,660,088</u>	<u>-</u>
<u>28,139,044</u>	<u>611,734</u>
<u>42,064</u>	<u>-</u>
<u>42,064</u>	<u>-</u>
86,446,730	4,081,522
<u>23,332,996</u>	<u>5,280,621</u>
<u>\$ 109,779,726</u>	<u>\$ 9,362,143</u>

**CITY OF HUNTSVILLE, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**

**PROPRIETARY FUND**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Enterprise Funds		
	Water	Wastewater	Solid Waste
<b>OPERATING REVENUES</b>			
Charges for services:			
Water sales	\$ 17,603,207	\$ -	\$ -
Wastewater sales and services	-	8,573,384	-
Solid waste fees - residential and commercial	-	-	4,518,704
Solid waste fees - disposal	-	-	1,054,739
Inter-department services	-	-	-
Total service charges	<u>17,603,207</u>	<u>8,573,384</u>	<u>5,573,443</u>
Service fees and miscellaneous:			
Tap and connection fees	199,200	81,320	-
Customer penalties and miscellaneous	<u>748,638</u>	<u>303,820</u>	<u>79,103</u>
Total service fees and miscellaneous	<u>947,838</u>	<u>385,140</u>	<u>79,103</u>
Total operating revenues	<u>18,551,045</u>	<u>8,958,524</u>	<u>5,652,546</u>
<b>OPERATING EXPENSES</b>			
Administration	215,021	899,078	937,612
Water production and distribution	6,317,718	-	-
Wastewater collection and treatment	-	2,871,251	-
Solid waste collection and disposal	-	-	3,124,505
Utility billing/customer service	458,380	-	-
Lab/compliance	-	321,827	-
Equipment replacement	-	-	-
Depreciation	<u>1,978,452</u>	<u>1,417,192</u>	<u>35,605</u>
Total operating expenses	<u>8,969,571</u>	<u>5,509,348</u>	<u>4,097,722</u>
<b>OPERATING INCOME (LOSS)</b>	<u>9,581,474</u>	<u>3,449,176</u>	<u>1,554,824</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Grants and contributions	311,883	6,811,905	-
Investment earnings	136,465	89,156	41,590
Loss on disposal of capital assets	-	-	-
Interest expense	<u>( 403,739)</u>	<u>( 63,343)</u>	<u>( 88,142)</u>
Total nonoperating revenues (expenses)	<u>44,609</u>	<u>6,837,718</u>	<u>( 46,552)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	9,626,083	10,286,894	1,508,272
Transfers in	90,000	-	-
Transfers out	<u>( 2,663,479)</u>	<u>( 2,129,971)</u>	<u>( 1,035,552)</u>
<b>CHANGE IN NET POSITION</b>	7,052,604	8,156,923	472,720
<b>NET POSITION, BEGINNING</b>	<u>48,526,907</u>	<u>42,988,909</u>	<u>2,581,663</u>
<b>NET POSITION, ENDING</b>	<u>\$ 55,579,511</u>	<u>\$ 51,145,832</u>	<u>\$ 3,054,383</u>

The accompanying notes are an integral part of these financial statements.

	<u>Total Enterprise</u>	<u>Internal Service</u>
\$	17,603,207	\$ -
	8,573,384	-
	4,518,704	-
	1,054,739	-
	<u>-</u>	<u>5,808,571</u>
	<u>31,750,034</u>	<u>5,808,571</u>
	280,520	-
	<u>1,131,561</u>	<u>29,438</u>
	<u>1,412,081</u>	<u>29,438</u>
	<u>33,162,115</u>	<u>5,838,009</u>
	2,051,711	3,436,267
	6,317,718	-
	2,871,251	-
	3,124,505	-
	458,380	-
	321,827	-
	-	138,394
	<u>3,431,249</u>	<u>1,335,208</u>
	<u>18,576,641</u>	<u>4,909,869</u>
	<u>14,585,474</u>	<u>928,140</u>
	7,123,788	-
	267,211	36,300
	-	20,404
(	<u>555,224)</u>	<u>-</u>
	<u>6,835,775</u>	<u>56,704</u>
	21,421,249	984,844
	90,000	-
(	<u>5,829,002)</u>	<u>-</u>
	15,682,247	984,844
	<u>94,097,479</u>	<u>8,377,299</u>
\$	<u>109,779,726</u>	\$ <u>9,362,143</u>

**CITY OF HUNTSVILLE, TEXAS**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Enterprise Funds			Total Enterprise	Internal Service
	Water	Wastewater	Solid Waste		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 18,039,074	\$ 8,301,549	\$ 5,491,999	\$ 31,832,622	\$ -
Interfund services provided and used	-	-	-	-	5,612,559
Cash payments to employees for services	( 1,336,637)	( 1,413,628)	( 1,111,862)	( 3,862,127)	-
Cash payments to suppliers for goods and services	( 5,244,554)	( 2,302,461)	( 2,515,545)	( 10,062,560)	( 3,526,209)
Net cash provided by operating activities	<u>11,457,883</u>	<u>4,585,460</u>	<u>1,864,592</u>	<u>17,907,935</u>	<u>2,086,350</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating grants	311,883	6,811,905	-	7,123,788	-
Transfers from other funds	90,000	-	-	90,000	-
Transfers to funds	( 2,663,479)	( 2,129,971)	( 1,035,552)	( 5,829,002)	-
Net cash provided (used) by by noncapital financing activities	<u>( 2,261,596)</u>	<u>4,681,934</u>	<u>( 1,035,552)</u>	<u>1,384,786</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal repayment on long-term debt	( 3,253,887)	( 427,962)	( 105,000)	( 3,786,849)	-
Interest and fiscal charges on debt	( 594,099)	198,532	( 102,950)	( 498,517)	-
Acquisition or construction of capital assets	( 5,312,679)	( 10,127,797)	( 2,035,830)	( 17,476,306)	( 1,739,766)
Proceeds from the disposition of capital assets	-	-	-	-	20,404
Net used for capital and related financing activities	<u>( 9,160,665)</u>	<u>( 10,357,227)</u>	<u>( 2,243,780)</u>	<u>( 21,761,672)</u>	<u>( 1,719,362)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of investments	( 551,726)	-	( 620,450)	( 1,172,176)	( 471,285)
Proceeds from sale and maturities of securities	-	1,926,637	-	1,926,637	259,305
Interest and dividends on investments	<u>136,444</u>	<u>100,467</u>	<u>32,739</u>	<u>269,650</u>	<u>35,279</u>
Net cash provided (used) by investing activities	<u>( 415,282)</u>	<u>2,027,104</u>	<u>( 587,711)</u>	<u>1,024,111</u>	<u>( 176,701)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>( 379,660)</u>	<u>937,271</u>	<u>( 2,002,451)</u>	<u>( 1,444,840)</u>	<u>190,287</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>9,454,552</u>	<u>5,527,832</u>	<u>4,612,742</u>	<u>19,595,126</u>	<u>3,622,384</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 9,074,892</u>	<u>\$ 6,465,103</u>	<u>\$ 2,610,291</u>	<u>\$ 18,150,286</u>	<u>\$ 3,812,671</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HUNTSVILLE, TEXAS**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Enterprise Funds			Total Enterprise	Internal Service
	Water	Wastewater	Solid Waste		
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 9,581,474	\$ 3,449,176	\$ 1,554,824	\$ 14,585,474	\$ 928,140
Adjustments to reconcile operating income to net cash used by operating activities:					
Depreciation	1,978,452	1,417,192	35,605	3,431,249	1,335,208
Change in assets and liabilities:					
Decrease (increase) in prepaid items	( 10,000)	-	-	( 10,000)	16,849
Decrease (increase) in receivables	( 502,845)	( 639,059)	( 154,227)	( 1,296,131)	( 242,299)
Decrease (increase) in inventories	7,289	( 1,669)	-	5,620	-
Decrease (increase) in interfund receivables	193	294	-	487	-
Decrease (increase) in deferred outflows related to pensions	93,256	( 177,638)	88,308	3,926	-
Increase (decrease) in accounts payable	128,144	378,049	64,726	570,919	48,452
Increase (decrease) in accrued liabilities	( 1,404)	( 2,163)	4,749	1,182	-
Increase (decrease) in customer deposits	28,201	17,794	19,380	65,375	-
Increase (decrease) in compensated absences	13,797	31,005	33,909	78,711	-
Increase (decrease) in interfund payables	79,058	25,684	162,812	267,554	-
Increase (decrease) in due to other governments	-	( 8,551)	-	( 8,551)	-
Increase (decrease) in net pension liability	( 28,582)	( 5,181)	( 52,352)	( 86,115)	-
Increase (decrease) in net OPEB obligation	100,169	110,186	115,195	325,550	-
Increase (decrease) in deferred inflows related to pensions	( 9,319)	( 9,659)	( 8,337)	( 27,315)	-
Total adjustments	<u>1,876,409</u>	<u>1,136,284</u>	<u>309,768</u>	<u>3,322,461</u>	<u>1,158,210</u>
Net cash provided (used) by operating activities	\$ <u>11,457,883</u>	\$ <u>4,585,460</u>	\$ <u>1,864,592</u>	\$ <u>17,907,935</u>	\$ <u>2,086,350</u>
<b>SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>					
	\$ -	\$ -	\$ -	\$ -	\$ 356,586

**CITY OF HUNTSVILLE, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2017**

	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 27,166
Total assets	27,166
 <b>LIABILITIES</b>	
Accounts payable	27,166
Total liabilities	27,166

The accompanying notes are an integral part of these financial statements.

**NOTES TO THE  
FINANCIAL STATEMENTS**

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**CITY OF HUNTSVILLE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the City of Huntsville, Texas ("the City"), included in the accompanying basic financial statements conform to the generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the City's Comprehensive Annual Financial Report.

**A. Reporting Entity**

The City is a municipal corporation governed by an elected mayor and eight-member council. As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City (the primary government). Each blended component unit has a September 30 year-end.

The following blended component unit is reported as a Special Revenue Fund:

Huntsville Natural & Cultural Resources, Inc. (HNCR) is a nonprofit corporation created by the City to receive donations of land and money to provide park facilities and protection of cultural/historic amenities of the City. The City's Parks Advisory Board (all members of which are appointed by City Council) acts as Board of Directors. All decisions (financial etc.) of HNCR require the approval of the City of Huntsville's City Council. HNCR does not issue separate financial statements but financial information relating to HNCR, including its 990 (Internal Revenue Service "Return of Organization Exempt from Income Tax"), may be obtained from the City of Huntsville, 1212 Avenue M, Huntsville, Texas 77340. HNCR has only received donations of land during its existence which the City has included in its Capital Assets. No other activity occurred which would be recorded as revenue or expenditure. Consequently, no Special Revenue Fund statements have been prepared for HNCR.

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

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

Government-wide Financial Statements – The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given program or function is offset by the program's revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given program and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The effect of interfund activity within the governmental and business-type activities columns has been removed from these statements.

Fund Financial Statements – The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Each fund is considered a separate accounting entity and the operations of each fund are accounted for using a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriated. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Separate statements are presented for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

The government wide focus is on the sustainability of the City as an entity and the change in net financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides a different focus, which allows the reader to compare and analyze the information to enhance the usefulness of the statements.

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

### **Governmental Fund Types**

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds (in the fund financial statements) is on the sources, uses and balance of current financial resources and include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. The individual funds are described as follows:

## Major Governmental Funds

**General Fund** – The General Fund is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

## Major Proprietary Funds

**Water Fund** – This fund accounts for the provision of water services to the residents of the City and some residents of the county. All activities necessary to provide such services are accounted for in these funds including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

**Wastewater Fund** – This fund accounts for the provision of wastewater services to the residents of the City and some residents of the county. All activities necessary to provide such services are accounted for in these funds including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

**Solid Waste Fund** – This fund accounts for all solid waste collection and disposal services the City provided to residents (residential and commercial) of the City and some residents of the County. All activities necessary to provide such services are accounted for in these funds including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Additionally, the government reports the following fund types:

**Special Revenue Funds** – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are restricted to expenditures for specified purposes.

**Capital Projects Funds** – The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by the proprietary fund types. Such resources are derived from proceeds of general obligation bonds or other sources of revenue specifically set aside for capital projects.

**Permanent Funds** – The Permanent Funds are used to report resources that are legally restricted to the extent that only earnings and not principal, may be used for purposes that support the City’s Library and Cemetery operations.

***Internal Service Funds*** – The Internal Service Funds, which provide services primarily to other funds of the government, are presented in the summary form as part of the proprietary fund financial statements. The financial statements of the Internal Service Funds are allocated by percentage of use to the governmental and business-type columns when presented at the government wide level. Various operations are accounted for as Internal Service Funds, such as operational costs associated with automobile and heavy equipment and repairing City owned facilities, operational costs associated with the City's computer equipment within various departments, as well as jointly shared administrative departments.

***Agency Funds*** – This fund is used to accumulate resources for scholarships and employee assistance that the City is holding on-behalf of other individuals and entities.

### **Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to what is being measured and basis of accounting refers to timing of revenue and expenditure recognition in the financial statements.

The government-wide statements and proprietary funds fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled utility services which are accrued. Expenses are recognized at the time the liability is incurred. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues available if they are collected within sixty (60) days after year-end. Expenditures are recognized when the related fund liability is incurred, if measurable, except for principal and interest on general long-term debt, which are recorded when due, and compensated absences, which are recorded when payable from currently available financial resources.

Ad valorem, sales, hotel, and franchise tax revenues recorded in the Governmental Fund Types are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues (except earning on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

## **D. Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity**

### **Cash and Investments**

For cash flow purposes, cash and cash equivalents consist of demand deposits, certificates of deposits and deposits in authorized investment pools.

Texas State law requires the City to adopt written investment policies. The City's investment policies are reviewed each year by Council and were last amended on September 16, 2014. The investment policy was first adopted in March, 1990, and also amended October 1, 1990, February 8, 1994, December 12, 1995, February 19, 1998, February 8, 2000, and September 28, 2001. Authorized investments include those outlined in the Texas Government Code. Authorized investments include:

- Obligations of the United States or its agencies and instrumentalities;
- Direct obligations of the State of Texas or its agencies and instrumentalities;
- Obligations that the principal of and interest in which are unconditionally guaranteed by the State of Texas, or the United States or its agencies and instrumentalities;
- Certain certificates of deposit issued by state and national banks domiciled in Texas;
- Certain prime domestic bankers' acceptances (Texas Government Code Section 2256.009);
- Commercial paper with a stated maturity of 270 days or less rated not less than A-1 or P-1;
- Fully collateralized repurchase agreements; and
- Public funds investment pools approved by resolution of the City Council.

Investments for the City are reported at fair value, except for the position in investment pools. The City's investment in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

## **Public Funds Investment Pools**

Public funds investment pools in Texas ("Pools") are established under the authority of the interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its share.

## **Restricted Assets**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or legal agreements. The "Construction funds account" is used to report those proceeds of revenue bond issuance and/or certificate of obligation issuances that are restricted for use in construction. The "revenue bond interest and sinking account" is used to segregate resources accumulated for debt service payments over the next twelve months. The "bond reserve account" is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account.

## **Property Taxes and Other Receivables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade receivables are reviewed at year-end to establish or update the provisions for estimated uncollectible receivables. These provisions are estimated based on an analysis of an aging of the year-end accounts receivable balance and/or the historical rate of uncollectibility.

Property taxes levied for the current year are recorded on the balance sheet as taxes receivable and deferred revenue at the beginning of the year. The net receivables collected during 2017 and those considered "available" at year-end are recognized as revenues in 2017. The City considers property taxes available if they are collected within 60 days after year-end. Prior year levies were recorded using these same principles. The remaining receivables are reflected as deferred revenue.

In accordance with governing statutes, property taxes were levied on October 1, 2016, to provide a revenue source to be used to finance the current year's budget. Taxes levied on October 1, 2016, were due and payable by January 31, 2017. On January 1, 2017, a tax lien is attached to property to secure the payment of all taxes, penalties and interest ultimately imposed for one year on that property. After January 31, 2017, unpaid taxes began to accrue a penalty and interest charge until paid. On July 1, 2017, after levy, delinquent taxes were turned over to the City's delinquent tax attorney for collection and/or filing of suit for collection. The City is prohibited from charging off real property taxes without specific statutory authority from the Texas Legislature.

### **Inventories and Prepaid Items**

Inventories are valued at cost using the average cost method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

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

### **Interfund Transactions**

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used and reimbursements, are reported as transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

### **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 is reporting balances for deferred losses on bond refundings in both the government-wide Statement of Net Position and the Statement of Net Position – Proprietary Funds. A deferred loss on a bond refunding results when the reacquisition price of the refunded debt exceeds the carrying value. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Additionally, pension contributions are deferred and recognized in the following fiscal year. The difference in projected and actual earnings on pension assets is deferred and amortized over a closed five year period. The changes in actuarial assumptions are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City has two types of items that qualify for reporting in this category. One of these items arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources that require deferral: property taxes, municipal court fines, penalties and interest on taxes receivable and franchise taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is only recorded in the full accrual basis of accounting and results from the difference between expected and actual pension experience. This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Property taxes	\$ 111,327	\$ 38,090	\$ 149,417
Property tax penalties and interest	66,466	41,084	107,550
Court fines and fees receivable	<u>129,285</u>	<u>-</u>	<u>129,285</u>
Total	<u>\$ 307,078</u>	<u>\$ 79,174</u>	<u>\$ 386,252</u>

### **Compensated Absences**

Vested or accumulated vacation leave is reported as an expenditure and a fund liability of the governmental fund that will pay what has matured, for example, as a result of employee resignations and retirements. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to permit employees to accumulate unused sick pay benefits. The City has a policy to pay a portion of unused sick pay benefits when employees separate from service. In the government wide financial statements and proprietary fund types, the liabilities are included in the statements.

### **Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at their historical cost or estimated historical cost if actual historical cost is not available. Donated assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and an expected useful life of over one year. Interest incurred during the construction phase of capital assets of business-type activities is capitalized.

Depreciation of assets not following the modified approach is computed using the straight-line method on the composite assets based upon the estimated useful lives as follows:

Water production and distribution systems	10-50 years
Wastewater collection and disposal systems	10-50 years
Buildings and improvements	25 years
Machinery, tools and equipment	5-10 years
Automotive equipment	5 years
Office furniture and equipment	3-5 years

### **Long-term Obligations**

The portion of long-term general obligation debt used to finance proprietary fund operations and payable from the revenues of the Enterprise Funds is recorded in such funds. General obligation bonds and other forms of long-term debt supported by general revenues are obligations of the City as a whole and not its individual funds. Accordingly, such unmatured obligations of the City are accounted for on the statement of net position and payments of principal and interest relating to the general obligation bonds are recorded as expenditures when they are paid in the fund statements. Self-supporting general obligation debt, which will be repaid from non-general revenue sources, is recorded in the appropriate proprietary fund.

### **Bond Premiums and Discounts**

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period on the fund financial statements. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

For proprietary fund types and on the government-wide statements, premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

### **Proprietary Funds Operating and Nonoperating Revenues and Expenses**

The proprietary fund types are used to account for the City's organization and activities which are similar to those often found in the private sector. These funds are financed and operated in a manner similar to private business enterprises - where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered mainly through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principle on-going operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **Fund Balance Classification**

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used. The classifications, promulgated by GASB 54, apply to the governmental fund types.

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The City has adopted a formal fiscal policy that allows the City Manager to assign fund balance when necessary and appropriate, in accordance with GASB Statement No. 54.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

## Pensions

For purposes of measuring the net pension liability for the Texas Municipal Retirement System (TMRS), pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the TMRS and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## II. DETAILED NOTES ON ALL FUNDS

### Deposits and Investments

A reconciliation of cash and investments as shown on the Statement of Net Position for the City follows:

<u>Investment Type</u>	<u>Total Reported Value</u>	<u>Weighted Average Maturity (Days)</u>
Cash deposits	\$ 1,761,113	-
Money market	5,737,893	-
TexPool Prime	10,521,556	51
Texas CLASS	16,018,018	53
LOGIC	23,399	42
U. S. agency securities	1,235,175	611
Municipal bonds	<u>18,517,770</u>	736
Total portfolio	<u>\$ 53,814,924</u>	
Portfolio weighted average maturity (days)		299

TexPool, Texas Class, and Logic have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

The City invests in external investment pools with a credit rating of AAA.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of September 30, 2017:

- Municipal bonds of \$2,444,358 are valued using documented trade history in exact security pricing model (Level 1 inputs).
- U.S. Agency securities of \$1,235,175, money markets of \$5,737,893, and municipal bonds of \$16,073,412 are valued using documented trade history in exact security, option-adjusted discounted cash flow and present value of expected fund cash flow pricing models (Level 2 inputs).

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

### **Analysis of Specific Deposit and Investment Risks**

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year-end, the City was not significantly exposed to credit risk. The City's investment in Municipal Bond securities were rated by Moody's Investor Service. For Municipal Bond securities, 20% of the dollar value were rated A and 40% were rated Aa. The remaining 40% were rated AA by Standard and Poor's. The City's investment in U.S. Agency securities were rated AA by Standard and Poor's.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

As of September 30, 2017, the City's deposit balances were fully collateralized by securities held by the financial institution in the City's name or by Federal Deposit Insurance Corporation ("FDIC") insurance.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

Foreign Currency Risk – This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to foreign currency risk.

## **Receivables**

Receivables as of year-end for the City, including applicable allowances for uncollectible accounts, are as follows:

### **Governmental Funds**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Accounts	\$ 649,412	\$ -	\$ 150	\$ 649,562
Taxes	2,199,863	115,241	107,331	2,422,435
Intergovernmental	10,462	-	50,387	60,849
Interest	79,804	-	10,017	89,821
Other	<u>47,470</u>	<u>-</u>	<u>-</u>	<u>47,470</u>
Gross Receivables	<u>2,987,011</u>	<u>115,241</u>	<u>167,885</u>	<u>3,270,137</u>
Less: Allowance for uncollectibles	<u>( 628,246)</u>	<u>( 32,268)</u>	<u>-</u>	<u>( 660,514)</u>
Net receivables	<u>\$ 2,358,765</u>	<u>\$ 82,973</u>	<u>\$ 167,885</u>	<u>\$ 2,609,623</u>

### **Proprietary Funds**

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Internal Service</u>	<u>Total</u>
Accounts	\$ 1,756,843	\$ 960,428	\$ 664,928	\$ -	\$ 3,382,199
Intergovernmental	394,995	2,025,202	-	-	2,420,197
Interest	<u>31,580</u>	<u>16,321</u>	<u>11,995</u>	<u>10,044</u>	<u>69,940</u>
Gross Receivables	<u>2,183,418</u>	<u>3,001,951</u>	<u>676,923</u>	<u>10,044</u>	<u>5,872,336</u>
Less: Allowance for uncollectibles	<u>( 6,982)</u>	<u>( 12,775)</u>	<u>( 9,953)</u>	<u>-</u>	<u>( 29,710)</u>
Net receivables	<u>\$ 2,176,436</u>	<u>\$ 2,989,176</u>	<u>\$ 666,970</u>	<u>\$ 10,044</u>	<u>\$ 5,842,626</u>

## **Interfund Balances and Activity**

### **Due to and From Other Funds**

Balances due to and due from other funds at September 30, 2017, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water	\$ 81,496
	Wastewater	27,941
	Solid waste	184,570
	Nonmajor governmental	<u>6,643</u>
Total General		<u>300,650</u>
Wastewater	General	<u>246</u>
Total Wastewater		<u>246</u>
Nonmajor governmental	General	75
	Water	<u>20</u>
Total nonmajor governmental		<u>95</u>
Total		<u>\$ 300,991</u>

Interfund balances for all of the funds are created by short-term deficiencies in cash position in the individual fund. It is anticipated that the balances will be repaid within one year or less.

### **Transfers to and From Other Funds**

Transfers to and from other funds at September 30, 2017, consisted of the following:

	<u>Transfers to</u>			
	<u>General</u>	<u>Wastewater</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfers from:				
General	\$ -	\$ 90,000	\$ 4,369,466	\$ 4,459,466
Nonmajor governmental	69,267	-	1,340,000	1,409,267
Water	2,663,479	-		2,663,479
Wastewater	2,021,454	-	108,517	2,129,971
Solid waste	<u>1,035,552</u>	<u>-</u>	<u>-</u>	<u>1,035,552</u>
Total	<u>\$ 5,789,752</u>	<u>\$ 90,000</u>	<u>\$ 5,817,983</u>	<u>\$ 11,697,735</u>

The primary purpose of interfund transfers is to transfer funds from one fund to support the expenditures of another fund in accordance with the authority established for the individual fund. A detail of significant activities is as follows:

- The City’s budget provides that the General Fund will contribute funding to various funds where budgeted expenditures are in excess of expected revenues. The General Fund contributed to the following funds:
  - Airport Fund – \$5,000
  - School Resource Officer Fund – \$113,340
  - Arts Center Fund – \$89,930
  - Street Capital Projects Fund - \$1,650,000
  - Water Fund - \$90,000
- The General Fund received transfers of \$2,663,479 from the Water Fund, \$2,021,454 from the Wastewater Fund, \$1,035,552 from the Solid Waste Fund. These transfers were paid to help fund the cost of various operating expenditures in the General Fund.
- Additionally, \$4,028,980 was transferred into various capital project funds to fund construction and capital acquisition projects for the City.

**Fund Balance**

As of September 30, 2017, governmental fund balance consisted of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Fund balances:				
Nonspendable				
Inventory	\$ 108,409	\$ -	\$ -	\$ 108,409
Prepays	5,878	-	-	5,878
Library endowment	-	-	106,914	106,914
Cemetery endowment	-	-	354,873	354,873
Restricted for:				
Street improvements and repairs	-	-	-	-
Debt service	-	348,731	-	348,731
Promotion of tourism	-	-	420,226	420,226
Court technology and security	-	-	195,374	195,374
Purpose of grantors, trustees and donors	-	-	763,222	763,222
Law enforcement	-	-	201,031	201,031
Construction of capital assets	-	-	-	-
Assigned for:				
Subsequent year's budget appropriation of fund balance	1,096,888	-	-	1,096,888
Construction of capital assets	-	-	7,518,544	7,518,544
Unassigned	10,443,697	-	-	10,443,697
Total fund balances	<u>\$ 11,654,872</u>	<u>\$ 348,731</u>	<u>\$ 9,560,184</u>	<u>\$ 21,563,787</u>

## Minimum Fund Balance Policy

The City Council has adopted a financial policy to maintain a minimum level of unassigned fund balance or unrestricted net position in all operating funds excluding internal service funds, capital projects funds, and special revenue funds. These funds shall maintain unassigned fund balance or unrestricted net position at a minimum amount of 25% of the annual budget (less transfers to capital projects funds) for each fund. This amount is intended to provide fiscal stability when economic downturns or other unexpected events occur.

## Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,872,245	\$ -	\$ -	\$ 1,872,245
Construction in progress	<u>4,048,060</u>	<u>1,619,160</u>	<u>5,130,990</u>	<u>536,230</u>
Total capital assets not being depreciated	<u>5,920,305</u>	<u>1,619,160</u>	<u>5,130,990</u>	<u>2,408,475</u>
Capital assets being depreciated:				
Buildings and improvements	14,091,019		-	14,091,019
Machinery, furniture, and equipment	22,686,183	2,168,156	833,474	24,020,865
Improvements other than buildings	15,105,460	3,415,874	-	18,521,334
Infrastructure	<u>35,601,502</u>	<u>1,715,116</u>	<u>-</u>	<u>37,316,618</u>
Total capital assets being depreciated	<u>87,484,164</u>	<u>7,299,146</u>	<u>833,474</u>	<u>93,949,836</u>
Less accumulated depreciation for:				
Buildings and improvements	7,025,004	508,608	-	7,533,612
Machinery, furniture, and equipment	18,046,351	1,449,486	805,625	18,690,212
Improvements other than buildings	7,632,323	363,875	-	7,996,198
Infrastructure	<u>29,449,905</u>	<u>941,257</u>	<u>-</u>	<u>30,391,162</u>
Total accumulated depreciation	<u>62,153,583</u>	<u>3,263,226</u>	<u>805,625</u>	<u>64,611,184</u>
Total capital assets being depreciated, net	<u>25,330,581</u>	<u>4,035,920</u>	<u>27,849</u>	<u>29,338,652</u>
Governmental activities capital assets, net	<u>\$ 31,250,886</u>	<u>\$ 5,655,080</u>	<u>\$ 5,158,839</u>	<u>\$ 31,747,127</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 782,325	\$ -	\$ -	\$ 782,325
Construction in progress	<u>7,476,633</u>	<u>17,465,928</u>	<u>6,666,708</u>	<u>18,275,853</u>
Total capital assets not being depreciated	<u>8,258,958</u>	<u>17,465,928</u>	<u>6,666,708</u>	<u>19,058,178</u>
Capital assets being depreciated:				
Buildings and improvements	1,987,100		-	1,987,100
Machinery, furniture, and equipment	2,365,852	502,219	-	2,868,071
Improvements other than buildings	398,950	1,501,218	-	1,900,168
Water rights	51,336,066	-	-	51,336,066
Infrastructure	<u>93,649,587</u>	<u>6,666,708</u>	<u>1,993,059</u>	<u>98,323,236</u>
Total capital assets being depreciated	<u>149,737,555</u>	<u>8,670,145</u>	<u>1,993,059</u>	<u>156,414,641</u>
Less accumulated depreciation for:				
Buildings and improvements	1,474,350	31,253	-	1,505,603
Machinery, furniture, and equipment	2,342,767	204,306	-	2,547,073
Improvements other than buildings	338,716	69,205	-	407,921
Water rights	19,611,756	991,385	-	20,603,141
Infrastructure	<u>44,943,055</u>	<u>2,135,100</u>	<u>-</u>	<u>47,078,155</u>
Total accumulated depreciation	<u>68,710,644</u>	<u>3,431,249</u>	<u>-</u>	<u>72,141,893</u>
Total capital assets being depreciated, net	<u>81,026,911</u>	<u>5,238,896</u>	<u>1,993,059</u>	<u>84,272,748</u>
Business-type activities capital assets, net	<u>\$ 89,285,869</u>	<u>\$ 22,704,824</u>	<u>\$ 8,659,767</u>	<u>\$ 103,330,926</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 1,167,012
Public works	1,393,946
Community services	452,938
Public safety	<u>249,330</u>
Total governmental activities depreciation	<u>\$ 3,263,226</u>
Business-type activities:	
Water production and distribution	\$ 1,978,452
Wastewater collection and treatment	1,417,192
Solid waste disposal and collection	<u>35,605</u>
Total business-type activities depreciation	<u>\$ 3,431,249</u>

## Long-term Obligations

### Long-term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance	Due Within One Year
<u>Governmental activities:</u>						
General obligation bonds	\$ 6,192,772	\$ -	\$( 1,328,152)	\$ -	\$ 4,864,620	\$ 1,368,889
Certificates of obligation	3,650,000	-	( 150,000)	-	3,500,000	155,000
Premium on bond issuance	77,867	-	( 12,978)	-	64,889	-
Compensated absences	962,534	1,311,344	( 1,071,413)	-	1,202,465	300,616
Net pension liability	15,851,208	2,232,946	( 1,716,402)	-	16,367,752	-
OPEB obligations	4,355,302	1,454,819	( 352,457)	-	5,457,664	-
Developer TIRZ	2,479,486	-	( 429,719)	-	2,049,767	550,987
Total governmental activities	\$ <u>33,569,169</u>	\$ <u>4,999,109</u>	\$( <u>5,061,121</u> )	\$ <u>-</u>	\$ <u>33,507,157</u>	\$ <u>2,375,492</u>
<u>Business-type activities:</u>						
TRA contract revenue bonds	\$ 14,279,636	\$ -	\$( 3,020,000)	\$ -	\$ 11,259,636	\$ 3,139,636
General obligation bonds	2,882,228	-	( 661,849)	-	2,220,379	436,111
Certificates of obligation	2,780,000	-	( 105,000)	-	2,675,000	110,000
Premium on bond issuance	1,306,140	-	( 221,725)	-	1,084,415	-
Compensated absences	216,562	442,871	( 364,161)	-	295,272	73,819
Net pension liability	5,011,134	430,346	( 516,461)	-	4,925,019	-
OPEB obligations	1,634,383	429,637	( 104,087)	-	1,959,933	-
Total business-type activities	\$ <u>28,110,083</u>	\$ <u>1,302,854</u>	\$( <u>4,993,283</u> )	\$ <u>-</u>	\$ <u>24,419,654</u>	\$ <u>3,759,566</u>

For governmental activities, compensated absences, net pension liabilities, and OPEB obligations are generally liquidated by the General Fund.

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General
OPEB Obligations	Governmental	General
Developer TIRZ	Governmental	General

## **Debt Service Requirements**

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,523,889	\$ 314,170	\$ 1,838,059
2019	1,576,603	263,515	1,840,118
2020	853,351	226,110	1,079,461
2021	460,556	199,651	660,207
2022	480,221	180,190	660,411
2023-2027	1,985,000	601,036	2,586,036
2028-2032	<u>1,485,000</u>	<u>231,000</u>	<u>1,716,000</u>
Total	<u>\$ 8,364,620</u>	<u>\$ 2,015,672</u>	<u>\$ 10,380,292</u>

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,685,747	\$ 603,066	\$ 4,288,813
2019	3,593,396	464,715	4,058,111
2020	3,736,649	325,966	4,062,615
2021	2,474,444	173,039	2,647,483
2022	574,779	98,723	673,502
2023-2027	680,000	361,225	1,041,225
2028-2032	830,000	218,000	1,048,000
2033-2035	<u>580,000</u>	<u>47,000</u>	<u>627,000</u>
Total	<u>\$ 16,155,015</u>	<u>\$ 2,291,734</u>	<u>\$ 18,446,749</u>

At September 30, 2017, there were no authorized or unissued general obligation or revenue bonds, and the City is in compliance with all bond ordinances.

## **Revenue Debt**

A summary of revenue debt outstanding at September 30, 2017, follows:

\$1,755,000 2010B TRA Refunding Contract Revenue Bonds due in installments of \$160,000 to \$215,000 through 2018, interest rates from 2.00% - 3.00%.	\$ 219,636
\$6,725,000 2010C TRA Contract Refunding Revenue Bonds due in installments of \$490,000 to \$730,000 through 2020, interest rates from 1.00% - 4.79%.	2,095,000
\$19,190,000 2012 TRA Contract Revenue Bonds due in installments of \$1,920,000 to \$2,340,000 through 2021, interest rates from 2.00% - 4.00%.	<u>8,945,000</u>
Total outstanding revenue debt as of September 30, 2016	<u>\$ 11,259,636</u>

## **Tax Supported Debt**

A summary of tax-supported debt outstanding at September 30, 2017, follows:

Certificate Series 2001 issued on November 15, 2001, at an interest rate of 4.75% - 6.00% to finance the construction and related expenses of a new golf course, due in installments of \$75,000 - \$330,000 for principal each August 15, beginning August 15, 2004, and interest payments due each February 15 and August 15, beginning August 15, 2004.	\$ 3,500,000
\$6,405,000 General Obligation Refunding Bonds, Series 2009, dated March 15, 2009, to refund Certificate of Obligation Series 1992 in the amount of \$6,260,000. Due in annual installments of \$510,000 - \$870,000 beginning February 2010 with interest rates of 2.00% - 3.75%.	1,660,000
\$3,500,000 General Obligation Bonds, Series 2010, dated April 15, 2010, to finance expansion and renovation of the municipal library. Due in annual installments of \$170,000 - \$295,000 with interest rates of 0.60% - 4.15%.	2,065,000
\$8,150,000 General Obligation Bonds, Series 2012, dated July 23, 2012, to refund Waterworks and Sewer System Revenue Bonds, Series 2002 in the amount of \$4,440,000, Combination Tax and Revenue Certificates of Obligation, Series 2004 in the amount of \$270,000, and General Obligation Refunding Bonds, Series 2005 in the amount of \$2,575,000. Due in annual installments of \$475,000 - \$1,060,000 with interest rates of 2.0% - 3.0%.	3,359,999
\$2,900,000 Combination Tax and Revenue Certificates of Obligation, Series 2015, dated September 15, 2015, to be used to construct a transfer station. Due in installments of \$120,000 - \$200,000 with interest rates of 3.0% - 4.0%.	<u>2,675,000</u>
Total outstanding tax supported debt as of September 30, 2017	<u>\$ 13,259,999</u>

## **Joint Venture**

### **Trinity River Authority**

Pursuant to the agreement with Trinity River Authority (TRA) dated September 28, 1976, the City has endorsed Contract Revenue Bonds through TRA and is unconditionally obligated to pay, from the operating revenues of the City's waterworks, wastewater system, all debt service payments on these bonds; all operation and maintenance expenses of the facilities the bonds were used to build; and the amounts necessary to restore any deficiencies in funds required to be accumulated under the bond resolutions. As consideration for the aforementioned obligations, the City shall have an exclusive right to the use of the transmission and clear well storage facilities constructed. Upon the expiration of the contract, the City shall have the right to continued service for an additional period of fifty (50) years, or for such other time as may be agreed.

Financial statements for this joint venture may be obtained at Trinity River Authority of Texas, P. O. Box 60, Arlington, Texas 76004-0060.

**Walker County Public Safety Communications Center**

On July 29, 1997, the City entered into an interlocal agreement with Walker County, Texas to construct, maintain, and operate a centralized and combined communications/dispatch center, hereafter called Walker County Public Safety Communication Center (“WCPSCC”). The County and the City have both agreed to fund 50% of the approved budget of the WCPSCC. Should this agreement be terminated, or declared invalid for any reason, all assets of the WCPSCC shall be determined and deemed to be jointly owned by Walker County, Texas and the City. This agreement was initially effective for three years beginning October 1, 1997 and from that point the agreement would automatically renew for successive one year terms unless otherwise terminated.

Financial statements for this joint venture may be obtained from Walker County, Texas, 1100 University Avenue, Huntsville, Texas 77340.

**Raw Water Supply Contract**

On August 24, 1976, the City of Huntsville entered into a contract with the Trinity River Authority of Texas to purchase from the Authority amounts of raw water impounded in the Livingston Reservoir. The City is obligated to pay an annual standby charge on or before the tenth of each April and October. Annual standby charges are calculated by multiplying the current annual average daily amount the Authority is obligated to sell by the Authority’s rates for sale of raw water to municipalities. On April 22, 1998, the City contracted with the Authority for an additional 6.0 MGD for industrial purposes. On November 1, 2006, the City contracted for an additional amount bringing the total to 20.0 MGD that the Authority is obligated to sell.

Annual average daily amounts of raw water that the Authority is obligated to sell to the City is set forth in the following schedule:

	<u>Annual Average Daily Amounts</u>
2001 through 2020	20.0 MGD

## **Defined Benefit Pension Policies**

### **Plan Description**

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.org](http://www.tmr.org).

All eligible employees of the City are required to participate in TMRS.

### **Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	50% Repeating
Annuity increase to retirees	50% of CPI, repeating

***Employees covered by benefit terms***

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	180
Inactive employees entitled to but not yet receiving benefits	135
Active employees	<u>258</u>
	<u><u>573</u></u>

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.25% and 18.76% in calendar years 2016 and 2017, respectively. The City’s contributions to TMRS for the year ended September 30, 2017, were \$2,440,874, and were equal to the required contributions.

**Net Pension Liability**

The City’s Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.8% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rate multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of plant investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates return for each major assets class in fiscal year 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	<u>5.0%</u>	7.75%
Total	100.0%	

***Discount Rate***

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

***Changes in the Net Pension Liability***

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	\$ 80,903,233	\$ 60,040,891	\$ 20,862,342
Changes for the year:			
Service cost	1,967,624	-	1,967,624
Interest	5,411,590	-	5,411,590
Difference between expected and actual experience	207,820	-	207,820
Contributions - employer	-	2,233,194	( 2,233,194)
Contributions - employee	-	915,782	( 915,782)
Net investment income	-	4,055,924	( 4,055,924)
Benefit payments, including refunds of employee contributions	( 3,430,679)	( 3,430,679)	-
Administrative expense	-	( 45,826)	45,826
Other changes	-	( 2,469)	2,469
Net changes	<u>4,156,355</u>	<u>-</u>	<u>4,156,355</u>
Balance at 12/31/2016	<u>\$ 85,059,588</u>	<u>\$ 63,766,817</u>	<u>\$ 21,292,771</u>

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) of 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 33,055,252	\$ 21,292,771	\$ 11,637,166

### ***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at [www.tmr.org](http://www.tmr.org).

### **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2017, the city recognized pension expense of \$3,697,301.

At September 30, 2017, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 159,490	\$ 181,860
Changes in actuarial assumptions	745,443	-
Difference between projected and actual investment earnings	2,779,148	-
Contributions subsequent to the measurement date	<u>1,908,717</u>	<u>-</u>
Total	<u>\$ 5,592,798</u>	<u>\$ 181,860</u>

\$1,908,717 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>For the Year Ended September 30:</u>	
2018	\$ 1,238,335
2019	1,277,826
2020	972,193
2021	<u>13,867</u>
Total	<u>\$ 3,502,221</u>

### **Supplemental Death Benefit Plan**

#### **Plan Description**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (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 postemployment benefit,” or OPEB.

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.

The City’s contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015, were \$24,103, \$23,758, and \$20,602, respectively, which equaled the required contributions each year.

**Schedule of Contribution Rates**

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2015	0.04%	0.04%	100.0%
2016	0.04%	0.04%	100.0%
2017	0.04%	0.04%	100.0%

**Other Postemployment Benefits**

**Postemployment Benefits**

Effective for fiscal year 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)” prospectively (no beginning net OPEB obligation).

An employee is able to retire pursuant to TMRS rules:

- 1) After they reach age 60 with at least 5 years of service; or
- 2) They may retire at any age with at least 20 years of service; or
- 3) Retire at any age with at least 5 years of service if disabled.

Retirees are eligible to participate in the plan by paying the following costs:

Employees that retire with eighty (80) or more points (age plus service) are eligible to remain in the health plan at the same cost that the City sets for regular employees, not to exceed 10% of the cost.

Retiring employees with less than eighty (80) points (age plus service) may continue health plan coverage at the rate of one-hundred (100%) of the City’s actual cost plus a (2%) administrative fee according to the policy.

Benefit provisions for retirees are not mandated by any form of employment agreement. The continued provision of these benefits is based entirely on the discretion of the City of Huntsville City Council.

### **Funding Policy**

The City contribution to the health plan consists of total premiums in excess of the retiree contributions. Retirees receiving medical benefits during fiscal year 2017 contribute \$19.80 per month depending on the coverage levels selected. For the year ended September 30, 2017, there were a total of 69 retirees in the City’s health plan. Of these 69, 19 carried dependent coverage. In fiscal year 2017, total retiree contributions for retirees and dependents were \$112,272. The City contributions to the plan for fiscal year 2017, which are also equal to premiums paid in excess of premiums collected from retirees, were \$754,742.

### **Annual OPEB Cost and Net OPEB Obligation**

The City’s annual other postemployment benefit (OPEB) cost (expense) for the health plan is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The City of Huntsville utilized the actuarial services of Hause Monnin Consulting. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (for funding excess) over a period not to exceed 30 years.

Annual Required Contribution (ARC)	\$ 1,977,930
Interest on net OPEB obligation	239,587
Adjustment to annual required contribution	<u>( 333,061)</u>
Annual OPEB cost (expense)	1,884,456
Contributions made	<u>( 456,544)</u>
Increase in net OPEB	1,427,912
Net OPEB obligation - beginning of year	<u>5,989,685</u>
Net OPEB obligation - end of year	<u>\$ 7,417,597</u>

The City’s annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation for the fiscal years ending 2017, 2016, and 2015 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution Made	Percentage of OPEB Cost Contributed	Net Pension Obligation/ (Assets)
2015	\$ 1,326,845	\$ 429,440	68.50%	\$ 4,815,778
2016	1,928,649	754,742	39.13%	5,989,685
2017	1,884,456	456,544	24.23%	7,417,597

**Funded Status and Funding Progress**

The funded status of the plan based on an actuarial update using age-adjusted premiums as of September 30, 2017, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAAL as a Percentage of Covered Payroll</u>
10/1/2016	\$ 3,713,583	\$ 24,638,096	15.1%	\$ 20,924,513	\$ 13,889,084	150.7%

Actuarial valuations for an ongoing plan estimate of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the City’s actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, medical coverage, and changes in marital status could result in actual costs being less or greater than estimated. GASB 45 requires governments to report the “implicit rate study” that is provided to retirees who remain with the health plan provided to employees.

**Actuarial Methods and Assumptions**

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following is a summary of the actuarial assumptions:

<u>Actuarial valuation date</u>	<u>10/1/2014</u>	<u>10/1/2016</u>
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level percent of payroll	Level percent of payroll
Remaining amortization periods	Open; 30 years	Open; 30 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	5.00%	4.00%
Projected salary increases	3.00%	3.00%
Health care cost trend rate	9.5% initial, 4.5% ultimate	9.0% initial, 5.0% ultimate
Inflation rate	3.00%	3.00%

## **Risk Management**

### **Medical Insurance Fund**

Claims incurred but not reported have been estimated based on information available from the fund administrator and recorded as an account payable of the fund.

The total amount for service charges (to other funds) is computed based on an actuarial method which is adjusted annually. A stop-loss insurance policy limits the City's liability on catastrophic claims. Effective October 1, 2002, the City's limit is increased from \$60,000 to \$75,000 per employee. There were no settlements in excess of the insurance coverage in any of the prior three fiscal years.

Changes in the balance of aggregate liabilities during the year are as follows:

	<u>2017</u>	<u>2016</u>
Aggregate liabilities October 1	\$ 206,577	\$ 150,106
Incurred liabilities	2,521,114	2,687,100
Paid liabilities	<u>( 2,475,040)</u>	<u>( 2,630,629)</u>
Aggregate liabilities September 30	<u>\$ 252,651</u>	<u>\$ 206,577</u>

### **Public Entity Risk Pool**

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. In order to properly address this risk, the City is a member of the Texas Municipal League Intergovernmental Risk Pool (TML), a public entity risk pool. The City pays an annual premium to TML. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of established amounts. The City's liability for any covered claims is limited to its annual deductible.

### **Deferred Compensation Plan**

The City offers employees a deferred compensation plan created in accordance with Internal Service Code Section 457. The plan, available to employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In accordance with federal legislation passed in August 1996, the City amended its deferred compensation agreement, so that effective November 1996, the assets of the plan are to be held in trust for the exclusive benefit of the plan participants and their beneficiaries, and the assets will be used for no other purpose. In no event will be City's liability to pay benefits to a participant under the plan exceed the value of the amounts created to the participants' account.

The City in previous years has reported this fund in the Trust and Agency Funds. As a result of the November 1996 legislative changes, this fund has been excluded from the Financial Reports.

## **Commitments and Contingencies**

### 1. Construction Commitments

The City has various construction projects as of September 30, 2017. The City's remaining commitment to contractors for all projects is at \$1,327,165 at year-end. Projects include water and wastewater line extensions, storm water drainage, street construction and renovation, and sidewalk construction.

### 2. Grants

Amounts received or receivable from grantor 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 amount, if any, 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.

## **Tax Abatements**

The City enters into economic development agreements designed to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. This program reduces the assessed property values and refunds sales tax as authorized under Chapter 380 of the Texas Local Government Code.

The City has entered into various agreements that reduce property and sales taxes. Agreements for a reduction of taxable property values on incremental values call for a reduction of 50% for 10 years. The agreements for sales tax provide rebates of 50% for 10 years. Each agreement requires a developer commitment of \$250 thousand to \$12 million in improvements and minimum employment requirements. For fiscal year 2017, the City rebated property taxes of \$130,548 and sales taxes of \$447,395.

## **Closure and Postclosure Care Cost**

The City closed its landfill during the year ended September 30, 1994, and began transferring its solid waste to a privately operated landfill. The City has met certain deadline dates of the Environmental Protection Agency's Subtitle D landfill closure requirements and, as such, the City is exempt from any postclosure care and/or monitoring. Therefore, the City has not recorded any liability for postclosure care or monitoring. All closure costs are expensed as incurred. There were no landfill related expenses during the year ended September 30, 2017.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF HUNTSVILLE, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 4,359,000	\$ 4,359,000	\$ 4,337,759	\$( 21,241)
Sales tax	7,428,000	7,857,720	9,001,502	1,143,782
Franchise taxes	2,150,230	2,150,230	2,088,756	( 61,474)
Other taxes	103,000	103,000	103,603	603
Licenses and permits	367,800	367,800	791,402	423,602
Charges for sales and services	425,442	425,442	449,902	24,460
Fines, fees, and forfeitures	1,401,569	1,394,079	1,430,584	36,505
Donations, contributions, and grants	74,809	74,809	69,349	( 5,460)
Investment income	107,000	107,000	210,244	103,244
Miscellaneous	63,500	63,500	198,601	135,101
Total revenue	<u>16,480,350</u>	<u>16,902,580</u>	<u>18,681,702</u>	<u>1,779,122</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Charter offices				
City Council	123,498	130,916	130,916	-
City Manager	408,013	425,078	385,930	39,148
City Secretary	191,877	197,784	194,966	2,818
City Attorney	150,000	194,958	189,844	5,114
City Judge	63,928	64,877	63,979	898
Finance				
Finance and accounting	866,628	887,072	861,654	25,418
Office services	91,198	91,198	83,818	7,380
Municipal court	306,174	321,248	319,931	1,317
Purchasing	100,206	104,267	104,199	68
Warehouse	50,946	53,316	53,069	247
Human resources	484,842	493,997	451,144	42,853
Information technology	975,363	985,861	897,341	88,520
Community development	341,561	348,630	301,973	46,657
Non-departmental	1,575,455	1,707,852	1,593,034	114,818
Public safety				
Public safety administration	839,349	847,738	801,812	45,926
Police	5,035,923	5,078,578	4,975,041	103,537
Fire	2,222,909	2,270,479	2,138,569	131,910
Victim's services	78,946	82,162	80,644	1,518
Public works				
Public utilities administration	326,613	334,361	332,909	1,452
Streets	2,883,959	2,691,117	2,465,262	225,855
GIS	225,018	232,332	215,674	16,658
Customer service center	205,876	213,148	210,929	2,219
Planning	246,315	252,389	247,649	4,740
Engineering	527,650	661,189	643,557	17,632
Surveying	258,870	264,853	219,786	45,067
Central inspection	515,857	530,351	490,134	40,217
Health	144,985	149,083	119,259	29,824

**CITY OF HUNTSVILLE, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**(Continued)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Community services				
Community services administration	223,299	229,991	228,096	1,895
Recreation	16,649	16,909	16,627	282
Parks maintenance	861,809	889,386	840,227	49,159
Aquatic center	252,441	245,416	233,907	11,509
Building services	460,459	468,936	446,537	22,399
Cemetery	82,612	84,457	75,578	8,879
Library services	584,080	599,452	574,831	24,621
Community service assist	37,282	38,903	38,454	449
Garage	546,723	545,867	533,740	12,127
Tourism and cultural services				
Main street	105,948	117,855	79,647	38,208
Gift shop	144,648	146,802	132,799	14,003
Tour guides	7,800	8,655	7,140	1,515
Total expenditures	<u>22,565,709</u>	<u>23,007,463</u>	<u>21,780,606</u>	<u>1,226,857</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 6,085,359)</u>	<u>( 6,104,883)</u>	<u>( 3,098,904)</u>	<u>3,005,979</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,681,549	5,681,549	5,789,752	108,203
Transfers out	( 2,158,270)	( 4,459,466)	( 4,459,466)	-
Sale of capital assets	1,500	1,500	1,665	165
Total other financing sources (uses)	<u>3,524,779</u>	<u>1,223,583</u>	<u>1,331,951</u>	<u>108,368</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 2,560,580)</u>	<u>( 4,881,300)</u>	<u>( 1,766,953)</u>	<u>3,114,347</u>
<b>FUND BALANCE, BEGINNING</b>	<u>13,421,825</u>	<u>13,421,825</u>	<u>13,421,825</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 10,861,245</u>	<u>\$ 8,540,525</u>	<u>\$ 11,654,872</u>	<u>\$ 3,114,347</u>

**CITY OF HUNTSVILLE, TEXAS**

**SCHEDULE OF CHANGES IN TMRS NET PENSION LIABILITY  
AND RELATED RATIOS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<b>Plan Year</b>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>
<b>A. Total pension liability</b>			
Service Cost	\$ 1,618,547	\$ 1,748,260	\$ 1,967,624
Interest (on the Total Pension Liability)	5,052,504	5,264,932	5,411,590
Difference between expected and actual experience	( 379,732)	( 99,924)	207,820
Changes of assumptions	-	1,388,066	-
Benefit payments, including refunds of employee contributions	<u>( 3,168,397)</u>	<u>( 3,474,572)</u>	<u>( 3,430,679)</u>
Net change in total pension liability	3,122,922	4,826,762	4,156,355
Total pension liability - beginning	<u>72,953,549</u>	<u>76,076,471</u>	<u>80,903,233</u>
Total pension liability - ending (a)	<u>\$ 76,076,471</u>	<u>\$ 80,903,233</u>	<u>\$ 85,059,588</u>
<b>B. Plan fiduciary net position</b>			
Contributions - Employer	\$ 2,053,801	\$ 2,126,131	\$ 2,233,194
Contributions - Employee	846,679	862,278	915,782
Net Investment Income	3,289,610	89,250	4,055,924
Benefit payments, including refunds of employee contributions	( 3,168,397)	( 3,474,572)	( 3,430,679)
Administrative Expenses	( 34,349)	( 54,371)	( 45,826)
Other	<u>( 2,824)</u>	<u>( 2,686)</u>	<u>( 2,469)</u>
Net change in plan fiduciary net position	2,984,520	( 453,970)	3,725,926
Plan fiduciary net position - beginning	<u>57,510,341</u>	<u>60,494,861</u>	<u>60,040,891</u>
Plan fiduciary net position - ending (b)	<u>\$ 60,494,861</u>	<u>\$ 60,040,891</u>	<u>\$ 63,766,817</u>
<b>C. Net pension liability - ending (a) - (b)</b>	<u>\$ 15,581,610</u>	<u>\$ 20,862,342</u>	<u>\$ 21,292,771</u>
<b>D. Plan fiduciary net position as a percentage of total pension liability</b>	79.52%	74.21%	74.97%
<b>E. Covered employee payroll</b>	\$ 12,095,412	\$ 12,303,029	\$ 13,082,605
<b>F. Net position liability as a percentage of covered employee payroll</b>	128.82%	169.57%	162.76%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

**CITY OF HUNTSVILLE, TEXAS**

**SCHEDULE OF CHANGES IN TMRS NET PENSION LIABILITY**

**SCHEDULE OF TMRS CONTRIBUTIONS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<b>Fiscal Year</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Actuarial determined contribution	\$ 1,934,620	\$ 2,082,681	\$ 2,290,870	\$ 2,440,874
Contributions in relation to the actuarially determined contribution	( 1,934,620)	( 2,082,681)	( 2,290,870)	( 2,440,874)
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	11,764,506	12,095,412	13,889,084	13,390,464
Contributions as a percentage of covered employee payroll	16.44%	17.22%	16.49%	18.23%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.
Other Information	There were no benefit changes during the year.

Note: These schedules are required to have 10 years of information, but the information prior to 2014 is not available.

**CITY OF HUNTSVILLE, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**OTHER POST EMPLOYMENT BENEFITS PLAN**  
**SEPTEMBER 30, 2017**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/1/2012	\$ 2,410,646	\$ 20,630,459	\$ 18,219,813	12%	\$ 11,936,619	152.6%
10/1/2014	2,998,155	22,467,067	19,468,912	13%	10,996,048	177.1%
10/1/2016	3,713,583	24,638,096	20,924,513	15%	13,889,084	150.7%

# CITY OF HUNTSVILLE, TEXAS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2017

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Budgets**

At least 30 days prior to the end of each fiscal year, the City Manager submits a proposed budget presenting a complete financial plan for the ensuing fiscal year to the City Council (the Council). Public hearings are conducted, at which time all interested persons' comments concerning the budget are heard. The budget must be legally adopted by the Council through passage of an ordinance no later than the 27<sup>th</sup> day of the last month of the fiscal year.

Formal budgetary integration is employed as a management control device during the year for all governmental and proprietary fund types. All budgets are adopted on basis consistent with generally accepted accounting principles. Formal budgets are not adopted for capital projects funds and the following special revenue funds: Tax Increment Reinvestment Zone #1, Federal Grants fund and Library Grants fund. Budgetary control is exercised at the function level.

Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by an affirmative vote of a majority of City Council. The City Manager is authorized to make budget transfers within any function. An amount is budgeted each year for contingencies which may arise, and the same budgetary controls apply to it also. In accordance with the legally adopted budget document and for state statute compliance purposes expenditures may not legally exceed budgeted appropriations at the function level. During the year, several supplementary appropriations were necessary.

The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Street Special Revenue Fund present a comparison of budgetary data to actual results. The General Fund and Street Special Revenue Fund utilize the same basis of accounting for both budgetary purposes and actual results.

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**COMBINING STATEMENTS  
AND BUDGETARY COMPARISONS**

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**CITY OF HUNTSVILLE, TEXAS**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2017**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,528,965	\$ 5,350,334	\$ 225,802	\$ 7,105,101
Investments	-	2,119,485	247,200	2,366,685
Accounts receivable (net of allowance for uncollectibles):				
Accounts	150	-	-	150
Taxes	107,331	-	-	107,331
Intergovernmental	4,454	45,933	-	50,387
Interest	-	7,282	2,735	10,017
Due from other funds	95	-	-	95
Property held for sale	<u>14,253</u>	<u>-</u>	<u>-</u>	<u>14,253</u>
 Total assets	 <u>1,655,248</u>	 <u>7,523,034</u>	 <u>475,737</u>	 <u>9,654,019</u>
<b>LIABILITIES</b>				
Accounts payable	19,821	4,490	-	24,311
Accrued liabilities	17,557	-	-	17,557
Due to other funds	6,643	-	-	6,643
Due to other governments	<u>45,324</u>	<u>-</u>	<u>-</u>	<u>45,324</u>
Total liabilities	<u>89,345</u>	<u>4,490</u>	<u>-</u>	<u>93,835</u>
<b>FUND BALANCES</b>				
Nonspendable permanent funds	-	-	461,787	461,787
Restricted for:				
Promotion of tourism	420,226	-	-	420,226
Court technology and security	195,374	-	-	195,374
Purpose of grantors, trustees and donors	749,272	-	13,950	763,222
Law enforcement	201,031	-	-	201,031
Assigned to:				
Construction of capital assets	<u>-</u>	<u>7,518,544</u>	<u>-</u>	<u>7,518,544</u>
Total fund balances	<u>1,565,903</u>	<u>7,518,544</u>	<u>475,737</u>	<u>9,560,184</u>
 Total liabilities and fund balances	 <u>\$ 1,655,248</u>	 <u>\$ 7,523,034</u>	 <u>\$ 475,737</u>	 <u>\$ 9,654,019</u>

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**CITY OF HUNTSVILLE, TEXAS**

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

**NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 218,285	\$ -	\$ -	\$ 218,285
Other taxes	721,126	-	-	721,126
Charges for sales and services	488,072	-	-	488,072
Fines, fees, and forfeitures	68,601	-	-	68,601
Donations, contributions, and grants	159,737	40	-	159,777
Investment income	17,780	64,222	1,621	83,623
Miscellaneous	<u>930</u>	<u>-</u>	<u>-</u>	<u>930</u>
Total revenues	<u>1,674,531</u>	<u>64,262</u>	<u>1,621</u>	<u>1,740,414</u>
<b>EXPENDITURES</b>				
General government	24,950	-	-	24,950
Public works	157,394	1,581,405	-	1,738,799
Community services	808,346	37,755	-	846,101
Public safety	<u>678,991</u>	<u>-</u>	<u>-</u>	<u>678,991</u>
Total expenditures	<u>1,669,681</u>	<u>1,619,160</u>	<u>-</u>	<u>3,288,841</u>
<b>EXCESS (DEFICIENCY) OF REVENUES (OVER) UNDER EXPENDITURES</b>	<u>4,850</u>	<u>( 1,554,898)</u>	<u>1,621</u>	<u>( 1,548,427)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	208,270	5,609,713	-	5,817,983
Transfers out	( 1,408,267)	-	( 1,000)	( 1,409,267)
Sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>( 1,199,997)</u>	<u>5,609,713</u>	<u>( 1,000)</u>	<u>4,408,716</u>
<b>NET CHANGE IN FUND BALANCES</b>	( 1,195,147)	4,054,815	621	2,860,289
<b>FUND BALANCES, BEGINNING</b>	<u>2,761,050</u>	<u>3,463,729</u>	<u>475,116</u>	<u>6,699,895</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 1,565,903</u>	<u>\$ 7,518,544</u>	<u>\$ 475,737</u>	<u>\$ 9,560,184</u>

**CITY OF HUNTSVILLE, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**

**SEPTEMBER 30, 2017**

	<u>Municipal Court Security and Technology</u>	<u>Police Forfeiture</u>	<u>Airport</u>	<u>Library Special Donations</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 199,185	\$ 141,156	\$ 160,723	\$ 77,958
Accounts receivable (net of allowance for uncollectibles):				
Accounts	-	-	-	-
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Due from other funds	-	-	-	-
Property held for sale	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>199,185</u>	 <u>141,156</u>	 <u>160,723</u>	 <u>77,958</u>
<b>LIABILITIES</b>				
Accounts payable	713	-	1,107	195
Accrued liabilities	3,098	-	-	-
Due to other funds	-	-	264	964
Due to other governments	<u>-</u>	<u>45,324</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,811</u>	<u>45,324</u>	<u>1,371</u>	<u>1,159</u>
<b>FUND BALANCES</b>				
Restricted for:				
Promotion of tourism	-	-	-	-
Court security and technology	195,374	-	-	-
Purpose of grantors, trustees and donors	-	-	159,352	76,799
Law enforcement	<u>-</u>	<u>95,832</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>195,374</u>	<u>95,832</u>	<u>159,352</u>	<u>76,799</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 199,185</u>	 <u>\$ 141,156</u>	 <u>\$ 160,723</u>	 <u>\$ 77,958</u>

<u>Library Grants</u>	<u>School Resource Officer</u>	<u>Police Grants</u>	<u>Arts Center</u>	<u>Federal Grants</u>
\$ 5,353	\$ 121,498	\$ 209,798	\$ 156,847	\$ 58,882
-	150	-	-	-
-	-	-	15,353	-
-	-	-	-	4,454
-	20	-	75	-
-	-	-	-	14,253
<u>5,353</u>	<u>121,668</u>	<u>209,798</u>	<u>172,275</u>	<u>77,589</u>
-	3,596	-	11,832	-
-	9,019	-	1,923	-
-	3,854	-	166	-
-	-	-	-	-
-	<u>16,469</u>	-	<u>13,921</u>	-
-	-	-	-	-
-	-	-	-	-
5,353	-	209,798	158,354	77,589
-	<u>105,199</u>	-	-	-
<u>5,353</u>	<u>105,199</u>	<u>209,798</u>	<u>158,354</u>	<u>77,589</u>
<u>\$ 5,353</u>	<u>\$ 121,668</u>	<u>\$ 209,798</u>	<u>\$ 172,275</u>	<u>\$ 77,589</u>

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**CITY OF HUNTSVILLE, TEXAS**

**COMBINING BALANCE SHEET**

**NONMAJOR SPECIAL REVENUE FUNDS**

**SEPTEMBER 30, 2017**

	<u>Area Revitalization</u>	<u>Tax Increment Reinvestment Zone #1</u>	<u>Hotel/ Motel Tourism</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 23,425	\$ 38,602	\$ 335,538	\$ 1,528,965
Accounts receivable (net of allowance for uncollectibles):				
Accounts	-	-	-	150
Taxes	-	-	91,978	107,331
Intergovernmental	-	-	-	4,454
Due from other funds	-	-	-	95
Property held for sale	-	-	-	14,253
	<u>23,425</u>	<u>38,602</u>	<u>427,516</u>	<u>1,655,248</u>
Total assets				
<b>LIABILITIES</b>				
Accounts payable	-	-	2,378	19,821
Accrued liabilities	-	-	3,517	17,557
Due to other funds	-	-	1,395	6,643
Due to other governments	-	-	-	45,324
Total liabilities	<u>-</u>	<u>-</u>	<u>7,290</u>	<u>89,345</u>
<b>FUND BALANCES</b>				
Restricted for:				
Promotion of tourism	-	-	420,226	420,226
Court security and technology	-	-	-	195,374
Purpose of grantors, trustees and donors	23,425	38,602	-	749,272
Law enforcement	-	-	-	201,031
Total fund balances	<u>23,425</u>	<u>38,602</u>	<u>420,226</u>	<u>1,565,903</u>
Total liabilities and fund balances	<u>\$ 23,425</u>	<u>\$ 38,602</u>	<u>\$ 427,516</u>	<u>\$ 1,655,248</u>

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

**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Municipal Court Security and Technology</u>	<u>Police Forfeiture</u>	<u>Airport</u>	<u>Library Special Donations</u>
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Charges for sales and services	-	-	18,150	-
Fines, fees, and forfeitures	63,730	3,938	-	-
Donations, contributions, and grants	-	-	15,743	17,707
Investment earnings	24	-	5	27
Miscellaneous	-	-	-	-
Total revenues	<u>63,754</u>	<u>3,938</u>	<u>33,898</u>	<u>17,734</u>
<b>EXPENDITURES</b>				
General government	24,950	-	-	-
Public works	-	-	53,036	-
Community services	-	-	-	15,829
Public safety	-	3,875	-	-
Total expenditures	<u>24,950</u>	<u>3,875</u>	<u>53,036</u>	<u>15,829</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>38,804</u>	<u>63</u>	<u>( 19,138)</u>	<u>1,905</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	5,000	-
Transfers out	<u>( 17,507)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>( 17,507)</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	21,297	63	( 14,138)	1,905
<b>FUND BALANCES, BEGINNING</b>	<u>174,077</u>	<u>95,769</u>	<u>173,490</u>	<u>74,894</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 195,374</u>	<u>\$ 95,832</u>	<u>\$ 159,352</u>	<u>\$ 76,799</u>

<u>Library Grants</u>	<u>School Resource Officer</u>	<u>Police Grants</u>	<u>Arts Center</u>	<u>Federal Grants</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	103,357	-
-	469,922	-	-	-
-	-	-	933	-
-	-	115,826	4,222	-
-	237	97	142	-
-	-	-	930	-
<u>-</u>	<u>470,159</u>	<u>115,923</u>	<u>109,584</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	193,870	-
<u>-</u>	<u>555,581</u>	<u>119,535</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>555,581</u>	<u>119,535</u>	<u>193,870</u>	<u>-</u>
<u>-</u>	<u>( 85,422)</u>	<u>( 3,612)</u>	<u>( 84,286)</u>	<u>-</u>
-	113,340	-	89,930	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>113,340</u>	<u>-</u>	<u>89,930</u>	<u>-</u>
-	27,918	( 3,612)	5,644	-
<u>5,353</u>	<u>77,281</u>	<u>213,410</u>	<u>152,710</u>	<u>77,589</u>
<u>\$ 5,353</u>	<u>\$ 105,199</u>	<u>\$ 209,798</u>	<u>\$ 158,354</u>	<u>\$ 77,589</u>

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**CITY OF HUNTSVILLE, TEXAS**

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

**NONMAJOR SPECIAL REVENUE FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Area Revitalization</u>	<u>Tax Increment Reinvestment Zone #1</u>	<u>Hotel/ Motel Tourism</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>REVENUES</b>				
Property taxes	\$ -	\$ 218,285	\$ -	\$ 218,285
Other taxes	-	-	617,769	721,126
Charges for sales and services	-	-	-	488,072
Fines, fees, and forfeitures	-	-	-	68,601
Donations, contributions, and grants	-	-	6,239	159,737
Investment income	-	-	17,248	17,780
Miscellaneous	-	-	-	930
Total revenues	<u>-</u>	<u>218,285</u>	<u>641,256</u>	<u>1,674,531</u>
<b>EXPENDITURES</b>				
General government	-	-	-	24,950
Public works	-	-	104,358	157,394
Community services	695	218,285	379,667	808,346
Public safety	-	-	-	678,991
Total expenditures	<u>695</u>	<u>218,285</u>	<u>484,025</u>	<u>1,669,681</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 695)</u>	<u>-</u>	<u>157,231</u>	<u>4,850</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	208,270
Transfers out	-	-	( 1,390,760)	( 1,408,267)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>( 1,390,760)</u>	<u>( 1,199,997)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>( 695)</u>	<u>-</u>	<u>( 1,233,529)</u>	<u>( 1,195,147)</u>
<b>FUND BALANCES, BEGINNING</b>	<u>24,120</u>	<u>38,602</u>	<u>1,653,755</u>	<u>2,761,050</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 23,425</u>	<u>\$ 38,602</u>	<u>\$ 420,226</u>	<u>\$ 1,565,903</u>

**CITY OF HUNTSVILLE, TEXAS**

**BUDGETARY COMPARISON SCHEDULE**

**MUNICIPAL COURT SECURITY AND TECHNOLOGY FUND  
SPECIAL REVENUE FUND**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Fines, fees, and forfeiture	\$ 43,035	\$ 43,035	\$ 63,730	\$ 20,695
Investment income	125	125	24	( 101)
Total revenue	<u>43,160</u>	<u>43,160</u>	<u>63,754</u>	<u>20,594</u>
<b>EXPENDITURES</b>				
General government	<u>54,000</u>	<u>54,000</u>	<u>24,950</u>	<u>29,050</u>
Total expenditures	<u>54,000</u>	<u>54,000</u>	<u>24,950</u>	<u>29,050</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 10,840)</u>	<u>( 10,840)</u>	<u>38,804</u>	<u>49,644</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>( 17,507)</u>	<u>( 17,507)</u>	<u>( 17,507)</u>	<u>-</u>
Total other financing sources (uses)	<u>( 17,507)</u>	<u>( 17,507)</u>	<u>( 17,507)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 28,347)</u>	<u>( 28,347)</u>	<u>21,297</u>	<u>49,644</u>
<b>FUND BALANCE, BEGINNING</b>	<u>174,077</u>	<u>174,077</u>	<u>174,077</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 145,730</u>	<u>\$ 145,730</u>	<u>\$ 195,374</u>	<u>\$ 49,644</u>

**CITY OF HUNTSVILLE, TEXAS**

**BUDGETARY COMPARISON SCHEDULE**

**POLICE FORFEITURE FUND  
SPECIAL REVENUE FUND**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Fines, fees, and forfeitures	\$ -	\$ -	\$ 3,938	\$ 3,938
Total revenues	<u>-</u>	<u>-</u>	<u>3,938</u>	<u>3,938</u>
<b>EXPENDITURES</b>				
Public safety	<u>56,520</u>	<u>56,520</u>	<u>3,875</u>	<u>52,645</u>
Total expenditures	<u>56,520</u>	<u>56,520</u>	<u>3,875</u>	<u>52,645</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 56,520)	( 56,520)	63	56,583
<b>FUND BALANCE, BEGINNING</b>	<u>95,769</u>	<u>95,769</u>	<u>95,769</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u><u>\$ 39,249</u></u>	<u><u>\$ 39,249</u></u>	<u><u>\$ 95,832</u></u>	<u><u>\$ 56,583</u></u>

**CITY OF HUNTSVILLE, TEXAS**

**BUDGETARY COMPARISON SCHEDULE**

**AIRPORT FUND  
SPECIAL REVENUE FUND**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
<b>REVENUES</b>				
Charges for sales and services	\$ 18,150	\$ 18,150	\$ 18,150	\$ -
Donations, contributions, and grants	25,000	25,000	15,743	( 9,257)
Investment income	<u>100</u>	<u>100</u>	<u>5</u>	<u>( 95)</u>
Total revenues	<u>43,250</u>	<u>43,250</u>	<u>33,898</u>	<u>( 9,352)</u>
<b>EXPENDITURES</b>				
Public works	<u>67,640</u>	<u>67,640</u>	<u>53,036</u>	<u>14,604</u>
Total expenditures	<u>67,640</u>	<u>67,640</u>	<u>53,036</u>	<u>14,604</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 24,390)</u>	<u>( 24,390)</u>	<u>( 19,138)</u>	<u>5,252</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total other financing sources (uses)	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 19,390)</u>	<u>( 19,390)</u>	<u>( 14,138)</u>	<u>5,252</u>
<b>FUND BALANCE, BEGINNING</b>	<u>173,490</u>	<u>173,490</u>	<u>173,490</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 154,100</u>	<u>\$ 154,100</u>	<u>\$ 159,352</u>	<u>\$ 5,252</u>

**CITY OF HUNTSVILLE, TEXAS**

**BUDGETARY COMPARISON SCHEDULE**

**LIBRARY SPECIAL DONATIONS FUND  
SPECIAL REVENUE FUND**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
<b>REVENUES</b>				
Donations, contributions, and grants	\$ 27,150	\$ 27,150	\$ 17,707	\$( 9,443)
Investment income	50	50	27	( 23)
Total revenues	<u>27,200</u>	<u>27,200</u>	<u>17,734</u>	<u>( 9,466)</u>
<b>EXPENDITURES</b>				
Community services	<u>27,200</u>	<u>27,200</u>	<u>15,829</u>	<u>11,371</u>
Total expenditures	<u>27,200</u>	<u>27,200</u>	<u>15,829</u>	<u>11,371</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	1,905	1,905
<b>FUND BALANCE, BEGINNING</b>	<u>74,894</u>	<u>74,894</u>	<u>74,894</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 74,894</u>	<u>\$ 74,894</u>	<u>\$ 76,799</u>	<u>\$ 1,905</u>

**CITY OF HUNTSVILLE, TEXAS**

**BUDGETARY COMPARISON SCHEDULE**

**SCHOOL RESOURCE OFFICER FUND  
SPECIAL REVENUE FUND**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
<b>REVENUES</b>				
Charges for sales and services	\$ 469,922	\$ 469,922	\$ 469,922	\$ -
Investment income	50	50	237	187
Total revenues	<u>469,972</u>	<u>469,972</u>	<u>470,159</u>	<u>187</u>
<b>EXPENDITURES</b>				
Public safety	<u>586,512</u>	<u>586,512</u>	<u>555,581</u>	<u>30,931</u>
Total expenditures	<u>586,512</u>	<u>586,512</u>	<u>555,581</u>	<u>30,931</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 116,540)</u>	<u>( 116,540)</u>	<u>( 85,422)</u>	<u>31,118</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>113,340</u>	<u>113,340</u>	<u>113,340</u>	<u>-</u>
Total other financing sources (uses)	<u>113,340</u>	<u>113,340</u>	<u>113,340</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 3,200)</u>	<u>( 3,200)</u>	<u>27,918</u>	<u>31,118</u>
<b>FUND BALANCE, BEGINNING</b>	<u>77,281</u>	<u>77,281</u>	<u>77,281</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 74,081</u>	<u>\$ 74,081</u>	<u>\$ 105,199</u>	<u>\$ 31,118</u>

**CITY OF HUNTSVILLE, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE**

**POLICE GRANTS**  
**SPECIAL REVENUE FUND**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
<b>REVENUES</b>				
Donations, contributions, and grants	\$ 121,157	\$ 121,157	\$ 115,826	\$( 5,331)
Investment income	40	40	97	57
Total revenues	<u>121,197</u>	<u>121,197</u>	<u>115,923</u>	<u>( 5,274)</u>
<b>EXPENDITURES</b>				
Public safety	<u>289,046</u>	<u>289,046</u>	<u>119,535</u>	<u>169,511</u>
Total expenditures	<u>289,046</u>	<u>289,046</u>	<u>119,535</u>	<u>169,511</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 167,849)	( 167,849)	( 3,612)	164,237
<b>FUND BALANCE, BEGINNING</b>	<u>213,410</u>	<u>213,410</u>	<u>213,410</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 45,561</u>	<u>\$ 45,561</u>	<u>\$ 209,798</u>	<u>\$ 164,237</u>

**CITY OF HUNTSVILLE, TEXAS**

**BUDGETARY COMPARISON SCHEDULE**

**ARTS CENTER FUND  
SPECIAL REVENUE FUND**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
<b>REVENUES</b>				
Other taxes	\$ 120,000	\$ 120,000	\$ 103,357	\$( 16,643)
Fines, fees, and forfeitures	3,000	3,000	933	( 2,067)
Donations, contributions, and grants	2,648	2,648	4,222	1,574
Investment income	-	-	142	142
Miscellaneous	-	-	930	930
Total revenues	<u>125,648</u>	<u>125,648</u>	<u>109,584</u>	<u>( 16,064)</u>
<b>EXPENDITURES</b>				
Community services	<u>218,928</u>	<u>219,928</u>	<u>193,870</u>	<u>26,058</u>
Total expenditures	<u>218,928</u>	<u>219,928</u>	<u>193,870</u>	<u>26,058</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 93,280)</u>	<u>( 94,280)</u>	<u>( 84,286)</u>	<u>9,994</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>89,930</u>	<u>89,930</u>	<u>89,930</u>	<u>-</u>
Total other financing sources (uses)	<u>89,930</u>	<u>89,930</u>	<u>89,930</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 3,350)</u>	<u>( 4,350)</u>	<u>5,644</u>	<u>9,994</u>
<b>FUND BALANCE, BEGINNING</b>	<u>152,710</u>	<u>152,710</u>	<u>152,710</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 149,360</u>	<u>\$ 148,360</u>	<u>\$ 158,354</u>	<u>\$ 9,994</u>

**CITY OF HUNTSVILLE, TEXAS**

**BUDGETARY COMPARISON SCHEDULE**

**AREA REVITALIZATION  
SPECIAL REVENUE FUND**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
<b>REVENUES</b>				
Donations, contributions, and grants	\$ 2,500	\$ 2,500	\$ -	\$( 2,500)
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>( 2,500)</u>
<b>EXPENDITURES</b>				
Community services	<u>2,500</u>	<u>2,500</u>	<u>695</u>	<u>1,805</u>
Total expenditures	<u>2,500</u>	<u>2,500</u>	<u>695</u>	<u>1,805</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	( 695)	( 695)
<b>FUND BALANCE, BEGINNING</b>	<u>24,120</u>	<u>24,120</u>	<u>24,120</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u><u>\$ 24,120</u></u>	<u><u>\$ 24,120</u></u>	<u><u>\$ 23,425</u></u>	<u><u>\$( 695)</u></u>

**CITY OF HUNTSVILLE, TEXAS**

**BUDGETARY COMPARISON SCHEDULE**

**HOTEL MOTEL - TOURISM  
SPECIAL REVENUE FUND**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
<b>REVENUES</b>				
Other taxes	\$ 630,000	\$ 630,000	\$ 617,769	\$( 12,231)
Donations, contributions, and grants	2,000	2,000	6,239	4,239
Investment income	10,040	10,040	17,248	7,208
Total revenues	<u>642,040</u>	<u>642,040</u>	<u>641,256</u>	<u>( 784)</u>
<b>EXPENDITURES</b>				
Public works	124,286	126,661	104,358	22,303
Community services	503,911	488,107	379,667	108,440
Total expenditures	<u>628,197</u>	<u>614,768</u>	<u>484,025</u>	<u>130,743</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>13,843</u>	<u>27,272</u>	<u>157,231</u>	<u>129,959</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	( 50,760)	( 1,390,760)	( 1,390,760)	-
Total other financing sources (uses)	<u>( 50,760)</u>	<u>( 1,390,760)</u>	<u>( 1,390,760)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 36,917)</u>	<u>( 1,363,488)</u>	<u>( 1,233,529)</u>	<u>129,959</u>
<b>FUND BALANCE, BEGINNING</b>	<u>1,653,755</u>	<u>1,653,755</u>	<u>1,653,755</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 1,616,838</u>	<u>\$ 290,267</u>	<u>\$ 420,226</u>	<u>\$ 129,959</u>

**CITY OF HUNTSVILLE, TEXAS**

**BUDGETARY COMPARISON SCHEDULE**

**DEBT SERVICE FUND**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,508,265	\$ 1,508,265	\$ 1,512,189	\$ 3,924
Charges for services	330,502	330,502	330,502	-
Investment income	<u>100</u>	<u>100</u>	<u>4,113</u>	<u>4,013</u>
Total revenues	<u>1,838,867</u>	<u>1,838,867</u>	<u>1,846,804</u>	<u>7,937</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	1,478,152	1,478,152	1,478,152	-
Interest and fiscal charges	<u>360,588</u>	<u>360,588</u>	<u>360,589</u>	<u>( 1)</u>
Total expenditures	<u>1,838,740</u>	<u>1,838,740</u>	<u>1,838,741</u>	<u>( 1)</u>
<b>NET CHANGE IN FUND BALANCE</b>	127	127	8,063	7,936
<b>FUND BALANCE, BEGINNING</b>	<u>340,668</u>	<u>340,668</u>	<u>340,668</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 340,795</u>	<u>\$ 340,795</u>	<u>\$ 348,731</u>	<u>\$ 7,936</u>

**CITY OF HUNTSVILLE, TEXAS**

**COMBINING BALANCE SHEET**

**NONMAJOR CAPITAL PROJECTS FUNDS**

**SEPTEMBER 30, 2017**

	<u>Street Capital Projects</u>	<u>Sidewalks</u>	<u>General Improvements</u>	<u>IS Computer CIP</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,297,167	\$ 177,491	\$ 2,340,497	\$ 289,797
Investments	177,065	-	1,787,559	154,861
Receivables (net of allowance for uncollectibles):				
Intergovernmental	-	45,933	-	-
Interest	<u>1,997</u>	<u>-</u>	<u>4,670</u>	<u>615</u>
 Total assets	 <u>2,476,229</u>	 <u>223,424</u>	 <u>4,132,726</u>	 <u>445,273</u>
<b>LIABILITIES</b>				
Accounts payable	<u>-</u>	<u>-</u>	<u>4,490</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>4,490</u>	<u>-</u>
<b>FUND BALANCES</b>				
Assigned to:				
Construction of capital assets	<u>2,476,229</u>	<u>223,424</u>	<u>4,128,236</u>	<u>445,273</u>
Total fund balances	<u>2,476,229</u>	<u>223,424</u>	<u>4,128,236</u>	<u>445,273</u>
 Total liabilities and fund balances	 <u>\$ 2,476,229</u>	 <u>\$ 223,424</u>	 <u>\$ 4,132,726</u>	 <u>\$ 445,273</u>

<u>Cemetery Projects</u>	<u>Land Acquisition</u>	<u>Total Nonmajor Capital Projects</u>
\$ 9,788	\$ 235,594	\$ 5,350,334
-	-	2,119,485
-	-	45,933
<u>-</u>	<u>-</u>	<u>7,282</u>
<u>9,788</u>	<u>235,594</u>	<u>7,523,034</u>
<u>-</u>	<u>-</u>	<u>4,490</u>
<u>-</u>	<u>-</u>	<u>4,490</u>
<u>9,788</u>	<u>235,594</u>	<u>7,518,544</u>
<u>9,788</u>	<u>235,594</u>	<u>7,518,544</u>
<u>\$ 9,788</u>	<u>\$ 235,594</u>	<u>\$ 7,523,034</u>

**CITY OF HUNTSVILLE, TEXAS**

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

**NONMAJOR CAPITAL PROJECTS FUNDS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Street Capital Projects</u>	<u>Sidewalks</u>	<u>General Improvements</u>	<u>IS Computer CIP</u>
<b>REVENUES</b>				
Donations, contributions, and grants	\$ -	\$ -	\$ -	\$ -
Investment earnings	<u>28,650</u>	<u>1,538</u>	<u>27,188</u>	<u>4,353</u>
Total revenues	<u>28,650</u>	<u>1,538</u>	<u>27,188</u>	<u>4,353</u>
<b>EXPENDITURES</b>				
Public works	1,047,738	1,871	531,796	-
Community services	<u>-</u>	<u>-</u>	<u>37,755</u>	<u>-</u>
Total expenditures	<u>1,047,738</u>	<u>1,871</u>	<u>569,551</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>( 1,019,088)</u>	<u>( 333)</u>	<u>( 542,363)</u>	<u>4,353</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>1,758,517</u>	<u>-</u>	<u>3,851,196</u>	<u>-</u>
Total other financing sources (uses)	<u>1,758,517</u>	<u>-</u>	<u>3,851,196</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>739,429</u>	<u>( 333)</u>	<u>3,308,833</u>	<u>4,353</u>
<b>FUND BALANCES, BEGINNING</b>	<u>1,736,800</u>	<u>223,757</u>	<u>819,403</u>	<u>440,920</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 2,476,229</u>	<u>\$ 223,424</u>	<u>\$ 4,128,236</u>	<u>\$ 445,273</u>

<u>Cemetery Projects</u>	<u>Land Acquisition</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 40	\$ -	\$ 40
<u>94</u>	<u>2,399</u>	<u>64,222</u>
<u>134</u>	<u>2,399</u>	<u>64,262</u>
-	-	1,581,405
<u>-</u>	<u>-</u>	<u>37,755</u>
<u>-</u>	<u>-</u>	<u>1,619,160</u>
<u>134</u>	<u>2,399</u>	<u>( 1,554,898)</u>
<u>-</u>	<u>-</u>	<u>5,609,713</u>
<u>-</u>	<u>-</u>	<u>5,609,713</u>
<u>134</u>	<u>2,399</u>	<u>4,054,815</u>
<u>9,654</u>	<u>233,195</u>	<u>3,463,729</u>
<u>\$ 9,788</u>	<u>\$ 235,594</u>	<u>\$ 7,518,544</u>

**CITY OF HUNTSVILLE, TEXAS**

**COMBINING BALANCE SHEET**

**NONMAJOR PERMANENT FUNDS**

**SEPTEMBER 30, 2017**

	Library Endowment Nonexpendable Trust	Oakwood Cemetery Endowment	Total Nonmajor Permanent Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 112,654	\$ 113,148	\$ 225,802
Investments	-	247,200	247,200
Interest receivable	<u>-</u>	<u>2,735</u>	<u>2,735</u>
 Total assets	 <u>112,654</u>	 <u>363,083</u>	 <u>475,737</u>
 <b>LIABILITIES</b>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 <b>FUND BALANCES</b>			
Nonspendable:			
Permanent funds	106,914	354,873	461,787
Restricted for:			
Purpose of grantors, trustees and donors	<u>5,740</u>	<u>8,210</u>	<u>13,950</u>
Total fund balances	<u>112,654</u>	<u>363,083</u>	<u>475,737</u>
 Total liabilities and fund balances	 <u>\$ 112,654</u>	 <u>\$ 363,083</u>	 <u>\$ 475,737</u>

**CITY OF HUNTSVILLE, TEXAS**

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

**NONMAJOR PERMANENT FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Library Endowment Nonexpendable Trust	Oakwood Cemetery Endowment	Total Nonmajor Permanent Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>REVENUES</b>			
Investment income	\$ 471	\$ 1,150	\$ 1,621
Total revenues	<u>471</u>	<u>1,150</u>	<u>1,621</u>
<b>EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>471</u>	<u>1,150</u>	<u>1,621</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>-</u>	<u>( 1,000)</u>	<u>( 1,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>( 1,000)</u>	<u>( 1,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	471	150	621
<b>FUND BALANCES, BEGINNING</b>	<u>112,183</u>	<u>362,933</u>	<u>475,116</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 112,654</u>	<u>\$ 363,083</u>	<u>\$ 475,737</u>

**CITY OF HUNTSVILLE, TEXAS**

**BUDGETARY COMPARISON SCHEDULE**

**LIBRARY ENDOWMENT  
PERMANENT FUND**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
<b>REVENUES</b>				
Investment income	\$ 700	\$ 700	\$ 471	\$( 229)
Total revenues	700	700	471	( 229)
<b>EXPENDITURES</b>	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	700	700	471	( 229)
<b>FUND BALANCE, BEGINNING</b>	112,183	112,183	112,183	-
<b>FUND BALANCE, ENDING</b>	\$ 112,883	\$ 112,883	\$ 112,654	\$( 229)

**CITY OF HUNTSVILLE, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE**  
**OAKWOOD CEMETERY ENDOWMENT**  
**PERMANENT FUND**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
<b>REVENUES</b>				
Investment income	\$ 1,000	\$ 1,000	\$ 1,150	\$ 150
Total revenues	1,000	1,000	1,150	150
<b>EXPENDITURES</b>	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,000	1,000	1,150	150
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	( 1,000)	( 1,000)	( 1,000)	-
Total other financing sources (uses)	( 1,000)	( 1,000)	( 1,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	-	-	150	150
<b>FUND BALANCE, BEGINNING</b>	362,933	362,933	362,933	-
<b>FUND BALANCE, ENDING</b>	\$ 362,933	\$ 362,933	\$ 363,083	\$ 150

**CITY OF HUNTSVILLE, TEXAS**

**STATEMENT OF NET POSITION**

**INTERNAL SERVICE FUNDS**

**SEPTEMBER 30, 2017**

	<u>Medical Insurance</u>	<u>Equipment Replacement</u>	<u>Computer Replacement</u>	<u>Total Internal Service</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,011,584	\$ 2,609,611	\$ 191,476	\$ 3,812,671
Investments	1,081,316	746,025	-	1,827,341
Accounts receivable (net of allowances for uncollectable):				
Interest	<u>3,819</u>	<u>6,225</u>	<u>-</u>	<u>10,044</u>
Total current assets	<u>2,339,018</u>	<u>3,361,861</u>	<u>191,476</u>	<u>5,892,355</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	<u>-</u>	<u>3,911,656</u>	<u>169,866</u>	<u>4,081,522</u>
Total noncurrent assets	<u>-</u>	<u>3,911,656</u>	<u>169,866</u>	<u>4,081,522</u>
Total assets	<u>2,339,018</u>	<u>7,273,517</u>	<u>361,342</u>	<u>9,973,877</u>
<b>LIABILITIES</b>				
Current assets:				
Accounts payable	\$ <u>255,148</u>	\$ <u>356,586</u>	\$ <u>-</u>	\$ <u>611,734</u>
Total liabilities	<u>255,148</u>	<u>356,586</u>	<u>-</u>	<u>611,734</u>
<b>NET POSITION</b>				
Net investment in capital assets	-	3,911,656	169,866	4,081,522
Unrestricted	<u>2,083,870</u>	<u>3,005,275</u>	<u>191,476</u>	<u>5,280,621</u>
Total net position	<u>\$ 2,083,870</u>	<u>\$ 6,916,931</u>	<u>\$ 361,342</u>	<u>\$ 9,362,143</u>

**CITY OF HUNTSVILLE, TEXAS**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION**

**INTERNAL SERVICE FUNDS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Medical Insurance</u>	<u>Equipment Replacement</u>	<u>Computer Replacement</u>	<u>Total Internal Service</u>
<b>OPERATING REVENUES</b>				
Charges for services:				
Inter-department services	\$ 3,626,159	\$ 1,986,812	\$ 195,600	\$ 5,808,571
Total service charges	<u>3,626,159</u>	<u>1,986,812</u>	<u>195,600</u>	<u>5,808,571</u>
Service fees and miscellaneous:				
Customer penalties and miscellaneous	488	28,950	-	29,438
Total service fees and miscellaneous	<u>488</u>	<u>28,950</u>	<u>-</u>	<u>29,438</u>
Total operating revenues	<u>3,626,647</u>	<u>2,015,762</u>	<u>195,600</u>	<u>5,838,009</u>
<b>OPERATING EXPENSES</b>				
Administration	3,436,267	-	-	3,436,267
Equipment replacement	-	1,971	136,423	138,394
Depreciation	-	1,229,869	105,339	1,335,208
Total operating expenses	<u>3,436,267</u>	<u>1,231,840</u>	<u>241,762</u>	<u>4,909,869</u>
<b>OPERATING INCOME (LOSS)</b>	<u>190,380</u>	<u>783,922</u>	<u>( 46,162)</u>	<u>928,140</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	12,897	23,161	242	36,300
Total nonoperating revenues (expenses)	<u>12,897</u>	<u>23,161</u>	<u>242</u>	<u>36,300</u>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	203,277	807,083	( 45,920)	964,440
Gain on disposal of capital assets	-	20,404	-	20,404
<b>CHANGE IN NET POSITION</b>	203,277	827,487	( 45,920)	984,844
<b>NET POSITION, BEGINNING</b>	<u>1,880,593</u>	<u>6,089,444</u>	<u>407,262</u>	<u>8,377,299</u>
<b>NET POSITION, ENDING</b>	<u>\$ 2,083,870</u>	<u>\$ 6,916,931</u>	<u>\$ 361,342</u>	<u>\$ 9,362,143</u>

**CITY OF HUNTSVILLE, TEXAS**

**COMBINING STATEMENT OF CASH FLOWS**

**ALL INTERNAL SERVICE FUNDS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Medical Insurance</u>	<u>Equipment Replacement</u>	<u>Computer Replacement</u>	<u>Total Internal Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Interfund services provided and used	\$ 3,401,197	\$ 2,015,762	\$ 195,600	\$ 5,612,559
Cash payments to suppliers for goods and services	<u>( 3,387,815)</u>	<u>( 1,971)</u>	<u>( 136,423)</u>	<u>( 3,526,209)</u>
Net cash provided (used) by operating activities	<u>13,382</u>	<u>2,013,791</u>	<u>59,177</u>	<u>2,086,350</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition or construction of capital assets	-	<u>( 1,739,766)</u>	-	<u>( 1,739,766)</u>
Proceeds from the sale of capital assets	<u>-</u>	<u>20,404</u>	<u>-</u>	<u>20,404</u>
Net used for capital and related financing activities	<u>-</u>	<u>( 1,719,362)</u>	<u>-</u>	<u>( 1,719,362)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	<u>( 471,285)</u>	-	-	<u>( 471,285)</u>
Proceeds from sale and maturities of securities	-	259,305	-	259,305
Interest and dividends on investments	<u>12,897</u>	<u>22,140</u>	<u>242</u>	<u>35,279</u>
Net cash provided (used) by investing activities	<u>( 458,388)</u>	<u>281,445</u>	<u>242</u>	<u>( 176,701)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>( 445,006)</u>	<u>575,874</u>	<u>59,419</u>	<u>190,287</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>1,456,590</u>	<u>2,033,737</u>	<u>132,057</u>	<u>3,622,384</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 1,011,584</u>	<u>\$ 2,609,611</u>	<u>\$ 191,476</u>	<u>\$ 3,812,671</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 190,380	\$ 783,922	\$( 46,162)	\$ 928,140
Adjustments to reconcile operating income to net cash used by operating activities:				
Depreciation	-	1,229,869	105,339	1,335,208
Change in assets and liabilities:				
Decrease (increase) in prepaid expenses	16,849	-	-	16,849
Decrease (increase) in receivables	<u>( 242,299)</u>	-	-	<u>( 242,299)</u>
Increase (decrease) in accounts payable	<u>48,452</u>	-	-	<u>48,452</u>
Total adjustments	<u>( 176,998)</u>	<u>1,229,869</u>	<u>105,339</u>	<u>1,158,210</u>
Net cash provided (used) by operating activities	<u>\$ 13,382</u>	<u>\$ 2,013,791</u>	<u>\$ 59,177</u>	<u>\$ 2,086,350</u>
<b>SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>				
	\$ -	\$ 356,586	\$ -	\$ 356,586

**CITY OF HUNTSVILLE, TEXAS**

**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

**AGENCY FUNDS**

**SEPTEMBER 30, 2017**

	<u>Employee Assistance Trust</u>	<u>Scholarship Trust</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ <u>15,784</u>	\$ <u>11,382</u>	\$ <u>27,166</u>
Total assets	\$ <u>15,784</u>	\$ <u>11,382</u>	\$ <u>27,166</u>
<b>LIABILITIES</b>			
Accounts payable	\$ <u>15,784</u>	\$ <u>11,382</u>	\$ <u>27,166</u>
Total liabilities	\$ <u>15,784</u>	\$ <u>11,382</u>	\$ <u>27,166</u>

**CITY OF HUNTSVILLE, TEXAS**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

**ALL AGENCY FUNDS**

**YEAR ENDED SEPTEMBER 30, 2017**

	Balance October 1, 2016	Additions	Deductions	Balance September 30, 2017
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>EMPLOYEE ASSISTANCE TRUST FUND</b>				
Assets				
Cash and investments	\$ 12,728	\$ 8,558	\$ 5,502	\$ 15,784
Total assets	<u>\$ 12,728</u>	<u>\$ 8,558</u>	<u>\$ 5,502</u>	<u>\$ 15,784</u>
Liabilities				
Accounts payable	\$ 12,728	\$ 8,558	\$ 5,502	\$ 15,784
Total liabilities	<u>\$ 12,728</u>	<u>\$ 8,558</u>	<u>\$ 5,502</u>	<u>\$ 15,784</u>
<b>SCHOLARSHIP TRUST FUND</b>				
Assets				
Cash and investments	\$ 8,309	\$ 11,941	\$ 8,868	\$ 11,382
Total assets	<u>\$ 8,309</u>	<u>\$ 11,941</u>	<u>\$ 8,868</u>	<u>\$ 11,382</u>
Liabilities				
Accounts payable	\$ 8,309	\$ 11,941	\$ 8,868	\$ 11,382
Total liabilities	<u>\$ 8,309</u>	<u>\$ 11,941</u>	<u>\$ 8,868</u>	<u>\$ 11,382</u>
<b>TOTAL AGENCY FUNDS</b>				
Assets				
Cash and investments	\$ 21,037	\$ 20,499	\$ 14,370	\$ 27,166
Total assets	<u>\$ 21,037</u>	<u>\$ 20,499</u>	<u>\$ 14,370</u>	<u>\$ 27,166</u>
Liabilities				
Accounts payable	\$ 21,037	\$ 20,499	\$ 14,370	\$ 27,166
Total liabilities	<u>\$ 21,037</u>	<u>\$ 20,499</u>	<u>\$ 14,370</u>	<u>\$ 27,166</u>

# **STATISTICAL SECTION**

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# STATISTICAL SECTION

This part of the City of Huntsville, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

## Contents

	<b>Page</b>
Financial Trends	96 – 107
<p>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</p>	
Revenue Capacity	108 – 113
<p>These schedules contain information to help the reader assess the City's most significant local revenue sources. Although sales taxes are the City's most significant local revenue source. Information about revenue base is unavailable and information about principal revenue payers is confidential under Texas statutes. Trend information about sales tax revenues is provided in Table 2. Additionally, information about the City's second most significant local revenue source, the property tax, is provided.</p>	
Debt Capacity	114 – 118
<p>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</p>	
Demographic and Economic Information	119 – 120
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</p>	
Operating Information	121 – 125
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</p>	

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

**CITY OF HUNTSVILLE, TEXAS**

**NET POSITION BY COMPONENT**

**LAST TEN FISCAL YEARS**

(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year		
	2008	2009	2010
Governmental activities:			
Net investment in capital assets	\$ 14,999	\$ 13,137	\$ 15,282
Restricted	2,271	4,216	6,662
Unrestricted	11,645	13,352	6,984
Total governmental activities net position	\$ 28,915	\$ 30,705	\$ 28,928
Business-type activities:			
Net investment in capital assets	\$ 32,580	\$ 33,626	\$ 38,447
Restricted	-	-	-
Unrestricted	25,888	25,990	24,273
Total business-type activities net position	\$ 58,468	\$ 59,616	\$ 62,720
Primary government:			
Net investment in capital assets	\$ 47,579	\$ 46,763	\$ 53,729
Restricted	2,271	4,216	6,662
Unrestricted	37,533	39,342	31,257
Total primary government net position	\$ 87,383	\$ 90,321	\$ 91,648

Source: Comprehensive Annual Financial Reports

**TABLE 1**

Fiscal Year						
2011	2012	2013	2014	2015	2016	2017
\$ 14,982	\$ 17,068	\$ 17,385	\$ 18,677	\$ 13,061	\$ 21,330	\$ 23,318
3,605	2,147	2,872	3,990	3,048	3,598	2,432
<u>9,453</u>	<u>9,216</u>	<u>9,936</u>	<u>11,117</u>	<u>4,631</u>	<u>4,221</u>	<u>4,761</u>
<u>\$ 28,040</u>	<u>\$ 28,431</u>	<u>\$ 30,193</u>	<u>\$ 33,784</u>	<u>\$ 20,740</u>	<u>\$ 29,149</u>	<u>\$ 30,510</u>
\$ 41,168	\$ 48,911	\$ 52,727	\$ 57,024	\$ 593	\$ 71,213	\$ 86,447
-	-	-	-	-	-	-
<u>25,078</u>	<u>21,247</u>	<u>22,888</u>	<u>24,506</u>	<u>80,937</u>	<u>22,885</u>	<u>23,333</u>
<u>\$ 66,246</u>	<u>\$ 70,158</u>	<u>\$ 75,615</u>	<u>\$ 81,530</u>	<u>\$ 81,531</u>	<u>\$ 94,098</u>	<u>\$ 109,780</u>
\$ 56,150	\$ 65,979	\$ 70,112	\$ 75,701	\$ 13,654	\$ 92,543	\$ 109,765
3,605	2,147	2,872	3,990	3,048	3,598	2,432
<u>34,531</u>	<u>30,463</u>	<u>32,824</u>	<u>35,623</u>	<u>85,568</u>	<u>27,106</u>	<u>28,094</u>
<u>\$ 94,286</u>	<u>\$ 98,589</u>	<u>\$ 105,808</u>	<u>\$ 115,314</u>	<u>\$ 102,271</u>	<u>\$ 123,247</u>	<u>\$ 140,290</u>

**CITY OF HUNTSVILLE, TEXAS**

**CHANGES IN NET POSITION**

**LAST TEN FISCAL YEARS**

(Unaudited)

	Fiscal Year			
	2008	2009	2010	2011
<b>EXPENSES</b>				
Governmental activities:				
General government	\$ -	\$ -	\$ -	\$ -
Charter offices	252,387	200,849	257,439	219,632
Finance	578,053	578,505	490,313	959,422
Public works	3,671,852	4,981,472	5,013,011	8,191,939
Administrative services	1,039,121	1,830,932	1,890,358	553,173
Community services	2,878,653	2,761,093	2,949,856	2,745,391
Public safety	5,884,539	6,063,508	6,413,503	6,772,314
Tourism and cultural services	-	-	-	-
Interest on long-term debt	790,282	756,682	657,074	735,374
Total governmental activities expenses	<u>15,094,887</u>	<u>17,173,041</u>	<u>17,671,554</u>	<u>20,177,245</u>
Business-type activities:				
Water	9,838,924	10,809,836	11,240,528	10,553,087
Wastewater	8,186,346	7,598,209	7,202,096	7,325,201
Solid waste	4,364,518	3,935,369	4,153,125	4,246,715
Oakwood cemetery - operating	122,322	132,887	-	-
Total business-type activities expenses	<u>22,512,110</u>	<u>22,476,301</u>	<u>22,595,749</u>	<u>22,125,003</u>
Total primary government expenses	<u>\$ 37,606,997</u>	<u>\$ 39,649,342</u>	<u>\$ 40,267,303</u>	<u>\$ 42,302,248</u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Fees, fines, and charges for services:				
General government	\$ -	\$ -	\$ -	\$ -
Finance	869,337	815,659	742,152	902,445
Public works	397,595	545,732	646,211	735,745
Planning and development	-	-	-	-
Community services	156,246	132,403	543,111	545,891
Public safety	254,667	461,192	387,252	399,662
Tourism and cultural services	-	-	-	-
Operating grants and contributions	709,012	853,861	906,869	1,319,661
Capital grants and contributions	25,000	-	-	-
Total governmental activities program revenues	<u>2,411,857</u>	<u>2,808,847</u>	<u>3,225,595</u>	<u>3,903,404</u>

TABLE 2

		Fiscal Year									
		2012	2013	2014	2015	2016	2017				
\$	3,104,243	\$	4,865,299	\$	5,587,458	\$	5,012,803	\$	5,947,780	\$	6,189,702
	-		-		-		-		-		-
	-		-		-		-		-		-
	4,826,684		6,155,206		5,459,928		5,249,265		5,632,124		6,748,483
	-		-		-		-		-		-
	4,995,176		4,343,053		3,387,747		3,213,392		3,940,687		3,618,287
	7,042,470		7,674,754		7,571,741		7,737,532		8,725,431		9,594,739
	-		205,896		194,889		197,046		236,656		219,586
	<u>686,724</u>		<u>582,045</u>		<u>508,431</u>		<u>449,561</u>		<u>376,667</u>		<u>341,943</u>
	<u>20,655,297</u>		<u>23,826,253</u>		<u>22,710,194</u>		<u>21,859,599</u>		<u>24,859,345</u>		<u>26,712,740</u>
	10,518,861		9,096,273		9,065,085		8,917,754		9,083,478		9,373,310
	6,789,773		4,779,128		4,809,679		4,984,867		5,148,292		5,572,691
	4,508,492		3,341,035		3,601,925		4,115,979		4,145,426		4,185,864
	-		-		-		-		-		-
	<u>21,817,126</u>		<u>17,216,436</u>		<u>17,476,689</u>		<u>18,018,600</u>		<u>18,377,196</u>		<u>19,131,865</u>
\$	<u>42,472,423</u>	\$	<u>41,042,689</u>	\$	<u>40,186,883</u>	\$	<u>39,878,199</u>	\$	<u>43,236,541</u>	\$	<u>45,844,605</u>
\$	466,973	\$	461,307	\$	135,251	\$	169,780	\$	225,747	\$	175,178
	-		-		-		-		-		-
	280,187		359,429		360,479		444,576		511,621		750,952
	-		-		-		-		-		-
	196,991		80,771		79,355		85,303		111,518		165,472
	1,162,227		1,152,995		1,466,846		1,355,814		1,587,548		1,752,123
	-		132,279		449,438		448,438		455,529		441,191
	1,923,813		1,272,518		1,012,255		678,290		430,311		370,234
	<u>597,817</u>		<u>228,627</u>		<u>1,240,972</u>		<u>461,936</u>		<u>121,190</u>		<u>113,643</u>
	<u>4,628,008</u>		<u>3,687,926</u>		<u>4,744,596</u>		<u>3,644,137</u>		<u>3,443,464</u>		<u>3,768,793</u>

# CITY OF HUNTSVILLE, TEXAS

## CHANGES IN NET POSITION

### LAST TEN FISCAL YEARS

(Unaudited)

	Fiscal Year			
	2008	2009	2010	2011
Business-type activities:				
Charges for services:				
Water	\$ 10,777,639	\$ 11,236,725	\$ 10,686,144	\$ 11,475,640
Wastewater	8,471,967	8,264,083	8,320,895	8,387,721
Solid waste	4,136,836	4,257,337	4,246,461	4,300,845
Oakwood cemetery - operating	11,930	16,457	-	-
Operating grants and contributions	358,290	577,216	190,023	1,339,979
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>23,756,662</u>	<u>24,351,818</u>	<u>23,443,523</u>	<u>25,504,185</u>
 Total primary government program revenues	 <u>\$ 26,168,519</u>	 <u>\$ 27,160,665</u>	 <u>\$ 26,669,118</u>	 <u>\$ 29,407,589</u>
<b>NET (EXPENSE) REVENUES</b>				
Governmental activities	\$( 12,683,030)	\$( 14,364,194)	\$( 14,445,959)	\$( 16,273,841)
Business-type activities	<u>1,244,552</u>	<u>1,875,517</u>	<u>847,774</u>	<u>3,379,182</u>
Total primary government net expense	<u>( 11,438,478)</u>	<u>( 12,488,677)</u>	<u>( 13,598,185)</u>	<u>( 12,894,659)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental activities:				
Taxes				
Property	4,512,407	4,642,267	4,910,022	4,945,427
Franchise	2,204,367	2,464,364	2,933,589	2,893,671
Sales	6,072,299	6,516,515	5,989,793	6,443,698
Other	672,527	624,862	614,394	647,106
Investment earnings	443,065	163,418	201,656	182,986
Gain on sale of capital assets	-	( 18,077)	-	-
Miscellaneous	495,382	822,493	132,978	256,999
Transfers	<u>2,561,493</u>	<u>938,099</u>	<u>( 2,113,407)</u>	<u>16,745</u>
Total governmental activities	<u>16,961,540</u>	<u>16,153,941</u>	<u>12,669,025</u>	<u>15,386,632</u>
Business-type activities:				
Investment earnings	683,014	210,752	142,636	141,713
Miscellaneous	257	-	-	21,557
Transfers	<u>( 2,561,493)</u>	<u>( 938,099)</u>	<u>2,113,407</u>	<u>( 16,745)</u>
Total business-type activities	<u>( 1,878,222)</u>	<u>( 727,347)</u>	<u>2,256,043</u>	<u>146,525</u>
 Total primary government	 <u>15,083,318</u>	 <u>15,426,594</u>	 <u>14,925,068</u>	 <u>15,533,157</u>
<b>CHANGE IN NET POSITION</b>				
Governmental activities	4,278,510	1,789,747	( 1,776,934)	( 887,209)
Business-type activities	<u>( 633,670)</u>	<u>1,148,170</u>	<u>3,103,817</u>	<u>3,525,707</u>
 Total primary government	 <u>\$ 3,644,840</u>	 <u>\$ 2,937,917</u>	 <u>\$ 1,326,883</u>	 <u>\$ 2,638,498</u>

Notes:

Source: Comprehensive Annual Financial Reports

TABLE 2

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 12,899,947	\$ 14,953,542	\$ 14,834,188	\$ 15,736,699	\$ 16,129,760	\$ 17,802,407
8,554,235	8,110,864	8,319,330	8,581,175	8,793,130	8,654,704
4,464,921	4,589,223	4,676,708	4,888,187	5,251,611	5,573,443
-	-	-	-	-	-
129,421	64,530	462,175	105,698	1,449,514	7,123,788
377,791	103,632	-	-	-	-
<u>26,426,315</u>	<u>27,821,791</u>	<u>28,292,401</u>	<u>29,311,759</u>	<u>31,624,015</u>	<u>39,154,342</u>
<u>\$ 31,054,323</u>	<u>\$ 31,509,717</u>	<u>\$ 33,036,997</u>	<u>\$ 32,955,896</u>	<u>\$ 35,067,479</u>	<u>\$ 42,923,135</u>
\$( 16,027,289)	\$( 20,138,327)	\$( 17,965,598)	\$( 18,215,462)	\$( 21,415,881)	\$( 22,943,947)
4,609,189	10,605,355	10,815,712	11,293,159	13,246,819	20,022,477
<u>( 11,418,100)</u>	<u>( 9,532,972)</u>	<u>( 7,149,886)</u>	<u>( 6,922,303)</u>	<u>( 8,169,062)</u>	<u>( 2,921,470)</u>
4,950,887	5,432,756	5,708,473	5,840,689	5,816,471	6,124,340
2,067,884	2,073,036	2,065,187	2,741,577	2,083,559	2,094,257
6,515,890	6,726,868	7,292,731	7,942,631	7,956,186	9,001,502
652,479	889,203	1,025,696	1,013,999	980,206	824,729
191,187	274,573	373,492	337,682	210,191	297,980
7,485	670,466	-	-	-	-
75,453	158,219	185,946	621,758	125,828	223,297
1,366,445	5,675,280	5,381,142	5,145,966	5,005,447	5,739,002
<u>15,827,710</u>	<u>21,900,401</u>	<u>22,032,667</u>	<u>23,644,302</u>	<u>22,177,888</u>	<u>24,305,107</u>
236,694	53,314	304,479	196,447	327,113	267,211
214,013	474,384	680,754	561,630	404,109	1,131,561
<u>( 1,366,445)</u>	<u>( 5,675,280)</u>	<u>( 5,381,142)</u>	<u>( 5,145,966)</u>	<u>( 5,005,447)</u>	<u>( 5,739,002)</u>
<u>( 915,738)</u>	<u>( 5,147,582)</u>	<u>( 4,395,909)</u>	<u>( 4,387,889)</u>	<u>( 4,274,225)</u>	<u>( 4,340,230)</u>
<u>14,911,972</u>	<u>16,752,819</u>	<u>17,636,758</u>	<u>19,256,413</u>	<u>17,903,663</u>	<u>19,964,877</u>
( 199,579)	1,762,074	4,067,069	5,428,840	762,007	1,361,160
<u>3,693,451</u>	<u>5,457,773</u>	<u>6,419,803</u>	<u>6,905,270</u>	<u>8,972,594</u>	<u>15,682,247</u>
<u>\$ 3,493,872</u>	<u>\$ 7,219,847</u>	<u>\$ 10,486,872</u>	<u>\$ 12,334,110</u>	<u>\$ 9,734,601</u>	<u>\$ 17,043,407</u>

**CITY OF HUNTSVILLE, TEXAS**

**FUND BALANCES  
GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(Unaudited)**

	Fiscal Year			
	2008	2009	2010	2011
General fund				
Reserved*	\$ 106,642	\$ 332,802	\$ 318,410	\$ -
Unreserved	7,858,244	8,685,056	8,721,665	-
Nonspendable*	-	-	-	112,643
Committed	-	-	-	220,230
Assigned	-	-	-	-
Unassigned	-	-	-	8,788,354
Total general fund	<u>\$ 7,964,886</u>	<u>\$ 9,017,858</u>	<u>\$ 9,040,075</u>	<u>\$ 9,121,227</u>
All other governmental funds				
Reserved*	\$ 291,188	\$ 421,501	\$ 178,950	\$ -
Unreserved, reported in:				
Special revenue funds	2,238,495	2,214,950	2,299,640	-
Capital project funds	1,953,751	3,727,631	5,985,616	-
Debt service funds	-	-	388,653	-
Permanent funds	458,694	463,210	459,190	-
Nonspendable	-	-	-	469,485
Restricted	-	-	-	1,452,211
Committed	-	-	-	860,588
Assigned	-	-	-	2,898,732
Total all other governmental funds	<u>\$ 4,942,128</u>	<u>\$ 6,827,292</u>	<u>\$ 9,312,049</u>	<u>\$ 5,681,016</u>

Note:

\* Includes inventory, advances to other funds, and prepaid items.

The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

Source: Comprehensive Annual Financial Reports

**TABLE 3**

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
191,710	191,710	139,731	-	174,505	114,287
-	-	-	-	-	-
990,943	990,943	1,537,355	1,042,101	2,560,581	1,096,888
<u>8,032,616</u>	<u>8,032,616</u>	<u>9,107,957</u>	<u>10,897,595</u>	<u>10,686,739</u>	<u>10,443,697</u>
<u>\$ 9,215,269</u>	<u>\$ 9,215,269</u>	<u>\$ 10,785,043</u>	<u>\$ 11,939,696</u>	<u>\$ 13,421,825</u>	<u>\$ 11,654,872</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
480,517	480,517	474,315	461,787	461,787	461,787
1,860,026	1,860,026	3,515,953	2,643,009	3,115,047	1,928,584
-	-	-	-	-	-
<u>3,154,522</u>	<u>3,154,522</u>	<u>2,621,088</u>	<u>2,663,390</u>	<u>3,463,729</u>	<u>7,518,544</u>
<u>\$ 5,495,065</u>	<u>\$ 5,495,065</u>	<u>\$ 6,611,356</u>	<u>\$ 5,768,186</u>	<u>\$ 7,040,563</u>	<u>\$ 9,908,915</u>

**CITY OF HUNTSVILLE, TEXAS**

**CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**  
(Unaudited)

	Fiscal Year			
	2008	2009	2010	2011
<b>REVENUES</b>				
Taxes	\$ 13,674,901	\$ 14,228,818	\$ 14,465,189	\$ 14,907,890
Licenses, fees and permits	313,952	392,167	539,268	279,085
Fines, fees and forfeitures	878,632	858,241	857,412	941,449
Charges for services	609,287	834,379	862,328	893,643
Donations, contributions and grants	473,502	517,668	634,157	1,048,495
Administrative cost reimbursement	4,958,864	5,132,427	5,272,643	4,894,039
Investment earnings	443,066	163,418	201,656	182,986
Miscellaneous	<u>504,917</u>	<u>919,343</u>	<u>467,635</u>	<u>932,790</u>
Total revenues	<u>21,857,121</u>	<u>23,046,461</u>	<u>23,300,288</u>	<u>24,080,377</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Charter offices	972,581	811,467	899,605	740,769
Finance	1,211,277	1,302,213	1,393,646	1,367,720
Public works	4,650,329	5,161,730	5,422,205	6,631,987
Administrative services	2,886,470	3,128,099	3,123,750	3,140,407
Community services	2,680,927	3,368,954	5,405,665	6,517,329
Public safety	5,660,044	6,075,462	6,448,506	6,772,314
Tourism and cultural services	-	-	-	-
Capital outlay	242,698	-	-	-
Debt service:				
Interest and fiscal charges	976,916	926,827	653,729	736,974
Principal	<u>795,365</u>	<u>7,504,000</u>	<u>1,334,000</u>	<u>1,513,000</u>
Total expenditures	<u>20,076,607</u>	<u>28,278,752</u>	<u>24,681,106</u>	<u>27,420,500</u>

**TABLE 4**

		Fiscal Year									
		2012	2013	2014	2015	2016	2017				
\$	14,298,498	\$	14,974,123	\$	16,124,713	\$	16,883,148	\$	16,919,724	\$	17,983,220
	259,278		358,849		374,933		465,897		565,430		791,402
	1,222,931		858,761		1,270,905		1,105,652		1,244,894		1,499,185
	938,218		916,367		1,226,067		1,257,516		1,274,026		1,268,476
	1,903,849		1,240,129		1,894,348		881,160		332,022		229,126
	-		-		-		-		-		-
	191,187		39,136		221,282		161,675		210,191		297,980
	<u>765,322</u>		<u>462,468</u>		<u>151,215</u>		<u>588,020</u>		<u>90,946</u>		<u>199,531</u>
	<u>19,579,283</u>		<u>18,849,833</u>		<u>21,263,463</u>		<u>21,343,068</u>		<u>20,637,233</u>		<u>22,268,920</u>
	2,047,989		4,620,878		5,255,617		4,776,528		5,226,478		5,656,748
	-		-		-		-		-		-
	-		-		-		-		-		-
	4,808,254		5,942,388		5,659,152		5,625,395		5,628,818		6,683,958
	-		-		-		-		-		-
	5,282,411		4,327,291		3,506,538		3,428,744		4,020,172		3,834,098
	6,526,579		6,847,267		7,451,188		7,524,292		7,968,972		8,675,057
	-		205,896		194,889		197,046		236,656		219,586
	-		-		-		-		-		-
	705,805		572,501		526,427		468,368		402,975		360,589
	<u>1,603,000</u>		<u>1,477,000</u>		<u>1,988,198</u>		<u>2,271,069</u>		<u>1,425,813</u>		<u>1,478,152</u>
	<u>20,974,038</u>		<u>23,993,221</u>		<u>24,582,009</u>		<u>24,291,442</u>		<u>24,909,884</u>		<u>26,908,188</u>

**CITY OF HUNTSVILLE, TEXAS**

**CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS  
(Unaudited)**

	Fiscal Year			
	2008	2009	2010	2011
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$ <u>1,780,514</u>	\$ <u>( 5,232,291)</u>	\$ <u>( 1,380,818)</u>	\$ <u>( 3,340,123)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of bonds/notes payable	-	8,255,000	3,500,000	-
Payments to escrow agent	-	-	-	-
Premium on issuance of debt	-	-	-	-
Sale of capital assets	-	-	-	-
Transfers in	2,924,903	2,207,393	2,391,521	1,903,386
Transfers out	<u>( 1,997,764)</u>	<u>( 2,291,969)</u>	<u>( 2,003,729)</u>	<u>( 2,113,141)</u>
Total other financing sources (uses)	<u>927,139</u>	<u>8,170,424</u>	<u>3,887,792</u>	<u>( 209,755)</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ <u><u>2,707,653</u></u>	\$ <u><u>2,938,133</u></u>	\$ <u><u>2,506,974</u></u>	\$ <u><u>( 3,549,878)</u></u>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<u>8.9%</u>	<u>29.8%</u>	<u>8.1%</u>	<u>8.2%</u>

Source: Comprehensive Annual Financial Reports

TABLE 4

Fiscal Year					
2012	2013	2014	2015	2016	2017
<u>\$ ( 1,394,755)</u>	<u>\$ ( 5,143,388)</u>	<u>\$ ( 3,318,546)</u>	<u>\$ ( 2,948,374)</u>	<u>\$ ( 4,272,651)</u>	<u>\$ ( 4,639,268)</u>
2,753,852	-	-	-	-	-
( 2,845,716)	-	-	-	-	-
142,757	-	-	-	-	-
7,527	682,630	-	13,555	11,713	1,665
3,615,265	7,581,144	7,904,159	7,552,327	7,862,787	11,607,735
<u>( 2,526,840)</u>	<u>( 2,000,864)</u>	<u>( 2,523,017)</u>	<u>( 2,406,361)</u>	<u>( 2,857,340)</u>	<u>( 5,868,733)</u>
<u>1,146,845</u>	<u>6,262,910</u>	<u>5,381,142</u>	<u>5,159,521</u>	<u>5,017,160</u>	<u>5,740,667</u>
<u>\$ ( 247,910)</u>	<u>\$ 1,119,522</u>	<u>\$ 2,062,596</u>	<u>\$ 2,211,147</u>	<u>\$ 744,509</u>	<u>\$ 1,101,399</u>
<u>12.1%</u>	<u>8.5%</u>	<u>7.5%</u>	<u>12.0%</u>	<u>8.0%</u>	<u>7.3%</u>

## CITY OF HUNTSVILLE, TEXAS

## TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

## LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	Property Taxes <sup>a</sup>	Sales & Use Taxes	Franchise and Other Taxes <sup>b</sup>	Total
2008	\$ 4,725,708	\$ 6,072,299	\$ 2,876,894	\$ 13,674,901
2009	4,623,075	6,516,515	3,089,227	14,228,817
2010	4,927,413	5,989,793	3,547,983	14,465,189
2011	4,923,415	6,443,698	3,540,777	14,907,890
2012	5,062,245	6,515,890	2,720,363	14,298,498
2013	5,285,016	6,726,868	2,962,239	14,974,123
2014	5,741,099	7,292,731	3,090,883	16,124,713
2015	5,799,429	7,942,631	3,141,088	16,883,148
2016	5,862,030	7,899,538	4,084,947	17,846,515
2017	6,068,233	9,001,502	2,913,485	17,983,220

## Notes:

- a Includes current taxes, delinquent taxes, penalties and interest.
- b Includes franchise fees and gross receipt taxes, mixed drink taxes, hotel occupancy taxes, and use of right-of-way.

Source: Comprehensive Annual Financial Report

**TABLE 6**

**CITY OF HUNTSVILLE, TEXAS**

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

**LAST TEN FISCAL YEARS**

(Unaudited)

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Agricultural Property</u>	<u>Industrial Property</u>	<u>Other Property (1)</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Rate</u>
2008	\$ 702,770,713	\$ 315,173,801	\$ 20,390,420	\$ 53,218,390	\$ 119,732,305	\$ 70,263,493	\$ 1,141,022,136	0.41350
2009	740,510,737	345,938,999	30,910,310	69,853,920	89,606,424	75,915,900	1,200,904,490	0.40070
2010	755,466,498	440,156,531	31,403,390	35,289,770	98,690,010	80,973,670	1,280,032,529	0.40070
2011	858,425,842	356,128,990	30,755,600	132,804,650	107,442,930	90,422,700	1,395,135,312	0.40070
2012	844,689,140	366,391,795	31,148,750	135,247,130	108,312,970	90,470,250	1,395,319,535	0.39150
2013	873,754,885	385,487,911	29,604,530	123,444,160	110,611,040	92,646,480	1,430,256,046	0.42060
2014	880,348,062	410,947,810	38,504,610	149,584,710	151,794,277	138,885,027	1,492,294,982	0.42060
2015	893,265,917	422,394,689	38,816,940	151,484,910	161,646,909	149,104,749	1,518,504,616	0.41060
2016	985,778,494	435,537,871	27,868,370	138,574,490	68,658,213	159,720,806	1,587,519,051	0.38380
2017	980,618,840	469,141,574	28,985,260	99,763,310	187,457,946	171,366,646	1,594,600,284	0.38090

Source: Walker County Appraisal District

Note: Reclassification of industrial and other in 2010.

(1) - includes Tax Exempt Property

**TABLE 7**

**CITY OF HUNTSVILLE, TEXAS**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES**

**LAST TEN FISCAL YEARS**

(Unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates			Total Direct and Overlapping Rates
	Operating/ General Rate	General Obligation Debt Service	Total Direct Rate	Huntsville ISD	Walker County	Hospital District	
2008	0.24050	0.17300	0.41350	1.21000	0.54500	0.15370	2.32220
2009	0.21080	0.18990	0.40070	1.34000	0.54500	0.15370	2.43940
2010	0.22490	0.17580	0.40070	1.34000	0.57700	0.15370	2.47140
2011	0.21340	0.18730	0.40070	1.21000	0.57930	0.15300	2.34300
2012	0.23810	0.15340	0.39150	1.21000	0.55360	0.15680	2.31190
2013	0.26390	0.15670	0.42060	1.21000	0.63550	0.15540	2.42150
2014	0.29200	0.12860	0.42060	1.21000	0.67780	0.15900	2.46740
2015	0.28620	0.12440	0.41060	1.21000	0.65890	0.15370	2.43320
2016	0.28330	0.10050	0.38380	1.18000	0.62060	0.14270	2.32700
2017	0.28380	0.09710	0.38090	1.18000	0.61570	0.13460	2.31120

Source: County Board of Equalization and Assessment

TABLE 8

**CITY OF HUNTSVILLE, TEXAS**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT YEAR AND NINE YEARS AGO**  
(Unaudited)

Taxpayer	FY 2017			FY 2008		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
PEP-SHSU LLC	\$ 23,642,470	1	1.48%	N/A	N/A	N/A
C150 1300 Smither Drive LLC	20,490,270	2	1.28%	N/A	N/A	N/A
Entergy Texas Inc.	19,165,360	3	1.20%	11,070,810	6	0.97%
American Campus Community	19,154,190	4	1.20%	N/A	N/A	N/A
Weatherford US LP	19,042,602	5	1.19%	19,512,706	1	1.70%
Wal-Mart Stores Texas LLC	17,338,580	6	1.09%	16,093,830	2	1.41%
Hyponex Corporation	16,568,912	7	1.04%	N/A	N/A	N/A
Vesper Forum LLC	16,340,040	8	1.02%	N/A	N/A	N/A
Campus Crest at Huntsville LP	14,799,220	9	0.93%	N/A	N/A	N/A
Apexone Bearkat, LLC	14,611,630	10	0.92%	N/A	N/A	N/A
Total	\$ 181,153,274		11.35%	\$ 46,677,346		4.08%

Source: Walker County Appraisal District

## CITY OF HUNTSVILLE, TEXAS

## PROPERTY TAX LEVIES AND COLLECTIONS

## LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy Collected		Amount	Percentage of Levy
2008	\$ 4,345,730	\$ 4,279,765	98.48%	\$ 702	\$ 4,280,467	98.5%
2009	4,601,736	4,532,532	98.50%	746	4,533,278	98.5%
2010	4,826,650	4,748,093	98.37%	792	4,748,885	98.4%
2011	4,862,674	4,785,780	98.42%	1,193	4,786,973	98.4%
2012	4,933,221	4,870,973	98.74%	1,963	4,872,936	98.8%
2013	5,394,367	5,317,813	98.58%	3,840	5,321,653	98.7%
2014	5,621,790	5,557,846	98.86%	3,921	5,561,767	99.3%
2015	5,686,861	5,631,453	99.03%	6,540	5,637,993	99.1%
2016	5,775,552	5,697,051	98.64%	34,003	5,731,054	99.2%
2017	5,963,403	5,888,789	98.75%	-	5,888,789	98.7%

Source: Walker County Appraisal District

**CITY OF HUNTSVILLE, TEXAS**  
**DIRECT AND OVERLAPPING SALES TAX RATES**  
**LAST TEN FISCAL YEARS**  
(Unaudited)

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Walker County</u>	<u>State of Texas</u>
2008	1.50%	0.50%	6.25%
2009	1.50%	0.50%	6.25%
2010	1.50%	0.50%	6.25%
2011	1.50%	0.50%	6.25%
2012	1.50%	0.50%	6.25%
2013	1.50%	0.50%	6.25%
2014	1.50%	0.50%	6.25%
2015	1.50%	0.50%	6.25%
2016	1.50%	0.50%	6.25%
2017	1.50%	0.50%	6.25%

Source: City Budget Documents and Texas Comptroller

CITY OF HUNTSVILLE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government Debt	Percentage of Personal Income *	Per Capita*
	General Obligation Bonds	Certificates of Obligation	Capital Leases	Revenue Bonds	General Obligation Bonds	Certificates of Obligation			
2008	\$ 4,345,000	\$ 12,950,000	\$ 772,489	\$ 27,445,000	\$ -	\$ -	\$ 45,512,489	2.94%	\$ 1,204
2009	11,781,000	6,265,000	986,353	25,040,000	-	-	44,072,353	2.81%	1,164
2010	14,582,000	5,630,000	791,974	22,820,000	-	-	43,823,974	2.62%	1,137
2011	13,379,000	5,320,000	409,398	20,160,000	-	-	39,268,398	2.26%	1,019
2012	12,279,852	4,725,000	-	30,970,000	5,396,148	-	53,371,000	3.02%	1,346
2013	11,094,653	4,550,000	-	28,087,146	4,807,369	-	48,539,168	2.70%	1,224
2014	9,718,477	3,925,000	-	23,882,505	4,358,159	-	41,884,141	2.17%	1,056
2015	7,478,585	3,790,000	-	18,504,636	3,531,415	2,900,000	36,204,636	2.03%	903
2016	6,270,639	3,650,000	-	15,127,158	3,072,788	3,048,058	31,168,643	1.70%	786
2017	4,929,509	3,500,000	-	11,937,653	2,372,827	2,928,950	25,668,939	1.35%	617

Source: Comprehensive Annual Financial Report

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

\* See Table 16 for personal income and population data.

CITY OF HUNTSVILLE, TEXAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands except  
Percentage of Actual Taxable Value of Property and Per Capita)

Fiscal Year	Governmental Activities				Business-type Activities			Gross Bonded Debt	Less: Amounts Available for Debt Service	Net Bonded Debt	Assessed Value	Percentage of Actual Taxable Value of Property	Population	Per Capita
	General Obligation Bonds	Certificates of Obligation	Capital Leases	Total	General Obligation Bonds	Certificates of Obligation	Revenue Bonds							
2008	\$ 4,345,000	\$ 12,950,000	\$ 986,353	\$ 18,281,353	\$ -	\$ -	\$ 27,445,000	\$ 45,726,353	\$ -	\$ 45,726,353	\$ 1,141,022,136	4.01%	37,790	1,211
2009	11,781,000	6,265,000	791,974	18,837,974	-	-	25,040,000	43,877,974	-	43,877,974	1,200,904,490	3.65%	37,867	1,152
2010	14,582,000	5,630,000	603,926	20,815,926	-	-	22,820,000	43,635,926	388,653	43,247,273	1,280,032,529	3.38%	38,548	1,122
2011	13,379,000	5,320,000	409,398	19,108,398	-	-	20,160,000	39,268,398	596,149	38,672,249	1,395,135,312	2.77%	38,548	1,003
2012	12,279,852	4,725,000	-	17,004,852	5,396,148	-	30,970,000	53,371,000	316,110	53,054,890	1,346,993,723	1.64%	39,666	573
2013	11,094,653	4,550,000	-	15,644,653	4,807,369	-	28,087,146	48,539,168	280,487	48,258,681	1,430,256,046	3.37%	39,666	1,217
2014	9,718,477	3,925,000	-	13,643,477	4,358,159	-	23,882,505	18,001,636	194,763	17,806,873	1,353,409,955	1.32%	39,666	449
2015	7,478,585	3,790,000	-	11,268,585	3,531,415	2,900,000	18,504,636	36,204,636	280,487	35,924,149	1,407,684,452	2.55%	40,100	896
2016	6,270,639	3,650,000	-	9,920,639	3,072,788	3,048,058	15,127,158	12,993,427	280,487	12,712,940	1,465,263,086	0.87%	40,100	317
2017	4,929,509	3,500,000	-	8,429,509	2,372,827	2,928,950	11,937,653	10,802,336	344,931	10,457,405	1,587,519,051	0.66%	40,100	261

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

## CITY OF HUNTSVILLE, TEXAS

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2017  
(Unaudited)

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes:			
Walker County	\$ 16,025,000	57.00%	\$ 9,134,250
Huntsville Independent School District	27,868,676	77.15%	21,500,684
Subtotal overlapping debt			30,634,934
Total direct - City of Huntsville	8,429,509	100.00%	<u>8,429,509</u>
Direct and Overlapping Debt			<u>\$ 39,064,443</u>

a) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

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

**CITY OF HUNTSVILLE, TEXAS**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 107,075,864	\$ 112,498,860	\$ 117,174,274	\$ 128,878,748	\$ 134,699,372	\$ 133,760,957	\$ 135,340,996	\$ 140,768,445	\$ 146,526,309	\$ 158,751,905
Total net debt applicable to limit	<u>17,465,493</u>	<u>18,449,022</u>	<u>20,257,947</u>	<u>18,512,249</u>	<u>17,320,962</u>	<u>15,925,140</u>	<u>13,838,240</u>	<u>11,542,072</u>	<u>9,513,485</u>	<u>9,497,850</u>
Legal debt margin	<u>\$ 89,610,371</u>	<u>\$ 94,049,838</u>	<u>\$ 96,916,327</u>	<u>\$ 110,366,499</u>	<u>\$ 117,378,410</u>	<u>\$ 117,835,817</u>	<u>\$ 121,502,756</u>	<u>\$ 129,226,373</u>	<u>\$ 137,012,824</u>	<u>\$ 149,254,055</u>
Total net debt applicable to the limit as a percentage of debt limit.	16.31%	16.40%	17.29%	14.36%	12.86%	11.91%	10.22%	8.20%	6.49%	5.98%

**Legal Debt Margin Calculation for Fiscal Year 2015**

Assessed value	\$ 1,587,519,051
Debt limit (10% of assessed value)	158,751,905
Debt applicable to limit:	
General obligation bonds	9,842,773
Less: Amount set aside for repayment of general obligation debt	<u>344,923</u>
Total net debt applicable to limit	<u>9,497,850</u>
Legal debt margin	<u>\$ 149,254,055</u>

## CITY OF HUNTSVILLE, TEXAS

## PLEDGED REVENUE COVERAGE

## LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	Proprietary Fund - Waterworks and Sewer System Revenue Bonds				Coverage
	Utility Operating Revenues <sup>a</sup>	Less: Operating Expenses <sup>b</sup>	Net Available Revenue	Principal and Interest Payments	
2008	\$ 19,629,946	\$ 15,228,807	\$ 4,401,139	\$ 1,655,015	2.66
2009	20,020,455	15,689,469	4,330,986	1,905,744	2.27
2010	20,421,875	16,859,881	3,561,994	1,898,399	1.88
2011	19,184,481	15,059,681	4,124,800	1,911,129	2.16
2012	21,600,247	13,160,117	8,440,130	3,667,193	2.30
2013	23,471,922	14,403,707	9,068,215	3,933,276	2.31
2014	23,760,613	14,371,411	9,389,202	4,909,165	1.91
2015	24,816,032	14,166,110	10,649,922	4,920,376	2.16
2016	25,700,021	14,092,735	11,607,286	4,926,334	2.36
2017	27,509,569	16,327,482	11,182,087	3,579,316	3.12

## Notes:

<sup>a</sup> Revenues pledged for Wastewater bonds include Wastewater operations and Water operations. Therefore, revenues and expenditures for both the Water fund and Wastewater fund are included above.

<sup>b</sup> Includes operating expenses minus depreciation plus transfers out.

Source: Comprehensive Annual Financial Report

## CITY OF HUNTSVILLE, TEXAS

## DEMOGRAPHIC AND ECONOMIC STATISTICS

## LAST TEN FISCAL YEARS

(Unaudited)

Calendar Year	Estimated Population		Personal Income <sup>a</sup> (thousands)	(1)	(1)	Population 21 Years and Older	High School Graduate or Higher	(2)	(3)
	City of Huntsville	Walker County		Personal Income Per Capita <sup>a</sup>	Median Age			School Enrollment	Unemployment Rate
2008	\$ 37,761	\$ 64,239	\$ 1,547,453	\$ 23,130	29.7	N/A	76.4%	6,494	5.1%
2009	38,087	64,739	1,569,000	23,503	28.3	72.3%	78.2%	6,577	6.0%
2010	38,548	67,861	1,671,000	24,547	28.8	72.4%	N/A	6,502	7.5%
2011	38,548	67,861	1,737,000	25,508	28.6	72.4%	80.0%	6,502	8.3%
2012	39,666	68,408	1,765,500	25,809	28.6	72.4%	80.0%	6,276	6.5%
2013	39,666	68,408	1,794,500	26,200	28.6	72.4%	78.6%	6,291	6.7%
2014	39,666	68,861	1,930,692	29,527	28.6	72.4%	78.9%	6,276	5.4%
2015	40,100	70,699	1,781,973	25,603	28.6	72.4%	78.9%	6,276	5.1%
2016	41,208	71,406	1,838,532	25,747	28.6	73.5%	78.9%	6,276	5.3%
2017	41,620	72,120	1,896,886	26,302	28.4	81.5%	82.6%	6,276	5.3%

Sources: 2002-2005 population information provided by the US Census Bureau. 2006-2009 population information provided by the Texas Office of the State Demographer. 2010-2013 population information is from the 2010 Census. Personal income information provided by the US Bureau of Economic Analysis. Unemployment rate data is provided by the Texas Workforce Commission. School enrollment is provided by the Texas Education Agency and National Center for Education Statistical for private schools.

Notes: <sup>(a)</sup> For Walker County

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**CITY OF HUNTSVILLE, TEXAS**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND NINE YEARS AGO**  
(Unaudited)

Employer	2017			2008		
	Employees	Rank	Percentage of of Total City Employment	Employees	Rank	Percentage of of Total City Employment
Texas Department of Criminal Justice	7,000	1	44.73%	6,096	1	44.15%
Sam Houston State University	3,941	2	25.18%	2,862	2	20.73%
Huntsville Independent School District	908	3	5.82%	965	3	6.99%
Huntsville Memorial Hospital	533	4	3.40%	511	4	3.70%
Wal-Mart	405	5	2.59%	485	5	3.51%
Walker County	296	6	1.89%	365	7	2.64%
City of Huntsville	273	7	1.74%	321	8	2.32%
Weatherford Completion and Oilfield Services	188	9	1.20%	160	10	1.16%
Education Service Center - Region VI	200	8	1.28%	389	6	2.82%
Gulf Coast Trade Center	<u>174</u>	10	<u>1.09%</u>	<u>200</u>	9	<u>1.45%</u>
	<u>13,918</u>		<u>88.92%</u>	<u>12,354</u>		<u>89.47%</u>

Sources: City of Huntsville budget document

**TABLE 18**

**CITY OF HUNTSVILLE, TEXAS**  
**FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES**  
**BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
(Unaudited)

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Charter offices										
Office of the City Manager	2.00	2.00	2.00	2.00	2.00	2.50	2.00	2.00	2.00	2.00
Office of the City Secretary	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Office of the City Attorney	1.00	-	-	-	-	-	-	-	-	-
Office of the City Judge	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Charter offices support	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-
Finance										
Finance	9.00	9.00	9.00	9.00	9.00	9.00	7.00	7.00	7.00	7.00
Purchasing	2.50	2.50	2.50	2.50	2.50	2.50	1.00	1.00	1.00	1.00
Municipal court	5.50	5.50	6.50	6.50	6.50	7.00	4.50	4.50	4.50	4.50
Court security	1.00	1.00	-	-	-	1.00	-	-	-	-
Utility billing	6.00	6.00	6.00	6.00	6.00	6.00	5.50	5.50	5.50	5.50
Risk/safety management	1.00	1.00	1.00	-	-	-	-	-	-	-
Human resources	4.00	3.00	3.00	3.00	3.00	3.00	4.00	3.00	4.00	4.00
Information technology	5.00	6.00	6.00	4.00	4.00	4.00	4.00	4.00	5.00	5.00
Neighborhood Resources	-	-	-	-	3.00	3.00	2.00	2.00	2.00	3.00
Public Works										
Administration	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00
Water production	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00
Water distribution	10.00	10.00	10.00	10.00	13.00	13.00	13.00	13.00	13.00	13.00
Meter reading	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Wastewater collection	11.00	11.00	11.00	11.00	9.00	9.00	9.00	9.00	9.00	9.00
AJ Brown WWTP	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
NB Davidson WWTP	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Robinson Creek WWTP	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Environmental services	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Commercial collection	5.00	5.00	5.00	5.00	5.00	5.00	5.00	6.00	6.00	6.00
Solid waste disposal	8.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Residential collection	8.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Recycling	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Garage services	7.00	7.00	7.00	8.00	8.00	8.00	6.00	6.50	7.50	7.50
Fleet/Warehouse	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Streets	19.00	19.00	19.00	19.00	19.00	19.00	11.00	11.00	11.00	11.00
Drainage maintenance	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00
Street sweeping	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

**CITY OF HUNTSVILLE, TEXAS**  
**FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES**  
**BY FUNCTION/PROGRAM**  
**(continued)**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Community & Economic Development										
Administration	6.00	3.00	3.00	3.00	3.00	3.00	3.00	1.00	0.00	0.00
Customer Service - Service Center								3.50	3.50	3.50
Planning and development	15.50	18.50	18.50	18.00	18.00	18.00	13.00	1.00	2.50	2.50
Central inspection	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00	6.00
Health inspection	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Construction crew	4.00	4.00	4.00	4.00	4.00	4.00	4.00	0.00	0.00	0.00
Main street	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Engineering										
Engineering								7.00	6.00	6.00
GIS								2.00	3.00	3.00
Survey								3.00	3.00	3.00
Parks & Leisure										
Administration	4.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Recreation	0.50	1.50	1.50	1.50	1.50	1.50	1.00	0.75	0.00	0.00
Parks maintenance	16.16	16.16	16.16	16.16	16.16	16.16	11.66	10.66	10.75	10.75
Aquatic center	0.66	0.66	1.00	1.00	1.00	1.00	2.00	2.50	2.50	2.50
Cemetery operations	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00
Building services	3.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00
Library	9.50	9.00	9.00	9.00	9.00	9.00	9.00	9.66	9.66	9.66
Urban forestry	-	-	-	-	-	-	-	-	-	-
Public safety										
Administration	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Police	52.00	54.00	54.00	54.00	58.00	57.00	58.00	58.00	58.00	58.00
Fire	12.00	12.00	12.00	12.00	12.00	13.00	16.00	16.00	16.00	16.00
School resource officers	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Cultural services and tourism										
Tourism	-	-	1.00	1.00	1.00	1.50	2.00	2.00	2.00	2.00
Visitor center	-	-	1.00	3.50	3.50	3.50	2.50	2.50	2.50	2.50
Gift shop	-	-	3.50	-	-	-	1.00	1.00	1.00	1.00
Cultural services	2.00	2.00	1.50	1.00	1.00	1.00	1.75	1.75	1.75	1.75
<b>Total</b>	<b>258.32</b>	<b>257.82</b>	<b>263.16</b>	<b>259.16</b>	<b>267.16</b>	<b>269.66</b>	<b>269.91</b>	<b>267.82</b>	<b>271.66</b>	<b>273.66</b>

Source: City of Huntsville budget documents

TABLE 19

**CITY OF HUNTSVILLE, TEXAS**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
(Unaudited)

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Finance										
Invoices processed	9,500	10,109	11,673	13,950	13,882	13,975	14,023	12,628	11,300	11,300
Payroll checks/Direct Deposits issued	3,100	2,521	2,600	2,267	2,104	2,250	7,514	8,315	9,400	9,400
Court cases filed and processed	8,000	7,341	7,300	9,508	9,967	9,500	10,031	10,031	10,500	12,500
Warrants issued	3,000	2,982	2,880	3,308	3,753	3,600	3,820	3,820	4,000	4,000
Utility bills generated	103,218	106,807	103,500	103,800	106,186	107,200	108,000	108,024	110,800	111,400
Utility payments received	95,501	95,964	96,000	96,500	99,893	102,100	105,000	106,920	104,000	105,100
Meter reading service orders generated	10,966	10,967	11,000	10,500	13,207	13,415	13,520	13,101	14,500	14,100
Administrative services										
Workers compensation claims filed	30	30	25	20	22	-	11	9	N/A	N/A
On-site property inspections conducted	80	N/A								
Purchase orders issued	298	394	378	414	564	510	473	481	500	493
Formal bids issued	35	41	17	30	30	35	27	29	45	42
Computer help desk requests completed	3,000	2,743	2,700	1,743	1,743	1,800	2,050	2,102	1540	1610
Garage work orders processed	1,100	1,500	1,542	1,900	2,416	2,300	2,350	2,327	2600	2575
Public Works										
Gallons of water produced (in billions)	2.84	2.81	2.70	2.70	2.70	2.70	3.16	3.04	2.96	2.84
Water main leaks repaired	277	573	210	200	245	250	253	228	140	140
New water connections installed	136	118	100	100	89	90	95	89	150	146
New sewer taps installed	130	124	124	120	80	90	95	85	128	146
Gallons wastewater treated (in billions)	1.45	1.33	1.35	1.30	1.30	1.30	1.50	1.60	1.75	1.74
Manholes inspected and serviced	760	465	310	426	426	425	430	426	500	475
Commercial waste collected (in tons)	20,765	19,299	19,500	20,388	20,085	22,104	22,900	23,500	19,942	20,976
Residential waste collected (in tons)	7,083	6,866	6,508	6,874	6,417	6,500	6,750	7,200	5,989	5,866
Waste transferred to landfill (in tons)	37,608	37,642	39,013	38,172	35,055	38,200	37,500	38,500	37,234	37,977
Waste recycled (in tons)	2,254	3,731	3,573	3,209	6,635	7,200	7,400	7,475	3,173	3,509
Lane miles of existing streets seal coated	23.34	-	18.97	11.22	14.04	14.60	12.10	13.60	6.74	6.29
Tons of debris removed from drainage ways	2,763	1,628	2,500	150	33	50	60	60	60	60
Curb miles swept by street sweeper	2,770	2,642	2,700	2,890	2,464	2,600	2,600	2,600	600	600
Community & Economic Development										
Code enforcement complaints investigated	333	327	172	193	593	525	551	547	517	500
Food establishment inspections performed	455	563	586	604	492	548	567	576	530	539

**CITY OF HUNTSVILLE, TEXAS**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**(continued)**  
**LAST TEN FISCAL YEARS**  
(Unaudited)

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Community services										
In-house recreation programs offered	69	30	44	47	44	44	48	46	N/A	N/A
Contract recreation programs offered	2	2	6	4	4	4	2	2	N/A	N/A
Playground safety inspections performed	144	144	144	144	144	140	142	142	144	144
Library items circulated	144,162	129,953	133,266	99,950	117,495	135,000	137,836	139,200	169,550	170,000
Library visitors	163,076	157,459	160,409	120,307	157,567	160,000	160,215	161,100	102,827	104,000
Wynne Home visitors	5,019	14,835	14,000	30,216	30,516	30,000	29,855	30,154	40,705	42,138
Art and cultural events held	245	361	350	370	370	300	288	288	382	416
Business in Main Street downtown district	85	85	85	93	93	93	93	93	94	94
Main Street events held	4	5	5	5	6	5	5	5	6	6
Public safety										
Police calls for service	44,220	49,501	45,496	47,005	52,013	52,000	51,401	43,985	50,595	60,460
Arrests made	1,669	1,916	2,173	2,430	2,401	2,500	2,741	2,500	2,130	2,554
Citations issued	6,457	6,181	5,893	5,900	7,854	8,000	7,777	5,357	9,596	11,019
Offenses/incidents reported	3,381	4,345	4,068	4,200	4,653	4,700	3,096	2,981	3,230	3,901
Fire calls for service	1,458	1,417	1,194	1,254	1,501	1,525	1,378	1,300	1,431	1,450
Main alarms answered	248	278	201	220	185	190	311	200	224	285
Fire inspections conducted	173	183	176	188	184	190	156	130	144	200

Note: N/A - data not available.

Source: City departments

TABLE 20

**CITY OF HUNTSVILLE, TEXAS**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
(Unaudited)

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public utilities										
Water line (approximate miles)	200	200	205	205	205	205	245	245	245	245
Sewer line (approximate miles)	205	205	210	210	210	210	250	250	250	250
Lift stations	29	29	29	29	29	29	31	28	28	28
Water plants	2	2	2	2	2	2	3	3	3	3
Wastewater treatment plants	3	3	3	3	3	3	3	3	3	3
Solid waste recycling facilities	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (centerline miles)	142	144	145	145	145	145	142	142	142	142
Community services										
Parks	26	26	26	26	26	26	27	27	27	27
Park acreage	281.94	281.94	281.94	281.94	281.94	281.94	414	414	414	414
City pool (1997-2004)/aquatic centers	1	1	1	1	1	1	1	1	1	1
Community centers (MLK Building)	1	1	1	1	1	1	1	1	1	1
Arts center	1	1	1	1	1	1	1	1	1	1
Libraries	1	1	1	1	1	1	1	1	1	1
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	3	3	4	4	4	4	4	4	4	4

Note: N/A - data not available.

Source: City departments

# **SINGLE AUDIT SECTION**

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PATILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**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**

To the Honorable Mayor and  
Members of the City Council  
City of Huntsville, 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, each major fund, and the aggregate remaining fund information of the City of Huntsville, Texas (the "City"), as of and for the year ended September 30, 2017, 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 9, 2018.

**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 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. 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.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
March 9, 2018



PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Huntsville, Texas' (the "City") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) 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, 2017. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance 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.

### ***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, 2017.

### **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 Uniform Guidance, 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 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.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
March 9, 2018

**CITY OF HUNTSVILLE, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures	Pass-through Expenditures
<b>FEDERAL AWARDS</b>				
<u>U. S. Department of Housing and Urban Development</u>				
Passed through the Texas Department of Agriculture				
Community Development Block Grant - Disaster Recovery Program	14.228	7515240	\$ 310,445	\$ -
Total Passed through the Texas Department of Agriculture			<u>310,445</u>	<u>-</u>
Total U. S. Department of Housing and Urban Development			<u>310,445</u>	<u>-</u>
<u>U. S. Department of Justice</u>				
Direct Program				
Bullet Proof Vest Partnership	16.607	N/A	3,471	-
Equitable Sharing Program	16.922	N/A	13,934	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0627	781	-
Total Direct Program			<u>18,186</u>	<u>-</u>
Passed through the Office of the Governor, Criminal Justice Division				
Victims of Crime Act Formula Grant Program	16.575	VA-16-V30-24632-05	50,117	-
Total Passed through the Office of the Governor, Criminal Justice Division			<u>50,117</u>	<u>-</u>
Total U. S. Department of Justice			<u>68,303</u>	<u>-</u>
<u>U. S. Department of Homeland Security</u>				
Passed through the Texas Department of Public Safety				
Hazard Mitigation Grant	97.039	DR-1791-120	6,811,905	-
Homeland Security Grant Program	97.073	3080601	97,079	-
Total Passed through the Texas Department of Public Safety			<u>6,908,984</u>	<u>-</u>
Total U. S. Department of Homeland Security			<u>6,908,984</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 7,287,732</u>	<u>\$ -</u>

**CITY OF HUNTSVILLE, TEXAS**

**NOTES TO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED SEPTEMBER 30, 2017**

**1. BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards (the “Schedule”) is prepared on the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note I of the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**2. BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards programs of the City. The City’s reporting entity is defined in Note I of the basic financial statements. Federal awards received directly from federal agencies, as well as awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

**3. INDIRECT COSTS**

The City has elected not to use the 10% de minimis indirect cost rate allowed in the Uniform Guidance.

**CITY OF HUNTSVILLE, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Summary of Auditors' Results**

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	None reported
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	None reported
Significant deficiency(ies) identified?	None reported

Type of auditors' report issued on compliance for major programs	Unmodified
--	------------

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) of Uniform Guidance	None
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Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster:
#97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between type A and type B programs	\$750,000
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Auditee qualified as low-risk auditee?	No
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**Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards**

None

**Findings and Questioned Costs for Federal Awards**

None

**CITY OF HUNTSVILLE, TEXAS**  
**SUMMARY SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

None reported

**CITY OF HUNTSVILLE, TEXAS**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Item 2016-001**

Federal Program: Hazard Mitigation Grant

Condition: The City expends money for grants and are reimbursed for allowable costs. Allowable costs are outlined in grant contracts that the City receives when they are awarded a grant. Reviewing grant contracts and determining allowable costs assists in avoiding errors that impact grant revenues and expenditures. With the City having a general ledger balance of greater than \$1.5 million in grant expenditures, the review process is key in making sure the expenditure balances are correct.

Cause: The City's Finance staff was informed by Texas Department of Transportation ("TxDOT) that the City bill them 100% of expenditures incurred. At this time the City had not gone back and adjusted the billing for only the City's share of expenditures. This has caused the City to overstate revenues and expenditures for the Safe Routes to School Grant.

Recommendation: The City should be evaluating all grant expenditures to ensure that City knows which expenditures are incurred with local funds versus grant funds.

Management's Response: The City's Finance Staff will establish a process for reconciling grant expenditures quarterly to reduce the potential for this happening again.

Contact Person Responsible  
For Corrective Action: City of Huntsville Finance Director.

Anticipated Completion  
Date: The established reconciling process is currently in place.

Current Status: Issue was resolved during the current year.

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