

City of Huntsville, Texas

Comprehensive Annual Financial Report

For the year ended September 30, 2018



SAM HOUSTON

CITY OF HUNTSVILLE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2018

Prepared By:
City of Huntsville, Texas
Finance Department

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CITY OF HUNTSVILLE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

**Page
Number**

INTRODUCTORY SECTION

Letter of Transmittal	i – v
GFOA Certificate of Achievement	vi
Organizational Chart.....	vii
List of Principal Officials.....	viii

FINANCIAL SECTION

Independent Auditors’ Report.....	1 – 3
Management’s Discussion and Analysis	4 – 13
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities.....	15 – 16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds To the Statement of Activities	20
Statement of Net Position – Proprietary Funds.....	21

CITY OF HUNTSVILLE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

**Page
Number**

FINANCIAL SECTION

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	22
Statement of Cash Flows – Proprietary Funds.....	23 – 24
Statement of Fiduciary Net Position – Fiduciary Funds.....	25
Notes to the Financial Statements.....	26 – 60
Required Supplementary Information	
Budgetary Comparison Information	
General Fund.....	61 – 62
Schedule of Changes in TMRS Net Pension Liability and Related Ratios.....	63
Schedule of Pension Contributions.....	64
Schedule of Changes in Total OPEB Liability and Related Ratios.....	65
Schedule of Changes in Net OPEB Liability and Related Ratios.....	66
Notes to Budgetary Schedules.....	67
Combining Statements and Budgetary Comparisons	
Nonmajor Governmental Funds:	
Combining Balance Sheet.....	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	69
Special Revenue Funds:	
Combining Balance Sheet.....	70 – 72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	73 – 75

CITY OF HUNTSVILLE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Page
Number

FINANCIAL SECTION

Budgetary Comparison Schedules:

Municipal Court Security and Technology Fund.....	76
Police Forfeiture Fund	77
Airport Fund.....	78
Library Special Donations Fund	79
Library Grants Fund.....	80
School Resource Officer Fund.....	81
Police Grants Fund.....	82
Arts Center Fund.....	83
Area Revitalization Fund	84
Tax Increment Reinvestment Zone #1 Fund.....	85
Hotel/Motel – Tourism Fund	86

Debt Service Funds:

Budgetary Comparison Schedule.....	87
------------------------------------	----

Capital Projects Funds:

Combining Balance Sheet.....	88 – 89
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	90 – 91

Permanent Funds:

Combining Balance Sheet.....	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	93

Budgetary Comparison Schedules:

Library Endowment Fund.....	94
Oakwood Cemetery Endowment Fund.....	95

CITY OF HUNTSVILLE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Page
Number

FINANCIAL SECTION

Internal Service Funds:

Combining Statement of Net Position	96
Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	97
Combining Statement of Cash Flows	98

Fiduciary Funds:

Agency Funds:

Combining Statement of Fiduciary Assets and Liabilities	99
Combining Statement of Changes in Assets and Liabilities.....	100

STATISTICAL SECTION

Table

Net Position by Component.....	1	101 – 102
Changes in Net Position.....	2	103 – 106
Fund Balances – Governmental Funds	3	107 – 108
Changes in Fund Balances	4	109 – 112
Tax Revenues by Source, Governmental Funds	5	113
Assessed Value and Estimated Actual Value of Taxable Property	6	114
Direct and Overlapping Property Tax Rates	7	115
Principal Property Taxpayers.....	8	116
Property Tax Levies and Collections.....	9	117
Direct and Overlapping Sales Tax Rates	10	118

CITY OF HUNTSVILLE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

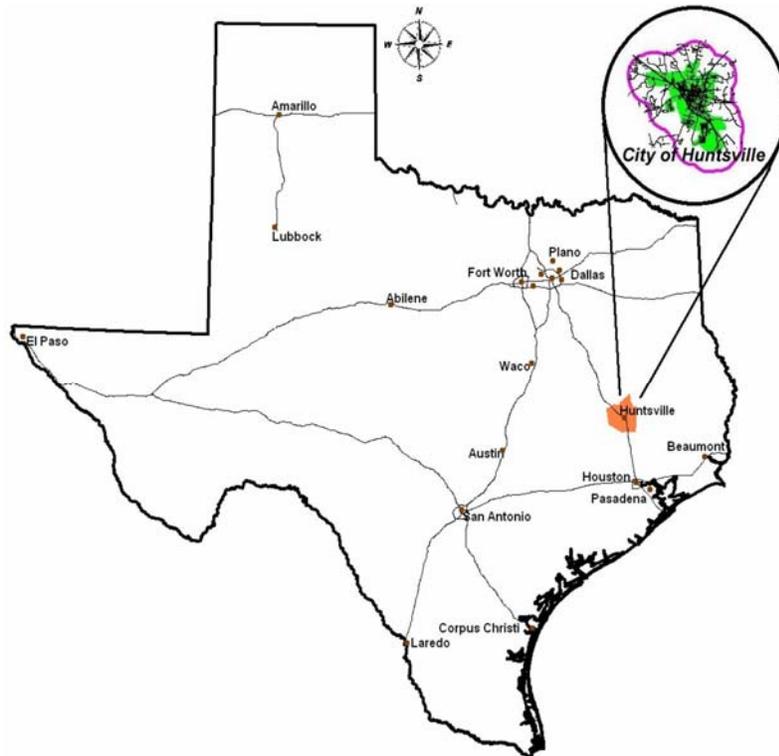
	<u>Table</u>	<u>Page Number</u>
STATISTICAL SECTION		
Ratios of Outstanding Debt by Type	11	119
Ratios of Net General Bonded Debt	12	120
Direct and Overlapping Governmental Activities Debt.....	13	121
Legal Debt Margin Information.....	14	122
Pledged Revenue Coverage	15	123
Demographic and Economic Statistics	16	124
Principal Employers.....	17	125
Fulltime Equivalent City Government Employees by Function.....	18	126 – 127
Operating Indicators by Function/Program	19	128 – 129
Capital Asset Statistics by Function/Program.....	20	130
 SINGLE AUDIT SECTION		
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 <i>Government Auditing Standards</i>		131 – 132
Independent Auditor’s Report on Compliance for Each Major Program and Report on Internal Control Over Control over Compliance with <i>Uniform Guidance</i>		133 – 134
Schedule of Expenditures of Federal Awards.....		135
Notes to the Schedule of Expenditures of Federal Awards		136
Schedule of Findings and Questioned Costs.....		137
Summary Schedule of Findings and Responses		138
Summary Schedule of Prior Year Findings and Responses.....		139

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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 21,000 students and over 3,900 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 2018 per capita income for Walker County was \$27,302, compared to the state median of \$47,362. The Bureau of Labor Statistics reported 24,449 persons employed in Walker County in 2017. Fifty-one percent (51.1%) of the population is between the ages of 18 to 44, and eighty-three percent (83.6%) over the age of 25 has a high school degree or higher level of education. The Walker County unemployment rate in September, 2018 was 4.1%.

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 27, 2019

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, 2018 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 fifteenth 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 eighth 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 fourth 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

In the November 2016 elections citizens approved issuing bonds for Water and Sewer infrastructure improvements for an amount not to exceed \$73,000,000. In Fiscal Year 2018 the City actually issued \$45,840,000 of debt (Revenue Bonds) for Water and Sewer infrastructure improvements and construction was in progress on many of the projects as of September 30, 2018.

Development of Master Plans for Transportation, Parks, and the City Airport were important Strategic Planning objectives for fiscal year 2017 – 18. The City has hired outside consultants to guide in the development of the Transportation and Airport Master Plans and will have reports/plans from the consultants in fiscal year 2018 – 19 which will be used for budgeting for implementation of recommended plans and goals in FY 19 – 20. The Master Plan for Parks was completed in the 2018 fiscal year and is being used in the planning of future facilities and renovation of current facilities.

A classification and pay study was completed by an outside consultant during the 2018 fiscal year. The study was used in trying to bring City pay rates for all positions throughout the City in line with similar positions at similar cities in Texas and with other institutions in the region. With the exception of various positions in the Police Department the City was able to implement the recommended pay rates for City employees. Concerning the Police Department positions; the City was able to get about half the recommended pay increase amounts to those positions in the 2018 – 19 fiscal year and will implement the other half in the 2019 – 20 fiscal year.

Other priorities for fiscal year 2017 - 18 were the continued review of the health insurance and retirement programs. Health insurance and wellness initiatives were researched and costs were held at previous year levels.

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

- \$580,000 in completion of a major storm water drainage project.
- Almost \$250,000 in various other grants.

The property tax rate for FY 2018 was reduced to \$0.3666 from the 2017 rate of \$0.3809 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 increase in its Fund Balance of about \$2,156,356.

The separate Water Fund and Wastewater Fund were combined in FY 2018 to create a Utility Fund. Combined net positions at 9/30/17 for the Water Fund and Wastewater Fund was \$106.7M. The net position for the Utility Fund at 9/30/18 is \$113.9M thus there has been an increase in net position of \$7.0M. Net position for the Solid Waste Fund increased by roughly \$450,000.

On a government-wide basis, net position for Government activities increased \$3.8M from operations. Net position for business-type activities increased \$7.5 million from operations.

Comprehensive Plan

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 2018 was \$35,610,500. The FY 2018 value was up significantly, \$3,926,000 (12.4%), over the previous FY 2017 value. Sales Tax from businesses within the TIRZ area for FY 2018 totaled \$925,000, which was \$30,000 (3.35%) greater than the prior fiscal year amount of \$895,000. The increase is the result of new retail stores opening in the retail center in the 2016 – 2017 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 June 2019. In fiscal year 2018 there were 29 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 \$377,586 for tourism, \$254,065 for the Arts center, \$123,509 for Visitors Center operations, and \$109,323 for the Gift shop with total revenues for these divisions of \$981,273.

Capital Projects

Construction-in-progress for enterprise fund projects in the Utility Fund and Solid Waste Fund are recorded in their respective funds. The Utility Fund recorded \$8,400,612 in construction and the Solid Waste Fund recorded \$218,750 in construction. Governmental Activities improvements totaled \$3,024,219.

Completed Capital Projects for the fiscal year were:

- Utility projects \$15,233,479 (Water - \$1,971,264, Wastewater - \$13,262,215)
- Solid Waste projects \$3,739,682
- Governmental Activities projects \$1,849,837

Debt Issues

The City issued \$45,840,000 of new debt in the 2018 Fiscal Year. The new debt was Revenue Bonds issued for Water and Wastewater projects. The debt issued was approved by voters in the November 2016 elections. There were no debt refundings during the year. General Obligation/Tax Debt at 9/30/2018 was \$6,840,731. Utility Fund Debt totaled \$55,748,906. Solid Waste Fund Debt was \$2,565,000.

Debt Service Fund

The fund balance for the Debt Service Fund servicing general obligation debt increased \$26,131 to \$374,862.

Utility and Tax Rates

The adopted property tax rate for fiscal year 2018 was \$0.3666 which was reduced from the previous fiscal year rate of \$0.3809. The calculated Effective Tax Rate for FY 2017 was \$.3666 and the calculated Rollback Rate was \$0.4070. 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 \$0.3977.

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 2018 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 2017 fiscal 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, 2017. This was the 42nd 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 31 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, 2018 (FY 2018-19), 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
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

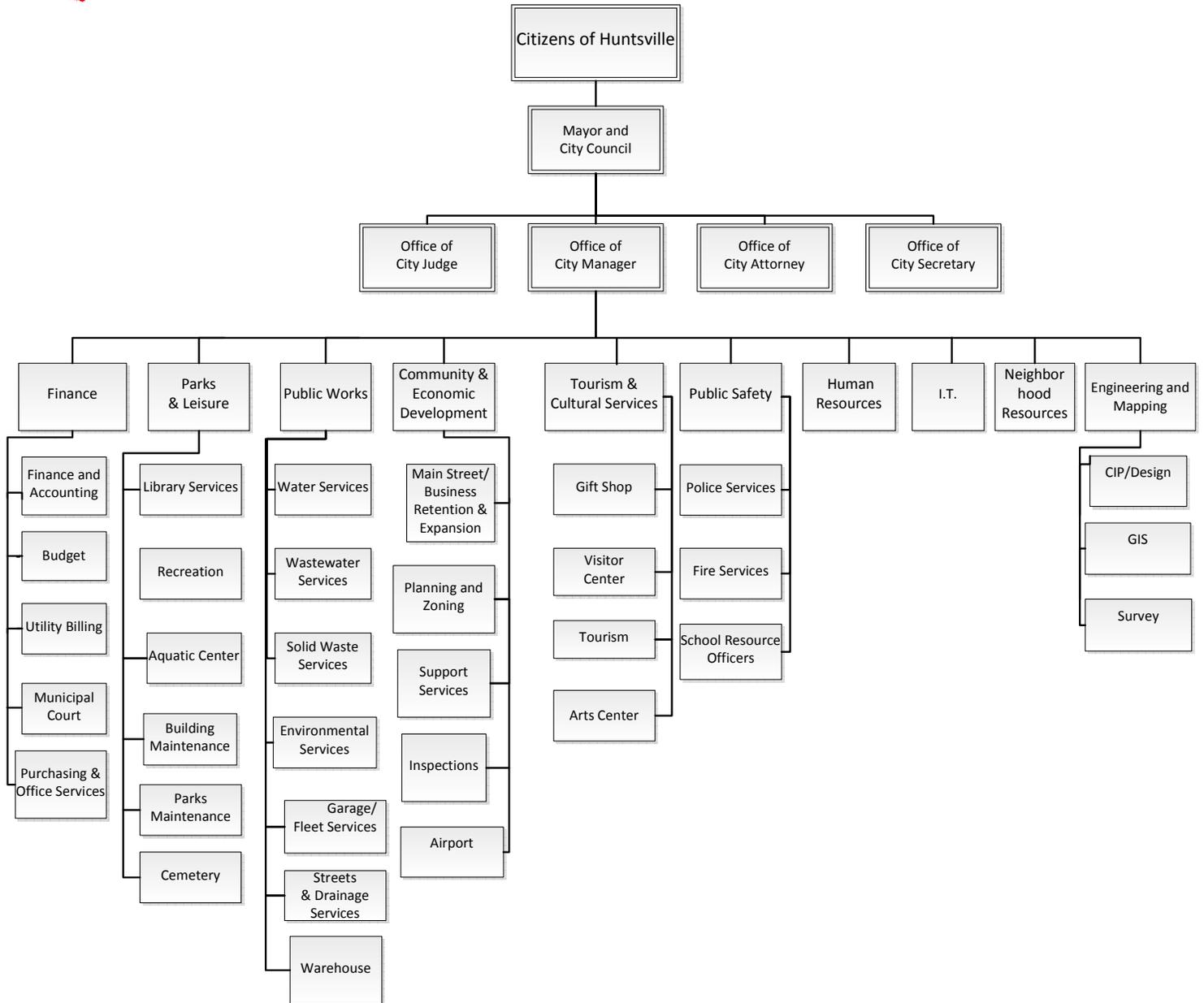
September 30, 2017

Executive Director/CEO



Organizational Chart

FY 2017-18



CITY OF HUNTSVILLE, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2018

Elected Officials

<u>Name</u>	<u>Office</u>
Andy Brauningger	Mayor
Joe Emmett	Councilmember - Ward 1
Tish Humphrey	Councilmember - Ward 2
Ronald Allen	Councilmember - Ward 3
Joe Rodriguez	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>
Aron Kulhavy	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
Open	Director of Community & Economic Development
Brent Sherod	Interim Director of Public Works
Kimm Thomas	Director of Tourism and Cultural Services
Bill Wavra	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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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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, 2018, 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.

Change in Accounting Principle

As discussed in the notes to the financial statements, in fiscal year 2018 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining 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 27, 2019, 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 27, 2019

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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, 2018. 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 v 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 2018 fiscal year by \$151,910,462 (net position). Of this amount, \$30,414,337 (unrestricted net position) may be used to meet the government’s ongoing obligations to citizens and creditors.
- As of the close of fiscal year 2018, the City’s governmental funds reported combined ending fund balances of \$21,934,724, an increase of \$370,937 from the prior year. Approximately 55% of this total amount is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,013,170 or 55% of total General Fund expenditures.
- The City’s total capital assets net of accumulated depreciation increased by \$6,303,423. 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 debt increased \$41,440,812 due to the issuance of the Water and Wastewater Revenue Bonds, Series 2018.

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 four 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, General Improvements Fund and Debt Service Fund, which are considered to be major funds. Data from the other 19 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 and 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 26 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 Debt Service 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, 2018, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$151,910,462.

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, \$30,414,337, may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2018, 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 31,366,752	\$ 30,180,279	\$ 78,562,076	\$ 32,940,986	\$ 109,928,828	\$ 63,121,265
Capital assets	<u>32,595,723</u>	<u>31,747,127</u>	<u>108,785,753</u>	<u>103,330,926</u>	<u>141,381,476</u>	<u>135,078,053</u>
Total assets	<u>63,962,475</u>	<u>61,927,406</u>	<u>187,347,829</u>	<u>136,271,912</u>	<u>251,310,304</u>	<u>198,199,318</u>
Deferred outflows of resources	<u>1,951,891</u>	<u>4,299,183</u>	<u>665,307</u>	<u>1,394,895</u>	<u>2,617,198</u>	<u>5,694,078</u>
Long-term liabilities outstanding	28,002,638	33,507,157	66,483,482	24,419,654	94,486,120	57,926,811
Other liabilities	<u>1,888,230</u>	<u>2,069,318</u>	<u>2,986,115</u>	<u>3,425,363</u>	<u>4,874,345</u>	<u>5,494,681</u>
Total liabilities	<u>29,890,868</u>	<u>35,576,475</u>	<u>69,469,597</u>	<u>27,845,017</u>	<u>99,360,465</u>	<u>63,421,492</u>
Deferred inflows of resources	<u>2,040,483</u>	<u>139,796</u>	<u>616,092</u>	<u>42,064</u>	<u>2,656,575</u>	<u>181,860</u>
Net position:						
Net investment, in capital assets	25,703,081	23,317,618	92,999,949	86,446,730	118,703,030	109,764,348
Restricted	2,793,095	2,431,788	-	-	2,793,095	2,431,788
Unrestricted	<u>5,486,839</u>	<u>4,760,912</u>	<u>24,927,498</u>	<u>23,332,996</u>	<u>30,414,337</u>	<u>28,093,908</u>
Total net position	<u>\$ 33,983,015</u>	<u>\$ 30,510,318</u>	<u>\$ 117,927,447</u>	<u>\$ 109,779,726</u>	<u>\$ 151,910,462</u>	<u>\$ 140,290,044</u>

Governmental activities. Net position increased by \$3,908,708 in fiscal year 2018 before a prior period adjustment of (\$436,011). Adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, required a prior period adjustment to report the effect of GASB 75 retroactively. This is compared to an increase of \$1,361,160 in fiscal year 2017. 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 operating grants and contributions of \$273,842. On the expense side, there was a decrease of \$999,428 and \$598,585 public safety and community service expenses, respectively.

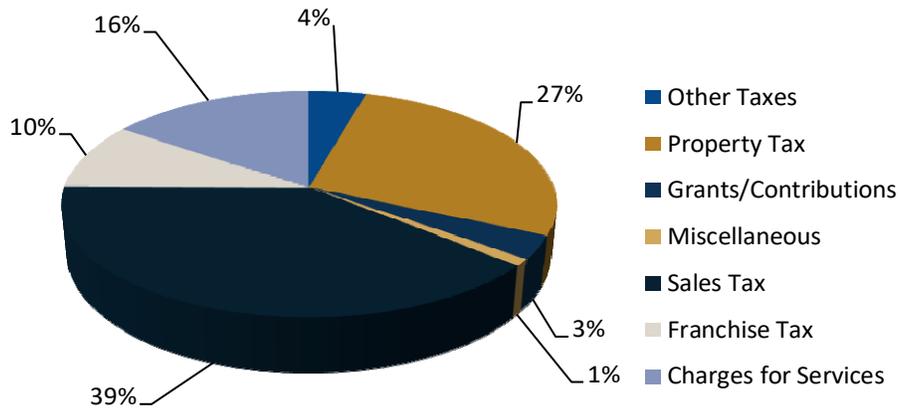
Business-type activities. Net position increased by \$7,967,185, before a prior period adjustment of \$180,536, in the current year compared to a \$15,682,247 increase in fiscal year 2017. The prior period adjustment was for the implementation of GASB 75 as mentioned above. The major factor contributing to the lower increase in net position for fiscal year 2018 was decreased operating grants and contributions of \$6,426,035.

Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2018. Overall, the City had an increase in net position of \$11,875,893 before a prior period adjustment of (\$255,475) due to the implementation of GASB 75. Major factors contributing to the increase are explained in the previous two paragraphs.

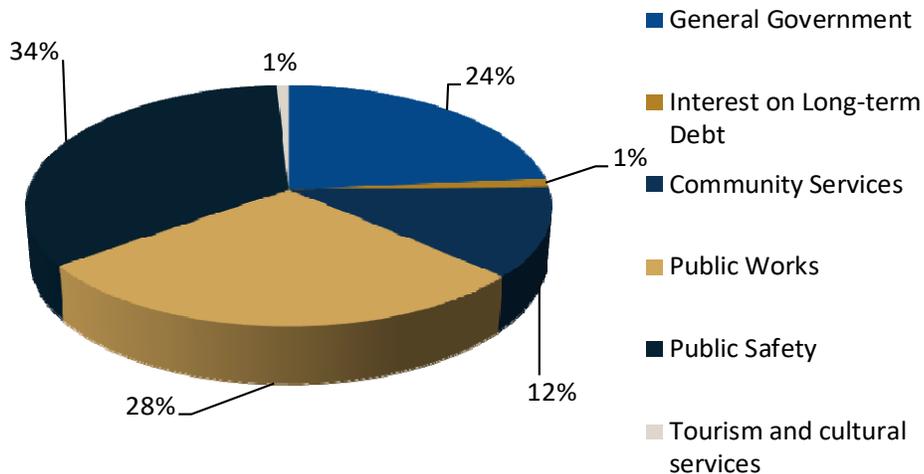
City of Huntsville, Texas' Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2018
Revenues:						
Program revenues:						
Charges for services	\$ 3,317,598	\$ 3,284,916	\$ 32,482,416	\$ 32,030,554	\$ 35,800,014	\$ 35,315,470
Operating grants and contributions	644,076	370,234	697,753	7,123,788	1,341,829	7,494,022
Capital grants and contributions	104,915	113,643	-	-	104,915	113,643
General revenues:						
Property taxes	6,271,809	6,124,340	-	-	6,271,809	6,124,340
Sales taxes	8,973,222	9,001,502	-	-	8,973,222	9,001,502
Franchise taxes	2,150,356	2,094,257	-	-	2,150,356	2,094,257
Other taxes	995,248	824,729	-	-	995,248	824,729
Investment earnings	302,390	297,980	450,320	267,211	752,710	565,191
Miscellaneous	228,846	223,297	942,917	1,131,561	1,171,763	1,354,858
Total revenues	<u>22,988,460</u>	<u>22,334,898</u>	<u>34,573,406</u>	<u>40,553,114</u>	<u>57,561,866</u>	<u>62,888,012</u>
Expenses:						
General government	5,897,776	6,189,702	-	-	5,897,776	6,189,702
Public works	7,117,826	6,748,483	-	-	7,117,826	6,748,483
Community services	3,019,702	3,618,287	-	-	3,019,702	3,618,287
Public safety	8,595,311	9,594,739	-	-	8,595,311	9,594,739
Tourism and cultural services	220,077	219,586	-	-	220,077	219,586
Interest on long-term debt	295,010	341,943	-	-	295,010	341,943
Utility	-	-	16,013,857	14,946,001	16,013,857	14,946,001
Solid waste	-	-	4,526,414	4,185,864	4,526,414	4,185,864
Total expenses	<u>25,145,702</u>	<u>26,712,740</u>	<u>20,540,271</u>	<u>19,131,865</u>	<u>45,685,973</u>	<u>45,844,605</u>
Increases in net position before transfers	(2,157,242)	(4,377,842)	14,033,135	21,421,249	11,875,893	17,043,407
Transfers	<u>6,065,950</u>	<u>5,739,002</u>	<u>(6,065,950)</u>	<u>(5,739,002)</u>	<u>-</u>	<u>-</u>
Increase in net position	3,908,708	1,361,160	7,967,185	15,682,247	11,875,893	17,043,407
Net position, beginning	30,510,318	29,149,158	109,779,726	94,097,479	140,290,044	123,246,637
Prior period adjustment	(436,011)	-	180,536	-	(255,475)	-
Net position, beginning, as restated	30,074,307	29,149,158	109,960,262	94,097,479	140,034,569	123,246,637
Net position, ending	<u>\$ 33,983,015</u>	<u>\$ 30,510,318</u>	<u>\$ 117,927,447</u>	<u>\$ 109,779,726</u>	<u>\$ 151,910,462</u>	<u>\$ 140,290,044</u>

**Revenues - Governmental Activities
Fiscal Year 2018 (excludes transfers)**



**Primary Government Functional Expenses for
Governmental Activities - Fiscal Year 2018**



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 2018 fiscal year, the City's governmental funds reported combined ending fund balances of \$21,934,724, an increase of \$370,937 from the prior year. Approximately 55% 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 (\$374,862) 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 \$12,013,170, while the total fund balance was \$13,811,228. 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 55% of the General Fund expenditures, while total fund balance represents 63% of that same amount.

The final budget for fiscal year 2018 reflected a \$1,230,915 drawdown of fund balance, while still providing for a sufficient reserve balance. The actual change in fund balance was an increase of \$2,156,356. Contributing factors was the realization of revenues \$1,481,430 over the budgeted amounts and overall expenditures \$1,828,033 under budgeted amounts. Key factors affecting fund balance are as follows:

- Total General Fund revenues of \$18,841,658 were increased from FY 2017 by \$159,956.
 - Property tax revenue increased \$183,033 from FY 2017 actuals due to an increase in values.
 - Sales tax revenue decreased by \$28,280 due to a \$660,000 catch up payment received in FY 2017. If the catch up payment is excluded from FY 2017 sales tax then FY 2018 sales tax is \$631,720 (7.5%) greater than FY 17.
 - Other taxes increased by \$46,512.
 - Charges for services increased by \$12,535 while licenses and permits increased by \$58,305.
 - Fines and forfeitures decreased by \$101,926 primarily due to a change in state law concerning collection processes for indigent persons.
- Total General Fund expenditures of \$21,931,226 increased from FY 2017 by \$150,620.
 - General government expenditures increased by \$324,133 from FY 2017. The most significant reason for this increase is salary and benefits costs.
 - Total public safety expenditures increased by \$62,760 from FY 2017. This is a less than 1% increase.
 - Public works expenditures increased by \$241,716 from FY 2017. This increase is primarily the result of increased street maintenance repairs in FY 2018.
 - Community services expenditures increased by \$4,952 from FY 2017.

The actual revenues of \$18,841,658 were more than the budgeted revenues by \$1,481,430. Sales tax revenue and licenses and permits exceeded the budgeted amounts by \$1,282,382 and \$254,007, respectively. The actual expenditures of \$21,931,226 were \$1,828,033 less than the budgeted expenditures of \$23,759,259.

Debt Service fund balance increased by \$26,131. Fund balance was projected to increase by \$5,316 in the final budget, and property tax revenues were more than final budgeted amounts by \$8,009.

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 Utility – \$22,572,148 and Solid Waste – \$2,355,350. The net position for Utility increased \$7,512,722 and Solid Waste increased \$454,463. The overall change in net position for business-type activities increased by \$7,967,185 which is a decrease of \$7,715,062 from the FY 2017 change in net position of \$15,682,247. Overall Enterprise operating revenues of \$33,425,333 reflected an increase of \$263,218 or an increase of 0.8% compared to FY 2017. Enterprise operating expenses of \$19,693,417 reflected an increase of \$1,116,776 or an increase of 6.0% over FY 2017. 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 2018, the City had \$141,381,476 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 4.67% over the amounts for the prior fiscal year.

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,872,245	\$ 1,872,245	\$ 782,325	\$ 782,325	\$ 2,654,570	\$ 2,654,570
Construction in progress	1,766,807	536,230	8,451,786	18,275,854	10,218,593	18,812,084
Buildings and improvements	7,537,320	6,557,407	4,096,433	481,497	11,633,753	7,038,904
Improvements other than buildings	10,475,113	10,525,136	1,224,544	1,492,247	11,699,657	12,017,383
Machinery, furniture and equipment	4,962,673	5,330,653	137,988	320,993	5,100,661	5,651,646
Water rights	-	-	29,741,540	30,732,925	29,741,540	30,732,925
Infrastructure	<u>5,981,565</u>	<u>6,925,456</u>	<u>64,351,137</u>	<u>51,245,085</u>	<u>70,332,702</u>	<u>58,170,541</u>
Total	<u>\$ 32,595,723</u>	<u>\$ 31,747,127</u>	<u>\$ 108,785,753</u>	<u>\$ 103,330,926</u>	<u>\$ 141,381,476</u>	<u>\$ 135,078,053</u>

Major capital asset events during the 2018 fiscal year include the following:

- \$1.4 million was spent on construction to expand a Tourism and Visitors Center facility.
- \$2.9 million was spent on various wastewater projects related to Revenue Bonds issued in 2018.
- \$1.4 million was spent on various other wastewater projects.

- \$3.3 million was spent on water project related to Revenue Bonds issued in 2018.
- The City spent \$1.2 million on land and engineering costs for new police and firefighter facilities for which construction should begin in late 2019.
- \$407,000 was spent on various other Governmental Activities projects.
- In FY 2018 the City purchased new equipment and vehicles for various operations totaling approximately \$1.2 million. Major purchases included a Solid Waste truck for approximately \$291,000.

Additional information on the City’s capital assets can be found in Note II beginning on page 42 of this report.

Debt Administration

At the end of the current fiscal year, the City had total bonded debt outstanding of \$67,549,826. The remainder of the City’s long-term obligations comprises compensated absences, and contractual obligations.

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 3,495,731	\$ 4,864,620	\$ 1,784,269	\$ 2,220,379	\$ 5,280,000	\$ 7,084,999
Certificates of obligation	3,345,000	3,500,000	2,565,000	2,675,000	5,910,000	6,175,000
Revenue bonds	-	-	53,960,000	11,259,636	53,960,000	11,259,636
Premium on bonds issued	51,911	64,889	2,347,915	1,084,415	2,399,826	1,149,304
Compensated absences	1,204,906	1,202,465	300,151	295,272	1,505,057	1,497,737
Developer TIRZ	<u>1,602,372</u>	<u>2,049,767</u>	<u>-</u>	<u>-</u>	<u>1,602,372</u>	<u>2,049,767</u>
	<u>\$ 9,699,920</u>	<u>\$ 11,681,741</u>	<u>\$ 60,957,335</u>	<u>\$ 17,534,702</u>	<u>\$ 70,657,255</u>	<u>\$ 29,216,443</u>

The long-term liabilities for the City increased overall by \$41,440,812 for fiscal year 2018. This was due to the debt issuance mentioned previously.

Additional information on the City’s long-term debt can be found in Note II beginning on page 43 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 2018-2019 fiscal year budget.

Sales Tax revenue makes up approximately 35% of the Revenues for General Fund. These revenues were budgeted to increase by \$407,764 (5.3%) in FY 2019 from the 2018 fiscal year budgeted amount of \$7,690,840.

A 1.3% increase in water volumetric rates beginning October 1, 2018 was approved. This was the seventh 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 \$0.3666 per \$100 valuation for FY 2018 was reduced for FY 2019 to \$0.3422. For fiscal year 2019 General Fund's budgeted expenditures for regular operations were increased by approximately 4.2% (\$988,500) from FY 2018. 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 2018-19.

The unemployment rate for the City of Huntsville in September 2018 was 4.1 percent, which is a decrease of 1.2% from the September 2017 rate of 5.3 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.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF HUNTSVILLE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 28,206,913	\$ 74,207,978	\$ 102,414,891
Prepaid expenses	18,033	10,000	28,033
Accounts receivable (net of allowances for uncollectable):			
Accounts	127,082	3,444,095	3,571,177
Taxes	2,325,277	-	2,325,277
Intergovernmental	20,060	18,658	38,718
Interest	121,236	203,417	324,653
Other	47,227	-	47,227
Internal balances	40,332	(40,332)	-
Inventories	107,054	267,215	374,269
Property held for sale	14,253	-	14,253
Restricted assets:			
Cash and cash equivalents	-	451,045	451,045
Investment in joint venture	339,285	-	339,285
Capital assets not being depreciated	3,639,052	9,234,111	12,873,163
Capital assets (net of accumulated depreciation)	28,956,671	99,551,642	128,508,313
Total assets	<u>63,962,475</u>	<u>187,347,829</u>	<u>251,310,304</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	-	75,959	75,959
Deferred outflows of resources related to pensions	1,898,044	573,090	2,471,134
Deferred outflows of resources related to SDBF OPEB	53,847	16,258	70,105
Total deferred outflows of resources	<u>1,951,891</u>	<u>665,307</u>	<u>2,617,198</u>
LIABILITIES			
Accounts payable	1,045,617	1,447,847	2,493,464
Accrued liabilities	512,924	69,043	581,967
Accrued interest	31,575	-	31,575
Liabilities payable from restricted assets:			
Accrued interest	-	283,413	283,413
Due to other governments	168,241	26,617	194,858
Other liabilities	129,873	-	129,873
Customer deposits	-	1,159,195	1,159,195
Noncurrent liabilities:			
Due within one year:			
Long-term debt	2,304,379	4,708,434	7,012,813
Due in more than one year:			
Long-term debt	7,395,541	56,248,901	63,644,442
Net pension liability	12,392,580	3,741,779	16,134,359
Total SDBF OPEB liability	732,381	221,132	953,513
Net retiree health OPEB liability	5,177,757	1,563,236	6,740,993
Total liabilities	<u>29,890,868</u>	<u>69,469,597</u>	<u>99,360,465</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	1,830,855	552,802	2,383,657
Deferred inflows of resources related to retiree health OPEB	209,628	63,290	272,918
Total deferred inflows of resources	<u>2,040,483</u>	<u>616,092</u>	<u>2,656,575</u>
NET POSITION			
Net investment in capital assets	25,703,081	92,999,949	118,703,030
Restricted for:			
Library - nonspendable	106,914	-	106,914
Cemetery - nonspendable	354,873	-	354,873
Debt service	425,706	-	425,706
Promotion of tourism	598,162	-	598,162
Court technology and security	223,933	-	223,933
Purpose of grantors, trustees and donors	687,721	-	687,721
Law enforcement	395,786	-	395,786
Unrestricted	5,486,839	24,927,498	30,414,337
Total net position	<u>\$ 33,983,015</u>	<u>\$ 117,927,447</u>	<u>\$ 151,910,462</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, 2018

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 5,897,776	\$ 247,303	\$ 59,721	\$ 3,036
Public safety	8,595,311	1,607,079	548,286	101,879
Public works	7,117,826	814,881	-	-
Community services	3,019,702	230,827	19,888	-
Tourism and cultural services	220,077	417,508	16,181	-
Interest on long-term debt	295,010	-	-	-
Total governmental activities	<u>25,145,702</u>	<u>3,317,598</u>	<u>644,076</u>	<u>104,915</u>
Business-type activities:				
Utility	16,013,857	26,765,735	681,711	-
Solid waste	4,526,414	5,716,681	16,042	-
Total business-type activities	<u>20,540,271</u>	<u>32,482,416</u>	<u>697,753</u>	<u>-</u>
Total primary government	<u>\$ 45,685,973</u>	<u>\$ 35,800,014</u>	<u>\$ 1,341,829</u>	<u>\$ 104,915</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

Prior period adjustment

Net position, beginning as restated

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
\$(5,587,716)	\$ -	\$(5,587,716)
(6,338,067)	-	(6,338,067)
(6,302,945)	-	(6,302,945)
(2,768,987)	-	(2,768,987)
213,612	-	213,612
<u>(295,010)</u>	<u>-</u>	<u>(295,010)</u>
<u>(21,079,113)</u>	<u>-</u>	<u>(21,079,113)</u>
-	11,433,589	11,433,589
<u>-</u>	<u>1,206,309</u>	<u>1,206,309</u>
<u>-</u>	<u>12,639,898</u>	<u>12,639,898</u>
(21,079,113)	12,639,898	(8,439,215)
6,271,809	-	6,271,809
8,973,222	-	8,973,222
2,150,356	-	2,150,356
995,248	-	995,248
302,390	450,320	752,710
228,846	942,917	1,171,763
<u>6,065,950</u>	<u>(6,065,950)</u>	<u>-</u>
<u>24,987,821</u>	<u>(4,672,713)</u>	<u>20,315,108</u>
3,908,708	7,967,185	11,875,893
30,510,318	109,779,726	140,290,044
<u>(436,011)</u>	<u>180,536</u>	<u>(255,475)</u>
<u>30,074,307</u>	<u>109,960,262</u>	<u>140,034,569</u>
<u>\$ 33,983,015</u>	<u>\$ 117,927,447</u>	<u>\$ 151,910,462</u>

CITY OF HUNTSVILLE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	<u>General</u>	<u>Debt Service</u>	<u>General Improvements</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 13,582,669	\$ 371,063	\$ 2,520,503	\$ 5,241,643	\$ 21,715,878
Receivables (net of allowance for uncollectibles):					
Accounts	85,231	-	-	41,851	127,082
Taxes	2,172,034	86,218	-	67,025	2,325,277
Intergovernmental	-	-	-	20,060	20,060
Interest	95,839	-	6,581	7,399	109,819
Other	47,227	-	-	-	47,227
Due from other funds	42,346	-	-	6	42,352
Inventory	107,054	-	-	-	107,054
Property held for sale	-	-	-	14,253	14,253
Prepays	18,033	-	-	-	18,033
	<u>16,150,433</u>	<u>457,281</u>	<u>2,527,084</u>	<u>5,392,237</u>	<u>24,527,035</u>
LIABILITIES					
Accounts payable	650,521	-	63,282	49,384	763,187
Accrued liabilities	494,688	-	-	18,236	512,924
Due to other funds	163	-	-	1,857	2,020
Due to other governments	130,313	-	-	37,928	168,241
Unearned revenue	635,025	-	-	-	635,025
Other liabilities	129,873	-	-	-	129,873
Total liabilities	<u>2,040,583</u>	<u>-</u>	<u>63,282</u>	<u>107,405</u>	<u>2,211,270</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	298,622	82,419	-	-	381,041
Total deferred inflows of resources	<u>298,622</u>	<u>82,419</u>	<u>-</u>	<u>-</u>	<u>381,041</u>
Fund balances:					
Nonspendable	125,087	-	-	461,787	586,874
Restricted	-	374,862	2,463,802	1,905,602	4,744,266
Assigned	1,672,971	-	-	2,917,443	4,590,414
Unassigned	12,013,170	-	-	-	12,013,170
Total fund balances	<u>13,811,228</u>	<u>374,862</u>	<u>2,463,802</u>	<u>5,284,832</u>	<u>21,934,724</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>16,150,433</u>	\$ <u>457,281</u>	\$ <u>2,527,084</u>	\$ <u>5,392,237</u>	\$ <u>24,527,035</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, 2018

Total fund balances - governmental funds balance sheet	\$ 21,934,724
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.	28,822,982
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.	889,486
Court fines receivable unavailable to pay for current period expenditures are reported as deferred inflows of resources in the funds.	126,580
Payables for bond interest which are not due in the current period are not reported in the funds.	(31,575)
The investment in joint venture is not considered a financial asset. Therefore, this is not reported in the governmental funds balance sheet.	339,285
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	(6,840,731)
Bond premiums	(51,911)
Compensated absences	(1,204,906)
Net pension liability	(12,392,580)
Total SDBF OPEB liability	(732,381)
Net retiree health OPEB liability	(5,177,757)
Deferred outflows (inflows) related to pensions	67,189
Deferred outflows (inflows) related to total SDBF liability	53,847
Deferred outflows (inflows) related to net retiree health OPEB liability	(209,628)
Contractual obligation	(1,602,372)
The assets and liabilities of Internal Service Funds are included in governmental activities in the statement of net position.	<u>9,992,763</u>
Net position of governmental activities - statement of net position	<u>\$ 33,983,015</u>

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

CITY OF HUNTSVILLE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	General	Debt Service	General Improvements	Other Governmental	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 4,520,792	\$ 1,519,383	\$ -	\$ 234,140	\$ 6,274,315
Sales	8,973,222	-	-	-	8,973,222
Franchise	2,130,771	-	-	-	2,130,771
Other	108,100	-	-	887,148	995,248
Licenses and permits	849,707	-	-	-	849,707
Charges for sales and services	462,437	330,501	-	518,326	1,311,264
Fines, fees, and forfeitures	1,328,658	-	-	230,166	1,558,824
Donations, contributions, and grants	213,069	-	-	136,965	350,034
Investment earnings	147,116	14,306	57,489	83,479	302,390
Miscellaneous	107,786	-	-	345	108,131
Total revenues	18,841,658	1,864,190	57,489	2,090,569	22,853,906
EXPENDITURES					
Current:					
General government	5,955,931	-	-	28,054	5,983,985
Public safety	8,058,826	-	-	825,612	8,884,438
Public works	4,703,443	-	3,034,762	149,633	7,887,838
Community services	2,992,949	-	-	822,381	3,815,330
Tourism and cultural services	220,077	-	-	-	220,077
Debt service:					
Principal retirement	-	1,523,889	-	-	1,523,889
Interest and fiscal charges	-	314,170	-	-	314,170
Total expenditures	21,931,226	1,838,059	3,034,762	1,825,680	28,629,727
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,089,568)	26,131	(2,977,273)	264,889	(5,775,821)
OTHER FINANCING SOURCES (USES)					
Transfers in	6,135,248	-	1,688,000	223,632	8,046,880
Transfers out	(970,132)	-	(375,161)	(635,637)	(1,980,930)
Sale of capital assets	80,808	-	-	-	80,808
Total other financing sources (uses)	5,245,924	-	1,312,839	(412,005)	6,146,758
NET CHANGE IN FUND BALANCES	2,156,356	26,131	(1,664,434)	(147,116)	370,937
FUND BALANCES, BEGINNING	11,654,872	348,731	4,128,236	5,431,948	21,563,787
FUND BALANCES, ENDING	\$ 13,811,228	\$ 374,862	\$ 2,463,802	\$ 5,284,832	\$ 21,934,724

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, 2018

Net change in fund balances - total governmental funds	\$ 370,937
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.	3,109,206
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.	(1,951,829)
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	1,523,889
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	(2,506)
Franchise fees	19,585
Change in equity interest in joint venture	36,667
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	(2,441)
Net pension liability	(117,026)
Total SDBF OPEB liability	(52,602)
Net retiree health OPEB liability	(119,642)
Contractual obligation	447,395
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.	6,182
The net revenue (expense) of internal service funds is reported with governmental activities.	<u>630,620</u>
Change in net position of governmental activities - statement of activities	<u>\$ 3,908,708</u>

CITY OF HUNTSVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2018

	Enterprise Funds		Total Enterprise	Internal Service
	Utility	Solid Waste		
ASSETS				
Current assets:				
Cash and investments	70,072,675	4,135,303	\$ 74,207,978	\$ 6,491,035
Accounts receivable (net of allowance for uncollectibles):				
Accounts	2,776,786	667,309	3,444,095	-
Intergovernmental	18,658	-	18,658	-
Interest	192,858	10,559	203,417	11,417
Inventories	267,215	-	267,215	-
Prepays	10,000	-	10,000	-
Restricted assets:				
Cash and cash equivalents	451,045	-	451,045	-
Total current assets	<u>73,789,237</u>	<u>4,813,171</u>	<u>78,602,408</u>	<u>6,502,452</u>
Noncurrent assets:				
Capital assets not being depreciated	9,234,111	-	9,234,111	-
Capital assets (net of accumulated depreciation)	95,651,010	3,900,632	99,551,642	3,772,741
Total noncurrent assets	<u>104,885,121</u>	<u>3,900,632</u>	<u>108,785,753</u>	<u>3,772,741</u>
Total assets	<u>178,674,358</u>	<u>8,713,803</u>	<u>187,388,161</u>	<u>10,275,193</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on bond refunding	75,959	-	75,959	-
Deferred outflow related to pensions	403,504	169,586	573,090	-
Deferred outflow related to SDBF OPEB	11,447	4,811	16,258	-
Total deferred outflows of resources	<u>490,910</u>	<u>174,397</u>	<u>665,307</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,340,369	107,478	1,447,847	282,430
Accrued liabilities	50,339	18,704	69,043	-
Customer deposits	751,550	407,645	1,159,195	-
Liabilities payable from restricted assets:				
Accrued interest payable	271,251	12,162	283,413	-
Due to other funds	18,723	21,609	40,332	-
Due to other governments	-	26,617	26,617	-
Noncurrent liabilities due within one year	4,567,038	141,396	4,708,434	-
Total current liabilities	<u>6,999,270</u>	<u>735,611</u>	<u>7,734,881</u>	<u>282,430</u>
Noncurrent liabilities:				
Due in more than one year:				
Long-term debt	53,479,870	2,769,031	56,248,901	-
Net pension liability	2,634,532	1,107,247	3,741,779	-
Total SDBF OPEB liability	155,696	65,436	221,132	-
Net retiree health OPEB liability	1,100,804	462,432	1,563,236	-
Total noncurrent liabilities	<u>57,370,902</u>	<u>4,404,146</u>	<u>61,775,048</u>	<u>-</u>
Total liabilities	<u>64,370,172</u>	<u>5,139,757</u>	<u>69,509,929</u>	<u>282,430</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to pensions	389,220	163,582	552,802	-
Deferred inflow related to retiree health OPEB	44,568	18,722	63,290	-
Total deferred inflows of resources	<u>433,788</u>	<u>182,304</u>	<u>616,092</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	91,789,160	1,210,789	92,999,949	3,772,741
Unrestricted	22,572,148	2,355,350	24,927,498	6,220,022
Total net position	<u>\$ 114,361,308</u>	<u>\$ 3,566,139</u>	<u>\$ 117,927,447</u>	<u>\$ 9,992,763</u>

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

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

PROPRIETARY FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Enterprise Funds		Total Enterprise	Internal Service
	Utility	Solid Waste		
OPERATING REVENUES				
Charges for services:				
Water and wastewater sales	\$ 26,492,394	\$ -	\$ 26,492,394	\$ -
Solid waste fees - residential and commercial	-	4,593,991	4,593,991	-
Solid waste fees - disposal	-	1,122,690	1,122,690	-
Inter-department services	-	-	-	5,444,429
Total service charges	<u>26,492,394</u>	<u>5,716,681</u>	<u>32,209,075</u>	<u>5,444,429</u>
Service fees and miscellaneous:				
Tap and connection fees	273,341	-	273,341	-
Customer penalties and miscellaneous	720,190	222,727	942,917	87,135
Total service fees and miscellaneous	<u>993,531</u>	<u>222,727</u>	<u>1,216,258</u>	<u>87,135</u>
Total operating revenues	<u>27,485,925</u>	<u>5,939,408</u>	<u>33,425,333</u>	<u>5,531,564</u>
OPERATING EXPENSES				
Administration	1,817,461	793,338	2,610,799	3,451,506
Water production and distribution	6,678,298	-	6,678,298	-
Wastewater collection and treatment	2,452,128	-	2,452,128	-
Solid waste collection and disposal	-	3,520,380	3,520,380	-
Utility billing/customer service	762,149	-	762,149	-
Equipment replacement	-	-	-	112,433
Depreciation	3,544,352	125,311	3,669,663	1,439,827
Total operating expenses	<u>15,254,388</u>	<u>4,439,029</u>	<u>19,693,417</u>	<u>5,003,766</u>
OPERATING INCOME (LOSS)	<u>12,231,537</u>	<u>1,500,379</u>	<u>13,731,916</u>	<u>527,798</u>
NONOPERATING REVENUES (EXPENSES)				
Grants and contributions	681,711	16,042	697,753	-
Investment earnings	390,296	60,024	450,320	93,427
Loss on disposal of capital assets	-	-	-	9,395
Interest expense	(759,469)	(87,385)	(846,854)	-
Total nonoperating revenues (expenses)	<u>312,538</u>	<u>(11,319)</u>	<u>301,219</u>	<u>102,822</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>12,544,075</u>	<u>1,489,060</u>	<u>14,033,135</u>	<u>630,620</u>
Transfers in	52,821	-	52,821	-
Transfers out	(5,084,174)	(1,034,597)	(6,118,771)	-
CHANGE IN NET POSITION	<u>7,512,722</u>	<u>454,463</u>	<u>7,967,185</u>	<u>630,620</u>
NET POSITION, BEGINNING	<u>106,725,343</u>	<u>3,054,383</u>	<u>109,779,726</u>	<u>9,362,143</u>
PRIOR PERIOD ADJUSTMENT	<u>123,243</u>	<u>57,293</u>	<u>180,536</u>	<u>-</u>
NET POSITION, BEGINNING, AS RESTATED	<u>106,848,586</u>	<u>3,111,676</u>	<u>109,960,262</u>	<u>9,362,143</u>
NET POSITION, ENDING	<u>\$ 114,361,308</u>	<u>\$ 3,566,139</u>	<u>\$ 117,927,447</u>	<u>\$ 9,992,763</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, 2018

	Enterprise Funds		Total Enterprise	Internal Service
	Utility	Solid Waste		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 29,808,438	\$ 5,926,199	\$ 35,734,637	\$ -
Interfund services provided and used	-	-	-	5,773,863
Cash payments to employees for services	(2,550,430)	(871,708)	(3,422,138)	-
Cash payments to suppliers for goods and services	(10,257,813)	(3,607,702)	(13,865,515)	(3,893,243)
Net cash provided by operating activities	<u>17,000,195</u>	<u>1,446,789</u>	<u>18,446,984</u>	<u>1,880,620</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants	681,711	16,042	697,753	-
Transfers from other funds	52,821	-	52,821	-
Transfers to funds	(5,084,174)	(1,034,597)	(6,118,771)	-
Net cash provided (used) by by noncapital financing activities	<u>(4,349,642)</u>	<u>(1,018,555)</u>	<u>(5,368,197)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal repayment on long-term debt	(3,575,748)	(110,000)	(3,685,748)	-
Interest and fiscal charges on debt	46,989,091	(99,800)	46,889,291	-
Acquisition or construction of capital assets	(8,905,740)	(218,750)	(9,124,490)	(1,131,046)
Proceeds from the disposition of capital assets	-	-	-	9,395
Net provided (used) by for capital and related financing activities	<u>34,507,603</u>	<u>(428,550)</u>	<u>34,079,053</u>	<u>(1,121,651)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends on investments	<u>245,339</u>	<u>61,460</u>	<u>306,799</u>	<u>92,054</u>
Net cash provided by investing activities	<u>245,339</u>	<u>61,460</u>	<u>306,799</u>	<u>92,054</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,403,495	61,144	47,464,639	851,023
CASH AND CASH EQUIVALENTS, BEGINNING	<u>23,120,225</u>	<u>4,074,159</u>	<u>27,194,384</u>	<u>5,640,012</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 70,523,720</u>	<u>\$ 4,135,303</u>	<u>\$ 74,659,023</u>	<u>\$ 6,491,035</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, 2018

	Enterprise Funds		Total Enterprise	Internal Service
	Utility	Solid Waste		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 12,231,537	\$ 1,500,379	\$ 13,731,916	\$ 527,798
Adjustments to reconcile operating income to net cash used by operating activities:				
Depreciation	3,544,352	125,311	3,669,663	1,439,827
Change in assets and liabilities:				
Decrease (increase) in receivables	2,322,267	(12,334)	2,309,933	242,299
Decrease (increase) in inventories	(69,414)	-	(69,414)	-
Decrease (increase) in interfund receivables	246	-	246	-
Decrease (increase) in deferred loss related to bond refunding	25,321	-	25,321	-
Decrease (increase) in deferred outflows related to pensions	93,256	207,369	300,625	-
Decrease (increase) in deferred outflows related to SDBF OPEB	(11,447)	(4,811)	(16,258)	-
Increase (decrease) in accounts payable	(661,981)	(33,280)	(695,261)	(329,304)
Increase (decrease) in accrued liabilities	6,678	(5,920)	758	-
Increase (decrease) in customer deposits	52,960	(10,445)	42,515	-
Increase (decrease) in compensated absences	5,030	(154)	4,876	-
Increase (decrease) in interfund payables	(90,734)	(162,961)	(253,695)	-
Increase (decrease) in net pension liability	(855,355)	(327,885)	(1,183,240)	-
Increase (decrease) in net retiree health OPEB liability	(408,507)	(177,182)	(585,689)	-
Increase (decrease) in net SDBF OPEB liability	412,005	178,655	590,660	-
Increase (decrease) in deferred inflows related to retiree health OPEB	44,568	18,722	63,290	-
Increase (decrease) in deferred inflows related to pensions	359,413	151,325	510,738	-
Total adjustments	<u>4,768,658</u>	<u>(53,590)</u>	<u>4,715,068</u>	<u>1,352,822</u>
Net cash provided by operating activities	\$ <u>17,000,195</u>	\$ <u>1,446,789</u>	\$ <u>18,446,984</u>	\$ <u>1,880,620</u>

CITY OF HUNTSVILLE, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2018

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ <u>35,265</u>
Total assets	<u>35,265</u>
 LIABILITIES	
Accounts payable	<u>35,265</u>
Total liabilities	<u><u>\$ 35,265</u></u>

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, 2018

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, General Improvements 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.

General Improvements Fund – The General Improvements Fund is used to account for the financial resources of general capital projects (including parks, general government facilities, fire stations, and the aquatic center), except those required to be accounted for in another fund.

Major Proprietary Funds

Utility Fund – This fund accounts for the provision of water/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 Funds 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 Fund Balance

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 18, 2018. 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 2018 and those considered "available" at year-end are recognized as revenues in 2018. 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 unavailable revenue.

In accordance with governing statutes, property taxes were levied on October 1, 2017, to provide a revenue source to be used to finance the current year's budget. Taxes levied on October 1, 2017, were due and payable by January 31, 2018. On January 1, 2018, 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, 2018, unpaid taxes began to accrue a penalty and interest charge until paid. On July 1, 2018, 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 and OPEB contributions subsequent to the measurement date are deferred and recognized in the following fiscal year. 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 three 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, and penalties and interest on taxes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are only recorded in the full accrual basis of accounting and results from the difference between expected and actual pension and OPEB experience and the difference in projected and actual earnings on pension and OPEB assets. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date and deferred and amortized over a closed five-year period, respectively. 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	\$ 105,576	\$ 41,335	\$ 146,911
Property tax penalties and interest	66,466	41,084	107,550
Court fines and fees receivable	<u>126,580</u>	<u>-</u>	<u>126,580</u>
Total	<u>\$ 298,622</u>	<u>\$ 82,419</u>	<u>\$ 381,041</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.

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.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

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.

Post-Employment Benefits Other Than Pensions (OPEB)

Supplemental Death Benefit. For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

Retiree Health Insurance. For purposes of measuring the net OPEB liability, OPEB related deferred inflows of resources, and OPEB expense, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Contributions are not required but are measured as payments by the City for benefits due and payable that are not reimbursed by plan assets. Information regarding the City's net OPEB liability is obtained from a report prepared by a consulting actuary, Lewis & Ellis.

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	\$ 1,498,566	-
Money market	17,279,514	363
Corporate Securities	496,200	531
TexPool Prime	8,430,152	57
Texas CLASS	26,652,522	62
Texas Term	7,800,405	87
LOGIC	23,818	70
U. S. agency securities	22,923,633	323
Municipal bonds	<u>17,796,391</u>	781
Total portfolio	<u>\$ 102,901,201</u>	
Portfolio weighted average maturity (days)		284

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, 2018:

- Municipal bonds of \$2,028,782, U.S. Agency securities of \$16,085,065 and Corporate securities of \$496,200 are valued using documented trade history in exact security pricing model (Level 1 inputs).
- U.S. Agency securities of \$1,726,745, \$1,197,360 and \$3,914,463 are valued using option-adjusted discounted cash flow, present value of expected fund cash flow pricing models and documented trade history in exact securities (Level 2 inputs). Money markets of \$17,279,514 are valued using present value of expected fund cash flow pricing model (Level 2 inputs). Municipal bonds of \$15,767,609 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, 2018, 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

	General	Debt Service	General Improvements	Nonmajor Governmental	Total
Accounts	\$ 636,016	\$ -	\$ -	\$ 41,851	\$ 677,867
Taxes	2,254,378	121,147	-	67,025	2,442,550
Intergovernmental	-	-	-	20,060	20,060
Interest	95,839	-	6,581	7,399	109,819
Other	47,227	-	-	-	47,227
Gross Receivables	<u>3,033,460</u>	<u>121,147</u>	<u>6,581</u>	<u>136,335</u>	<u>3,297,523</u>
Less: Allowance for uncollectibles	(633,129)	(34,929)	-	-	(668,058)
Net receivables	<u>\$ 2,400,331</u>	<u>\$ 86,218</u>	<u>\$ 6,581</u>	<u>\$ 136,335</u>	<u>\$ 2,629,465</u>

Proprietary Funds

	Utility	Solid Waste	Internal Service	Total
Accounts	\$ 2,848,280	\$ 682,532	\$ -	\$ 3,530,812
Intergovernmental	18,658	-	-	18,658
Interest	192,858	10,559	11,417	214,834
Gross Receivables	<u>3,059,796</u>	<u>693,091</u>	<u>11,417</u>	<u>3,764,304</u>
Less: Allowance for uncollectibles	(71,494)	(15,223)	-	(86,717)
Net receivables	<u>\$ 2,988,302</u>	<u>\$ 677,868</u>	<u>\$ 11,417</u>	<u>\$ 3,677,587</u>

Interfund Balances and Activity

Due to and From Other Funds

Balances due to and due from other funds at September 30, 2018, consisted of the following:

Receivable Fund	Payable Fund	Amount
General	Utility Fund	\$ 18,723
	Solid waste	21,609
	Nonmajor governmental	<u>2,020</u>
Total		<u>\$ 42,352</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, 2018, consisted of the following:

	Transfers out					Total
	General	General Improvements	Utility	Solid Waste	Nonmajor Governmental	
Transfers in:						
General	\$ -	\$ -	\$ 5,084,174	\$ 981,776	\$ 69,298	\$ 6,135,248
General Improvements	746,500	375,161	-	-	566,339	1,688,000
Nonmajor governmental	223,632	-	-	-	-	223,632
Utility	-	-	-	52,821	-	52,821
Total	<u>\$ 970,132</u>	<u>\$ 375,161</u>	<u>\$ 5,084,174</u>	<u>\$ 1,034,597</u>	<u>\$ 635,637</u>	<u>\$ 8,099,701</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:
 - School Resource Officer Fund – \$128,064
 - Arts Center Fund – \$95,568
 - General Improvements Fund - \$746,500
- The General Fund received transfers of \$5,084,674 from the Utility Fund and \$981,276 from the Solid Waste Fund. These transfers were paid to help fund the cost of various operating expenditures in the General Fund.

Fund Balance

As of September 30, 2018, governmental fund balance consisted of the following:

	<u>General</u>	<u>Debt Service</u>	<u>General Improvements</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Fund balances:					
Nonspendable					
Inventory	\$ 107,054	\$ -	\$ -	\$ -	\$ 107,054
Prepays	18,033	-	-	-	18,033
Library endowment	-	-	-	106,914	106,914
Cemetery endowment	-	-	-	354,873	354,873
Restricted for:					
Debt service	-	374,862	-	-	374,862
Promotion of tourism	-	-	-	598,162	598,162
Court technology and security	-	-	-	223,933	223,933
Purpose of grantors, trustees and donors	-	-	-	687,721	687,721
Law enforcement	-	-	-	395,786	395,786
Construction of capital assets	-	-	2,463,802	-	2,463,802
Assigned for:					
Subsequent year's budget					
appropriation of fund balance	904,350	-	-	-	904,350
Economic development	768,621	-	-	-	768,621
Construction of capital assets	-	-	-	2,917,443	2,917,443
Unassigned	<u>12,013,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,013,170</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, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,872,245	\$ -	\$ -	\$ 1,872,245
Construction in progress	536,230	3,080,414	1,849,837	1,766,807
Total capital assets not being depreciated	<u>2,408,475</u>	<u>3,080,414</u>	<u>1,849,837</u>	<u>3,639,052</u>
Capital assets being depreciated:				
Buildings and improvements	14,091,019	1,502,477	-	15,593,496
Machinery, furniture, and equipment	24,020,865	1,174,944	764,213	24,431,596
Improvements other than buildings	18,521,334	347,360	-	18,868,694
Infrastructure	37,316,618	-	-	37,316,618
Total capital assets being depreciated	<u>93,949,836</u>	<u>3,024,781</u>	<u>764,213</u>	<u>96,210,404</u>
Less accumulated depreciation for:				
Buildings and improvements	7,533,612	522,564	-	8,056,176
Machinery, furniture, and equipment	18,690,212	1,527,818	749,107	19,468,923
Improvements other than buildings	7,996,198	397,383	-	8,393,581
Infrastructure	30,391,162	943,891	-	31,335,053
Total accumulated depreciation	<u>64,611,184</u>	<u>3,391,656</u>	<u>749,107</u>	<u>67,253,733</u>
Total capital assets being depreciated, net	<u>29,338,652</u>	<u>(366,875)</u>	<u>15,106</u>	<u>28,956,671</u>
Governmental activities capital assets, net	<u>\$ 31,747,127</u>	<u>\$ 2,713,539</u>	<u>\$ 1,864,943</u>	<u>\$ 32,595,723</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 782,325	\$ -	\$ -	\$ 782,325
Construction in progress	18,275,853	9,119,094	18,943,161	8,451,786
Total capital assets not being depreciated	<u>19,058,178</u>	<u>9,119,094</u>	<u>18,943,161</u>	<u>9,234,111</u>
Capital assets being depreciated:				
Buildings and improvements	1,987,100	3,739,682	-	5,726,782
Machinery, furniture, and equipment	2,868,071	5,396	-	2,873,467
Improvements other than buildings	1,900,168	-	-	1,900,168
Water rights	51,336,066	-	-	51,336,066
Infrastructure	98,323,236	15,203,479	-	113,526,715
Total capital assets being depreciated	<u>156,414,641</u>	<u>18,948,557</u>	<u>-</u>	<u>175,363,198</u>
Less accumulated depreciation for:				
Buildings and improvements	1,505,603	124,746	-	1,630,349
Machinery, furniture, and equipment	2,547,073	188,406	-	2,735,479
Improvements other than buildings	407,921	267,703	-	675,624
Water rights	20,603,141	991,385	-	21,594,526
Infrastructure	47,078,155	2,097,423	-	49,175,578
Total accumulated depreciation	<u>72,141,893</u>	<u>3,669,663</u>	<u>-</u>	<u>75,811,556</u>
Total capital assets being depreciated, net	<u>84,272,748</u>	<u>15,278,894</u>	<u>-</u>	<u>99,551,642</u>
Business-type activities capital assets, net	<u>\$ 103,330,926</u>	<u>\$ 24,397,988</u>	<u>\$ 18,943,161</u>	<u>\$ 108,785,753</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 1,212,942
Public works	1,448,808
Community services	470,763
Public safety	<u>259,143</u>
Total governmental activities depreciation	<u>\$ 3,391,656</u>
Business-type activities:	
Water production and distribution	\$ 3,544,352
Solid waste disposal and collection	<u>125,311</u>
Total business-type activities depreciation	<u>\$ 3,669,663</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, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,864,620	\$ -	\$(1,368,889)	\$ 3,495,731	\$ 1,411,604
Certificates of obligation	3,500,000	-	(155,000)	3,345,000	165,000
Premium on bond issuance	64,889	-	(12,978)	51,911	-
Compensated absences	1,202,465	43,656	(41,215)	1,204,906	301,226
Developer TIRZ	<u>2,049,767</u>	<u>-</u>	<u>(447,395)</u>	<u>1,602,372</u>	<u>426,549</u>
Total governmental activities	<u>\$ 11,681,741</u>	<u>\$ 43,656</u>	<u>\$(2,025,477)</u>	<u>\$ 9,699,920</u>	<u>\$ 2,304,379</u>
Business-type activities:					
TRA contract revenue bonds	\$ 11,259,636	\$ -	\$(3,139,636)	\$ 8,120,000	\$ 3,035,000
Revenue bonds	-	45,840,000	-	45,840,000	1,040,000
General obligation bonds	2,220,379	-	(436,110)	1,784,269	443,396
Certificates of obligation	2,675,000	-	(110,000)	2,565,000	115,000
Premium on bond issuance	1,084,415	1,544,640	(281,140)	2,347,915	-
Compensated absences	<u>295,272</u>	<u>11,930</u>	<u>(7,051)</u>	<u>300,151</u>	<u>75,038</u>
Total business-type activities	<u>\$ 17,534,702</u>	<u>\$ 47,396,570</u>	<u>\$(3,973,937)</u>	<u>\$ 60,957,335</u>	<u>\$ 4,708,434</u>

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General
Developer TIRZ	Governmental	General

Debt Service Requirements

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 1,576,604	\$ 263,515	\$ 1,840,119
2020	853,350	226,110	1,079,460
2021	460,556	199,651	660,207
2022	480,221	180,910	661,131
2023	475,000	159,823	634,823
2024-2028	1,775,000	515,464	2,290,464
2029-2033	<u>1,220,000</u>	<u>156,750</u>	<u>1,376,750</u>
Total	<u>\$ 6,840,731</u>	<u>\$ 1,702,222</u>	<u>\$ 8,542,953</u>

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2019	\$ 4,633,396	\$ 2,284,328	\$ 6,917,724
2020	4,826,650	2,093,579	6,920,229
2021	3,619,444	1,886,152	5,505,596
2022	1,774,779	1,754,586	3,529,365
2023	1,395,000	1,677,488	3,072,488
2024-2028	8,025,000	7,302,815	15,327,815
2029-2033	9,975,000	5,360,627	15,335,627
2034-2038	11,200,000	3,515,100	14,715,100
2039-2043	<u>12,860,000</u>	<u>1,431,876</u>	<u>14,291,876</u>
Total	<u>\$ 58,309,269</u>	<u>\$ 27,306,551</u>	<u>\$ 85,615,820</u>

At September 30, 2018, 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, 2018, follows:

\$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%.	\$ 1,425,000
\$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%.	6,695,000
\$45,840,000 2018 Water and Wastewater System Revenue Bonds due in installments of \$1,040,000 to \$2,390,000 through 2043, interest rates from 1.750% - 3.625%.	<u>45,840,000</u>
Total outstanding revenue debt as of September 30, 2018	<u>\$ 53,960,000</u>

Tax Supported Debt

A summary of tax-supported debt outstanding at September 30, 2018, 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.	\$ 3,345,000
\$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%.	870,000
\$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%.	1,835,000
\$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%.	2,575,000
\$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>2,565,000</u>
Total outstanding tax supported debt as of September 30, 2018	<u>\$ 11,190,000</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 Descriptions. The City participates as one of 883 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.tmrs.com.

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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	194
Inactive employees entitled to but not yet receiving benefits	144
Active employees	<u>244</u>
	<u>582</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 17.07% and 18.58% in calendar years 2016 and 2017, respectively. The City’s contributions to TMRS for the year ended September 30, 2018, were \$2,503,097, and were equal to the required contributions.

Net Pension Liability. The City’s Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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 pension plan investment expense 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 real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
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%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	<u>5.0%</u>	7.50%
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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 85,059,588	\$ 63,766,817	\$ 21,292,771
Changes for the year:			
Service cost	2,005,970	-	2,005,970
Interest	5,674,192	-	5,674,192
Difference between expected and actual experience	(635,663)	-	(635,663)
Contributions - employer	-	2,481,100	(2,481,100)
Contributions - employee	-	935,151	(935,151)
Net investment income	-	8,834,783	(8,834,783)
Benefit payments, including refunds of employee contributions	(4,000,952)	(4,000,952)	-
Administrative expense	-	(45,802)	45,802
Other changes	-	(2,321)	2,321
Net changes	<u>3,043,547</u>	<u>-</u>	<u>3,043,547</u>
Balance at 12/31/2017	<u>\$ 88,103,135</u>	<u>\$ 71,968,776</u>	<u>\$ 16,134,359</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%)		1% Increase in Discount Rate (7.75%)	
	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)
City's net pension liability	\$ 28,129,994	\$ 16,134,359	\$ 16,134,359	\$ 6,281,324

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.tmr3.com.

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

For the year ended September 30, 2018, the city recognized pension expense of \$2,673,724.

At September 30, 2018, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 111,160	\$ 562,720
Changes in actuarial assumptions	424,131	-
Difference between projected and actual investment earnings	-	1,820,937
Contributions subsequent to the measurement date	1,935,843	-
Total	<u>\$ 2,471,134</u>	<u>\$ 2,383,657</u>

\$1,935,843 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

For the Year Ended September 30:	
2019	\$ 223,893
2020	(81,740)
2021	(1,040,067)
2022	(950,452)
Total	<u>\$(1,848,366)</u>

Postemployment Benefits Other Than Pensions (OPEB) - TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	163
Inactive employees entitled to but not yet receiving benefits	44
Active employees	<u>244</u>
Total	<u>451</u>

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.19% for 2018 and 0.17% for 2017, of which 0.04% and 0.04%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. 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 prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2018 and 2017 were \$24,899 and \$24,103, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Total OPEB Liability

The City's total OPEB liability of \$953,513 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Discount rate	3.31%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 10.5% including inflation

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for un the provisions of GASB Statement No. 68.

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 Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates 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.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 3.31% was used to measure the total OPEB liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2017.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.31%) in measuring the Total OPEB Liability.

	1% Decrease in <u>Discount Rate (2.31%)</u>	<u>Discount Rate (3.31%)</u>	1% Increase in <u>Discount Rate (4.31%)</u>
Total OPEB Liability	\$ 1,162,273	\$ 953,513	\$ 793,409

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2018, the City reported a liability of \$953,513 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2017. For the year ended September 30, 2018, the City recognized OPEB expense of \$75,275. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2016	\$ 819,033
Changes for the year:	
Service cost	28,028
Interest	31,388
Changes of assumptions	80,404
Benefit payments	<u>(5,340)</u>
Net changes	<u>134,480</u>
Balance at 12/31/2017	<u>\$ 953,513</u>

At September 30, 2018, the City reported deferred outflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>
Changes in actuarial assumptions	\$ 64,545
Contributions subsequent to the measurement date	<u>5,560</u>
Totals	<u>\$ 70,105</u>

\$5,560 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2019. Other amounts reported as deferred outflows related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended September 30,</u>	
2019	\$ 15,859
2020	15,859
2021	15,859
2022	15,859
2023	1,109

Postemployment Benefits Other Than Pensions (OPEB) – Retiree Health Plan

Plan Description. The City provides post-retirement medical, dental, vision and life insurance benefits on behalf of its eligible retirees. The City established by ordinance the healthcare plan that covers eligible retired employees of the City. The City established an irrevocable trust (PEB Trust) and contracted with an administrator, Public Agencies Retirement Services (PARS), as well as a custodial bank, to manage the plan’s assets. Because plan assets are pooled by PARS with those of other plans for investment, the City’s plan assets meet the criteria of an agent multiple-employer plan under GASB Statement No. 75.

Benefits Provided. The City maintains medical, dental, vision and life insurance plans covering current and retired employees and their dependents. For pre-65 retirees, the medical plan is the same as the active plan. There are two options offered: a traditional medical plan with a deductible and copay and a high deductible plan. For most of the post-65 retirees, the medical plan is a fully-insured Medicare Supplement plan. However, there are fourteen current retirees that have never participated in the Medicare program and consequently, they will continue on the active plan which will be the primary payer throughout their lifetime. The dental plan is also self-insured with two options available to retirees and active employees alike: Dental with and without Orthodontia. Retirees may remain in the dental plan regardless of age.

The vision plan is fully-insured while the dental plan is self-insured. The vision plan is 100% funded through retiree contributions. Since the retiree must pay the full premium and there is not a material implicit subsidy for these benefits, there is no liability for the City. Therefore, the vision plan was excluded from our valuation. The life insurance plan is a Supplemental Death Benefit Fund administered by TMRS. The benefit is one times the annual salary for active employees and \$7,500 for retirees. A separate GASB 75 valuation was provided by TMRS (performed by GRS Retirement Consulting) which includes the required disclosures related to the life benefit. Therefore, we have excluded it from our valuation as well.

Effective 1/1/2018, a revision was made to the plan. For current and future employees hired after 1/1/2016, Retirees are only eligible to remain in the plan until age 65. In addition, these retirees are required to pay 100% of the premium cost (equivalent to the COBRA premiums). Therefore, these members' costs were assumed to be zero once attaining age 65.

For current employees hired prior to 1/1/2016, Retirees are eligible to remain on the self-funded plan prior to age 65 and may enroll in the Medicare Supplement plan once attaining Medicare eligibility; however, the City's subsidization of the cost of coverage will be eliminated effective 1/1/2028 or age 65 (whichever comes first). Therefore, these members' costs were assumed to be zero once attaining age 65. In addition, these retirees will be required to pay the COBRA premiums in order to continue to receive pre-65 coverage after 1/1/2028.

In addition, retirees will receive 67% of their remaining sick leave balance in a Retirement Health Savings Program through ICMA-RC (RHS benefit), if they are under the age of 65 on the effective date of retirement.

For current retirees, their coverage has not changed since the prior valuation. Members eligible for the subsidy will continue paying the posted premium rates paid by eligible active employees for pre-65 coverage (and post-65 coverage assuming they are not eligible for Medicare), and once attaining Medicare eligibility, retirees may enroll in the Medicare Supplement plan until death at the posted premium rates less the City's subsidy which will not exceed \$412.50 per month.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	75
Active members	<u>227</u>
Total	<u>302</u>

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Actuarial Valuation Date	September 30, 2018
Actuarial Cost Method	Individual Entry Age
Inflation Rate	2.50%
Salary Scale	2.50%
Demographic Assumptions	Based on the experience study covering the four year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	Mortality rates for active employees were based on the RPH-2014 Employee Mortality Table, Generational with Projection Scale MP-2018 for males or females, as appropriate. Mortality rates for retirees were based on on the RPH-2014 Health Annuitant Mortality Table, Generational with Projection Scale MP-2018 for males or females, as appropriate.
Health care cost trend rates	The medical (including stop loss) and dental clais mosts as well as expenses are assumed to go from 6.00% in 2019 to 4.50% and 3.00% in medical and dental, respectively. Medical and dental retiree contributions are assumed to increase at the same rate as claim costs.
Participation rates	It was assumed that 95% of retirees who are eligible for the City subsidy and 5% of those who are not eligible for the City subsidy would choose to receive health care benefits through the City.
Discount rate	The discount rate used to measure the the Total OPEB liaiblity was 7.0%. The projection of cash flows used to determine the discount assumed that Service contributions will be made that will cover all required annual benefit payments as they come due with the exception of HRA contributions the City makes to eligible employees' accounts upon retirement.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

There is no separately issued audited benefit plan report available for the City's OPEB plan.

Discount Rate. The discount rate used to measure the Total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that Service contributions will be made that will cover all required annual benefit payments as they become due with the exception of HRA contributions the City makes to eligible employees' accounts upon retirement. Those will be paid via PEB Trust. Based on these assumptions, the OPEB plan's Fiduciary Net Position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB liability.

Changes in Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 9/30/2017	\$ 10,571,731	\$ 3,713,583	\$ 6,858,148
Changes for the year:			
Service cost	43,312	-	43,312
Interest	731,662	-	731,662
Difference between expected and actual experience	(295,877)	-	(295,877)
Contributions for benefits due		283,929	(283,929)
Net investment income		312,323	(312,323)
Benefit payments	(325,462)	(325,462)	-
Net changes	153,635	270,790	(117,155)
Balance at 9/30/2018	<u>\$ 10,725,366</u>	<u>\$ 3,984,373</u>	<u>\$ 6,740,993</u>

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the Net OPEB Liability

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
City's net OPEB liability	\$ 7,906,926	\$ 6,740,993	\$ 5,758,115

Healthcare Cost Trend Rate Sensitivity Analysis. The following schedule shows the impact of the net OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the net OPEB liability.

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
City's net OPEB liability	\$ 5,770,419	\$ 6,740,993	\$ 7,882,670

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2018, the City reported a liability of \$6,740,993 for its net OPEB Liability. The net OPEB Liability was determined by an actuarial valuation as of September 30, 2017. Update procedures were used to roll forward the total OPEB liability to September 30, 2018. For the year ended September 30, 2018, the City recognized OPEB expense of \$439,692. There were no changes of benefit terms that affected measurement of the net OPEB liability during the measurement period.

Changes in assumptions and other inputs reflect a change in the blended discount rate from 4.00% to 7.00%.

At September 30, 2018, the City reported deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 221,908
Difference between projected and actual investment earnings	<u>51,010</u>
Total	<u>\$ 272,918</u>

There were no contributions subsequent to the measurement date as the City's measurement date and fiscal year is September 30. Other amounts of the reported deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended September 30,</u>	
2019	\$(86,722)
2020	(86,722)
2021	(86,722)
2022	(12,752)

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 January 1, 2015, the City's limit is increased from \$125,000 to \$150,000 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>2018</u>	<u>2017</u>
Aggregate liabilities October 1	\$ 252,651	\$ 206,577
Incurring liabilities	2,551,429	2,521,114
Paid liabilities	<u>(2,538,268)</u>	<u>(2,475,040)</u>
Aggregate liabilities September 30	<u>\$ 265,812</u>	<u>\$ 252,651</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, 2018. The City's remaining commitment to contractors for all projects is at \$44,692,821 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 2018, the City rebated property taxes of \$234,141 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, 2018.

Prior Period Adjustment – Change in Accounting Principles

During fiscal year 2018, the City adopted GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*. With GASB 75, the City must assume its total OPEB liability in connection with the TMRS SDBF and Retiree Health Insurance Plan. Adoption of GASB 75 required a prior period adjustment to report the effect of the standard retroactively. As such, beginning net position was restated by (\$436,011) and \$180,536 in the governmental and business-type activities, respectively.

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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, 2018

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 4,499,000	\$ 4,499,000	\$ 4,520,792	\$ 21,792
Sales tax	7,690,840	7,690,840	8,973,222	1,282,382
Franchise taxes	2,080,000	2,080,000	2,130,771	50,771
Other taxes	103,000	103,000	108,100	5,100
Licenses and permits	595,700	595,700	849,707	254,007
Charges for sales and services	423,992	423,992	462,437	38,445
Fines, fees, and forfeitures	1,557,003	1,557,003	1,328,658	(228,345)
Donations, contributions, and grants	160,894	186,660	213,069	26,409
Investment income	109,000	109,000	147,116	38,116
Miscellaneous	63,500	115,033	107,786	(7,247)
Total revenue	<u>17,282,929</u>	<u>17,360,228</u>	<u>18,841,658</u>	<u>1,481,430</u>
EXPENDITURES				
Current:				
General government				
Charter offices				
City Council	147,732	147,732	122,788	24,944
City Manager	418,843	451,236	404,690	46,546
City Secretary	200,195	206,907	186,947	19,960
City Attorney	165,000	176,878	176,878	-
City Judge	63,848	66,510	65,572	938
Finance				
Finance and accounting	899,309	938,405	927,822	10,583
Office services	90,500	90,500	77,742	12,758
Municipal court	372,028	384,165	366,407	17,758
Purchasing	104,279	156,965	155,194	1,771
Warehouse	55,408	57,082	56,088	994
Human resources	555,182	567,603	534,236	33,367
Information technology	985,870	1,014,409	968,011	46,398
Community development	303,425	311,612	227,333	84,279
Non-departmental	1,816,515	1,845,755	1,686,223	159,532
Public safety				
Public safety administration	1,009,313	1,019,992	1,018,458	1,534
Police	5,235,355	5,265,707	5,083,919	181,788
Fire	1,879,839	1,968,079	1,878,072	90,007
Victim's services	89,054	91,158	78,377	12,781
Public works				
Public utilities administration	348,949	360,024	231,714	128,310
Streets	2,788,909	2,762,748	2,399,764	362,984
GIS	248,431	255,809	215,679	40,130
Customer service center	214,381	222,396	214,975	7,421
Planning	260,817	269,260	181,412	87,848
Engineering	726,312	745,969	624,959	121,010
Surveying	195,664	201,662	186,633	15,029
Central inspection	507,451	524,041	511,756	12,285
Health	138,034	141,985	136,551	5,434

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, 2018

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Community services				
Community services administration	227,893	238,712	234,968	3,744
Recreation	16,803	16,803	16,143	660
Parks maintenance	889,232	910,539	876,088	34,451
Aquatic center	231,991	244,872	240,206	4,666
Building services	451,117	456,336	420,635	35,701
Cemetery	100,251	102,472	89,228	13,244
Library services	616,641	641,598	580,907	60,691
Community service assist	37,100	38,147	37,987	160
Garage	583,667	600,040	496,787	103,253
Tourism and cultural services				
Main street	105,324	108,810	104,875	3,935
Gift shop	145,970	148,541	109,323	39,218
Tour guides	7,800	7,800	5,879	1,921
Total expenditures	<u>23,234,432</u>	<u>23,759,259</u>	<u>21,931,226</u>	<u>1,828,033</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,951,503)</u>	<u>(6,399,031)</u>	<u>(3,089,568)</u>	<u>3,309,463</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	6,135,248	6,135,248	6,135,248	-
Transfers out	(523,632)	(970,132)	(970,132)	-
Sale of capital assets	3,000	3,000	80,808	77,808
Total other financing sources (uses)	<u>5,614,616</u>	<u>5,168,116</u>	<u>5,245,924</u>	<u>77,808</u>
NET CHANGE IN FUND BALANCE	<u>(336,887)</u>	<u>(1,230,915)</u>	<u>2,156,356</u>	<u>3,387,271</u>
FUND BALANCE, BEGINNING	<u>11,654,872</u>	<u>11,654,872</u>	<u>11,654,872</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 11,317,985</u>	<u>\$ 10,423,957</u>	<u>\$ 13,811,228</u>	<u>\$ 3,387,271</u>

CITY OF HUNTSVILLE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Measurement Date December 31,	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
A. Total pension liability				
Service Cost	\$ 1,618,547	\$ 1,748,260	\$ 1,967,624	\$ 2,005,970
Interest (on the Total Pension Liability)	5,052,504	5,264,932	5,411,590	5,674,192
Difference between expected and actual experience	(379,732)	(99,924)	207,820	-
Changes of assumptions	-	1,388,066	-	(635,663)
Benefit payments, including refunds of employee contributions	<u>(3,168,397)</u>	<u>(3,474,572)</u>	<u>(3,430,679)</u>	<u>(4,000,952)</u>
Net change in total pension liability	3,122,922	4,826,762	4,156,355	3,043,547
Total pension liability - beginning	<u>72,953,549</u>	<u>76,076,471</u>	<u>80,903,233</u>	<u>85,059,588</u>
Total pension liability - ending (a)	<u>\$ 76,076,471</u>	<u>\$ 80,903,233</u>	<u>\$ 85,059,588</u>	<u>\$ 88,103,135</u>
B. Plan fiduciary net position				
Contributions - Employer	\$ 2,053,801	\$ 2,126,131	\$ 2,233,194	\$ 2,481,100
Contributions - Employee	846,679	862,278	915,782	935,151
Net Investment Income	3,289,610	89,250	4,055,924	8,834,783
Benefit payments, including refunds of employee contributions	(3,168,397)	(3,474,572)	(3,430,679)	(4,000,952)
Administrative Expenses	(34,349)	(54,371)	(45,826)	(45,802)
Other	<u>(2,824)</u>	<u>(2,686)</u>	<u>(2,469)</u>	<u>(2,321)</u>
Net change in plan fiduciary net position	2,984,520	(453,970)	3,725,926	8,201,959
Plan fiduciary net position - beginning	<u>57,510,341</u>	<u>60,494,861</u>	<u>60,040,891</u>	<u>63,766,817</u>
Plan fiduciary net position - ending (b)	<u>\$ 60,494,861</u>	<u>\$ 60,040,891</u>	<u>\$ 63,766,817</u>	<u>\$ 71,968,776</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 15,581,610</u>	<u>\$ 20,862,342</u>	<u>\$ 21,292,771</u>	<u>\$ 16,134,359</u>
D. Plan fiduciary net position as a percentage of total pension liability	79.52%	74.21%	74.97%	81.69%
E. Covered payroll	\$ 12,095,412	\$ 12,303,029	\$ 13,082,605	\$ 13,346,443
F. Net pension liability as a percentage of covered payroll	128.82%	169.57%	162.76%	120.89%

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 PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Fiscal Year Ended September 30,	2014	2015	2016	2017	2018
Actuarial determined contribution	\$ 1,934,620	\$ 2,082,681	\$ 2,290,870	\$ 2,440,874	\$ 2,503,097
Contributions in relation to the actuarially determined contribution	(1,934,620)	(2,082,681)	(2,290,870)	(2,440,874)	(2,503,097)
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	11,764,506	12,095,412	13,889,084	13,390,464	13,425,685
Contributions as a percentage of covered payroll	16.44%	17.22%	16.49%	18.23%	18.64%

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	28 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

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Measurement Date December 31,	<u>2018</u>
A. Total OPEB liability	
Service Cost	\$ 28,028
Interest (on the Total OPEB Liability)	31,388
Changes of assumptions	80,403
Benefit payments, including refunds of employee contributions	<u>(5,339)</u>
Net change in Total OPEB liability	134,480
Total OPEB liability - beginning	<u>819,033</u>
Total OPEB liability - ending	<u>953,513</u>
B. Covered-employee payroll	\$ 13,346,443
C. Total OPEB liability as a percentage of covered-employee payroll	7.14%

Notes to Schedule:

- No assets are accumulated in a trust for the SDB plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.
- This schedule is required to have 10 years of information, but the information prior to 2017 is not available.
- Included in the changes of assumptions was a reduction to the discount rate from 3.81% to 3.31%.

CITY OF HUNTSVILLE, TEXAS

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS
RETIREE HEALTH CARE BENEFIT PLAN**

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Measurement Date September 30,	<u>2018</u>
A. Total OPEB liability	
Service Cost	\$ 43,312
Interest (on the Total OPEB Liability)	731,662
Difference between expected and actual experience	(295,877)
Benefit payments	<u>(325,462)</u>
Net change in total OPEB liability	153,635
Total OPEB liability - beginning	<u>10,571,731</u>
Total OPEB liability - ending (a)	<u>\$ 10,725,366</u>
B. Plan fiduciary net position	
Contributions for benefits due	283,929
Net Investment Income	312,323
Benefit payments	<u>(325,462)</u>
Net change in plan fiduciary net position	270,790
Plan fiduciary net position - beginning	<u>3,713,583</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,984,373</u>
C. Net OPEB liability - ending (a) - (b)	<u>\$ 6,740,993</u>
D. Plan fiduciary net position as a percentage of total OPEB liability	37.15%
E. Covered-employee payroll	\$ 12,248,001
F. Net OPEB liability as a percentage of covered-employee payroll	55.04%

Notes to Schedule:

- No assets are accumulated in a trust for the retiree health care plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.
- This schedule is required to have 10 years of information, but the information prior to 2018 is not available.
- Included in the changes of assumptions was a reduction to the discount rate from 3.81% to 3.31%.

CITY OF HUNTSVILLE, TEXAS

NOTES TO BUDGETARY SCHEDULES

SEPTEMBER 30, 2018

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 27th 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.

**COMBINING STATEMENTS
AND BUDGETARY COMPARISONS**

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CITY OF HUNTSVILLE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,847,488	\$ 2,915,843	\$ 478,312	\$ 5,241,643
Accounts receivable (net of allowance for uncollectibles):				
Accounts	41,851	-	-	41,851
Taxes	67,025	-	-	67,025
Intergovernmental	20,060	-	-	20,060
Interest	-	4,664	2,735	7,399
Due from other funds	6	-	-	6
Property held for sale	<u>14,253</u>	<u>-</u>	<u>-</u>	<u>14,253</u>
 Total assets	 <u>1,990,683</u>	 <u>2,920,507</u>	 <u>481,047</u>	 <u>5,392,237</u>
LIABILITIES				
Accounts payable	46,320	3,064	-	49,384
Accrued liabilities	18,236	-	-	18,236
Due to other funds	1,857	-	-	1,857
Due to other governments	<u>37,928</u>	<u>-</u>	<u>-</u>	<u>37,928</u>
Total liabilities	<u>104,341</u>	<u>3,064</u>	<u>-</u>	<u>107,405</u>
FUND BALANCES				
Nonspendable permanent funds	-	-	461,787	461,787
Restricted for:				
Promotion of tourism	598,162	-	-	598,162
Court technology and security	223,933	-	-	223,933
Purpose of grantors, trustees and donors	668,461	-	19,260	687,721
Law enforcement	395,786	-	-	395,786
Assigned to:				
Construction of capital assets	<u>-</u>	<u>2,917,443</u>	<u>-</u>	<u>2,917,443</u>
Total fund balances	<u>1,886,342</u>	<u>2,917,443</u>	<u>481,047</u>	<u>5,284,832</u>
 Total liabilities and fund balances	 <u>\$ 1,990,683</u>	 <u>\$ 2,920,507</u>	 <u>\$ 481,047</u>	 <u>\$ 5,392,237</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, 2018

	Special Revenue	Capital Projects	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$ 234,140	\$ -	\$ -	\$ 234,140
Other taxes	887,148	-	-	887,148
Charges for sales and services	518,326	-	-	518,326
Fines, fees, and forfeitures	230,166	-	-	230,166
Donations, contributions, and grants	136,251	714	-	136,965
Investment income	29,457	48,412	5,610	83,479
Miscellaneous	345	-	-	345
Total revenues	2,035,833	49,126	5,610	2,090,569
EXPENDITURES				
General government	28,054	-	-	28,054
Public works	149,024	609	-	149,633
Community services	822,381	-	-	822,381
Public safety	780,569	45,043	-	825,612
Total expenditures	1,780,028	45,652	-	1,825,680
EXCESS (DEFICIENCY) OF REVENUES (OVER) UNDER EXPENDITURES				
	255,805	3,474	5,610	264,889
OTHER FINANCING SOURCES (USES)				
Transfers in	223,632	-	-	223,632
Transfers out	(158,998)	(476,339)	(300)	(635,637)
Total other financing sources (uses)	64,634	(476,339)	(300)	(412,005)
NET CHANGE IN FUND BALANCES				
	320,439	(472,865)	5,310	(147,116)
FUND BALANCES, BEGINNING				
	1,565,903	3,390,308	475,737	5,431,948
FUND BALANCES, ENDING				
	\$ 1,886,342	\$ 2,917,443	\$ 481,047	\$ 5,284,832

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

SEPTEMBER 30, 2018

	<u>Municipal Court Security and Technology</u>	<u>Police Forfeiture</u>	<u>Airport</u>	<u>Library Special Donations</u>
ASSETS				
Cash and investments	\$ 227,031	\$ 297,662	\$ 158,255	\$ 82,953
Accounts receivable (net of allowance for uncollectibles):				
Accounts	-	-	-	20
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Due from other funds	-	-	-	-
Property held for sale	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>227,031</u>	 <u>297,662</u>	 <u>158,255</u>	 <u>82,973</u>
LIABILITIES				
Accounts payable	-	480	938	590
Accrued liabilities	3,098	-	-	-
Due to other funds	-	-	-	-
Due to other governments	<u>-</u>	<u>37,928</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,098</u>	<u>38,408</u>	<u>938</u>	<u>590</u>
FUND BALANCES				
Restricted for:				
Promotion of tourism	-	-	-	-
Court security and technology	223,933	-	-	-
Purpose of grantors, trustees and donors	-	-	157,317	82,383
Law enforcement	<u>-</u>	<u>259,254</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>223,933</u>	<u>259,254</u>	<u>157,317</u>	<u>82,383</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 227,031</u>	 <u>\$ 297,662</u>	 <u>\$ 158,255</u>	 <u>\$ 82,973</u>

<u>Library Grants</u>	<u>School Resource Officer</u>	<u>Police Grants</u>	<u>Arts Center</u>	<u>Federal Grants</u>
\$ 5,353	\$ 111,462	\$ 143,149	\$ 149,450	\$ 59,965
-	41,831	-	-	-
-	-	-	9,595	-
-	-	15,606	-	4,454
-	-	-	6	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,253</u>
<u>5,353</u>	<u>153,293</u>	<u>158,755</u>	<u>159,051</u>	<u>78,672</u>
-	6,096	15,606	17,495	-
-	9,337	-	2,010	-
-	1,328	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>16,761</u>	<u>15,606</u>	<u>19,505</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
5,353	-	143,149	139,546	78,672
<u>-</u>	<u>136,532</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>5,353</u>	<u>136,532</u>	<u>143,149</u>	<u>139,546</u>	<u>78,672</u>
<u>\$ 5,353</u>	<u>\$ 153,293</u>	<u>\$ 158,755</u>	<u>\$ 159,051</u>	<u>\$ 78,672</u>

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

SEPTEMBER 30, 2018

	Area Revitalization	Tax Increment Reinvestment Zone #1	Hotel/ Motel Tourism	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and investments	\$ 22,840	\$ 39,201	\$ 550,167	\$ 1,847,488
Accounts receivable (net of allowance for uncollectibles):				
Accounts	-	-	-	41,851
Taxes	-	-	57,430	67,025
Intergovernmental	-	-	-	20,060
Due from other funds	-	-	-	6
Property held for sale	-	-	-	14,253
Total assets	22,840	39,201	607,597	1,990,683
LIABILITIES				
Accounts payable	-	-	5,115	46,320
Accrued liabilities	-	-	3,791	18,236
Due to other funds	-	-	529	1,857
Due to other governments	-	-	-	37,928
Total liabilities	-	-	9,435	104,341
FUND BALANCES				
Restricted for:				
Promotion of tourism	-	-	598,162	598,162
Court security and technology	-	-	-	223,933
Purpose of grantors, trustees and donors	22,840	39,201	-	668,461
Law enforcement	-	-	-	395,786
Total fund balances	22,840	39,201	598,162	1,886,342
Total liabilities and fund balances	\$ 22,840	\$ 39,201	\$ 607,597	\$ 1,990,683

CITY OF HUNTSVILLE, TEXAS

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

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Municipal Court Security and Technology</u>	<u>Police Forfeiture</u>	<u>Airport</u>	<u>Library Special Donations</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Charges for sales and services	-	-	18,150	-
Fines, fees, and forfeitures	64,656	163,769	-	-
Donations, contributions, and grants	-	-	2,322	16,804
Investment earnings	3,492	4,933	3,009	1,378
Miscellaneous	-	-	-	-
Total revenues	<u>68,148</u>	<u>168,702</u>	<u>23,481</u>	<u>18,182</u>
EXPENDITURES				
General government	21,595	-	-	6,459
Public works	-	-	25,516	-
Community services	-	-	-	6,139
Public safety	-	5,280	-	-
Total expenditures	<u>21,595</u>	<u>5,280</u>	<u>25,516</u>	<u>12,598</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>46,553</u>	<u>163,422</u>	<u>(2,035)</u>	<u>5,584</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(17,994)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(17,994)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	28,559	163,422	(2,035)	5,584
FUND BALANCES, BEGINNING	<u>195,374</u>	<u>95,832</u>	<u>159,352</u>	<u>76,799</u>
FUND BALANCES, ENDING	<u>\$ 223,933</u>	<u>\$ 259,254</u>	<u>\$ 157,317</u>	<u>\$ 82,383</u>

<u>Library Grants</u>	<u>School Resource Officer</u>	<u>Police Grants</u>	<u>Arts Center</u>	<u>Federal Grants</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	126,736	-
-	500,176	-	-	-
-	-	-	1,741	-
-	-	106,226	8,331	-
-	2,349	3,158	2,515	1,083
-	-	-	345	-
<u>-</u>	<u>502,525</u>	<u>109,384</u>	<u>139,668</u>	<u>1,083</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	254,044	-
-	599,256	176,033	-	-
<u>-</u>	<u>599,256</u>	<u>176,033</u>	<u>254,044</u>	<u>-</u>
-	(96,731)	(66,649)	(114,376)	1,083
-	128,064	-	95,568	-
-	-	-	-	-
<u>-</u>	<u>128,064</u>	<u>-</u>	<u>95,568</u>	<u>-</u>
-	31,333	(66,649)	(18,808)	1,083
<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>\$ 136,532</u>	<u>\$ 143,149</u>	<u>\$ 139,546</u>	<u>\$ 78,672</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, 2018

	<u>Area Revitalization</u>	<u>Tax Increment Reinvestment Zone #1</u>	<u>Hotel/ Motel Tourism</u>	<u>Total Nonmajor Special Revenue Funds</u>
REVENUES				
Property taxes	\$ -	\$ 234,140	\$ -	\$ 234,140
Other taxes	-	-	760,412	887,148
Charges for sales and services	-	-	-	518,326
Fines, fees, and forfeitures	-	-	-	230,166
Donations, contributions, and grants	-	-	2,568	136,251
Investment income	422	600	6,518	29,457
Miscellaneous	-	-	-	345
Total revenues	<u>422</u>	<u>234,740</u>	<u>769,498</u>	<u>2,035,833</u>
EXPENDITURES				
General government	-	-	-	28,054
Public works	-	-	123,508	149,024
Community services	1,007	234,141	327,050	822,381
Public safety	-	-	-	780,569
Total expenditures	<u>1,007</u>	<u>234,141</u>	<u>450,558</u>	<u>1,780,028</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(585)</u>	<u>599</u>	<u>318,940</u>	<u>255,805</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	223,632
Transfers out	-	-	(141,004)	(158,998)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(141,004)</u>	<u>64,634</u>
NET CHANGE IN FUND BALANCES				
	<u>(585)</u>	<u>599</u>	<u>177,936</u>	<u>320,439</u>
FUND BALANCES, BEGINNING				
	<u>23,425</u>	<u>38,602</u>	<u>420,226</u>	<u>1,565,903</u>
FUND BALANCES, ENDING				
	<u>\$ 22,840</u>	<u>\$ 39,201</u>	<u>\$ 598,162</u>	<u>\$ 1,886,342</u>

CITY OF HUNTSVILLE, TEXAS
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL COURT SECURITY AND TECHNOLOGY FUND
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines, fees, and forfeiture	\$ 74,058	\$ 74,058	\$ 64,656	\$(9,402)
Investment income	-	-	3,492	3,492
Total revenue	<u>74,058</u>	<u>74,058</u>	<u>68,148</u>	<u>(5,910)</u>
EXPENDITURES				
General government	29,000	29,000	21,595	7,405
Public works	<u>54,000</u>	<u>54,000</u>	-	<u>54,000</u>
Total expenditures	<u>83,000</u>	<u>83,000</u>	<u>21,595</u>	<u>61,405</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(8,942)</u>	<u>(8,942)</u>	<u>46,553</u>	<u>55,495</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(17,994)</u>	<u>(17,994)</u>	<u>(17,994)</u>	-
Total other financing sources (uses)	<u>(17,994)</u>	<u>(17,994)</u>	<u>(17,994)</u>	-
NET CHANGE IN FUND BALANCE	<u>(26,936)</u>	<u>(26,936)</u>	28,559	55,495
FUND BALANCE, BEGINNING	<u>195,374</u>	<u>195,374</u>	<u>195,374</u>	-
FUND BALANCE, ENDING	<u>\$ 168,438</u>	<u>\$ 168,438</u>	<u>\$ 223,933</u>	<u>\$ 55,495</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**POLICE FORFEITURE FUND
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines, fees, and forfeitures	\$ -	\$ -	\$ 163,769	\$ 163,769
Investment income	-	-	4,933	4,933
Total revenues	<u>-</u>	<u>-</u>	<u>168,702</u>	<u>168,702</u>
EXPENDITURES				
Public safety	<u>58,428</u>	<u>58,428</u>	<u>5,280</u>	<u>53,148</u>
Total expenditures	<u>58,428</u>	<u>58,428</u>	<u>5,280</u>	<u>53,148</u>
NET CHANGE IN FUND BALANCE	(58,428)	(58,428)	163,422	221,850
FUND BALANCE, BEGINNING	<u>95,832</u>	<u>95,832</u>	<u>95,832</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 37,404</u>	<u>\$ 37,404</u>	<u>\$ 259,254</u>	<u>\$ 221,850</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**AIRPORT FUND
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for sales and services	\$ 18,150	\$ 18,150	\$ 18,150	\$ -
Donations, contributions, and grants	10,000	10,000	2,322	(7,678)
Investment income	-	-	3,009	3,009
Total revenues	<u>28,150</u>	<u>28,150</u>	<u>23,481</u>	<u>(4,669)</u>
EXPENDITURES				
Public works	<u>38,150</u>	<u>44,200</u>	<u>25,516</u>	<u>18,684</u>
Total expenditures	<u>38,150</u>	<u>44,200</u>	<u>25,516</u>	<u>18,684</u>
NET CHANGE IN FUND BALANCE	(10,000)	(16,050)	(2,035)	14,015
FUND BALANCE, BEGINNING	<u>159,352</u>	<u>159,352</u>	<u>159,352</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 149,352</u>	<u>\$ 143,302</u>	<u>\$ 157,317</u>	<u>\$ 14,015</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**LIBRARY SPECIAL DONATIONS FUND
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Donations, contributions, and grants	\$ 29,500	\$ 37,450	\$ 16,804	\$(20,646)
Investment income	<u>1,500</u>	<u>1,500</u>	<u>1,378</u>	<u>(122)</u>
Total revenues	<u>31,000</u>	<u>38,950</u>	<u>18,182</u>	<u>(20,768)</u>
EXPENDITURES				
General government	-	7,950	6,459	1,491
Community services	<u>31,000</u>	<u>31,000</u>	<u>6,139</u>	<u>24,861</u>
Total expenditures	<u>31,000</u>	<u>38,950</u>	<u>12,598</u>	<u>26,352</u>
NET CHANGE IN FUND BALANCE	-	-	5,584	5,584
FUND BALANCE, BEGINNING	<u>76,799</u>	<u>76,799</u>	<u>76,799</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 76,799</u>	<u>\$ 76,799</u>	<u>\$ 82,383</u>	<u>\$ 5,584</u>

CITY OF HUNTSVILLE, TEXAS
BUDGETARY COMPARISON SCHEDULE
LIBRARY GRANTS
SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Donations, contributions, and grants	\$ <u>7,000</u>	\$ <u>7,000</u>	\$ -	\$(7,000)
Total revenues	<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>(7,000)</u>
EXPENDITURES				
Community services	<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Total expenditures	<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, BEGINNING	<u>5,353</u>	<u>5,353</u>	<u>5,353</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 5,353</u>	<u>\$ 5,353</u>	<u>\$ 5,353</u>	<u>\$ -</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**SCHOOL RESOURCE OFFICER FUND
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for sales and services	\$ 500,176	\$ 500,176	\$ 500,176	\$ -
Investment income	24	24	2,349	2,325
Total revenues	<u>500,200</u>	<u>500,200</u>	<u>502,525</u>	<u>2,325</u>
EXPENDITURES				
Public safety	<u>638,174</u>	<u>638,174</u>	<u>599,256</u>	<u>38,918</u>
Total expenditures	<u>638,174</u>	<u>638,174</u>	<u>599,256</u>	<u>38,918</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(137,974)</u>	<u>(137,974)</u>	<u>(96,731)</u>	<u>41,243</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>128,064</u>	<u>128,064</u>	<u>128,064</u>	<u>-</u>
Total other financing sources (uses)	<u>128,064</u>	<u>128,064</u>	<u>128,064</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(9,910)</u>	<u>(9,910)</u>	<u>31,333</u>	<u>41,243</u>
FUND BALANCE, BEGINNING	<u>105,199</u>	<u>105,199</u>	<u>105,199</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 95,289</u>	<u>\$ 95,289</u>	<u>\$ 136,532</u>	<u>\$ 41,243</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**POLICE GRANTS
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Donations, contributions, and grants	\$ 144,672	\$ 144,672	\$ 106,226	\$(38,446)
Investment income	-	-	3,158	3,158
Total revenues	<u>144,672</u>	<u>144,672</u>	<u>109,384</u>	<u>(35,288)</u>
EXPENDITURES				
Public safety	<u>304,049</u>	<u>304,049</u>	<u>176,033</u>	<u>128,016</u>
Total expenditures	<u>304,049</u>	<u>304,049</u>	<u>176,033</u>	<u>128,016</u>
NET CHANGE IN FUND BALANCE	(159,377)	(159,377)	(66,649)	92,728
FUND BALANCE, BEGINNING	<u>209,798</u>	<u>209,798</u>	<u>209,798</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 50,421</u>	<u>\$ 50,421</u>	<u>\$ 143,149</u>	<u>\$ 92,728</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**ARTS CENTER FUND
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Other taxes	\$ 120,000	\$ 120,000	\$ 126,736	\$ 6,736
Fines, fees, and forfeitures	2,000	2,000	1,741	(259)
Donations, contributions, and grants	2,648	2,648	8,331	5,683
Investment income	-	-	2,515	2,515
Miscellaneous	-	-	345	345
Total revenues	124,648	124,648	139,668	15,020
EXPENDITURES				
Community services	222,726	279,801	254,044	25,757
Total expenditures	222,726	279,801	254,044	25,757
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(98,078)	(155,153)	(114,376)	40,777
OTHER FINANCING SOURCES (USES)				
Transfers in	95,568	95,568	95,568	-
Total other financing sources (uses)	95,568	95,568	95,568	-
NET CHANGE IN FUND BALANCE	(2,510)	(59,585)	(18,808)	40,777
FUND BALANCE, BEGINNING	158,354	158,354	158,354	-
FUND BALANCE, ENDING	\$ 155,844	\$ 98,769	\$ 139,546	\$ 40,777

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**AREA REVITALIZATION
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Donations, contributions, and grants	\$ 2,500	\$ 2,500	\$ -	\$(2,500)
Investment income	<u>-</u>	<u>-</u>	<u>422</u>	<u>422</u>
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>422</u>	<u>(2,078)</u>
EXPENDITURES				
Community services	<u>2,500</u>	<u>2,500</u>	<u>1,007</u>	<u>1,493</u>
Total expenditures	<u>2,500</u>	<u>2,500</u>	<u>1,007</u>	<u>1,493</u>
NET CHANGE IN FUND BALANCE	-	-	(585)	(585)
FUND BALANCE, BEGINNING	<u>23,425</u>	<u>23,425</u>	<u>23,425</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 23,425</u>	<u>\$ 23,425</u>	<u>\$ 22,840</u>	<u>\$(585)</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**TAX INCREMENT REINVESTMENT ZONE #1
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 218,285	\$ 218,285	\$ 234,140	\$ 15,855
Investment income	-	-	600	600
Total revenues	<u>218,285</u>	<u>218,285</u>	<u>234,740</u>	<u>16,455</u>
EXPENDITURES				
Community services	<u>218,285</u>	<u>218,285</u>	<u>234,141</u>	<u>(15,856)</u>
Total expenditures	<u>218,285</u>	<u>218,285</u>	<u>234,141</u>	<u>(15,856)</u>
NET CHANGE IN FUND BALANCE	-	-	599	599
FUND BALANCE, BEGINNING	<u>38,602</u>	<u>38,602</u>	<u>38,602</u>	-
FUND BALANCE, ENDING	<u>\$ 38,602</u>	<u>\$ 38,602</u>	<u>\$ 39,201</u>	<u>\$ 599</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**HOTEL MOTEL - TOURISM
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Other taxes	\$ 630,000	\$ 630,000	\$ 760,412	\$ 130,412
Donations, contributions, and grants	2,000	2,500	2,568	68
Investment income	<u>14,807</u>	<u>14,807</u>	<u>6,518</u>	<u>(8,289)</u>
Total revenues	<u>646,807</u>	<u>647,307</u>	<u>769,498</u>	<u>122,191</u>
EXPENDITURES				
Public works	137,657	141,341	123,508	17,833
Community services	<u>376,230</u>	<u>373,046</u>	<u>327,050</u>	<u>45,996</u>
Total expenditures	<u>513,887</u>	<u>514,387</u>	<u>450,558</u>	<u>63,829</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>132,920</u>	<u>132,920</u>	<u>318,940</u>	<u>186,020</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(141,004)</u>	<u>(141,004)</u>	<u>(141,004)</u>	<u>-</u>
Total other financing sources (uses)	<u>(141,004)</u>	<u>(141,004)</u>	<u>(141,004)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(8,084)</u>	<u>(8,084)</u>	<u>177,936</u>	<u>186,020</u>
FUND BALANCE, BEGINNING	<u>420,226</u>	<u>420,226</u>	<u>420,226</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 412,142</u>	<u>\$ 412,142</u>	<u>\$ 598,162</u>	<u>\$ 186,020</u>

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CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 1,511,374	\$ 1,511,374	\$ 1,519,383	\$ 8,009
Charges for services	330,501	330,501	330,501	-
Investment income	<u>1,500</u>	<u>1,500</u>	<u>14,306</u>	<u>12,806</u>
Total revenues	<u>1,843,375</u>	<u>1,843,375</u>	<u>1,864,190</u>	<u>20,815</u>
EXPENDITURES				
Debt service:				
Principal retirement	1,523,889	1,523,889	1,523,889	-
Interest and fiscal charges	<u>314,170</u>	<u>314,170</u>	<u>314,170</u>	<u>-</u>
Total expenditures	<u>1,838,059</u>	<u>1,838,059</u>	<u>1,838,059</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	5,316	5,316	26,131	20,815
FUND BALANCE, BEGINNING	<u>348,731</u>	<u>348,731</u>	<u>348,731</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 354,047</u>	<u>\$ 354,047</u>	<u>\$ 374,862</u>	<u>\$ 20,815</u>

CITY OF HUNTSVILLE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2018

	Street Capital Projects	Sidewalks	IS Computer CIP
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 2,430,331	\$ 35,065	\$ 401,386
Interest	<u>1,957</u>	<u>-</u>	<u>2,707</u>
Total assets	<u>2,432,288</u>	<u>35,065</u>	<u>404,093</u>
LIABILITIES			
Accounts payable	<u>-</u>	<u>-</u>	<u>3,064</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>3,064</u>
FUND BALANCES			
Assigned to:			
Construction of capital assets	<u>2,432,288</u>	<u>35,065</u>	<u>401,029</u>
Total fund balances	<u>2,432,288</u>	<u>35,065</u>	<u>401,029</u>
Total liabilities and fund balances	<u>\$ 2,432,288</u>	<u>\$ 35,065</u>	<u>\$ 404,093</u>

<u>Cemetery Projects</u>	<u>Land Acquisition</u>	<u>Total Nonmajor Capital Projects</u>
\$ 10,670	\$ 38,391	\$ 2,915,843
<u>-</u>	<u>-</u>	<u>4,664</u>
<u>10,670</u>	<u>38,391</u>	<u>2,920,507</u>
<u>-</u>	<u>-</u>	<u>3,064</u>
<u>-</u>	<u>-</u>	<u>3,064</u>
<u>10,670</u>	<u>38,391</u>	<u>2,917,443</u>
<u>10,670</u>	<u>38,391</u>	<u>2,917,443</u>
<u>\$ 10,670</u>	<u>\$ 38,391</u>	<u>\$ 2,920,507</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, 2018

	<u>Street Capital Projects</u>	<u>Sidewalks</u>	<u>IS Computer CIP</u>
REVENUES			
Donations, contributions, and grants	\$ -	\$ -	\$ -
Investment earnings	<u>42,237</u>	<u>2,411</u>	<u>799</u>
Total revenues	<u>42,237</u>	<u>2,411</u>	<u>799</u>
EXPENDITURES			
Public works	609	-	-
Public safety	<u>-</u>	<u>-</u>	<u>45,043</u>
Total expenditures	<u>609</u>	<u>-</u>	<u>45,043</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>41,628</u>	<u>2,411</u>	<u>(44,244)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(85,569)</u>	<u>(190,770)</u>	<u>-</u>
Total other financing sources (uses)	<u>(85,569)</u>	<u>(190,770)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(43,941)</u>	<u>(188,359)</u>	<u>(44,244)</u>
FUND BALANCES, BEGINNING	<u>2,476,229</u>	<u>223,424</u>	<u>445,273</u>
FUND BALANCES, ENDING	<u>\$ 2,432,288</u>	<u>\$ 35,065</u>	<u>\$ 401,029</u>

<u>Cemetery Projects</u>	<u>Land Acquisition</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 714	\$ -	\$ 714
<u>168</u>	<u>2,797</u>	<u>48,412</u>
<u>882</u>	<u>2,797</u>	<u>49,126</u>
-	-	609
<u>-</u>	<u>-</u>	<u>45,043</u>
<u>-</u>	<u>-</u>	<u>45,652</u>
<u>882</u>	<u>2,797</u>	<u>3,474</u>
<u>-</u>	<u>(200,000)</u>	<u>(476,339)</u>
<u>-</u>	<u>(200,000)</u>	<u>(476,339)</u>
<u>882</u>	<u>(197,203)</u>	<u>(472,865)</u>
<u>9,788</u>	<u>235,594</u>	<u>3,390,308</u>
<u>\$ 10,670</u>	<u>\$ 38,391</u>	<u>\$ 2,917,443</u>

CITY OF HUNTSVILLE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR PERMANENT FUNDS

SEPTEMBER 30, 2018

	Library Endowment Nonexpendable Trust	Oakwood Cemetery Endowment	Total Nonmajor Permanent Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 114,751	\$ 363,561	\$ 478,312
Interest receivable	<u> -</u>	<u> 2,735</u>	<u> 2,735</u>
 Total assets	 <u> 114,751</u>	 <u> 366,296</u>	 <u> 481,047</u>
 LIABILITIES	 <u> -</u>	 <u> -</u>	 <u> -</u>
 FUND BALANCES			
Nonspendable:			
Permanent funds	106,914	354,873	461,787
Restricted for:			
Purpose of grantors, trustees and donors	<u> 7,837</u>	<u> 11,423</u>	<u> 19,260</u>
Total fund balances	<u> 114,751</u>	<u> 366,296</u>	<u> 481,047</u>
 Total liabilities and fund balances	 <u>\$ 114,751</u>	 <u>\$ 366,296</u>	 <u>\$ 481,047</u>

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

NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Library Endowment Nonexpendable Trust	Oakwood Cemetery Endowment	Total Nonmajor Permanent Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Investment income	\$ 2,097	\$ 3,513	\$ 5,610
Total revenues	<u>2,097</u>	<u>3,513</u>	<u>5,610</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,097</u>	<u>3,513</u>	<u>5,610</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>-</u>	<u>(300)</u>	<u>(300)</u>
Total other financing sources (uses)	<u>-</u>	<u>(300)</u>	<u>(300)</u>
NET CHANGE IN FUND BALANCES	2,097	3,213	5,310
FUND BALANCES, BEGINNING	<u>112,654</u>	<u>363,083</u>	<u>475,737</u>
FUND BALANCES, ENDING	<u>\$ 114,751</u>	<u>\$ 366,296</u>	<u>\$ 481,047</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**LIBRARY ENDOWMENT
PERMANENT FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ 750	\$ 750	\$ 2,097	\$ 1,347
Total revenues	<u>750</u>	<u>750</u>	<u>2,097</u>	<u>1,347</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	750	750	2,097	1,347
FUND BALANCE, BEGINNING	<u>112,654</u>	<u>112,654</u>	<u>112,654</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 113,404</u>	<u>\$ 113,404</u>	<u>\$ 114,751</u>	<u>\$ 1,347</u>

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ 300	\$ 300	\$ 3,513	\$ 3,213
Total revenues	<u>300</u>	<u>300</u>	<u>3,513</u>	<u>3,213</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>300</u>	<u>300</u>	<u>3,513</u>	<u>3,213</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(300)	(300)	(300)	<u>-</u>
Total other financing sources (uses)	<u>(300)</u>	<u>(300)</u>	<u>(300)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	3,213	3,213
FUND BALANCE, BEGINNING	<u>363,083</u>	<u>363,083</u>	<u>363,083</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 363,083</u>	<u>\$ 363,083</u>	<u>\$ 366,296</u>	<u>\$ 3,213</u>

CITY OF HUNTSVILLE, TEXAS

STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2018

	<u>Medical Insurance</u>	<u>Equipment Replacement</u>	<u>Computer Replacement</u>	<u>Total Internal Service</u>
ASSETS				
Current assets:				
Cash and investments	\$ 2,521,189	\$ 3,761,036	\$ 208,810	\$ 6,491,035
Accounts receivable (net of allowances for uncollectable):				
Interest	<u>7,459</u>	<u>3,958</u>	<u>-</u>	<u>11,417</u>
Total current assets	<u>2,528,648</u>	<u>3,764,994</u>	<u>208,810</u>	<u>6,502,452</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	<u>-</u>	<u>3,525,656</u>	<u>247,085</u>	<u>3,772,741</u>
Total noncurrent assets	<u>-</u>	<u>3,525,656</u>	<u>247,085</u>	<u>3,772,741</u>
Total assets	<u>2,528,648</u>	<u>7,290,650</u>	<u>455,895</u>	<u>10,275,193</u>
LIABILITIES				
Current assets:				
Accounts payable	\$ <u>269,897</u>	\$ <u>-</u>	\$ <u>12,533</u>	\$ <u>282,430</u>
Total liabilities	<u>269,897</u>	<u>-</u>	<u>12,533</u>	<u>282,430</u>
NET POSITION				
Net investment in capital assets	-	3,525,656	247,085	3,772,741
Unrestricted	<u>2,258,751</u>	<u>3,764,994</u>	<u>196,277</u>	<u>6,220,022</u>
Total net position	<u>\$ 2,258,751</u>	<u>\$ 7,290,650</u>	<u>\$ 443,362</u>	<u>\$ 9,992,763</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, 2018

	<u>Medical Insurance</u>	<u>Equipment Replacement</u>	<u>Computer Replacement</u>	<u>Total Internal Service</u>
OPERATING REVENUES				
Charges for services:				
Inter-department services	\$ 3,595,448	\$ 1,629,972	\$ 219,009	\$ 5,444,429
Total service charges	<u>3,595,448</u>	<u>1,629,972</u>	<u>219,009</u>	<u>5,444,429</u>
Service fees and miscellaneous:				
Customer penalties and miscellaneous	375	86,760	-	87,135
Total service fees and miscellaneous	<u>375</u>	<u>86,760</u>	<u>-</u>	<u>87,135</u>
Total operating revenues	<u>3,595,823</u>	<u>1,716,732</u>	<u>219,009</u>	<u>5,531,564</u>
OPERATING EXPENSES				
Administration	3,451,506	-	-	3,451,506
Equipment replacement	-	63,811	48,622	112,433
Depreciation	-	1,347,812	92,015	1,439,827
Total operating expenses	<u>3,451,506</u>	<u>1,411,623</u>	<u>140,637</u>	<u>5,003,766</u>
OPERATING INCOME (LOSS)	<u>144,317</u>	<u>305,109</u>	<u>78,372</u>	<u>527,798</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	30,564	59,215	3,648	93,427
Total nonoperating revenues (expenses)	<u>30,564</u>	<u>59,215</u>	<u>3,648</u>	<u>93,427</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	174,881	364,324	82,020	621,225
Gain on disposal of capital assets	-	9,395	-	9,395
CHANGE IN NET POSITION	174,881	373,719	82,020	630,620
NET POSITION, BEGINNING	<u>2,083,870</u>	<u>6,916,931</u>	<u>361,342</u>	<u>9,362,143</u>
NET POSITION, ENDING	<u>\$ 2,258,751</u>	<u>\$ 7,290,650</u>	<u>\$ 443,362</u>	<u>\$ 9,992,763</u>

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF CASH FLOWS

ALL INTERNAL SERVICE FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	<u>Medical Insurance</u>	<u>Equipment Replacement</u>	<u>Computer Replacement</u>	<u>Total Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Interfund services provided and used	\$ 3,838,122	\$ 1,716,732	\$ 219,009	\$ 5,773,863
Cash payments to suppliers for goods and services	<u>(3,436,757)</u>	<u>(420,397)</u>	<u>(36,089)</u>	<u>(3,893,243)</u>
Net cash provided by operating activities	<u>401,365</u>	<u>1,296,335</u>	<u>182,920</u>	<u>1,880,620</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition or construction of capital assets	-	<u>(961,812)</u>	<u>(169,234)</u>	<u>(1,131,046)</u>
Proceeds from the sale of capital assets	<u>-</u>	<u>9,395</u>	<u>-</u>	<u>9,395</u>
Net used for capital and related financing activities	<u>-</u>	<u>(952,417)</u>	<u>(169,234)</u>	<u>(1,121,651)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends on investments	<u>26,924</u>	<u>61,482</u>	<u>3,648</u>	<u>92,054</u>
Net cash provided by investing activities	<u>26,924</u>	<u>61,482</u>	<u>3,648</u>	<u>92,054</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	428,289	405,400	17,334	851,023
CASH AND CASH EQUIVALENTS, BEGINNING	<u>2,092,900</u>	<u>3,355,636</u>	<u>191,476</u>	<u>5,640,012</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 2,521,189</u>	<u>\$ 3,761,036</u>	<u>\$ 208,810</u>	<u>\$ 6,491,035</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 144,317	\$ 305,109	\$ 78,372	\$ 527,798
Adjustments to reconcile operating income to net cash used by operating activities:				
Depreciation	-	1,347,812	92,015	1,439,827
Change in assets and liabilities:				
Decrease (increase) in receivables	242,299	-	-	242,299
Increase (decrease) in accounts payable	<u>14,749</u>	<u>(356,586)</u>	<u>12,533</u>	<u>(329,304)</u>
Total adjustments	<u>257,048</u>	<u>991,226</u>	<u>104,548</u>	<u>1,352,822</u>
Net cash provided by operating activities	<u>\$ 401,365</u>	<u>\$ 1,296,335</u>	<u>\$ 182,920</u>	<u>\$ 1,880,620</u>

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

SEPTEMBER 30, 2018

	<u>Employee Assistance Trust</u>	<u>Scholarship Trust</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ <u>20,506</u>	\$ <u>14,759</u>	\$ <u>35,265</u>
Total assets	\$ <u><u>20,506</u></u>	\$ <u><u>14,759</u></u>	\$ <u><u>35,265</u></u>
LIABILITIES			
Accounts payable	\$ <u>20,506</u>	\$ <u>14,759</u>	\$ <u>35,265</u>
Total liabilities	\$ <u><u>20,506</u></u>	\$ <u><u>14,759</u></u>	\$ <u><u>35,265</u></u>

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

YEAR ENDED SEPTEMBER 30, 2018

	Balance October 1, 2017	Additions	Deductions	Balance September 30, 2018
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EMPLOYEE ASSISTANCE TRUST FUND				
Assets				
Cash and investments	\$ 15,784	\$ 5,337	\$ 615	\$ 20,506
Total assets	<u>\$ 15,784</u>	<u>\$ 5,337</u>	<u>\$ 615</u>	<u>\$ 20,506</u>
Liabilities				
Accounts payable	\$ 15,784	\$ 5,337	\$ 615	\$ 20,506
Total liabilities	<u>\$ 15,784</u>	<u>\$ 5,337</u>	<u>\$ 615</u>	<u>\$ 20,506</u>
SCHOLARSHIP TRUST FUND				
Assets				
Cash and investments	\$ 11,382	\$ 12,842	\$ 9,465	\$ 14,759
Total assets	<u>\$ 11,382</u>	<u>\$ 12,842</u>	<u>\$ 9,465</u>	<u>\$ 14,759</u>
Liabilities				
Accounts payable	\$ 11,382	\$ 12,842	\$ 9,465	\$ 14,759
Total liabilities	<u>\$ 11,382</u>	<u>\$ 12,842</u>	<u>\$ 9,465</u>	<u>\$ 14,759</u>
TOTAL AGENCY FUNDS				
Assets				
Cash and investments	\$ 27,166	\$ 18,179	\$ 10,080	\$ 35,265
Total assets	<u>\$ 27,166</u>	<u>\$ 18,179</u>	<u>\$ 10,080</u>	<u>\$ 35,265</u>
Liabilities				
Accounts payable	\$ 27,166	\$ 18,179	\$ 10,080	\$ 35,265
Total liabilities	<u>\$ 27,166</u>	<u>\$ 18,179</u>	<u>\$ 10,080</u>	<u>\$ 35,265</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

	Page
Financial Trends	101 – 112
<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	113 – 118
<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	119 – 123
<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	124 – 127
<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	128 – 130
<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		
	2009	2010	2011
Governmental activities:			
Net investment in capital assets	\$ 13,137	\$ 15,282	\$ 14,982
Restricted	4,216	6,662	3,605
Unrestricted	13,352	6,984	9,453
Total governmental activities net position	\$ 30,705	\$ 28,928	\$ 28,040
Business-type activities:			
Net investment in capital assets	\$ 33,626	\$ 38,447	\$ 41,168
Unrestricted	25,990	24,273	25,078
Total business-type activities net position	\$ 59,616	\$ 62,720	\$ 66,246
Primary government:			
Net investment in capital assets	\$ 46,763	\$ 53,729	\$ 56,150
Restricted	4,216	6,662	3,605
Unrestricted	39,342	31,257	34,531
Total primary government net position	\$ 90,321	\$ 91,648	\$ 94,286

Source: Comprehensive Annual Financial Reports

TABLE 1

							Fiscal Year
2012	2013	2014	2015	2016	2017	2018	
\$ 17,068	\$ 17,385	\$ 18,677	\$ 13,061	\$ 21,330	\$ 23,318	\$ 25,703	
2,147	2,872	3,990	3,048	3,598	2,432	2,793	
<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>5,487</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>	<u>\$ 33,983</u>	
\$ 48,911	\$ 52,727	\$ 57,024	\$ 593	\$ 71,213	\$ 86,447	\$ 93,000	
<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>24,927</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>	<u>\$ 117,927</u>	
\$ 65,979	\$ 70,112	\$ 75,701	\$ 13,654	\$ 92,543	\$ 109,765	\$ 118,703	
2,147	2,872	3,990	3,048	3,598	2,432	2,793	
<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>30,414</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>	<u>\$ 151,910</u>	

CITY OF HUNTSVILLE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(Unaudited)

	Fiscal Year			
	2009	2010	2011	2012
EXPENSES				
Governmental activities:				
General government	\$ -	\$ -	\$ -	\$ 3,104,243
Charter offices	200,849	257,439	219,632	-
Finance	578,505	490,313	959,422	-
Public works	4,981,472	5,013,011	8,191,939	4,826,684
Administrative services	1,830,932	1,890,358	553,173	-
Community services	2,761,093	2,949,856	2,745,391	4,995,176
Public safety	6,063,508	6,413,503	6,772,314	7,042,470
Tourism and cultural services	-	-	-	-
Interest on long-term debt	756,682	657,074	735,374	686,724
Total governmental activities expenses	<u>17,173,041</u>	<u>17,671,554</u>	<u>20,177,245</u>	<u>20,655,297</u>
Business-type activities:				
Utility	18,408,045	18,442,624	17,878,288	17,308,634
Solid waste	3,935,369	4,153,125	4,246,715	4,508,492
Oakwood cemetery - operating	132,887	-	-	-
Total business-type activities expenses	<u>22,476,301</u>	<u>22,595,749</u>	<u>22,125,003</u>	<u>21,817,126</u>
Total primary government expenses	<u>\$ 39,649,342</u>	<u>\$ 40,267,303</u>	<u>\$ 42,302,248</u>	<u>\$ 42,472,423</u>
PROGRAM REVENUES				
Governmental activities:				
Fees, fines, and charges for services:				
General government	\$ -	\$ -	\$ -	\$ 466,973
Finance	815,659	742,152	902,445	-
Public works	545,732	646,211	735,745	280,187
Planning and development	-	-	-	-
Community services	132,403	543,111	545,891	196,991
Public safety	461,192	387,252	399,662	1,162,227
Tourism and cultural services	-	-	-	-
Operating grants and contributions	853,861	906,869	1,319,661	1,923,813
Capital grants and contributions	-	-	-	597,817
Total governmental activities program revenues	<u>2,808,847</u>	<u>3,225,595</u>	<u>3,903,404</u>	<u>4,628,008</u>

TABLE 2

		Fiscal Year									
		2013	2014	2015	2016	2017	2018				
\$	4,865,299	\$	5,587,458	\$	5,012,803	\$	5,947,780	\$	6,189,702	\$	5,897,776
	-		-		-		-		-		-
	-		-		-		-		-		-
	6,155,206		5,459,928		5,249,265		5,632,124		6,748,483		7,117,826
	-		-		-		-		-		-
	4,343,053		3,387,747		3,213,392		3,940,687		3,618,287		3,019,702
	7,674,754		7,571,741		7,737,532		8,725,431		9,594,739		8,595,311
	205,896		194,889		197,046		236,656		219,586		220,077
	582,045		508,431		449,561		376,667		341,943		295,010
	<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>		<u>25,145,702</u>
	13,875,401		13,874,764		13,902,621		14,231,770		14,946,001		16,013,857
	3,341,035		3,601,925		4,115,979		4,145,426		4,185,864		4,526,414
	-		-		-		-		-		-
	<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>20,540,271</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>	\$	<u>45,685,973</u>
\$	461,307	\$	135,251	\$	169,780	\$	225,747	\$	175,178	\$	247,303
	-		-		-		-		-		-
	359,429		360,479		444,576		511,621		750,952		814,881
	-		-		-		-		-		-
	80,771		79,355		85,303		111,518		165,472		230,827
	1,152,995		1,466,846		1,355,814		1,587,548		1,752,123		1,607,079
	132,279		449,438		448,438		455,529		441,191		417,508
	1,272,518		1,012,255		678,290		430,311		370,234		644,076
	228,627		1,240,972		461,936		121,190		113,643		104,915
	<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>		<u>4,066,589</u>

CITY OF HUNTSVILLE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(Unaudited)

	Fiscal Year			
	2009	2010	2011	2012
Business-type activities:				
Charges for services:				
Water	\$ 11,236,725	\$ 10,686,144	\$ 11,475,640	\$ 12,899,947
Wastewater	8,264,083	8,320,895	8,387,721	8,554,235
Solid waste	4,257,337	4,246,461	4,300,845	4,464,921
Oakwood cemetery - operating	16,457	-	-	-
Operating grants and contributions	577,216	190,023	1,339,979	129,421
Capital grants and contributions	-	-	-	377,791
Total business-type activities program revenues	<u>24,351,818</u>	<u>23,443,523</u>	<u>25,504,185</u>	<u>26,426,315</u>
 Total primary government program revenues	<u>\$ 27,160,665</u>	<u>\$ 26,669,118</u>	<u>\$ 29,407,589</u>	<u>\$ 31,054,323</u>
 NET (EXPENSE) REVENUES				
Governmental activities	\$(14,364,194)	\$(14,445,959)	\$(16,273,841)	\$(16,027,289)
Business-type activities	<u>1,875,517</u>	<u>847,774</u>	<u>3,379,182</u>	<u>4,609,189</u>
Total primary government net expense	<u>(12,488,677)</u>	<u>(13,598,185)</u>	<u>(12,894,659)</u>	<u>(11,418,100)</u>
 GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	4,642,267	4,910,022	4,945,427	4,950,887
Franchise	2,464,364	2,933,589	2,893,671	2,067,884
Sales	6,516,515	5,989,793	6,443,698	6,515,890
Other	624,862	614,394	647,106	652,479
Investment earnings	163,418	201,656	182,986	191,187
Gain on sale of capital assets	(18,077)	-	-	7,485
Miscellaneous	822,493	132,978	256,999	75,453
Transfers	<u>938,099</u>	<u>(2,113,407)</u>	<u>16,745</u>	<u>1,366,445</u>
Total governmental activities	<u>16,153,941</u>	<u>12,669,025</u>	<u>15,386,632</u>	<u>15,827,710</u>
 Business-type activities:				
Investment earnings	210,752	142,636	141,713	236,694
Miscellaneous	-	-	21,557	214,013
Transfers	<u>(938,099)</u>	<u>2,113,407</u>	<u>(16,745)</u>	<u>(1,366,445)</u>
Total business-type activities	<u>(727,347)</u>	<u>2,256,043</u>	<u>146,525</u>	<u>(915,738)</u>
 Total primary government	<u>15,426,594</u>	<u>14,925,068</u>	<u>15,533,157</u>	<u>14,911,972</u>
 CHANGE IN NET POSITION				
Governmental activities	1,789,747	(1,776,934)	(887,209)	(199,579)
Business-type activities	<u>1,148,170</u>	<u>3,103,817</u>	<u>3,525,707</u>	<u>3,693,451</u>
 Total primary government	<u>\$ 2,937,917</u>	<u>\$ 1,326,883</u>	<u>\$ 2,638,498</u>	<u>\$ 3,493,872</u>

Notes:

Source: Comprehensive Annual Financial Reports

TABLE 2

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 14,953,542	\$ 14,834,188	\$ 15,736,699	\$ 16,129,760	\$ 17,802,407	\$ 26,765,735
8,110,864	8,319,330	8,581,175	8,793,130	8,654,704	-
4,589,223	4,676,708	4,888,187	5,251,611	5,573,443	5,716,681
-	-	-	-	-	-
64,530	462,175	105,698	1,449,514	7,123,788	697,753
103,632	-	-	-	-	-
<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>33,180,169</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>	<u>\$ 37,246,758</u>
\$(20,138,327)	\$(17,965,598)	\$(18,215,462)	\$(21,415,881)	\$(22,943,947)	\$(21,079,113)
<u>10,605,355</u>	<u>10,815,712</u>	<u>11,293,159</u>	<u>13,246,819</u>	<u>20,022,477</u>	<u>12,639,898</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>	<u>(8,439,215)</u>
5,432,756	5,708,473	5,840,689	5,816,471	6,124,340	6,271,809
2,073,036	2,065,187	2,741,577	2,083,559	2,094,257	2,150,356
6,726,868	7,292,731	7,942,631	7,956,186	9,001,502	8,973,222
889,203	1,025,696	1,013,999	980,206	824,729	995,248
274,573	373,492	337,682	210,191	297,980	302,390
670,466	-	-	-	-	-
158,219	185,946	621,758	125,828	223,297	228,846
<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>6,065,950</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>	<u>24,987,821</u>
53,314	304,479	196,447	327,113	267,211	450,320
474,384	680,754	561,630	404,109	1,131,561	942,917
<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>(6,065,950)</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>(4,672,713)</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>	<u>20,315,108</u>
1,762,074	4,067,069	5,428,840	762,007	1,361,160	3,908,708
<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>7,967,185</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>	<u>\$ 11,875,893</u>

CITY OF HUNTSVILLE, TEXAS

**FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS

(Unaudited)

	Fiscal Year			
	2009	2010	2011	2012
General fund				
Reserved*	\$ 332,802	\$ 318,410	\$ -	\$ -
Unreserved	8,685,056	8,721,665	-	-
Nonspendable*	-	-	112,643	191,710
Committed	-	-	220,230	-
Assigned	-	-	-	990,943
Unassigned	-	-	8,788,354	8,032,616
Total general fund	<u>\$ 9,017,858</u>	<u>\$ 9,040,075</u>	<u>\$ 9,121,227</u>	<u>\$ 9,215,269</u>
All other governmental funds				
Reserved*	\$ 421,501	\$ 178,950	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	2,214,950	2,299,640	-	-
Capital project funds	3,727,631	5,985,616	-	-
Debt service funds	-	388,653	-	-
Permanent funds	463,210	459,190	-	-
Nonspendable	-	-	469,485	480,517
Restricted	-	-	1,452,211	1,860,026
Committed	-	-	860,588	-
Assigned	-	-	2,898,732	3,154,522
Total all other governmental funds	<u>\$ 6,827,292</u>	<u>\$ 9,312,049</u>	<u>\$ 5,681,016</u>	<u>\$ 5,495,065</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					
2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
191,710	139,731	-	174,505	114,287	125,087
-	-	-	-	-	-
990,943	1,537,355	1,042,101	2,560,581	1,096,888	1,672,971
<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>12,013,170</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>	<u>\$ 13,811,228</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
480,517	474,315	461,787	461,787	461,787	461,787
1,860,026	3,515,953	2,643,009	3,115,047	1,928,584	4,744,266
-	-	-	-	-	-
<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>2,917,443</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>	<u>\$ 8,123,496</u>

CITY OF HUNTSVILLE, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS
(Unaudited)**

	Fiscal Year			
	2009	2010	2011	2012
REVENUES				
Taxes	\$ 14,228,818	\$ 14,465,189	\$ 14,907,890	\$ 14,298,498
Licenses, fees and permits	392,167	539,268	279,085	259,278
Fines, fees and forfeitures	858,241	857,412	941,449	1,222,931
Charges for services	834,379	862,328	893,643	938,218
Donations, contributions and grants	517,668	634,157	1,048,495	1,903,849
Administrative cost reimbursement	5,132,427	5,272,643	4,894,039	-
Investment earnings	163,418	201,656	182,986	191,187
Miscellaneous	919,343	467,635	932,790	765,322
Total revenues	<u>23,046,461</u>	<u>23,300,288</u>	<u>24,080,377</u>	<u>19,579,283</u>
EXPENDITURES				
General government	-	-	-	2,047,989
Charter offices	811,467	899,605	740,769	-
Finance	1,302,213	1,393,646	1,367,720	-
Public works	5,161,730	5,422,205	6,631,987	4,808,254
Administrative services	3,128,099	3,123,750	3,140,407	-
Community services	3,368,954	5,405,665	6,517,329	5,282,411
Public safety	6,075,462	6,448,506	6,772,314	6,526,579
Tourism and cultural services	-	-	-	-
Debt service:				
Interest and fiscal charges	926,827	653,729	736,974	705,805
Principal	7,504,000	1,334,000	1,513,000	1,603,000
Total expenditures	<u>28,278,752</u>	<u>24,681,106</u>	<u>27,420,500</u>	<u>20,974,038</u>

TABLE 4

		Fiscal Year									
		2013	2014	2015	2016	2017	2018				
\$	14,974,123	\$	16,124,713	\$	16,883,148	\$	16,919,724	\$	17,983,220	\$	18,373,556
	358,849		374,933		465,897		565,430		791,402		849,707
	858,761		1,270,905		1,105,652		1,244,894		1,499,185		1,558,824
	916,367		1,226,067		1,257,516		1,274,026		1,268,476		1,311,264
	1,240,129		1,894,348		881,160		332,022		229,126		350,034
	-		-		-		-		-		-
	39,136		221,282		161,675		210,191		297,980		302,390
	462,468		151,215		588,020		90,946		199,531		108,131
	<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>		<u>22,853,906</u>
	4,620,878		5,255,617		4,776,528		5,226,478		5,656,748		5,983,985
	-		-		-		-		-		-
	-		-		-		-		-		-
	5,942,388		5,659,152		5,625,395		5,628,818		6,683,958		7,887,838
	-		-		-		-		-		-
	4,327,291		3,506,538		3,428,744		4,020,172		3,834,098		3,815,330
	6,847,267		7,451,188		7,524,292		7,968,972		8,675,057		8,884,438
	205,896		194,889		197,046		236,656		219,586		220,077
	572,501		526,427		468,368		402,975		360,589		314,170
	<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>1,523,889</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>		<u>28,629,727</u>

CITY OF HUNTSVILLE, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS
(Unaudited)**

	Fiscal Year			
	2009	2010	2011	2012
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (5,232,291)</u>	<u>\$ (1,380,818)</u>	<u>\$ (3,340,123)</u>	<u>\$ (1,394,755)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of bonds/notes payable	8,255,000	3,500,000	-	2,753,852
Payments to escrow agent	-	-	-	(2,845,716)
Premium on issuance of debt	-	-	-	142,757
Sale of capital assets	-	-	-	7,527
Transfers in	2,207,393	2,391,521	1,903,386	3,615,265
Transfers out	<u>(2,291,969)</u>	<u>(2,003,729)</u>	<u>(2,113,141)</u>	<u>(2,526,840)</u>
Total other financing sources (uses)	<u>8,170,424</u>	<u>3,887,792</u>	<u>(209,755)</u>	<u>1,146,845</u>
NET CHANGE IN FUND BALANCES	<u>\$ 2,938,133</u>	<u>\$ 2,506,974</u>	<u>\$ (3,549,878)</u>	<u>\$ (247,910)</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>29.8%</u>	<u>8.1%</u>	<u>8.2%</u>	<u>12.1%</u>

Source: Comprehensive Annual Financial Reports

TABLE 4

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$(5,143,388)	\$(3,318,546)	\$(2,948,374)	\$(4,272,651)	\$(4,639,268)	\$(5,775,821)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
682,630	-	13,555	11,713	1,665	80,808
7,581,144	7,904,159	7,552,327	7,862,787	11,607,735	8,046,880
(2,000,864)	(2,523,017)	(2,406,361)	(2,857,340)	(5,868,733)	(1,980,930)
<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>6,146,758</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>\$ 370,937</u>
<u>8.5%</u>	<u>7.5%</u>	<u>12.0%</u>	<u>8.0%</u>	<u>7.3%</u>	<u>7.2%</u>

CITY OF HUNTSVILLE, TEXAS

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	Property Taxes ^a	Sales & Use Taxes	Franchise and Other Taxes ^b	Total
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
2018	6,274,316	8,973,222	3,126,019	18,373,557

Notes:

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

Source: Comprehensive Annual Financial Report

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>
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
2018	1,128,262,950	449,320,524	30,415,800	76,208,180	178,333,387	230,180,804	1,632,360,037	0.36660

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	
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
2018	0.27450	0.09210	0.36660	1.18000	0.58150	0.12540	2.25350

Source: County Board of Equalization and Assessment

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

Taxpayer	FY 2018			FY 2009		
	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	\$ 24,934,820	1	1.53%	N/A	N/A	N/A
C150 1300 Smither Drive LLC	21,713,800	2	1.33%	N/A	N/A	N/A
Entergy Texas Inc.	20,548,430	3	1.26%	11,070,810	6	0.97%
American Campus Community	19,975,680	4	1.22%	N/A	N/A	N/A
Weatherford US LP	17,610,359	5	1.08%	19,512,706	1	1.70%
Vesper Forum LLC	16,900,000	6	1.04%	N/A	N/A	N/A
Wal-Mart Stores Texas LLC	16,854,890	7	1.03%	16,093,830	2	1.41%
Waypoint Sam Houston Owner LLC	16,697,440	8	1.02%	N/A	N/A	N/A
Campus Crest at Huntsville LP	15,104,880	9	0.93%	N/A	N/A	N/A
Vesper Encore Huntsville LLC	<u>14,359,070</u>	10	<u>0.88%</u>	<u>N/A</u>	N/A	<u>N/A</u>
Total	\$ <u>184,699,369</u>		<u>11.32%</u>	\$ <u>46,677,346</u>		<u>4.08%</u>

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
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%	28,466	5,917,255	99.2%
2018	6,139,308	6,041,044	98.40%	-	6,041,044	98.4%

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>
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%
2018	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			
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
2018	3,495,731	3,345,000	-	53,960,000	1,784,269	2,565,000	65,150,000	3.30%	1,562

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							
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	# #####
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	14,800,000	280,487	14,519,513	1,407,684,452	1.03%	40,100	362
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
2018	3,495,731	3,345,000	-	6,840,731	1,784,269	2,565,000	53,960,000	8,625,000	371,063	8,253,937	1,632,360,037	0.51%	42,000	197

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, 2018
(Unaudited)

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Walker County	\$ 15,160,000	57.00%	\$ 8,641,200
Huntsville Independent School District	23,423,212	77.15%	18,071,008
Subtotal overlapping debt			26,712,208
Total direct - City of Huntsville	6,840,732	100.00%	<u>6,840,732</u>
Direct and Overlapping Debt			<u><u>\$ 33,552,940</u></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.

TABLE 14

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 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	\$ 163,236,004
Total net debt applicable to limit	<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>	<u>11,190,000</u>
Legal debt margin	<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>	<u>\$ 152,046,004</u>
Total net debt applicable to the limit as a percentage of debt limit.	16.40%	17.29%	14.36%	12.86%	11.91%	10.22%	8.20%	6.49%	5.98%	6.86%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$ 1,632,360,037
Debt limit (10% of assessed value)	163,236,004
Debt applicable to limit:	
General obligation bonds	11,190,000
Less: Amount set aside for repayment of general obligation debt	<u>371,063</u>
Total net debt applicable to limit	<u>10,818,937</u>
Legal debt margin	<u>\$ 152,417,067</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 ^a	Less: Operating Expenses ^b	Net Available Revenue	Principal and Interest Payments		
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	
2018	27,383,465	16,718,710	10,664,755	3,848,343	2.77	

Notes:

^a Revenues pledged for Wastewater bonds include Wastewater operations and Water operations. Therefore, revenues and expenditures for the Utility fund is included above.

^b 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 ^a (thousands)	(1)	(1)	Population 21 Years and Older	High School Graduate or Higher	(2)	(3)
	City of Huntsville	Walker County		Personal Income Per Capita ^a	Median Age			School Enrollment	Unemployment Rate
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%
2018	41,710	72,245	1,972,461	27,302	28.4	81.0%	83.6%	6,300	4.1%

Sources: 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: ^(a) For Walker County

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

Employer	2018			2009		
	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%	6,271	1	44.15%
Sam Houston State University	3,941	2	25.18%	3,099	2	21.82%
Huntsville Independent School District	1,450	3	5.82%	900	3	6.34%
Huntsville Memorial Hospital	522	4	3.40%	400	5	2.82%
Wal-Mart	405	5	2.59%	488	4	3.44%
Walker County	296	6	1.89%	365	7	2.57%
City of Huntsville	268	7	1.74%	327	8	2.30%
Education Service Center - Region VI	200	8	1.28%	389	6	2.74%
Weatherford Completion and Oilfield Services	188	9	1.20%	210	9	1.48%
Bayes Achievement Center	<u>185</u>	10	<u>1.09%</u>	<u>N/A</u>		<u>N/A</u>
	<u>14,455</u>		<u>88.92%</u>	<u>12,449</u>		<u>87.66%</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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Charter offices										
Office of the City Manager	2.00	2.00	2.00	2.00	2.50	2.00	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	-	-	-	-	-	-	-	-	-	-
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	7.00	7.00	7.00	7.00	7.00
Purchasing	2.50	2.50	2.50	2.50	2.50	1.00	1.00	1.00	1.00	1.00
Municipal court	5.50	6.50	6.50	6.50	7.00	4.50	4.50	4.50	4.50	5.50
Court security	1.00	-	-	-	1.00	-	-	-	-	-
Utility billing	6.00	6.00	6.00	6.00	6.00	5.50	5.50	5.50	5.50	5.50
Risk/safety management	1.00	1.00	-	-	-	-	-	-	-	-
Human resources	3.00	3.00	3.00	3.00	3.00	4.00	3.00	4.00	4.00	4.00
Information technology	6.00	6.00	4.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00
Neighborhood Resources	-	-	-	3.00	3.00	2.00	2.00	2.00	3.00	2.00
Public Works										
Administration	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00
Water production	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Water distribution	10.00	10.00	10.00	13.00	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	3.00
Wastewater collection	11.00	11.00	11.00	9.00	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	6.00	6.00	6.00	6.00
Solid waste disposal	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Residential collection	7.00	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	8.00	8.00	8.00	6.00	6.50	7.50	7.50	7.50
Fleet/Warehouse	2.00	2.00	1.00	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	11.00	11.00	11.00	11.00	10.00
Drainage maintenance	4.00	4.00	4.00	4.00	4.00	3.00	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

TABLE 18

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Community & Economic Development										
Administration	3.00	3.00	3.00	3.00	3.00	3.00	1.00	0.00	0.00	0.00
Customer Service - Service Center							3.50	3.50	3.50	3.50
Planning and development	18.50	18.50	18.00	18.00	18.00	13.00	1.00	2.50	2.50	2.50
Central inspection	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00	6.00	5.50
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	0.00	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	8.00
GIS							2.00	3.00	3.00	3.00
Survey							3.00	3.00	3.00	2.00
Parks & Leisure										
Administration	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Recreation	1.50	1.50	1.50	1.50	1.50	1.00	0.75	0.00	0.00	0.00
Parks maintenance	16.16	16.16	16.16	16.16	16.16	11.66	10.66	10.75	10.75	10.75
Aquatic center	0.66	1.00	1.00	1.00	1.00	2.00	2.50	2.50	2.50	2.50
Cemetery operations	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00
Building services	3.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00
Library	9.00	9.00	9.00	9.00	9.00	9.00	9.66	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	54.00	54.00	54.00	58.00	57.00	58.00	58.00	58.00	58.00	59.00
Fire	12.00	12.00	12.00	12.00	13.00	16.00	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	2.00
Visitor center	-	1.00	3.50	3.50	3.50	2.50	2.50	2.50	2.50	2.50
Gift shop	-	3.50	-	-	-	1.00	1.00	1.00	1.00	1.00
Cultural services	<u>2.00</u>	<u>1.50</u>	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>1.75</u>	<u>1.75</u>	<u>1.75</u>	<u>1.75</u>	<u>1.75</u>
Total	<u>257.82</u>	<u>263.16</u>	<u>259.16</u>	<u>267.16</u>	<u>269.66</u>	<u>269.91</u>	<u>267.82</u>	<u>271.66</u>	<u>273.66</u>	<u>273.16</u>

Source: City of Huntsville budget documents

TABLE 19

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Finance										
Invoices processed	10,109	11,673	13,950	13,882	13,975	14,023	12,628	11,300	11,300	11,323
Payroll checks/Direct Deposits issued	2,521	2,600	2,267	2,104	2,250	7,514	8,315	9,400	9,400	9,320
Court cases filed and processed	7,341	7,300	9,508	9,967	9,500	10,031	10,031	10,500	12,500	13,500
Warrants issued	2,982	2,880	3,308	3,753	3,600	3,820	3,820	4,000	4,000	4,320
Utility bills generated	106,807	103,500	103,800	106,186	107,200	108,000	108,024	110,800	111,400	114,059
Utility payments received	95,964	96,000	96,500	99,893	102,100	105,000	106,920	104,000	105,100	107,272
Meter reading service orders generated	10,967	11,000	10,500	13,207	13,415	13,520	13,101	14,500	14,100	13,945
Administrative services										
Workers compensation claims filed	30	25	20	22	-	11	9	N/A	N/A	N/A
On-site property inspections conducted	N/A									
Purchase orders issued	394	378	414	564	510	473	481	500	493	507
Formal bids issued	41	17	30	30	35	27	29	45	42	39
Computer help desk requests completed	2,743	2,700	1,743	1,743	1,800	2,050	2,102	1540	1610	1700
Garage work orders processed	1,500	1,542	1,900	2,416	2,300	2,350	2,327	2600	2575	2610
Public Works										
Gallons of water produced (in billions)	2.81	2.70	2.70	2.70	2.70	3.16	3.04	2.96	2.84	2.81
Water main leaks repaired	573	210	200	245	250	253	228	140	140	135
New water connections installed	118	100	100	89	90	95	89	150	146	135
New sewer taps installed	124	124	120	80	90	95	85	128	146	135
Gallons wastewater treated (in billions)	1.33	1.35	1.30	1.30	1.30	1.50	1.60	1.75	1.74	1.74
Manholes inspected and serviced	465	310	426	426	425	430	426	500	475	465
Commercial waste collected (in tons)	19,299	19,500	20,388	20,085	22,104	22,900	23,500	19,942	20,976	21,186
Residential waste collected (in tons)	6,866	6,508	6,874	6,417	6,500	6,750	7,200	5,989	5,866	5,925
Waste transferred to landfill (in tons)	37,642	39,013	38,172	35,055	38,200	37,500	38,500	37,234	37,977	38,357
Waste recycled (in tons)	3,731	3,573	3,209	6,635	7,200	7,400	7,475	3,173	3,509	3,544
Lane miles of existing streets seal coated	-	18.97	11.22	14.04	14.60	12.10	13.60	6.74	6.29	6.61
Tons of debris removed from drainage ways	1,628	2,500	150	33	50	60	60	60	60	60
Curb miles swept by street sweeper	2,642	2,700	2,890	2,464	2,600	2,600	2,600	600	600	600
Community & Economic Development										
Code enforcement complaints investigated	327	172	193	593	525	551	547	517	500	512
Food establishment inspections performed	563	586	604	492	548	567	576	530	539	525

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Community services										
In-house recreation programs offered	30	44	47	44	44	48	46	N/A	N/A	N/A
Contract recreation programs offered	2	6	4	4	4	2	2	N/A	N/A	N/A
Playground safety inspections performed	144	144	144	144	140	142	142	144	144	140
Library items circulated	129,953	133,266	99,950	117,495	135,000	137,836	139,200	169,550	170,000	171,200
Library visitors	157,459	160,409	120,307	157,567	160,000	160,215	161,100	102,827	104,000	105,000
Wynne Home visitors	14,835	14,000	30,216	30,516	30,000	29,855	30,154	40,705	42,138	42,559
Art and cultural events held	361	350	370	370	300	288	288	382	416	400
Business in Main Street downtown district	85	85	93	93	93	93	93	94	94	94
Main Street events held	5	5	5	6	5	5	5	6	6	7
Public safety										
Police calls for service	49,501	45,496	47,005	52,013	52,000	51,401	43,985	50,595	60,460	59,112
Arrests made	1,916	2,173	2,430	2,401	2,500	2,741	2,500	2,130	2,554	2,436
Citations issued	6,181	5,893	5,900	7,854	8,000	7,777	5,357	9,596	11,019	10,481
Offenses/incidents reported	4,345	4,068	4,200	4,653	4,700	3,096	2,981	3,230	3,901	1,672
Fire calls for service	1,417	1,194	1,254	1,501	1,525	1,378	1,300	1,431	1,450	1,442
Main alarms answered	278	201	220	185	190	311	200	224	285	291
Fire inspections conducted	183	176	188	184	190	156	130	144	200	128

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public utilities										
Water line (approximate miles)	200	205	205	205	205	245	245	245	245	246
Sewer line (approximate miles)	205	210	210	210	210	250	250	250	250	252
Lift stations	29	29	29	29	29	31	28	28	28	28
Water plants	2	2	2	2	2	3	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)	144	145	145	145	145	142	142	142	142	142
Community services										
Parks	26	26	26	26	26	27	27	27	27	27
Park acreage	281.94	281.94	281.94	281.94	281.94	414	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	4	4	4	4	4	4	4	4	4

Note: N/A - data not available.

Source: City departments

SINGLE AUDIT SECTION

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

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, 2018, 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 27, 2019.

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 27, 2019

**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, 2018. 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, 2018.

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 27, 2019

CITY OF HUNTSVILLE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures	Pass-through Expenditures
FEDERAL AWARDS				
<u>U. S. Department of Justice</u>				
Direct Program				
Bullet Proof Vest Partnership	16.607	N/A	\$ 4,147	\$ -
Equitable Sharing Program	16.922	N/A	349	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0627	15,606	-
Airport Project Participation Agreement	20.106	M1817HUNT	<u>2,322</u>	<u>-</u>
Total Direct Program			<u>22,424</u>	<u>-</u>
Passed through the Office of the Governor, Criminal Justice Division				
Victims of Crime Act Formula Grant Program	16.575	2016-VA-GX-0033	<u>87,442</u>	<u>-</u>
Total Passed through the Office of the Governor, Criminal Justice Division			<u>87,442</u>	<u>-</u>
Total U. S. Department of Justice			<u>109,866</u>	<u>-</u>
<u>U. S. Department of Homeland Security</u>				
Passed through the Texas Department of Public Safety				
Hazard Mitigation Grant	97.036	DR-4223-TX	172,374	-
Hazard Mitigation Grant	97.039	DR-1791-120	581,686	-
Emergency Management Performance Grants	97.042	17-TX-EMPG-0484	21,759	-
Cyber Crime Prevention	97.067	EMW-2017-SS-00005	75,194	-
Homeland Security Grant Program	97.073	3404201	<u>11,079</u>	<u>-</u>
Total Passed through the Texas Department of Public Safety			<u>862,092</u>	<u>-</u>
Total U. S. Department of Homeland Security			<u>862,092</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 971,958</u>	<u>\$ -</u>

CITY OF HUNTSVILLE, TEXAS

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

YEAR ENDED SEPTEMBER 30, 2018

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, 2018

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
Auditee qualified as low-risk auditee?	Yes

**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, 2018

None reported

CITY OF HUNTSVILLE, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

None reported

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