

City of Huntsville, Texas

Comprehensive Annual Financial Report

For the year ended September 30, 2016



CITY OF HUNTSVILLE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2016

Prepared By:
City of Huntsville, Texas
Finance Department

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CITY OF HUNTSVILLE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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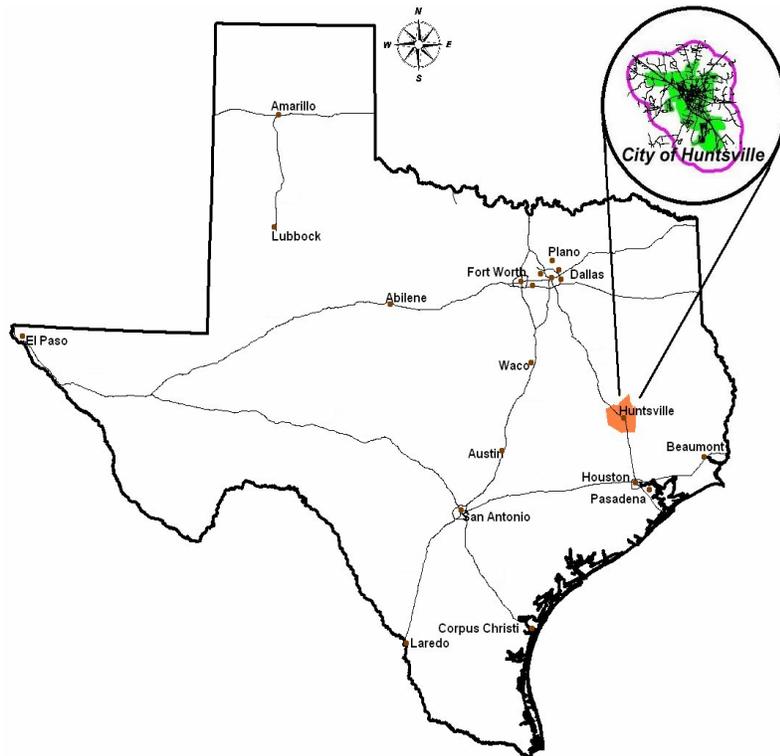
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INTRODUCTORY SECTION

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

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



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

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

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

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

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

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



March 10, 2017

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, 2016 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 thirteenth 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 government-wide.

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

The report is in its second 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 statements provide for including 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 assets, presenting all assets and liabilities of the city. The Statement of Activities presents revenues and expenses by function, demonstrating how those assets have changed, and distinguishes activities supported by user fees compared with those supported by taxes and intergovernmental transfers. The statements distinguish between traditional governmental activities and business-type activities.

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

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

City Services

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

Priorities and Objectives

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

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

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

- \$1.4 million for a major storm water drainage project.
- Almost \$150,000 in various other grants.

The property tax rate for FY 2016 was reduced to \$0.3838 from the 2015 rate of \$0.4106 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 \$510,649.

The Water Fund revenue increased over \$270,000 (roughly 1.6%) compared to the prior year. Water Fund had an increase in net position for the year in the amount of \$4.9 million. Wastewater had an increase in net position of \$3.6 million. Net position for the Solid Waste Fund decreased by roughly \$400,000.

On a government-wide basis, net position for Government activities increased \$762,007 from operations. Net position for business-type activities increased \$9 million from operations.

Comprehensive Plan

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

Economic Development

The City participated in a TIRZ (Tax Increment Reinvestment Zone) with the county pursuant to agreement with the developer. The TIRZ Fund reimbursed infrastructure costs. In the summer of 2009, Target opened in the developed area. In 2004 when the TIRZ was created the taxable value of the property in area was approximately \$360,000. The value of the property within the TIRZ for FY 2016 was \$23,366,000. The FY 2016 value was up significantly \$7,078,000 (40%) over the previous FY 2015 value. Sales Tax revenue from businesses within the TIRZ area for FY 2016 totaled \$682,000 which was substantially greater than the prior fiscal year amount of \$367,000. The increase is the result of new retail stores opening in the retail center in the 2014 – 2015 fiscal year. Per a "380 Agreement" with the TIRZ developer one half of the Sales Tax received from business within the TIRZ are paid to the developer. The "380 Agreement" is in effect through FY 2019. In fiscal year 2015 there were 14 businesses operating within the TIRZ. Two additional businesses are expected to open for business in FY 2016.

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 \$760,391 for tourism, \$225,770 for the Arts center, \$103,333 for Visitors Center operations, and \$131,862 for the Gift shop with total revenues for these divisions of \$1,160,168.

Capital Projects

Construction-in-progress for enterprise fund projects in the Water and Wastewater Funds are recorded in their respective funds. The Water Fund recorded \$1,956,960 in construction and the Wastewater Fund \$3,484,435 in construction. Governmental Activities improvements totaled \$1,753,515.

Completed Capital Projects for the fiscal year were:

- Water projects \$300,578
- Wastewater extension projects \$4,131,802
- Governmental Activities projects \$73,240

Debt Issues

The did not issue any new debt in the 2016 Fiscal Year. There were not any debt refundings during the year. General Obligation/Tax Debt at 9/30/2016 was \$9,842,772. Water Fund Debt totaled \$14,513,524. Wastewater Fund Debt was \$2,648,341. Solid Waste Fund Debt was \$2,780,000

Debt Service Fund

The fund balance for the Debt Service Fund servicing general obligation debt increased \$30,852 to 340,668.

Utility and Tax Rates

The adopted property tax rate for fiscal year 2016 was \$0.3838 which was reduced from the previous fiscal year rate of \$0.4106. The calculated Effective Tax Rate for FY 2016 was \$.3838 and the calculated Rollback Rate was \$0.4203. The highest rate in the previous 10 years was for fiscal year 2006 in the amount of \$0.4319. The average rate in the last 10 years is \$0.4110.

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 2015 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. Consequently, revenue compared to budget increased from the prior year with a one percent portfolio average.

Budget Process

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

Internal Controls

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

Independent Audit

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

Awards

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Huntsville for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2015. This was the 40th 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 29 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, 2016 (FY 2016-17), has been submitted for review.

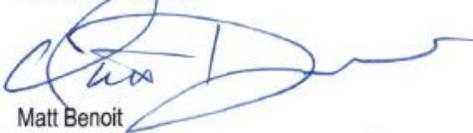
Acknowledgements

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



Matt Benoit
City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Huntsville
Texas**

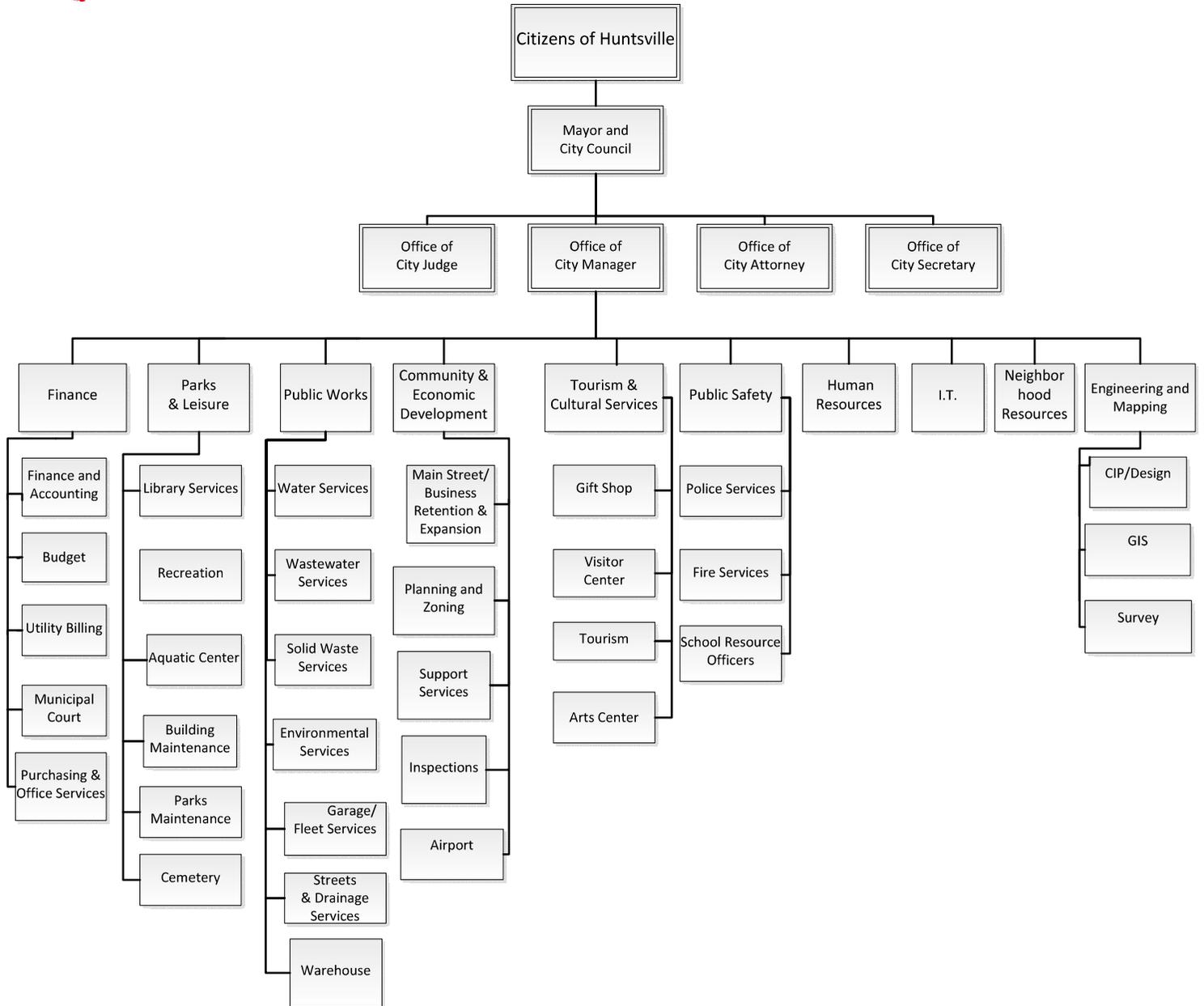
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO



Organizational Chart FY 2015-16



CITY OF HUNTSVILLE, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2016

Elected Officials

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

Appointed Officials & Directors

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

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FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntsville, Texas (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2016, 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 Note I to the financial statements, in 2016 the City adopted new accounting guidance, Governmental Accounting Standards (GASB) Statement No. 72, *Fair Value Measurement and Application*. 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, the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual—General Fund, the pension information on pages 4 through 13 and 62 through 64 and the Schedule of Funding Progress – Other Post-Employment Benefits Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2017, 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 10, 2017

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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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to vii of this report, and the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the 2016 fiscal year by \$123,246,637 (net position). Of this amount, \$27,105,821 (unrestricted net position) may be used to meet the government’s ongoing obligations to citizens and creditors.
- As of the close of fiscal year 2016, the City’s governmental funds reported combined ending fund balances of \$20,462,388, an increase of \$744,509 from the prior year before a prior period adjustment of \$201,150. Approximately 52% of this total amount is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,686,739 or 54% of total General Fund expenditures.
- The City’s total capital assets net of accumulated depreciation increased by \$3,581,444. This is primarily due to the fact that additions to capital assets exceeded the value of capital asset deletions and depreciation expense for the current year.
- The City’s governmental and business-type activities long-term liabilities decreased \$605,131 due to debt service payments for TRA contract revenue bonds, certificates of obligations, and general obligation refunding bonds.

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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information in order to present how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will only result in changes in cash flows for future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

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

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

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

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

The City maintains 23 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund, which are considered to be major funds. Data from the other 21 governmental funds are combined into a single aggregate presentation.

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater and solid waste operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water, wastewater and solid waste, all of which are considered to be major funds.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 29 of this report.

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2016, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$123,246,637.

The largest portion of the City's net position (75%) 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 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$27,105,821, may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2016, 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 28,361,795	\$ 27,618,217	\$ 34,110,256	\$ 33,859,114	\$ 62,472,051	\$ 61,477,331
Capital assets	<u>31,250,886</u>	<u>31,928,198</u>	<u>89,285,869</u>	<u>85,027,113</u>	<u>120,536,755</u>	<u>116,955,311</u>
Total assets	<u>59,612,681</u>	<u>59,546,415</u>	<u>123,396,125</u>	<u>118,886,227</u>	<u>183,008,806</u>	<u>178,432,642</u>
Deferred outflows of resources	<u>4,958,031</u>	<u>1,619,990</u>	<u>1,694,012</u>	<u>656,788</u>	<u>6,652,043</u>	<u>2,276,778</u>
Long-term liabilities outstanding	33,569,169	30,533,971	28,110,083	31,750,412	61,679,252	62,284,383
Other liabilities	<u>1,632,927</u>	<u>1,818,549</u>	<u>2,813,196</u>	<u>2,597,415</u>	<u>4,446,123</u>	<u>4,415,964</u>
Total liabilities	<u>35,202,096</u>	<u>32,352,520</u>	<u>30,923,279</u>	<u>34,347,827</u>	<u>66,125,375</u>	<u>66,700,347</u>
Deferred inflows of resources	<u>219,458</u>	<u>225,584</u>	<u>69,379</u>	<u>70,303</u>	<u>288,837</u>	<u>295,887</u>
Net position:						
Net investment, in capital assets	21,330,247	20,568,768	71,212,528	62,490,710	92,542,775	83,059,478
Restricted	3,598,041	3,678,564	-	-	3,598,041	3,678,564
Unrestricted	<u>4,220,870</u>	<u>4,340,969</u>	<u>22,884,951</u>	<u>22,634,175</u>	<u>27,105,821</u>	<u>26,975,144</u>
Total net position	<u>\$ 29,149,158</u>	<u>\$ 28,588,301</u>	<u>\$ 94,097,479</u>	<u>\$ 85,124,885</u>	<u>\$ 123,246,637</u>	<u>\$ 113,713,186</u>

Governmental activities. Net position increased by \$762,007 in fiscal year 2016 before a prior period adjustment. This is compared to an increase of \$5,428,840 in fiscal year 2015. The increase in net position as compared to the prior year is comprised of various factors. Related to revenues, the major factors include an increase in charges for services of \$388,502. On the expense side, there was a decrease of \$72,894 in interest expense.

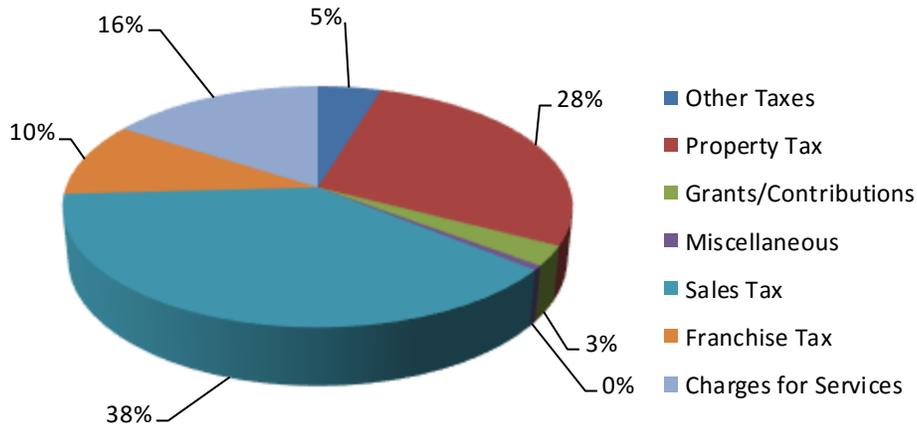
Business-type activities. Net position increased by \$8,972,594 in the current year before a prior period adjustment compared to an \$6,905,270 increase in fiscal year 2015. Major factors contributing to the increase in net position for fiscal year 2016 were increased charges for services revenues of over \$900,000, increase in operating grants of \$1.3 million, and transfers. All of these revenues increased due to an increase in economic activity in the City which has caused an increased demand for the City's public utilities.

Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2016. Overall, the City had an increase in net position of \$9,734,601. Major factors contributing to the increase are explained in the previous two paragraphs.

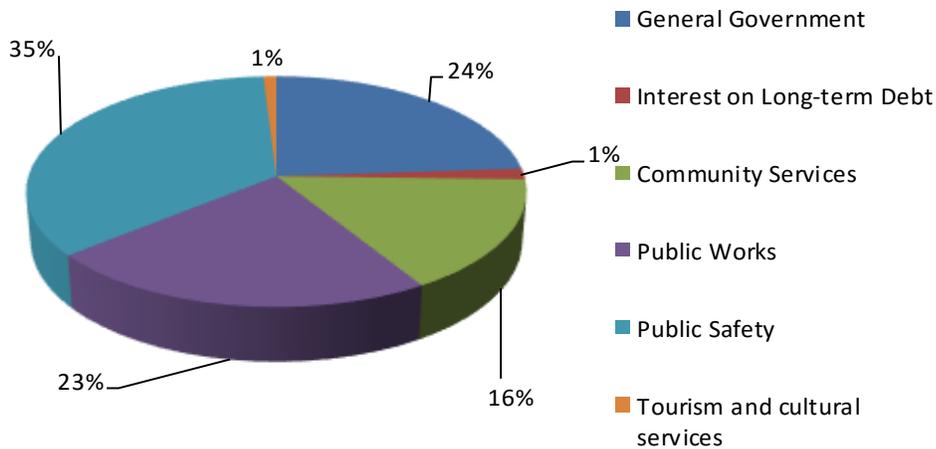
City of Huntsville, Texas'
Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 2,891,963	\$ 2,503,911	\$ 30,174,501	\$ 29,206,061	\$ 33,066,464	\$ 31,709,972
Operating grants and contributions	430,311	678,290	1,449,514	105,698	1,879,825	783,988
Capital grants and contributions	121,190	461,936	-	-	121,190	461,936
General revenues:						
Property taxes	5,816,471	5,840,689	-	-	5,816,471	5,840,689
Sales taxes	7,956,186	7,942,631	-	-	7,956,186	7,942,631
Franchise taxes	2,083,559	2,741,577	-	-	2,083,559	2,741,577
Other taxes	980,206	1,013,999	-	-	980,206	1,013,999
Investment earnings	210,191	337,682	327,113	196,447	537,304	534,129
Miscellaneous	125,828	621,758	404,109	561,630	529,937	1,183,388
Total revenues	<u>20,615,905</u>	<u>22,142,473</u>	<u>32,355,237</u>	<u>30,069,836</u>	<u>52,971,142</u>	<u>52,212,309</u>
Expenses:						
General government	5,947,780	5,012,803	-	-	5,947,780	5,012,803
Public works	5,632,124	5,249,265	-	-	5,632,124	5,249,265
Community services	3,940,687	3,213,392	-	-	3,940,687	3,213,392
Public safety	8,725,431	7,737,532	-	-	8,725,431	7,737,532
Tourism and cultural services	236,656	197,046	-	-	236,656	197,046
Interest on long-term debt	376,667	449,561	-	-	376,667	449,561
Water production and distribution	-	-	9,083,478	8,917,754	9,083,478	8,917,754
Wastewater collection and treatment	-	-	5,148,292	4,984,867	5,148,292	4,984,867
Solid waste	-	-	4,145,426	4,115,979	4,145,426	4,115,979
Total expenses	<u>24,859,345</u>	<u>21,859,599</u>	<u>18,377,196</u>	<u>18,018,600</u>	<u>43,236,541</u>	<u>39,878,199</u>
Increase in net position before transfers	(4,243,440)	282,874	13,978,041	12,051,236	9,734,601	12,334,110
Transfers	<u>5,005,447</u>	<u>5,145,966</u>	<u>(5,005,447)</u>	<u>(5,145,966)</u>	<u>-</u>	<u>-</u>
Increase in net position	762,007	5,428,840	8,972,594	6,905,270	9,734,601	12,334,110
Net position, beginning	28,588,301	33,784,361	85,124,885	81,530,838	113,713,186	115,315,199
Prior period adjustment	<u>(201,150)</u>	<u>(10,624,900)</u>	<u>-</u>	<u>(3,311,223)</u>	<u>(201,150)</u>	<u>(13,936,123)</u>
Net position, beginning, as restated	28,387,151	23,159,461	85,124,885	78,219,615	113,512,036	101,379,076
Net position, ending	<u>\$ 29,149,158</u>	<u>\$ 28,588,301</u>	<u>\$ 94,097,479</u>	<u>\$ 85,124,885</u>	<u>\$ 123,246,637</u>	<u>\$ 113,713,186</u>

**Revenues - Governmental Activities
Fiscal Year 2016 (excludes transfers)**



**Primary Government Functional Expenses for
Governmental Activities - Fiscal Year 2016**



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 2016 fiscal year, the City's governmental funds reported combined ending fund balances of \$20,462,388, an increase of \$744,509 from the prior year before a prior year adjustment. Approximately 52% 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 (\$340,668) and for a variety of other purposes.

General Fund. The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10,686,739, while the total fund balance was \$13,421,825. 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 54% of the General Fund expenditures, while total fund balance represents 68% of that same amount.

The final budget for fiscal year 2016 reflected a \$1,324,792 drawdown of fund balance, while still providing for a sufficient reserve balance. The actual change in fund balance was an increase of \$510,647. Contributing factors was the realization of revenues \$864,810 over the budgeted amounts and overall expenditures \$768,136 under budgeted amounts. Key factors affecting fund balance are as follows:

- Total General Fund revenues of \$16,924,516 were increased from FY 2015 by \$412,594.
 - Property tax revenue increased \$268,241 from FY 2015 actuals due to an increase in collections.
 - Sales tax revenue increases by \$13,555 due to increased economic activity within the City.
 - Other taxes decreased by \$42,671 due to a decrease in electrical franchise tax collection.
 - Charges for services decreased by \$27,886 while licenses and permits increased by \$99,533.
 - Fines and forfeitures increased by \$131,236 primarily due to an increase in the number of positions filled in the police department for traffic enforcement from the prior year.
- Total General Fund expenditures of \$19,672,705 increased from FY 2015 by \$1,172,613.
 - General government expenditures increased by \$453,840 from FY 2015. The most significant reason for this increase is the funding of software maintenance on various financial software.
 - Total public safety expenditures increased by \$503,657 from FY 2015. This was primarily due to being closer to fully staffed throughout the year.
 - Community services expenditures increased by \$350,876 from FY 2015. This increase is primarily the result of various construction projects started in FY 2016.
 - Public works expenditures decreased by \$175,370 from FY 2015.

The actual revenues of \$16,924,516 were more than the budgeted revenues by \$864,810. Property tax revenue, sales tax revenue, donations, contributions and grants, and licenses and permits exceeded the budgeted amounts. The actual expenditures of \$19,672,705 were \$768,136 less than the budgeted expenditures of \$20,440,841.

Debt Service fund balance increased by \$30,852. Fund balance was projected to increase by \$14 in the final budget, and property tax revenues were more than final budgeted amounts by \$29,621.

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

Unrestricted net position of the respective proprietary funds are Water – \$13,270,338, Wastewater – \$8,839,918, and Solid Waste – \$774,695. The net position for Water increased \$4,929,411; Wastewater increased \$3,621,618 and Solid Waste increased \$421,565 . The overall change in net position for business-type activities increased by \$8,972,594 which is an increase of \$2,067,324 from the FY 2015 change in net position of \$6,905,270. Overall Utility operating revenues of \$30,578,610 reflected an increase of \$810,919 or an increase of 2.7% compared to FY 2015. Utility operating expenses of \$17,745,912 reflected a decrease of \$536,244 or a decrease of 3.1% over FY 2015. The increase in net position for each of the enterprise funds can be attributed to an increase in charges for services for public utility service provided.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, the City had over \$120,536,755 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 3.06% over the amounts for the prior fiscal year.

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,872,245	\$ 1,872,245	\$ 782,325	\$ 782,325	\$ 2,654,570	\$ 2,654,570
Construction in progress	4,048,060	2,367,785	7,476,633	4,329,770	11,524,693	6,697,555
Buildings and improvements	7,066,015	7,561,264	512,750	534,260	7,578,765	8,095,524
Improvements other than buildings	7,473,140	7,833,282	60,234	129,439	7,533,374	7,962,721
Machinery, furniture and equipment	4,639,829	5,210,481	23,085	228,891	4,662,914	5,439,372
Water rights	-	-	31,724,310	32,715,695	31,724,310	32,715,695
Infrastructure	<u>6,151,597</u>	<u>7,083,141</u>	<u>48,706,532</u>	<u>46,306,733</u>	<u>54,858,129</u>	<u>53,389,874</u>
Total	<u>\$ 31,250,886</u>	<u>\$ 31,928,198</u>	<u>\$ 89,285,869</u>	<u>\$ 85,027,113</u>	<u>\$ 120,536,755</u>	<u>\$ 116,955,311</u>

Major capital asset events during the 2016 fiscal year include the following:

- \$1.4 million was spent on building a new Solid Waste Transfer Station.
- \$1.6 million was spent on various wastewater projects.

- \$2.5 million was spent on a major drainage project whose total project costs are expected to be around \$11.5 million. Approximately \$8.3 million of the project costs will be paid with grant (FEMA) funds.
- \$1,850,000 was spent on water projects.
- The City provided \$643,000 of funds toward a \$3.1 million sidewalks project. The balance of funds for the project will come from the Texas Department of Transportation (TXDOT). TXDOT is the administrator of the project and is responsible for hiring and paying all contractors related to the project.
- \$1.1 million was spent on various other Governmental Activities projects.
- In FY 2016 the City purchased new equipment and vehicles for various operations totaling approximately \$948,000. Major purchases included a Solid Waste truck for approximately \$330,000 and a fire brush truck in the amount of \$135,000.

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

Debt Administration

At the end of the current fiscal year, the City had total bonded debt outstanding of \$31,168,643. The remainder of the City's long-term obligations comprises compensated absences, the net OPEB obligation, legal judgments, and contractual obligations.

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 6,192,772	\$ 7,478,585	\$ 2,882,228	\$ 3,531,415	\$ 9,075,000	\$ 11,010,000
Certificates of obligation	3,650,000	3,790,000	2,780,000	2,900,000	6,430,000	6,690,000
Revenue bonds	-	-	14,279,636	18,504,636	14,279,636	18,504,636
Premium on bonds issued	77,867	90,845	1,306,140	1,527,865	1,384,007	1,618,710
Compensated absences	962,534	1,141,423	216,562	280,497	1,179,096	1,421,920
Net pension liability	15,851,208	11,879,420	5,011,134	3,702,190	20,862,342	15,581,610
Net OPEB obligation	4,355,302	3,511,969	1,634,383	1,303,809	5,989,685	4,815,778
Developer TIRZ	2,479,486	2,641,729	-	-	2,479,486	2,641,729
	<u>\$ 33,569,169</u>	<u>\$ 30,533,971</u>	<u>\$ 28,110,083</u>	<u>\$ 31,750,412</u>	<u>\$ 61,679,252</u>	<u>\$ 62,284,383</u>

The long-term liabilities for the City decreased overall by \$605,131 for fiscal year 2016. This was due to regularly scheduled debt service payments.

Additional information on the City's long-term debt can be found in Note II beginning on page 46 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 2016-2017 fiscal year budget.

Sales Tax revenue makes up approximately 33.5% of the Revenues for General Fund. These revenues were budgeted to decrease slightly by \$37,500 (0.5%) in FY 2017 from the 2016 fiscal year budgeted amount of \$7,465,000.

A 1.2% increase in water volumetric rates beginning October 1, 2016 was approved. This was the fifth 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 \$0.3838 per \$100 valuation for FY 2016 was reduced for FY 2017 to \$0.3809. For fiscal year 2017 General Fund's budgeted expenditures for regular operations were increased by approximately 0.9% (\$196,000) from FY 2016. Also, there were \$2,561,000 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 2016-17.

The unemployment rate for the City of Huntsville in September 2016 was 5.5 percent, which is a slight increase of 0.3% from the September 2015 rate of 5.2 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, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,438,989	\$ 18,757,300	\$ 31,196,289
Investments	12,759,857	8,298,559	21,058,416
Prepaid expenses	77,604	-	77,604
Accounts receivable (net of allowances for uncollectable):			
Accounts	99,784	3,009,509	3,109,293
Taxes	2,238,594	-	2,238,594
Intergovernmental	170,294	1,467,046	1,637,340
Interest	59,742	62,335	122,077
Other	47,583	-	47,583
Internal balances	25,740	(25,740)	-
Inventories	113,750	203,421	317,171
Property held for sale	14,253	-	14,253
Restricted assets:			
Cash and cash equivalents	-	837,826	837,826
Investments	-	1,500,000	1,500,000
Investment in joint venture	315,605	-	315,605
Capital assets not being depreciated	5,920,305	8,258,958	14,179,263
Capital assets (net of accumulated depreciation)	<u>25,330,581</u>	<u>81,026,911</u>	<u>106,357,492</u>
Total assets	<u>59,612,681</u>	<u>123,396,125</u>	<u>183,008,806</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	-	126,601	126,601
Deferred outflows of resources related to pensions	<u>4,958,031</u>	<u>1,567,411</u>	<u>6,525,442</u>
Total deferred outflows of resources	<u>4,958,031</u>	<u>1,694,012</u>	<u>6,652,043</u>
LIABILITIES			
Accounts payable	1,075,625	1,572,189	2,647,814
Accrued liabilities	232,397	68,245	300,642
Accrued interest	43,425	-	43,425
Liabilities payable from restricted assets:			
Accrued interest	-	87,431	87,431
Due to other governments	171,488	34,026	205,514
Other liabilities	109,992	-	109,992
Customer deposits	-	1,051,305	1,051,305
Noncurrent liabilities:			
Due within one year	2,147,889	3,840,990	5,988,879
Due in more than one year	<u>31,421,280</u>	<u>24,269,093</u>	<u>55,690,373</u>
Total liabilities	<u>35,202,096</u>	<u>30,923,279</u>	<u>66,125,375</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	<u>219,458</u>	<u>69,379</u>	<u>288,837</u>
Total deferred inflows of resources	<u>219,458</u>	<u>69,379</u>	<u>288,837</u>
NET POSITION			
Net investment in capital assets	21,330,247	71,212,528	92,542,775
Restricted for:			
Library - nonspendable	106,914	-	106,914
Cemetery - nonspendable	354,873	-	354,873
Debt service	361,875	-	361,875
Promotion of tourism	1,653,755	-	1,653,755
Court technology and security	174,077	-	174,077
Purpose of grantors, trustees and donors	773,497	-	773,497
Law enforcement	173,050	-	173,050
Unrestricted	<u>4,220,870</u>	<u>22,884,951</u>	<u>27,105,821</u>
Total net position	<u>\$ 29,149,158</u>	<u>\$ 94,097,479</u>	<u>\$ 123,246,637</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, 2016

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 5,947,780	\$ 225,747	\$ 400	\$ 25,312
Public safety	8,725,431	1,587,548	374,401	95,878
Public works	5,632,124	511,621	-	-
Community services	3,940,687	111,518	38,660	-
Tourism and cultural services	236,656	455,529	16,850	-
Interest on long-term debt	376,667	-	-	-
Total governmental activities	<u>24,859,345</u>	<u>2,891,963</u>	<u>430,311</u>	<u>121,190</u>
Business-type activities:				
Water	9,083,478	16,129,760	33,702	-
Wastewater	5,148,292	8,793,130	1,415,812	-
Solid waste	4,145,426	5,251,611	-	-
Total business-type activities	<u>18,377,196</u>	<u>30,174,501</u>	<u>1,449,514</u>	<u>-</u>
Total primary government	<u>\$ 43,236,541</u>	<u>\$ 33,066,464</u>	<u>\$ 1,879,825</u>	<u>\$ 121,190</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
\$(5,696,321)	\$ -	\$(5,696,321)
(6,667,604)	-	(6,667,604)
(5,120,503)	-	(5,120,503)
(3,790,509)	-	(3,790,509)
235,723	-	235,723
<u>(376,667)</u>	<u>-</u>	<u>(376,667)</u>
<u>(21,415,881)</u>	<u>-</u>	<u>(21,415,881)</u>
-	7,079,984	7,079,984
-	5,060,650	5,060,650
<u>-</u>	<u>1,106,185</u>	<u>1,106,185</u>
<u>-</u>	<u>13,246,819</u>	<u>13,246,819</u>
(21,415,881)	13,246,819	(8,169,062)
5,816,471	-	5,816,471
7,956,186	-	7,956,186
2,083,559	-	2,083,559
980,206	-	980,206
210,191	327,113	537,304
125,828	404,109	529,937
<u>5,005,447</u>	<u>(5,005,447)</u>	<u>-</u>
<u>22,177,888</u>	<u>(4,274,225)</u>	<u>17,903,663</u>
762,007	8,972,594	9,734,601
28,588,301	85,124,885	113,713,186
<u>(201,150)</u>	<u>-</u>	<u>(201,150)</u>
<u>28,387,151</u>	<u>85,124,885</u>	<u>113,512,036</u>
<u>\$ 29,149,158</u>	<u>\$ 94,097,479</u>	<u>\$ 123,246,637</u>

CITY OF HUNTSVILLE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 4,228,695	\$ 329,390	\$ 4,258,520	\$ 8,816,605
Investments	8,638,923	-	2,505,573	11,144,496
Receivables (net of allowance for uncollectibles):				
Accounts	99,634	-	150	99,784
Taxes	1,984,378	75,910	178,306	2,238,594
Intergovernmental	35,660	-	134,634	170,294
Interest	37,291	-	13,428	50,719
Other	47,583	-	-	47,583
Due from other funds	101,038	-	20	101,058
Inventory	113,750	-	-	113,750
Property held for sale	-	-	14,253	14,253
Prepays	<u>60,755</u>	<u>-</u>	<u>-</u>	<u>60,755</u>
 Total assets	 <u>\$ 15,347,707</u>	 <u>\$ 405,300</u>	 <u>\$ 7,104,884</u>	 <u>\$ 22,857,891</u>
LIABILITIES				
Accounts payable	588,021	-	280,908	868,929
Accrued liabilities	215,330	-	17,067	232,397
Due to other funds	49	-	75,269	75,318
Due to other governments	139,743	-	31,745	171,488
Unearned revenue	609,939	-	-	609,939
Other liabilities	<u>109,992</u>	<u>-</u>	<u>-</u>	<u>109,992</u>
Total liabilities	<u>1,663,074</u>	<u>-</u>	<u>404,989</u>	<u>2,068,063</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>262,808</u>	<u>64,632</u>	<u>-</u>	<u>327,440</u>
Total deferred inflows of resources	<u>262,808</u>	<u>64,632</u>	<u>-</u>	<u>327,440</u>
Fund balances:				
Nonspendable	174,505	-	461,787	636,292
Restricted	-	340,668	2,774,379	3,115,047
Assigned	2,560,581	-	3,463,729	6,024,310
Unassigned	<u>10,686,739</u>	<u>-</u>	<u>-</u>	<u>10,686,739</u>
Total fund balances	<u>13,421,825</u>	<u>340,668</u>	<u>6,699,895</u>	<u>20,462,388</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 15,347,707</u>	 <u>\$ 405,300</u>	 <u>\$ 7,104,884</u>	 <u>\$ 22,857,891</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, 2016

Total fund balances - governmental funds balance sheet	\$ 20,462,388
Amounts reported for governmental activities in the statement of net position are different	
Capital assets used in governmental activities are not reported in the funds.	27,930,508
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.	810,799
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.	(43,425)
The investment in joint venture is not considered a financial asset. Therefore, this is not reported in the governmental funds balance sheet.	315,605
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	(9,842,772)
Bond premiums	(77,867)
Compensated absences	(962,534)
Net pension liability	(15,851,208)
Net OPEB obligation	(4,355,302)
Deferred outflows (inflows) related to pensions	4,738,573
Contractual obligation	(2,479,486)
The assets and liabilities of Internal Service Funds are included in governmental activities in the statement of net position.	<u>8,377,299</u>
Net position of governmental activities - statement of net position	\$ <u><u>29,149,158</u></u>

CITY OF HUNTSVILLE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	General	Debt Service	Other Governmental	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 4,205,095	\$ 1,527,886	\$ 162,243	\$ 5,895,224
Sales	7,956,186	-	-	7,956,186
Franchise	2,088,108	-	-	2,088,108
Other	111,347	-	868,859	980,206
Licenses and permits	565,430	-	-	565,430
Charges for sales and services	462,363	330,502	481,161	1,274,026
Fines, fees, and forfeitures	1,177,121	-	67,773	1,244,894
Donations, contributions, and grants	114,955	-	217,067	332,022
Investment income	158,035	1,252	50,904	210,191
Miscellaneous	85,876	-	5,070	90,946
Total revenues	16,924,516	1,859,640	1,853,077	20,637,233
EXPENDITURES				
Current:				
General government	5,201,994	-	24,484	5,226,478
Public safety	7,254,759	-	714,213	7,968,972
Public works	4,009,525	-	1,619,293	5,628,818
Community services	2,969,771	-	1,050,401	4,020,172
Tourism and cultural services	236,656	-	-	236,656
Debt service:				
Principal retirement	-	1,425,813	-	1,425,813
Interest and fiscal charges	-	402,975	-	402,975
Total expenditures	19,672,705	1,828,788	3,408,391	24,909,884
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,748,189)	30,852	(1,555,314)	(4,272,651)
OTHER FINANCING SOURCES (USES)				
Transfers in	5,331,031	-	2,531,756	7,862,787
Transfers out	(2,077,293)	-	(780,047)	(2,857,340)
Sale of capital assets	5,098	-	6,615	11,713
Total other financing sources (uses)	3,258,836	-	1,758,324	5,017,160
NET CHANGE IN FUND BALANCES	510,647	30,852	203,010	744,509
FUND BALANCES, BEGINNING	12,911,178	309,816	6,698,035	19,919,029
PRIOR PERIOD ADJUSTMENT	-	-	(201,150)	(201,150)
FUND BALANCES, BEGINNING AS RESTATED	12,911,178	309,816	6,496,885	19,717,879
FUND BALANCES, ENDING	\$ 13,421,825	\$ 340,668	\$ 6,699,895	\$ 20,462,388

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, 2016

Net change in fund balances - total governmental funds	\$ 744,509
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount of capital assets recorded in the current period.	1,907,981
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.	(2,000,762)
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	1,425,813
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	(62,732)
Property tax penalties and interest	(16,021)
Franchise fees	(4,549)
Change in equity interest in joint venture	(248,051)
Court fines and fees	50,261
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	178,889
Net OPEB obligation	(843,333)
Contractual obligation	162,243
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.	13,330
Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension liability were amortized.	(627,621)
The net revenue (expense) of internal service funds is reported with governmental activities.	<u>69,072</u>
Change in net position of governmental activities - statement of activities	<u><u>\$ 762,007</u></u>

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

CITY OF HUNTSVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2016

	Enterprise Funds		
	Water	Wastewater	Solid Waste
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 9,253,859	\$ 4,890,699	\$ 4,612,742
Investments	4,488,211	2,966,930	843,418
Accounts receivable (net of allowance for uncollectibles):			
Accounts	1,608,206	900,555	500,748
Intergovernmental	33,805	1,433,241	-
Interest	31,559	27,632	3,144
Due from other funds	193	540	-
Inventories	192,649	10,772	-
Prepays	-	-	-
Restricted assets:			
Cash and cash equivalents	200,693	637,133	-
Investments	200,000	1,300,000	-
Total current assets	<u>16,009,175</u>	<u>12,167,502</u>	<u>5,960,052</u>
Noncurrent assets:			
Capital assets not being depreciated	2,790,639	3,972,842	1,495,477
Capital assets (net of accumulated depreciation)	47,856,068	32,859,352	311,491
Total noncurrent assets	<u>50,646,707</u>	<u>36,832,194</u>	<u>1,806,968</u>
Total assets	<u>66,655,882</u>	<u>48,999,696</u>	<u>7,767,020</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	50,693	75,908	-
Deferred outflow related to pensions	535,087	567,061	465,263
Total deferred outflows of resources	<u>585,780</u>	<u>642,969</u>	<u>465,263</u>
LIABILITIES			
Current liabilities:			
Accounts payable	364,003	1,132,154	76,032
Accrued liabilities	21,770	25,458	21,017
Customer deposits	362,302	290,293	398,710
Liabilities payable from restricted assets:			
Accrued interest payable	68,522	7,740	11,169
Due to other funds	2,458	2,257	21,758
Due to other governments	-	8,551	25,475
Noncurrent liabilities due within one year	3,275,626	442,407	122,957
Total current liabilities	<u>4,094,681</u>	<u>1,908,860</u>	<u>677,118</u>
Noncurrent liabilities:			
Due in more than one year	14,596,388	4,719,797	4,952,908
Total noncurrent liabilities	<u>14,596,388</u>	<u>4,719,797</u>	<u>4,952,908</u>
Total liabilities	<u>18,691,069</u>	<u>6,628,657</u>	<u>5,630,026</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to pensions	23,686	25,099	20,594
Total deferred inflows of resources	<u>23,686</u>	<u>25,099</u>	<u>20,594</u>
NET POSITION			
Net investment in capital assets	35,256,569	34,148,991	1,806,968
Unrestricted	13,270,338	8,839,918	774,695
Total net position	<u>\$ 48,526,907</u>	<u>\$ 42,988,909</u>	<u>\$ 2,581,663</u>

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

<u>Total Enterprise</u>	<u>Internal Service</u>
\$ 18,757,300	\$ 3,622,384
8,298,559	1,615,361
3,009,509	-
1,467,046	-
62,335	9,023
733	-
203,421	-
-	16,849
837,826	-
1,500,000	-
<u>34,136,729</u>	<u>5,263,617</u>
8,258,958	-
81,026,911	3,320,378
<u>89,285,869</u>	<u>3,320,378</u>
<u>123,422,598</u>	<u>8,583,995</u>
126,601	-
1,567,411	-
<u>1,694,012</u>	<u>-</u>
1,572,189	206,696
68,245	-
1,051,305	-
87,431	-
26,473	-
34,026	-
3,840,990	-
<u>6,680,659</u>	<u>206,696</u>
24,269,093	-
24,269,093	-
<u>30,949,752</u>	<u>206,696</u>
69,379	-
69,379	-
71,212,528	3,320,378
22,884,951	5,056,921
<u>\$ 94,097,479</u>	<u>\$ 8,377,299</u>

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

PROPRIETARY FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Enterprise Funds		
	Water	Wastewater	Solid Waste
OPERATING REVENUES			
Charges for services:			
Water sales	\$ 15,960,770	\$ -	\$ -
Wastewater sales and services	-	8,717,848	-
Solid waste fees - residential and commercial	-	-	4,201,437
Solid waste fees - disposal	-	-	1,050,174
Inter-department services	-	-	-
Total service charges	<u>15,960,770</u>	<u>8,717,848</u>	<u>5,251,611</u>
Service fees and miscellaneous:			
Tap and connection fees	168,990	75,282	-
Customer penalties and miscellaneous	<u>150,835</u>	<u>143,541</u>	<u>109,733</u>
Total service fees and miscellaneous	<u>319,825</u>	<u>218,823</u>	<u>109,733</u>
Total operating revenues	<u>16,280,595</u>	<u>8,936,671</u>	<u>5,361,344</u>
OPERATING EXPENSES			
Administration	235,036	779,392	856,092
Water production and distribution	5,785,456	-	-
Wastewater collection and treatment	-	2,642,225	-
Solid waste collection and disposal	-	-	3,176,010
Utility billing/customer service	641,985	-	-
Lab/compliance	-	274,875	-
Equipment replacement	-	-	-
Depreciation	<u>1,960,432</u>	<u>1,358,059</u>	<u>36,350</u>
Total operating expenses	<u>8,622,909</u>	<u>5,054,551</u>	<u>4,068,452</u>
OPERATING INCOME (LOSS)	<u>7,657,686</u>	<u>3,882,120</u>	<u>1,292,892</u>
NONOPERATING REVENUES (EXPENSES)			
Grants and contributions	33,702	1,415,812	-
Interest income	183,164	107,186	36,763
Loss on disposal of capital assets	-	-	-
Interest expense	<u>(460,569)</u>	<u>(93,741)</u>	<u>(76,974)</u>
Total nonoperating revenues (expenses)	<u>(243,703)</u>	<u>1,429,257</u>	<u>(40,211)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	7,413,983	5,311,377	1,252,681
Transfers in	-	70,000	-
Transfers out	<u>(2,484,572)</u>	<u>(1,759,759)</u>	<u>(831,116)</u>
CHANGE IN NET POSITION	4,929,411	3,621,618	421,565
NET POSITION, BEGINNING	<u>43,597,496</u>	<u>39,367,291</u>	<u>2,160,098</u>
NET POSITION, ENDING	<u>\$ 48,526,907</u>	<u>\$ 42,988,909</u>	<u>\$ 2,581,663</u>

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

	<u>Total Enterprise</u>	<u>Internal Service</u>
\$	15,960,770	\$ -
	8,717,848	-
	4,201,437	-
	1,050,174	-
	-	4,972,795
	29,930,229	4,972,795
	244,272	-
	404,109	115,180
	648,381	115,180
	30,578,610	5,087,975
	1,870,520	3,648,120
	5,785,456	-
	2,642,225	-
	3,176,010	-
	641,985	-
	274,875	-
	-	24,318
	3,354,841	1,376,565
	17,745,912	5,049,003
	12,832,698	38,972
	1,449,514	-
	327,113	31,243
	-	(1,143)
(631,284)	-
	1,145,343	30,100
	13,978,041	69,072
	70,000	-
(5,075,447)	-
	8,972,594	69,072
	85,124,885	8,308,227
\$	94,097,479	\$ 8,377,299

CITY OF HUNTSVILLE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Enterprise Funds			Total Enterprise	Internal Service
	Water	Wastewater	Solid Waste		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 16,602,264	\$ 7,719,209	\$ 8,479,590	\$ 32,801,063	\$ -
Interfund services provided and used	-	-	-	-	5,116,170
Cash payments to employees for services	(1,242,133)	(938,460)	(1,248,237)	(3,428,830)	-
Cash payments to suppliers for goods and services	(5,089,692)	(2,139,417)	(3,002,474)	(10,231,583)	(3,796,957)
Net cash provided by operating activities	<u>10,270,439</u>	<u>4,641,332</u>	<u>4,228,879</u>	<u>19,140,650</u>	<u>1,319,213</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants	33,702	1,415,812	-	1,449,514	-
Transfers to funds	(2,484,572)	(1,759,759)	(831,116)	(5,075,447)	-
Net cash provided (used) by by noncapital financing activities	<u>(2,450,870)</u>	<u>(273,947)</u>	<u>(831,116)</u>	<u>(3,555,933)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital related debt	-	-	-	-	-
Principal repayment on long-term debt	(3,408,230)	(1,465,957)	(120,000)	(4,994,187)	-
Interest and fiscal charges on debt	(716,262)	(317,628)	(88,792)	(1,122,682)	-
Acquisition or construction of capital assets	(1,968,209)	(4,201,806)	(1,443,582)	(7,613,597)	(792,034)
Proceeds from the disposition of capital assets	-	-	-	-	(1,143)
Net used for capital and related financing activities	<u>(6,092,701)</u>	<u>(5,985,391)</u>	<u>(1,652,374)</u>	<u>(13,730,466)</u>	<u>(793,177)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	1,879,320	646,037	-	2,525,357	1,456,679
Proceeds from sale and maturities of securities	-	-	304,415	304,415	(507,428)
Interest and dividends on investments	<u>179,738</u>	<u>111,326</u>	<u>41,071</u>	<u>332,135</u>	<u>31,473</u>
Net cash provided (used) by investing activities	<u>2,059,058</u>	<u>757,363</u>	<u>345,486</u>	<u>3,161,907</u>	<u>980,724</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>3,785,926</u>	<u>(860,643)</u>	<u>2,090,875</u>	<u>5,016,158</u>	<u>1,506,760</u>
CASH AND CASH EQUIVALENTS, BEGINNING	<u>5,668,626</u>	<u>6,388,475</u>	<u>2,521,867</u>	<u>14,578,968</u>	<u>2,115,624</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 9,454,552</u>	<u>\$ 5,527,832</u>	<u>\$ 4,612,742</u>	<u>\$ 19,595,126</u>	<u>\$ 3,622,384</u>

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, 2016

	Enterprise Funds			Total Enterprise	Internal Service
	Water	Wastewater	Solid Waste		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 7,657,686	\$ 3,882,120	\$ 1,292,892	\$ 12,832,698	\$ 38,972
Adjustments to reconcile operating income to net cash used by operating activities:					
Depreciation	1,960,432	1,358,059	36,350	3,354,841	1,376,565
Change in assets and liabilities:					
Decrease (increase) in prepaid expenses	-	-	-	-	(3,070)
Decrease (increase) in receivables	316,547	(1,217,626)	26,525	(874,554)	32,315
Decrease (increase) in bond receivables	-	-	3,095,000	3,095,000	-
Decrease (increase) in inventories	1,630	(330)	-	1,300	-
Decrease (increase) in interfund receivables	4,456	(199)	-	4,257	-
Decrease (increase) in deferred outflows related to pensions	(165,314)	(177,638)	(303,349)	(646,301)	
Increase (decrease) in accounts payable	172,737	269,298	(56,064)	385,971	(124,519)
Increase (decrease) in accrued liabilities	(36,018)	(34,489)	(33,848)	(104,355)	-
Increase (decrease) in customer deposits	(16,687)	(7,145)	10,660	(13,172)	-
Increase (decrease) in compensated absences	(187,481)	(7,167)	(43,199)	(237,847)	-
Increase (decrease) in interfund payables	(64,154)	(42,259)	(189,368)	(295,781)	(1,050)
Increase (decrease) in net pension liability	498,463	510,314	300,166	1,308,943	
Increase (decrease) in net OPEB obligation	127,476	108,031	95,067	330,574	-
Increase (decrease) in deferred inflows related to pensions	666	363	(1,953)	(924)	-
Total adjustments	<u>2,612,753</u>	<u>759,212</u>	<u>2,935,987</u>	<u>6,307,952</u>	<u>1,280,241</u>
Net cash provided (used) by operating activities	\$ <u>10,270,439</u>	\$ <u>4,641,332</u>	\$ <u>4,228,879</u>	\$ <u>19,140,650</u>	\$ <u>1,319,213</u>
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES					
	\$ 76,667	\$ 46,301	\$ 10,565	\$ 133,533	\$ -

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

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CITY OF HUNTSVILLE, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016

	<u>PEB Trust Medical</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 21,037
Restricted assets:		
Investments:		
Money market	5,905	-
Mutual funds	<u>3,267,931</u>	<u>-</u>
Total assets	<u>3,273,836</u>	<u>21,037</u>
LIABILITIES		
Accounts payable	<u>-</u>	<u>21,037</u>
Total liabilities	<u>-</u>	<u>21,037</u>
NET POSITION		
Held in trust for other postemployment benefits	<u>\$ 3,273,836</u>	<u>\$ -</u>

CITY OF HUNTSVILLE, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>PEB Trust Medical</u>
ADDITIONS	
Investment income	\$ 25,545
Net increase in fair value of investments	<u>313,951</u>
Total additions	<u>339,496</u>
DEDUCTIONS	
Total deductions	<u>-</u>
CHANGE IN NET POSITION	339,496
NET POSITION, BEGINNING	<u>2,934,340</u>
NET POSITION, ENDING	<u>\$ 3,273,836</u>

**NOTES TO THE
FINANCIAL STATEMENTS**

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CITY OF HUNTSVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

Governmental Fund Types

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

Major Governmental Funds

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

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

Major Proprietary Funds

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

Other Post-Employment Benefits (OPEB) Trust – The PEB Trust Medical fund is used to account for the City’s other post-employment benefit trust fund, which accumulates resources for the payment of medical costs associated with the City’s other post-employment benefit plan.

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

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

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

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

Cash and Investments

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

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

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

Investments for the City are reported at fair value, except for the position in investment pools. The City's investment in pools are 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

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 2016 and those considered "available" at year-end are recognized as revenues in 2016. The City considers property taxes available if they are collected within 60 days after year-end. Prior year levies were recorded using these same principles. The remaining receivables are reflected as deferred revenue.

In accordance with governing statutes, property taxes were levied on October 1, 2015, to provide a revenue source to be used to finance the current year's budget. Taxes levied on October 1, 2015, were due and payable by January 31, 2016. On January 1, 2016, 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, 2016, unpaid taxes began to accrue a penalty and interest charge until paid. On July 1, 2016, 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

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.

Interfund Transactions

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City is reporting balances for deferred losses on bond refundings in both the government-wide Statement of Net Position and the Statement of Net Position – Proprietary Funds. A deferred loss on a bond refunding results when the reacquisition price of the refunded debt exceeds the carrying value. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Additionally, pension contributions are deferred and recognized in the following fiscal year. The difference in projected and actual earnings on pension assets is deferred and amortized over a closed five year period. The changes in actuarial assumptions are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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

Compensated Absences

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

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

Capital Assets

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

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

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

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

Long-term Obligations

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

Bond Premiums and Discounts

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period on the fund financial statements. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types and on the government-wide statements, premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

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

Fund Balance Classification

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The City has adopted a formal fiscal policy that allows the City Manager to assign fund balance when necessary and appropriate, in accordance with GASB Statement No. 54.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts

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

Pensions

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

Prior Period Adjustment

During the current year, it was determined that the City should have recognized \$201,150 of intergovernmental revenue in a previous period. As a result, beginning fund balance in the Sidewalks fund was restated by \$201,150 as of October 1, 2015.

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	\$ 4,580,957	-
Money market	7,961,291	-
TexPool Prime	14,706,842	37
Texas CLASS	10,038,684	56
LOGIC	23,156	37
U. S. agency securities	1,249,438	976
Municipal bonds	<u>19,327,036</u>	468
Total portfolio	<u>\$ 57,887,404</u>	
Portfolio weighted average maturity (days)		315

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

In fiscal year 2016, the City adopted GASB Statement No. 72 ("GASB 72"), *Fair Value Measurement and Application*. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurement.

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, 2016:

- Municipal bonds of \$2,261,269 are valued using quoted prices in an active market for identical assets (Level 1 inputs).
- U.S. Agency securities of \$1,249,438, money markets of \$7,961,291, and municipal bonds of \$17,065,767 are valued using matrix pricing model (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.

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, 2016, the City's deposit balances were fully collateralized by securities held by the financial institution in the City's name or by Federal Deposit Insurance Corporation ("FDIC") insurance.

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

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

Receivables

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

Governmental Funds

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Accounts	\$ 605,955	\$ -	\$ 150	\$ 606,105
Taxes	1,718,230	111,912	178,306	2,008,448
Intergovernmental	35,660	-	134,634	170,294
Interest	37,291	-	13,428	50,719
Other	<u>397,342</u>	<u>-</u>	<u>-</u>	<u>397,342</u>
Gross Receivables	<u>2,794,478</u>	<u>111,912</u>	<u>326,518</u>	<u>3,232,908</u>
Less: Allowance for uncollectibles	<u>(589,932)</u>	<u>(36,002)</u>	<u>-</u>	<u>(625,934)</u>
Net receivables	<u>\$ 2,204,546</u>	<u>\$ 75,910</u>	<u>\$ 326,518</u>	<u>\$ 2,606,974</u>

Proprietary Funds

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Internal Service</u>	<u>Total</u>
Accounts	\$ 1,616,801	\$ 916,283	\$ 513,001	\$ -	\$ 3,046,085
Intergovernmental	33,805	1,433,241	-	-	1,467,046
Interest	<u>31,559</u>	<u>27,632</u>	<u>3,144</u>	<u>9,023</u>	<u>71,358</u>
Gross Receivables	<u>1,682,165</u>	<u>2,377,156</u>	<u>516,145</u>	<u>9,023</u>	<u>4,584,489</u>
Less: Allowance for uncollectibles	<u>(8,595)</u>	<u>(15,728)</u>	<u>(12,253)</u>	<u>-</u>	<u>(36,576)</u>
Net receivables	<u>\$ 1,673,570</u>	<u>\$ 2,361,428</u>	<u>\$ 503,892</u>	<u>\$ 9,023</u>	<u>\$ 4,547,913</u>

Interfund Balances and Activity

Due to and From Other Funds

Balances due to and due from other funds at September 30, 2016, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water	\$ 2,438
	Wastewater	2,064
	Solid waste	21,758
	Nonmajor governmental	<u>74,778</u>
Total General		<u>101,038</u>
Water	Wastewater	<u>193</u>
Total Water		<u>193</u>
Wastewater	General	49
	Nonmajor governmental	<u>491</u>
Total Wastewater		<u>540</u>
Nonmajor governmental	Water	<u>20</u>
Total nonmajor governmental		<u>20</u>
Total		<u>\$ 101,791</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, 2016, consisted of the following:

	<u>Transfers to</u>			
	<u>General</u>	<u>Wastewater</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfers from:				
General	\$ -	\$ 70,000	\$ 2,007,293	\$ 2,077,293
Nonmajor governmental	255,584	-	524,463	780,047
Water	2,484,572	-		2,484,572
Wastewater	1,759,759	-		1,759,759
Solid waste	<u>831,116</u>	<u>-</u>	<u>-</u>	<u>831,116</u>
Total	<u>\$ 5,331,031</u>	<u>\$ 70,000</u>	<u>\$ 2,531,756</u>	<u>\$ 7,932,787</u>

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

- The City’s budget provides that the General Fund will contribute funding to various funds where budgeted expenditures are in excess of expected revenues. The General Fund contributed to the following funds:
 - Airport Fund – \$97,000
 - School Resource Officer Fund – \$110,700
 - Arts Center Fund – \$85,182
- The General Fund received transfers of \$2,484,572 from the Water Fund, \$1,759,759 from the Wastewater Fund, \$831,116 from the Solid Waste Fund. These transfers were paid to help fund the cost of various operating expenditures in the General Fund.
- Additionally, \$2,238,874 was transferred into various capital project funds to fund construction and capital acquisition projects for the City.

Fund Balance

As of September 30, 2016, governmental fund balance consisted of the following:

	General	Debt Service	Other Governmental	Total Governmental Funds
Fund balances:				
Nonspendable				
Inventory	\$ 113,750	\$ -	\$ -	\$ 113,750
Prepays	60,755	-	-	60,755
Library endowment	-	-	106,914	106,914
Cemetery endowment	-	-	354,873	354,873
Restricted for:				
Street improvements and repairs	-	-	-	-
Debt service	-	340,668	-	340,668
Promotion of tourism	-	-	1,653,755	1,653,755
Court technology and security	-	-	174,077	174,077
Purpose of grantors, trustees and donors	-	-	773,497	773,497
Law enforcement	-	-	173,050	173,050
Construction of capital assets	-	-	-	-
Assigned for:				
Subsequent year's budget appropriation of fund balance	2,560,581	-	-	2,560,581
Construction of capital assets	-	-	3,463,729	3,463,729
Unassigned	<u>10,686,739</u>	<u>-</u>	<u>-</u>	<u>10,686,739</u>
Total fund balances	<u>\$ 13,421,825</u>	<u>\$ 340,668</u>	<u>\$ 6,699,895</u>	<u>\$ 20,462,388</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, 2016, 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	<u>2,367,785</u>	<u>1,753,515</u>	<u>73,240</u>	<u>4,048,060</u>
Total capital assets not being depreciated	<u>4,240,030</u>	<u>1,753,515</u>	<u>73,240</u>	<u>5,920,305</u>
Capital assets being depreciated:				
Buildings and improvements	14,048,519	42,500	-	14,091,019
Machinery, furniture, and equipment	22,388,573	947,640	650,030	22,686,183
Improvements other than buildings	15,074,720	30,740	-	15,105,460
Infrastructure	<u>35,601,502</u>	<u>-</u>	<u>-</u>	<u>35,601,502</u>
Total capital assets being depreciated	<u>87,113,314</u>	<u>1,020,880</u>	<u>650,030</u>	<u>87,484,164</u>
Less accumulated depreciation for:				
Buildings and improvements	6,487,255	537,749	-	7,025,004
Machinery, furniture, and equipment	17,178,092	1,517,149	648,890	18,046,351
Improvements other than buildings	7,241,438	390,885	-	7,632,323
Infrastructure	<u>28,518,361</u>	<u>931,544</u>	<u>-</u>	<u>29,449,905</u>
Total accumulated depreciation	<u>59,425,146</u>	<u>3,377,327</u>	<u>648,890</u>	<u>62,153,583</u>
Total capital assets being depreciated, net	<u>27,688,168</u>	<u>(2,356,447)</u>	<u>1,140</u>	<u>25,330,581</u>
Governmental activities capital assets, net	<u>\$ 31,928,198</u>	<u>\$ (602,932)</u>	<u>\$ 74,380</u>	<u>\$ 31,250,886</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 782,325	\$ -	\$ -	\$ 782,325
Construction in progress	<u>4,329,770</u>	<u>7,580,244</u>	<u>4,433,381</u>	<u>7,476,633</u>
Total capital assets not being depreciated	<u>5,112,095</u>	<u>7,580,244</u>	<u>4,433,381</u>	<u>8,258,958</u>
Capital assets being depreciated:				
Buildings and improvements	1,977,395	9,705	-	1,987,100
Machinery, furniture, and equipment	2,341,202	24,650	-	2,365,852
Improvements other than buildings	398,950	-	-	398,950
Water rights	51,336,066	-	-	51,336,066
Infrastructure	<u>89,217,208</u>	<u>4,432,379</u>	<u>-</u>	<u>93,649,587</u>
Total capital assets being depreciated	<u>145,270,821</u>	<u>4,466,734</u>	<u>-</u>	<u>149,737,555</u>
Less accumulated depreciation for:				
Buildings and improvements	1,443,135	31,215	-	1,474,350
Machinery, furniture, and equipment	2,112,311	230,456	-	2,342,767
Improvements other than buildings	269,511	69,205	-	338,716
Water rights	18,620,371	991,385	-	19,611,756
Infrastructure	<u>42,910,475</u>	<u>2,032,580</u>	<u>-</u>	<u>44,943,055</u>
Total accumulated depreciation	<u>65,355,803</u>	<u>3,354,841</u>	<u>-</u>	<u>68,710,644</u>
Total capital assets being depreciated, net	<u>79,915,018</u>	<u>1,111,893</u>	<u>-</u>	<u>81,026,911</u>
Business-type activities capital assets, net	<u>\$ 85,027,113</u>	<u>\$ 8,692,137</u>	<u>\$ 4,433,381</u>	<u>\$ 89,285,869</u>

Depreciation was charged to functions as follows:

Governmental activities:

General government	\$ 1,207,818
Public works	1,442,687
Community services	468,774
Public safety	<u>258,048</u>

Total governmental activities depreciation \$ 3,377,327

Business-type activities:

Water production and distribution	\$ 1,960,432
Wastewater collection and treatment	1,358,059
Solid waste disposal and collection	<u>36,350</u>

Total business-type activities depreciation \$ 3,354,841

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, 2016, are as follows:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance	Due Within One Year
<u>Governmental activities:</u>						
General obligation bonds	\$ 7,478,585	\$ -	\$(1,285,813)	\$ -	\$ 6,192,772	\$ 1,328,152
Certificates of obligation	3,790,000	-	(140,000)	-	3,650,000	150,000
Premium on bond issuance	90,845	-	(12,978)	-	77,867	-
Compensated absences	1,141,423	787,077	(965,966)	-	962,534	240,634
Net pension liability	11,879,420	4,316,714	(344,926)	-	15,851,208	-
OPEB obligations	3,511,969	1,385,538	(542,205)	-	4,355,302	-
Developer TIRZ	2,641,729	-	(162,243)	-	2,479,486	429,103
Total governmental activities	<u>\$ 30,533,971</u>	<u>\$ 6,489,329</u>	<u>\$(3,454,131)</u>	<u>\$ -</u>	<u>\$ 33,569,169</u>	<u>\$ 2,147,889</u>
<u>Business-type activities:</u>						
TRA contract revenue bonds	\$ 17,459,636	\$ -	\$(3,180,000)	\$ -	\$ 14,279,636	\$ 3,020,000
Revenue bonds	1,045,000	-	(1,045,000)	-	-	-
General obligation bonds	3,531,415	-	(649,187)	-	2,882,228	661,849
Certificates of obligation	2,900,000	-	(120,000)	-	2,780,000	105,000
Premium on bond issuance	1,527,865	-	(221,725)	-	1,306,140	-
Compensated absences	280,497	309,404	(373,339)	-	216,562	54,141
Net pension liability	3,702,190	1,429,601	(120,657)	-	5,011,134	-
OPEB obligations	1,303,809	543,111	(212,537)	-	1,634,383	-
Total business-type activities	<u>\$ 31,750,412</u>	<u>\$ 2,282,116</u>	<u>\$(5,922,445)</u>	<u>\$ -</u>	<u>\$ 28,110,083</u>	<u>\$ 3,840,990</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
OPEB Obligations	Governmental	General
Developer TIRZ	Governmental	General

Debt Service Requirements

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 1,478,152	\$ 360,588	\$ 1,838,740
2018	1,523,889	314,170	1,838,059
2019	1,576,604	263,515	1,840,119
2020	853,351	226,110	1,079,461
2021	460,556	199,651	660,207
2022-2026	2,210,220	694,946	2,905,166
2027-2031	1,410,000	301,500	1,711,500
2032	330,000	16,500	346,500
Total	<u>\$ 9,842,772</u>	<u>\$ 2,376,980</u>	<u>\$ 12,219,752</u>

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2017	\$ 3,786,849	\$ 738,440	\$ 4,525,289
2018	3,685,747	603,066	4,288,813
2019	3,593,396	464,715	4,058,111
2020	3,736,649	325,966	4,062,615
2021	2,474,444	173,039	2,647,483
2022-2026	1,109,779	397,748	1,507,527
2027-2031	795,000	249,800	1,044,800
2032-2035	760,000	77,400	837,400
Total	<u>\$ 19,941,864</u>	<u>\$ 3,030,174</u>	<u>\$ 22,972,038</u>

At September 30, 2016, 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, 2016, follows:

\$1,755,000 2010B TRA Refunding Contract Revenue Bonds due in installments of \$160,000 to \$215,000 through 2018, interest rates from 2.00% - 3.00%.	\$ 429,636
\$6,725,000 2010C TRA Contract Refunding Revenue Bonds due in installments of \$490,000 to \$730,000 through 2020, interest rates from 1.00% - 4.79%.	2,740,000
\$19,190,000 2012 TRA Contract Revenue Bonds due in installments of \$1,920,000 to \$2,340,000 through 2021, interest rates from 2.00% - 4.00%.	<u>11,110,000</u>
Total outstanding revenue debt as of September 30, 2016	<u>\$ 14,279,636</u>

Tax Supported Debt

A summary of tax-supported debt outstanding at September 30, 2016, 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.	\$ 3,650,000
\$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%.	2,380,000
\$3,500,000 General Obligation Bonds, Series 2010, dated April 15, 2010, to finance expansion and renovation of the municipal library. Due in annual installments of \$170,000 - \$295,000 with interest rates of 0.60% - 4.15%.	2,285,000
\$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%.	4,410,000
\$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>2,780,000</u>
Total outstanding tax supported debt as of September 30, 2016	<u>\$ 15,505,000</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 Description

The City participates as one of 866 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.org*.

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

Benefits Provided

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

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

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	174
Inactive employees entitled to but not yet receiving benefits	137
Active employees	<u>253</u>
	<u><u>564</u></u>

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.43% and 17.25% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$2,290,870, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study Analysis and experience investigation study, the Board amended the long-term expected rate of return on pensions plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of plant investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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 target allocation and best estimates of arithmetic real rates return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	<u>5.0%</u>	8.00%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	\$ 76,076,471	\$ 60,494,861	\$ 15,581,610
Changes for the year:			
Service cost	1,748,260	-	1,748,260
Interest	5,264,932	-	5,264,932
Difference between expected and actual experience	(99,924)	-	(99,924)
Changes of assumptions	1,388,066	-	1,388,066
Contributions - employer	-	2,126,131	(2,126,131)
Contributions - employee	-	862,278	(862,278)
Net investment income	-	89,250	(89,250)
Benefit payments, including refunds of employee contributions	(3,474,572)	(3,474,572)	-
Administrative expense	-	(54,371)	54,371
Other changes	-	(2,686)	2,686
Net changes	<u>4,826,762</u>	<u>-</u>	<u>4,826,762</u>
Balance at 12/31/2015	<u>\$ 80,903,233</u>	<u>\$ 60,040,891</u>	<u>\$ 20,862,342</u>

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 32,179,655	\$ 20,862,342	\$ 11,591,117

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.tmrs.org.

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

For the year ended September 30, 2016, the city recognized pension expense of \$3,163,967.

At September 30, 2016, 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	\$ -	\$ 288,837
Changes in actuarial assumptions	1,066,755	-
Difference between projected and actual investment earnings	3,757,980	-
Contributions subsequent to the measurement date	<u>1,700,707</u>	<u>-</u>
Total	<u>\$ 6,525,442</u>	<u>\$ 288,837</u>

\$1,700,707 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year ended Dec 31</u>	
2017	\$ 1,190,637
2018	1,190,637
2019	1,230,128
2020	924,496

Supplemental Death Benefit Plan

Plan Description

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

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

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

The City's contributions to the TMRS SDBF for the years ended 2016, 2015 and 2014, were \$23,758, \$20,602, and \$20,118, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2014	0.04%	0.04%	100.0%
2015	0.04%	0.04%	100.0%
2016	0.04%	0.04%	100.0%

Other Postemployment Benefits

Postemployment Benefits

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

An employee is able to retire pursuant to TMRS rules:

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

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

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

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

Benefit provisions for retirees are not mandated by any form of employment agreement. The continued provision of these benefits is based entirely on the discretion of the City of Huntsville City Council. In fiscal year 2010-11, the City established an irrevocable trust to fund OPEB medical liabilities for retirees. The trust is reported on the statements of fiduciary net position.

Funding Policy

The City contribution to the health plan consists of total premiums in excess of the retiree contributions. Retirees receiving medical benefits during fiscal year 2016 contribute \$19.80 per month depending on the coverage levels selected. For the year ended September 30, 2016, there were a total of 69 retirees in the City’s health plan. Of these 69, 19 carried dependent coverage. In fiscal year 2016, total retiree contributions for retirees and dependents were \$112,272. The City contributions to the plan for fiscal year 2016, which are also equal to premiums paid in excess of premiums collected from retirees, were \$754,742.

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution (ARC)	\$ 2,003,803
Interest on net OPEB obligation	192,631
Adjustment to annual required contribution	<u>(267,785)</u>
Annual OPEB cost (expense)	1,928,649
Contributions made	<u>(754,742)</u>
Increase in net OPEB	1,173,907
Net OPEB obligation - beginning of year	<u>4,815,778</u>
Net OPEB obligation - end of year	<u>\$ 5,989,685</u>

The City’s annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation for the fiscal years ending 2016, 2015, and 2014 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution Made	Percentage of OPEB Cost Contributed	Net Pension Obligation/ (Assets)
2014	\$ 1,323,274	\$ 507,584	35.32%	\$ 3,918,372
2015	1,326,845	429,440	68.50%	4,815,778
2016	1,928,649	754,742	39.13%	5,989,685

Funded Status and Funding Progress

The funded status of the plan based on an actuarial update using age-adjusted premiums as of September 30, 2016, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/1/2016	\$ 3,248,291	\$ 24,638,096	13.2%	\$ 21,389,805	\$ 12,095,412	176.8%

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

Actuarial Methods and Assumptions

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

The following is a summary of the actuarial assumptions:

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

Risk Management

Medical Insurance Fund

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

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

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

	<u>2016</u>	<u>2015</u>
Aggregate liabilities October 1	\$ 150,106	\$ 202,599
Incurred liabilities	2,687,100	2,331,854
Paid liabilities	<u>(2,630,629)</u>	<u>(2,384,347)</u>
Aggregate liabilities September 30	<u>\$ 206,577</u>	<u>\$ 150,106</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, 2016. The City's remaining commitment to contractors for all projects is at \$10,520,399 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.

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, 2016.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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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, 2016

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 4,155,000	\$ 4,155,000	\$ 4,205,095	\$ 50,095
Sales tax	7,465,455	7,465,455	7,956,186	490,731
Franchise taxes	2,095,000	2,095,000	2,088,108	(6,892)
Other taxes	103,000	103,000	111,347	8,347
Licenses and permits	354,950	354,950	565,430	210,480
Charges for sales and services	467,442	464,442	462,363	(2,079)
Fines, fees, and forfeitures	1,092,474	1,155,474	1,177,121	21,647
Donations, contributions, and grants	94,885	95,885	114,955	19,070
Investment income	108,500	108,500	158,035	49,535
Miscellaneous	62,000	62,000	85,876	23,876
Total revenue	<u>15,998,706</u>	<u>16,059,706</u>	<u>16,924,516</u>	<u>864,810</u>
EXPENDITURES				
Current:				
General government				
Charter offices				
City Council	127,850	132,374	132,373	1
City Manager	414,023	423,066	405,225	17,841
City Secretary	187,591	201,884	194,108	7,776
City Attorney	150,000	172,066	172,065	1
City Judge	63,229	66,569	62,215	4,354
Finance				
Finance and accounting	845,674	870,287	842,709	27,578
Office services	100,000	100,000	87,554	12,446
Municipal court	294,701	305,473	300,222	5,251
Purchasing	94,932	99,557	98,660	897
Warehouse	49,139	51,227	50,742	485
Human resources	464,711	493,408	474,300	19,108
Information technology	901,838	970,221	894,951	75,270
Community development	192,480	201,058	237,627	(36,569)
Non-departmental	1,235,149	983,611	1,249,243	(265,632)
Public safety				
Public safety administration	719,444	731,089	728,396	2,693
Police	4,916,940	4,958,302	4,826,123	132,179
Fire	1,648,590	1,699,444	1,628,927	70,517
Victim's services	-	76,065	71,313	4,752
Public works				
Public utilities administration	202,663	318,666	260,780	57,886
Streets	-	2,105,186	1,798,166	307,020
GIS	168,482	225,763	197,714	28,049
Customer service center	198,504	206,406	203,049	3,357
Planning	223,650	248,057	235,373	12,684
Public works administration	1,428,752	-	-	-
Engineering	1,692,462	523,101	496,807	26,294
Surveying	256,745	266,238	250,489	15,749
Central inspection	420,919	436,368	421,333	15,035
Health	152,246	158,498	145,814	12,684

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, 2016

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Community services				
Community services administration	209,331	225,179	217,744	7,435
Recreation	19,300	19,300	18,766	534
Parks maintenance	830,963	852,346	786,649	65,697
Aquatic center	293,694	316,284	306,251	10,033
Building services	500,026	516,889	506,333	10,556
Cemetery	82,844	85,265	77,689	7,576
Library services	537,777	558,744	540,067	18,677
Community service assist	39,900	40,052	40,050	2
Garage	477,276	537,824	476,222	61,602
Tourism and cultural services				
Gift shop	108,914	111,100	97,328	13,772
Main street	136,492	146,074	131,856	14,218
Tour guides	7,800	7,800	7,472	328
Total expenditures	<u>20,395,031</u>	<u>20,440,841</u>	<u>19,672,705</u>	<u>768,136</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,396,325)</u>	<u>(4,381,135)</u>	<u>(2,748,189)</u>	<u>1,632,946</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,389,810	5,148,811	5,331,031	182,220
Transfers out	(1,447,882)	(2,093,968)	(2,077,293)	16,675
Sale of capital assets	1,500	1,500	5,098	3,598
Total other financing sources (uses)	<u>3,943,428</u>	<u>3,056,343</u>	<u>3,258,836</u>	<u>202,493</u>
NET CHANGE IN FUND BALANCE	<u>(452,897)</u>	<u>(1,324,792)</u>	510,647	1,835,439
FUND BALANCE, BEGINNING	<u>12,911,178</u>	<u>12,911,178</u>	<u>12,911,178</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 12,458,281</u>	<u>\$ 11,586,386</u>	<u>\$ 13,421,825</u>	<u>\$ 1,835,439</u>

CITY OF HUNTSVILLE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

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

CITY OF HUNTSVILLE, TEXAS

SCHEDULE OF CHANGES IN TMRS NET PENSION LIABILITY

SCHEDULE OF TMRS CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Fiscal Year	2014	2015	2016
Actuarial determined contribution	\$ 1,934,620	\$ 2,082,681	\$ 2,290,870
Contributions in relation to the actuarially determined contribution	(1,934,620)	(2,082,681)	(2,290,870)
Contribution deficiency (excess)	-	-	-
Covered employee payroll	11,764,506	12,095,412	12,303,029
Contributions as a percentage of covered employee payroll	16.44%	17.22%	18.62%

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	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.

Other Information: There were no benefit changes during the year.

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

CITY OF HUNTSVILLE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS PLAN
SEPTEMBER 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2012	\$ 2,410,646	\$ 20,630,459	\$ 18,219,813	12%	\$ 11,936,619	152.6%
10/1/2014	2,998,155	22,467,067	19,468,912	13%	10,996,048	177.1%
10/1/2016	3,248,291	24,638,096	21,389,805	13%	12,095,412	176.8%

CITY OF HUNTSVILLE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

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, Library Grants fund and the Library Donations 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, 2016

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,754,893	\$ 2,441,979	\$ 61,648	\$ 4,258,520
Investments	864,059	1,230,722	410,792	2,505,573
Accounts receivable (net of allowance for uncollectibles):				
Accounts	150	-	-	150
Taxes	178,306	-	-	178,306
Intergovernmental	88,701	45,933	-	134,634
Interest	6,275	4,477	2,676	13,428
Due from other funds	20	-	-	20
Property held for sale	<u>14,253</u>	<u>-</u>	<u>-</u>	<u>14,253</u>
 Total assets	 <u>2,906,657</u>	 <u>3,723,111</u>	 <u>475,116</u>	 <u>7,104,884</u>
LIABILITIES				
Accounts payable	96,304	184,604	-	280,908
Accrued liabilities	17,067	-	-	17,067
Due to other funds	491	74,778	-	75,269
Due to other governments	<u>31,745</u>	<u>-</u>	<u>-</u>	<u>31,745</u>
Total liabilities	<u>145,607</u>	<u>259,382</u>	<u>-</u>	<u>404,989</u>
FUND BALANCES				
Nonspendable permanent funds	-	-	461,787	461,787
Restricted for:				
Promotion of tourism	1,653,755	-	-	1,653,755
Court technology and security	174,077	-	-	174,077
Purpose of grantors, trustees and donors	760,168	-	13,329	773,497
Law enforcement	173,050	-	-	173,050
Assigned to:				
Construction of capital assets	<u>-</u>	<u>3,463,729</u>	<u>-</u>	<u>3,463,729</u>
Total fund balances	<u>2,761,050</u>	<u>3,463,729</u>	<u>475,116</u>	<u>6,699,895</u>
 Total liabilities and fund balances	 <u>\$ 2,906,657</u>	 <u>\$ 3,723,111</u>	 <u>\$ 475,116</u>	 <u>\$ 7,104,884</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, 2016

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$ 162,243	\$ -	\$ -	\$ 162,243
Other taxes	868,859	-	-	868,859
Charges for sales and services	481,161	-	-	481,161
Fines, fees, and forfeitures	67,773	-	-	67,773
Donations, contributions, and grants	161,990	54,677	400	217,067
Investment income	15,136	30,616	5,152	50,904
Miscellaneous	<u>38</u>	<u>5,032</u>	<u>-</u>	<u>5,070</u>
Total revenues	<u>1,757,200</u>	<u>90,325</u>	<u>5,552</u>	<u>1,853,077</u>
EXPENDITURES				
General government	24,484	-	-	24,484
Public works	139,710	1,479,583	-	1,619,293
Community services	768,936	281,465	-	1,050,401
Public safety	<u>714,213</u>	<u>-</u>	<u>-</u>	<u>714,213</u>
Total expenditures	<u>1,647,343</u>	<u>1,761,048</u>	<u>-</u>	<u>3,408,391</u>
EXCESS (DEFICIENCY) OF REVENUES (OVER) UNDER EXPENDITURES	<u>109,857</u>	<u>(1,670,723)</u>	<u>5,552</u>	<u>(1,555,314)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	292,882	2,238,874	-	2,531,756
Transfers out	<u>(478,192)</u>	<u>(299,155)</u>	<u>(2,700)</u>	<u>(780,047)</u>
Sale of capital assets	6,615	-	-	6,615
Total other financing sources (uses)	<u>(178,695)</u>	<u>1,939,719</u>	<u>(2,700)</u>	<u>1,758,324</u>
NET CHANGE IN FUND BALANCES	<u>(68,838)</u>	268,996	2,852	203,010
FUND BALANCES, BEGINNING	2,829,888	3,395,883	472,264	6,698,035
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(201,150)</u>	<u>-</u>	<u>(201,150)</u>
FUND BALANCE, BEGINNING AS RESTATED	<u>2,829,888</u>	<u>3,194,733</u>	<u>472,264</u>	<u>6,496,885</u>
FUND BALANCES, ENDING	<u>\$ 2,761,050</u>	<u>\$ 3,463,729</u>	<u>\$ 475,116</u>	<u>\$ 6,699,895</u>

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

SEPTEMBER 30, 2016

	<u>Municipal Court Security and Technology</u>	<u>Police Forfeiture</u>	<u>Airport</u>	<u>Library Special Donations</u>
ASSETS				
Cash and cash equivalents	\$ 178,868	\$ 127,994	\$ 174,390	\$ 74,710
Investments	-	-	-	-
Accounts receivable (net of allowance for uncollectibles):				
Accounts	-	-	-	-
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Interest	-	-	-	-
Due from other funds	-	-	-	-
Property held for sale	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>178,868</u>	 <u>127,994</u>	 <u>174,390</u>	 <u>74,710</u>
LIABILITIES				
Accounts payable	1,693	480	900	116
Accrued liabilities	3,098	-	-	-
Due to other funds	-	-	-	-
Due to other governments	<u>-</u>	<u>31,745</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>4,791</u>	<u>32,225</u>	<u>900</u>	<u>116</u>
FUND BALANCES				
Restricted for:				
Promotion of tourism	-	-	-	-
Court security and technology	174,077	-	-	-
Purpose of grantors, trustees and donors	-	-	173,490	74,594
Law enforcement	<u>-</u>	<u>95,769</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>174,077</u>	<u>95,769</u>	<u>173,490</u>	<u>74,594</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 178,868</u>	 <u>\$ 127,994</u>	 <u>\$ 174,390</u>	 <u>\$ 74,710</u>

<u>Library Grants</u>	<u>School Resource Officer</u>	<u>Police Grants</u>	<u>Library Donations</u>	<u>Arts Center</u>	<u>Federal Grants</u>
\$ 5,353	\$ 88,093	\$ 198,224	\$ 300	\$ 137,975	\$ 58,882
-	-	-	-	-	-
-	150	-	-	-	-
-	-	-	-	25,153	-
-	-	84,247	-	-	4,454
-	-	-	-	-	-
-	20	-	-	-	-
-	-	-	-	-	14,253
<u>5,353</u>	<u>88,263</u>	<u>282,471</u>	<u>300</u>	<u>163,128</u>	<u>77,589</u>
-	1,969	69,061	-	8,436	-
-	8,720	-	-	1,816	-
-	293	-	-	166	-
-	-	-	-	-	-
-	<u>10,982</u>	<u>69,061</u>	-	<u>10,418</u>	-
-	-	-	-	-	-
-	-	-	-	-	-
5,353	-	213,410	300	152,710	77,589
-	<u>77,281</u>	-	-	-	-
<u>5,353</u>	<u>77,281</u>	<u>213,410</u>	<u>300</u>	<u>152,710</u>	<u>77,589</u>
\$ <u>5,353</u>	\$ <u>88,263</u>	\$ <u>282,471</u>	\$ <u>300</u>	\$ <u>163,128</u>	\$ <u>77,589</u>

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CITY OF HUNTSVILLE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2016

	<u>Area Revitalization</u>	<u>Tax Increment Reinvestment Zone #1</u>	<u>Hotel/ Motel Tourism</u>	<u>Total Nonmajor Special Revenue Funds</u>
ASSETS				
Cash and cash equivalents	\$ 24,120	\$ 38,602	\$ 647,382	\$ 1,754,893
Investments	-	-	864,059	864,059
Accounts receivable (net of allowance for uncollectibles):				
Accounts	-	-	-	150
Taxes	-	-	153,153	178,306
Intergovernmental	-	-	-	88,701
Interest	-	-	6,275	6,275
Due from other funds	-	-	-	20
Property held for sale	-	-	-	14,253
	<u>24,120</u>	<u>38,602</u>	<u>1,670,869</u>	<u>2,906,657</u>
LIABILITIES				
Accounts payable	-	-	13,649	96,304
Accrued liabilities	-	-	3,433	17,067
Due to other funds	-	-	32	491
Due to other governments	-	-	-	31,745
Total liabilities	<u>-</u>	<u>-</u>	<u>17,114</u>	<u>145,607</u>
FUND BALANCES				
Restricted for:				
Promotion of tourism	-	-	1,653,755	1,653,755
Court security and technology	-	-	-	174,077
Purpose of grantors, trustees and donors	24,120	38,602	-	760,168
Law enforcement	-	-	-	173,050
Total fund balances	<u>24,120</u>	<u>38,602</u>	<u>1,653,755</u>	<u>2,761,050</u>
Total liabilities and fund balances	<u>\$ 24,120</u>	<u>\$ 38,602</u>	<u>\$ 1,670,869</u>	<u>\$ 2,906,657</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, 2016

	<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	48,876	12,585	-	-
Donations, contributions, and grants	-	-	16,905	20,450
Investment income	110	32	109	47
Miscellaneous	-	-	-	-
Total revenues	<u>48,986</u>	<u>12,617</u>	<u>35,164</u>	<u>20,497</u>
EXPENDITURES				
General government	24,484	-	-	-
Public works	-	-	36,401	-
Community services	-	-	-	14,732
Public safety	-	4,320	-	-
Total expenditures	<u>24,484</u>	<u>4,320</u>	<u>36,401</u>	<u>14,732</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>24,502</u>	<u>8,297</u>	<u>(1,237)</u>	<u>5,765</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	97,000	-
Transfers out	(15,828)	-	(67,000)	-
Sale of capital assets	-	6,615	-	-
Total other financing sources (uses)	<u>(15,828)</u>	<u>6,615</u>	<u>30,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	8,674	14,912	28,763	5,765
FUND BALANCES, BEGINNING	<u>165,403</u>	<u>80,857</u>	<u>144,727</u>	<u>68,829</u>
FUND BALANCES, ENDING	<u>\$ 174,077</u>	<u>\$ 95,769</u>	<u>\$ 173,490</u>	<u>\$ 74,594</u>

<u>Library Grants</u>	<u>School Resource Officer</u>	<u>Police Grants</u>	<u>Library Donations</u>	<u>Arts Center</u>	<u>Federal Grants</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	124,123	-
-	463,011	-	-	-	-
-	-	-	-	6,312	-
-	-	100,035	4,783	16,460	-
-	24	178	3	101	40
-	-	-	-	38	-
<u>-</u>	<u>463,035</u>	<u>100,213</u>	<u>4,786</u>	<u>147,034</u>	<u>40</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	7,742	225,771	-
<u>-</u>	<u>536,795</u>	<u>173,098</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>536,795</u>	<u>173,098</u>	<u>7,742</u>	<u>225,771</u>	<u>-</u>
<u>-</u>	<u>(73,760)</u>	<u>(72,885)</u>	<u>(2,956)</u>	<u>(78,737)</u>	<u>40</u>
-	110,700	-	-	85,182	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>110,700</u>	<u>-</u>	<u>-</u>	<u>85,182</u>	<u>-</u>
-	36,940	(72,885)	(2,956)	6,445	40
<u>5,353</u>	<u>40,341</u>	<u>286,295</u>	<u>3,256</u>	<u>146,265</u>	<u>77,549</u>
<u>\$ 5,353</u>	<u>\$ 77,281</u>	<u>\$ 213,410</u>	<u>\$ 300</u>	<u>\$ 152,710</u>	<u>\$ 77,589</u>

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CITY OF HUNTSVILLE, TEXAS

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

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<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	\$ -	\$ 162,243	\$ -	\$ 162,243
Other taxes	-	-	744,736	868,859
Charges for sales and services	-	-	-	481,161
Fines, fees, and forfeitures	-	-	-	67,773
Donations, contributions, and grants	707	-	2,650	161,990
Investment income	15	11	14,466	15,136
Miscellaneous	-	-	-	38
Total revenues	<u>722</u>	<u>162,254</u>	<u>761,852</u>	<u>1,757,200</u>
EXPENDITURES				
General government	-	-	-	24,484
Public works	-	-	103,309	139,710
Community services	-	162,243	358,448	768,936
Public safety	-	-	-	714,213
Total expenditures	<u>-</u>	<u>162,243</u>	<u>461,757</u>	<u>1,647,343</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>722</u>	<u>11</u>	<u>300,095</u>	<u>109,857</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	292,882
Transfers out	-	-	(395,364)	(478,192)
Sale of capital assets	-	-	-	6,615
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(395,364)</u>	<u>(178,695)</u>
NET CHANGE IN FUND BALANCES	722	11	(95,269)	(68,838)
FUND BALANCES, BEGINNING	<u>23,398</u>	<u>38,591</u>	<u>1,749,024</u>	<u>2,829,888</u>
FUND BALANCES, ENDING	<u>\$ 24,120</u>	<u>\$ 38,602</u>	<u>\$ 1,653,755</u>	<u>\$ 2,761,050</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines, fees, and forfeiture	\$ 44,772	\$ 44,772	\$ 48,876	\$ 4,104
Investment income	85	85	110	25
Total revenue	<u>44,857</u>	<u>44,857</u>	<u>48,986</u>	<u>4,129</u>
EXPENDITURES				
General government	<u>25,584</u>	<u>25,584</u>	<u>24,484</u>	<u>1,100</u>
Total expenditures	<u>25,584</u>	<u>25,584</u>	<u>24,484</u>	<u>1,100</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>19,273</u>	<u>19,273</u>	<u>24,502</u>	<u>5,229</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(15,828)</u>	<u>(15,828)</u>	<u>(15,828)</u>	<u>-</u>
Total other financing sources (uses)	<u>(15,828)</u>	<u>(15,828)</u>	<u>(15,828)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	3,445	3,445	8,674	5,229
FUND BALANCE, BEGINNING	<u>165,403</u>	<u>165,403</u>	<u>165,403</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 168,848</u>	<u>\$ 168,848</u>	<u>\$ 174,077</u>	<u>\$ 5,229</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**POLICE FORFEITURE FUND
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines, fees, and forfeitures	\$ -	\$ -	\$ 12,585	\$ 12,585
Investment income	-	-	32	32
Total revenues	<u>-</u>	<u>-</u>	<u>12,617</u>	<u>12,617</u>
EXPENDITURES				
Public safety	<u>56,520</u>	<u>56,520</u>	<u>4,320</u>	<u>52,200</u>
Total expenditures	<u>56,520</u>	<u>56,520</u>	<u>4,320</u>	<u>52,200</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(56,520)	(56,520)	8,297	64,817
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	<u>-</u>	<u>-</u>	<u>6,615</u>	<u>6,615</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>6,615</u>	<u>6,615</u>
NET CHANGE IN FUND BALANCE	(56,520)	(56,520)	14,912	71,432
FUND BALANCE, BEGINNING	<u>80,857</u>	<u>80,857</u>	<u>80,857</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 24,337</u>	<u>\$ 24,337</u>	<u>\$ 95,769</u>	<u>\$ 71,432</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**AIRPORT FUND
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Charges for sales and services	\$ 11,550	\$ 11,550	\$ 18,150	\$ 6,600
Donations, contributions, and grants	30,000	30,000	16,905	(13,095)
Investment income	-	-	109	109
Total revenues	<u>41,550</u>	<u>41,550</u>	<u>35,164</u>	<u>(6,386)</u>
EXPENDITURES				
Public works	<u>139,986</u>	<u>72,986</u>	<u>36,401</u>	<u>36,585</u>
Total expenditures	<u>139,986</u>	<u>72,986</u>	<u>36,401</u>	<u>36,585</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(98,436)</u>	<u>(31,436)</u>	<u>(1,237)</u>	<u>30,199</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	97,000	97,000	97,000	-
Transfer out	-	(67,000)	(67,000)	-
Total other financing sources (uses)	<u>97,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(1,436)	(1,436)	28,763	30,199
FUND BALANCE, BEGINNING	<u>144,727</u>	<u>144,727</u>	<u>144,727</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 143,291</u>	<u>\$ 143,291</u>	<u>\$ 173,490</u>	<u>\$ 30,199</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**LIBRARY SPECIAL DONATIONS FUND
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Donations, contributions, and grants	\$ 15,000	\$ 15,000	\$ 20,450	\$ 5,450
Investment income	100	100	47	(53)
Total revenues	<u>15,100</u>	<u>15,100</u>	<u>20,497</u>	<u>5,397</u>
EXPENDITURES				
Community services	<u>15,300</u>	<u>15,300</u>	<u>14,732</u>	<u>568</u>
Total expenditures	<u>15,300</u>	<u>15,300</u>	<u>14,732</u>	<u>568</u>
NET CHANGE IN FUND BALANCE	(200)	(200)	5,765	5,965
FUND BALANCE, BEGINNING	<u>68,829</u>	<u>68,829</u>	<u>68,829</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 68,629</u>	<u>\$ 68,629</u>	<u>\$ 74,594</u>	<u>\$ 5,965</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**SCHOOL RESOURCE OFFICER FUND
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Charges for sales and services	\$ 463,011	\$ 463,011	\$ 463,011	\$ -
Investment income	50	50	24	(26)
Total revenues	<u>463,061</u>	<u>463,061</u>	<u>463,035</u>	<u>(26)</u>
EXPENDITURES				
Public safety	<u>554,936</u>	<u>554,936</u>	<u>536,795</u>	<u>18,141</u>
Total expenditures	<u>554,936</u>	<u>554,936</u>	<u>536,795</u>	<u>18,141</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(91,875)</u>	<u>(91,875)</u>	<u>(73,760)</u>	<u>18,115</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>110,700</u>	<u>110,700</u>	<u>110,700</u>	<u>-</u>
Total other financing sources (uses)	<u>110,700</u>	<u>110,700</u>	<u>110,700</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	18,825	18,825	36,940	18,115
FUND BALANCE, BEGINNING	<u>40,341</u>	<u>40,341</u>	<u>40,341</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 59,166</u>	<u>\$ 59,166</u>	<u>\$ 77,281</u>	<u>\$ 18,115</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**POLICE GRANTS
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Donations, contributions, and grants	\$ 300,000	\$ 366,700	\$ 100,035	\$(266,665)
Investment income	60	60	178	118
Total revenues	<u>300,060</u>	<u>366,760</u>	<u>100,213</u>	<u>(266,547)</u>
EXPENDITURES				
Public safety	<u>508,511</u>	<u>591,886</u>	<u>173,098</u>	<u>418,788</u>
Total expenditures	<u>508,511</u>	<u>591,886</u>	<u>173,098</u>	<u>418,788</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(208,451)</u>	<u>(225,126)</u>	<u>(72,885)</u>	<u>152,241</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>16,675</u>	<u>-</u>	<u>(16,675)</u>
Total other financing sources (uses)	<u>-</u>	<u>16,675</u>	<u>-</u>	<u>(16,675)</u>
NET CHANGE IN FUND BALANCE	<u>(208,451)</u>	<u>(208,451)</u>	<u>(72,885)</u>	<u>135,566</u>
FUND BALANCE, BEGINNING	<u>286,295</u>	<u>286,295</u>	<u>286,295</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 77,844</u>	<u>\$ 77,844</u>	<u>\$ 213,410</u>	<u>\$ 135,566</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**ARTS CENTER FUND
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Other taxes	\$ 120,000	\$ 120,000	\$ 124,123	\$ 4,123
Fines, fees, and forfeitures	6,000	6,000	6,312	312
Donations, contributions, and grants	16,000	16,000	16,460	460
Investment income	-	-	101	101
Miscellaneous	-	-	38	38
Total revenues	<u>142,000</u>	<u>142,000</u>	<u>147,034</u>	<u>5,034</u>
EXPENDITURES				
Community services	<u>229,322</u>	<u>229,322</u>	<u>225,771</u>	<u>3,551</u>
Total expenditures	<u>229,322</u>	<u>229,322</u>	<u>225,771</u>	<u>3,551</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(87,322)</u>	<u>(87,322)</u>	<u>(78,737)</u>	<u>8,585</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>85,182</u>	<u>85,182</u>	<u>85,182</u>	<u>-</u>
Total other financing sources (uses)	<u>85,182</u>	<u>85,182</u>	<u>85,182</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(2,140)</u>	<u>(2,140)</u>	<u>6,445</u>	<u>8,585</u>
FUND BALANCE, BEGINNING	<u>146,265</u>	<u>146,265</u>	<u>146,265</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 144,125</u>	<u>\$ 144,125</u>	<u>\$ 152,710</u>	<u>\$ 8,585</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**AREA REVITALIZATION
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Donations, contributions, and grants	\$ 2,500	\$ 2,500	\$ 707	\$(1,793)
Investment income	-	-	15	15
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>722</u>	<u>(1,778)</u>
EXPENDITURES				
Community services	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total expenditures	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>
NET CHANGE IN FUND BALANCE	-	-	722	722
FUND BALANCE, BEGINNING	<u>23,398</u>	<u>23,398</u>	<u>23,398</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 23,398</u>	<u>\$ 23,398</u>	<u>\$ 24,120</u>	<u>\$ 722</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**HOTEL MOTEL - TOURISM
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Other taxes	\$ 630,000	\$ 630,000	\$ 744,736	\$ 114,736
Donations, contributions, and grants	2,000	2,000	2,650	650
Investment income	13,000	13,000	14,466	1,466
Total revenues	<u>645,000</u>	<u>645,000</u>	<u>761,852</u>	<u>116,852</u>
EXPENDITURES				
Public works	120,292	123,523	103,309	20,214
Community services	412,345	409,114	358,448	50,666
Total expenditures	<u>532,637</u>	<u>532,637</u>	<u>461,757</u>	<u>70,880</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>112,363</u>	<u>112,363</u>	<u>300,095</u>	<u>187,732</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(54,836)	(395,364)	(395,364)	-
Total other financing sources (uses)	<u>(54,836)</u>	<u>(395,364)</u>	<u>(395,364)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	57,527	(283,001)	(95,269)	187,732
FUND BALANCE, BEGINNING	<u>1,749,024</u>	<u>1,749,024</u>	<u>1,749,024</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,806,551</u>	<u>\$ 1,466,023</u>	<u>\$ 1,653,755</u>	<u>\$ 187,732</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Property taxes	\$ 1,498,265	\$ 1,498,265	\$ 1,527,886	\$ 29,621
Charges for services	330,502	330,502	330,502	-
Investment income	<u>35</u>	<u>35</u>	<u>1,252</u>	<u>1,217</u>
Total revenues	<u>1,828,802</u>	<u>1,828,802</u>	<u>1,859,640</u>	<u>30,838</u>
EXPENDITURES				
Debt service:				
Principal retirement	1,425,813	1,425,813	1,425,813	-
Interest and fiscal charges	<u>402,975</u>	<u>402,975</u>	<u>402,975</u>	<u>-</u>
Total expenditures	<u>1,828,788</u>	<u>1,828,788</u>	<u>1,828,788</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	14	14	30,852	30,838
FUND BALANCE, BEGINNING	<u>309,816</u>	<u>309,816</u>	<u>309,816</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 309,830</u>	<u>\$ 309,830</u>	<u>\$ 340,668</u>	<u>\$ 30,838</u>

CITY OF HUNTSVILLE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2016

	<u>Street Capital Projects</u>	<u>Sidewalks</u>	<u>General Improvements</u>	<u>IS Computer CIP</u>
ASSETS				
Cash and cash equivalents	\$ 1,733,212	\$ 180,608	\$ 290	\$ 285,020
Investments	182,977	-	892,460	155,285
Receivables (net of allowance for uncollectibles):				
Intergovernmental	-	45,933	-	-
Interest	<u>1,997</u>	<u>-</u>	<u>1,865</u>	<u>615</u>
 Total assets	 <u>1,918,186</u>	 <u>226,541</u>	 <u>894,615</u>	 <u>440,920</u>
LIABILITIES				
Accounts payable	181,386	2,784	434	-
Due to other funds	<u>-</u>	<u>-</u>	<u>74,778</u>	<u>-</u>
Total liabilities	<u>181,386</u>	<u>2,784</u>	<u>75,212</u>	<u>-</u>
FUND BALANCES				
Assigned to:				
Construction of capital assets	<u>1,736,800</u>	<u>223,757</u>	<u>819,403</u>	<u>440,920</u>
Total fund balances	<u>1,736,800</u>	<u>223,757</u>	<u>819,403</u>	<u>440,920</u>
 Total liabilities and fund balances	 <u>\$ 1,918,186</u>	 <u>\$ 226,541</u>	 <u>\$ 894,615</u>	 <u>\$ 440,920</u>

<u>Cemetery Projects</u>	<u>Land Acquisition</u>	<u>Total Nonmajor Capital Projects</u>
\$ 9,654	\$ 233,195	\$ 2,441,979
-	-	1,230,722
-	-	45,933
<u>-</u>	<u>-</u>	<u>4,477</u>
<u>9,654</u>	<u>233,195</u>	<u>3,723,111</u>
-	-	184,604
<u>-</u>	<u>-</u>	<u>74,778</u>
<u>-</u>	<u>-</u>	<u>259,382</u>
<u>9,654</u>	<u>233,195</u>	<u>3,463,729</u>
<u>9,654</u>	<u>233,195</u>	<u>3,463,729</u>
<u>\$ 9,654</u>	<u>\$ 233,195</u>	<u>\$ 3,723,111</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, 2016

	<u>Street Capital Projects</u>	<u>Sidewalks</u>	<u>General Improvements</u>	<u>IS Computer CIP</u>
REVENUES				
Donations, contributions, and grants	\$ -	\$ 46,977	\$ 7,500	\$ -
Investment earnings	14,976	2,639	8,352	3,432
Miscellaneous revenue	<u>-</u>	<u>5,032</u>	<u>-</u>	<u>-</u>
Total revenues	<u>14,976</u>	<u>54,648</u>	<u>15,852</u>	<u>3,432</u>
EXPENDITURES				
Public works	538,761	725,478	215,344	-
Community services	<u>-</u>	<u>-</u>	<u>281,465</u>	<u>-</u>
Total expenditures	<u>538,761</u>	<u>725,478</u>	<u>496,809</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(523,785)</u>	<u>(670,830)</u>	<u>(480,957)</u>	<u>3,432</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	700,000	668,846	870,028	-
Transfers out	<u>(116,935)</u>	<u>-</u>	<u>(182,220)</u>	<u>-</u>
Total other financing sources (uses)	<u>583,065</u>	<u>668,846</u>	<u>687,808</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
	<u>59,280</u>	<u>(1,984)</u>	<u>206,851</u>	<u>3,432</u>
FUND BALANCES, BEGINNING				
	1,677,520	426,891	612,552	437,488
PRIOR PERIOD ADJUSTMENT				
	<u>-</u>	<u>(201,150)</u>	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING AS RESTATED				
	<u>1,677,520</u>	<u>225,741</u>	<u>612,552</u>	<u>437,488</u>
FUND BALANCES, ENDING				
	<u>\$ 1,736,800</u>	<u>\$ 223,757</u>	<u>\$ 819,403</u>	<u>\$ 440,920</u>

<u>Cemetery Projects</u>	<u>Land Acquisition</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 200	\$ -	\$ 54,677
46	1,171	30,616
-	-	5,032
<u>246</u>	<u>1,171</u>	<u>90,325</u>
-	-	1,479,583
-	-	281,465
-	-	1,761,048
<u>246</u>	<u>1,171</u>	<u>(1,670,723)</u>
-	-	2,238,874
-	-	(299,155)
-	-	1,939,719
<u>246</u>	<u>1,171</u>	<u>268,996</u>
9,408	232,024	3,395,883
-	-	(201,150)
<u>9,408</u>	<u>232,024</u>	<u>3,194,733</u>
<u>\$ 9,654</u>	<u>\$ 233,195</u>	<u>\$ 3,463,729</u>

CITY OF HUNTSVILLE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR PERMANENT FUNDS

SEPTEMBER 30, 2016

	Library Endowment Nonexpendable Trust	Oakwood Cemetery Endowment	Total Nonmajor Permanent Funds
ASSETS			
Cash and cash equivalents	\$ 33,484	\$ 28,164	\$ 61,648
Investments	78,117	332,675	410,792
Interest receivable	<u>582</u>	<u>2,094</u>	<u>2,676</u>
Total assets	<u>112,183</u>	<u>362,933</u>	<u>475,116</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>5,269</u>	<u>8,060</u>	<u>13,329</u>
Total fund balances	<u>112,183</u>	<u>362,933</u>	<u>475,116</u>
Total liabilities and fund balances	<u>\$ 112,183</u>	<u>\$ 362,933</u>	<u>\$ 475,116</u>

CITY OF HUNTSVILLE, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Library Endowment Nonexpendable Trust	Oakwood Cemetery Endowment	Total Nonmajor Permanent Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Donations, contributions, and grants	\$ -	\$ 400	\$ 400
Investment income	<u>920</u>	<u>4,232</u>	<u>5,152</u>
Total revenues	<u>920</u>	<u>4,632</u>	<u>5,552</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>920</u>	<u>4,632</u>	<u>5,552</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>-</u>	<u>(2,700)</u>	<u>(2,700)</u>
Total other financing sources (uses)	<u>-</u>	<u>(2,700)</u>	<u>(2,700)</u>
NET CHANGE IN FUND BALANCES	920	1,932	2,852
FUND BALANCES, BEGINNING	<u>111,263</u>	<u>361,001</u>	<u>472,264</u>
FUND BALANCES, ENDING	<u>\$ 112,183</u>	<u>\$ 362,933</u>	<u>\$ 475,116</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**LIBRARY ENDOWMENT
PERMANENT FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Investment income	\$ 1,100	\$ 1,100	\$ 920	\$(180)
Total revenues	1,100	1,100	920	(180)
EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,100	1,100	920	(180)
NET CHANGE IN FUND BALANCE	1,100	1,100	920	(180)
FUND BALANCE, BEGINNING	111,263	111,263	111,263	-
FUND BALANCE, ENDING	\$ 112,363	\$ 112,363	\$ 112,183	\$(180)

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Donations, contributions, and grants	\$ -	\$ -	\$ 400	\$ 400
Investment income	<u>2,700</u>	<u>2,700</u>	<u>4,232</u>	<u>1,532</u>
Total revenues	<u>2,700</u>	<u>2,700</u>	<u>4,632</u>	<u>1,932</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,700</u>	<u>2,700</u>	<u>4,632</u>	<u>1,932</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,700)</u>	<u>(2,700)</u>	<u>(2,700)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,700)</u>	<u>(2,700)</u>	<u>(2,700)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	1,932	1,932
FUND BALANCE, BEGINNING	<u>361,001</u>	<u>361,001</u>	<u>361,001</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 361,001</u>	<u>\$ 361,001</u>	<u>\$ 362,933</u>	<u>\$ 1,932</u>

CITY OF HUNTSVILLE, TEXAS

STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2016

	<u>Medical Insurance</u>	<u>Equipment Replacement</u>	<u>Computer Replacement</u>	<u>Total Internal Service</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,456,590	\$ 2,033,737	\$ 132,057	\$ 3,622,384
Investments	610,031	1,005,330	-	1,615,361
Accounts receivable (net of allowances for uncollectable):				
Interest	3,819	5,204	-	9,023
Prepays	<u>16,849</u>	<u>-</u>	<u>-</u>	<u>16,849</u>
Total current assets	<u>2,087,289</u>	<u>3,044,271</u>	<u>132,057</u>	<u>5,263,617</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	<u>-</u>	<u>3,045,173</u>	<u>275,205</u>	<u>3,320,378</u>
Total noncurrent assets	<u>-</u>	<u>3,045,173</u>	<u>275,205</u>	<u>3,320,378</u>
Total assets	<u>2,087,289</u>	<u>6,089,444</u>	<u>407,262</u>	<u>8,583,995</u>
LIABILITIES				
Current assets:				
Accounts payable	\$ <u>206,696</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>206,696</u>
Total liabilities	<u>206,696</u>	<u>-</u>	<u>-</u>	<u>206,696</u>
NET POSITION				
Net investment in capital assets	-	3,045,173	275,205	3,320,378
Unrestricted	<u>1,880,593</u>	<u>3,044,271</u>	<u>132,057</u>	<u>5,056,921</u>
Total net position	<u>\$ 1,880,593</u>	<u>\$ 6,089,444</u>	<u>\$ 407,262</u>	<u>\$ 8,377,299</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, 2016

	<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	\$ 3,057,752	\$ 1,817,643	\$ 97,400	\$ 4,972,795
Total service charges	<u>3,057,752</u>	<u>1,817,643</u>	<u>97,400</u>	<u>4,972,795</u>
Service fees and miscellaneous:				
Customer penalties and miscellaneous	<u>491</u>	<u>114,689</u>	<u>-</u>	<u>115,180</u>
Total service fees and miscellaneous	<u>491</u>	<u>114,689</u>	<u>-</u>	<u>115,180</u>
Total operating revenues	<u>3,058,243</u>	<u>1,932,332</u>	<u>97,400</u>	<u>5,087,975</u>
OPERATING EXPENSES				
Administration	3,648,120	-	-	3,648,120
Equipment replacement	-	3,710	20,608	24,318
Depreciation	<u>-</u>	<u>1,274,255</u>	<u>102,310</u>	<u>1,376,565</u>
Total operating expenses	<u>3,648,120</u>	<u>1,277,965</u>	<u>122,918</u>	<u>5,049,003</u>
OPERATING INCOME (LOSS)	<u>(589,877)</u>	<u>654,367</u>	<u>(25,518)</u>	<u>38,972</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	<u>16,140</u>	<u>14,990</u>	<u>113</u>	<u>31,243</u>
Total nonoperating revenues (expenses)	<u>16,140</u>	<u>14,990</u>	<u>113</u>	<u>31,243</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(573,737)</u>	<u>669,357</u>	<u>(25,405)</u>	<u>70,215</u>
Loss on disposal of capital assets	<u>-</u>	<u>(1,143)</u>	<u>-</u>	<u>(1,143)</u>
CHANGE IN NET POSITION	<u>(573,737)</u>	<u>668,214</u>	<u>(25,405)</u>	<u>69,072</u>
NET POSITION, BEGINNING	<u>2,454,330</u>	<u>5,421,230</u>	<u>432,667</u>	<u>8,308,227</u>
NET POSITION, ENDING	<u>\$ 1,880,593</u>	<u>\$ 6,089,444</u>	<u>\$ 407,262</u>	<u>\$ 8,377,299</u>

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF CASH FLOWS

ALL INTERNAL SERVICE FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<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	\$ 3,087,488	\$ 1,931,282	\$ 97,400	\$ 5,116,170
Cash payments to suppliers for goods and services	<u>(3,598,963)</u>	<u>(177,386)</u>	<u>(20,608)</u>	<u>(3,796,957)</u>
Net cash provided (used) by operating activities	<u>(511,475)</u>	<u>1,753,896</u>	<u>76,792</u>	<u>1,319,213</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition or construction of capital assets	-	<u>(684,569)</u>	<u>(107,465)</u>	<u>(792,034)</u>
Loss from the disposition of capital assets	<u>-</u>	<u>(1,143)</u>	<u>-</u>	<u>(1,143)</u>
Net used for capital and related financing activities	<u>-</u>	<u>(685,712)</u>	<u>(107,465)</u>	<u>(793,177)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	1,456,679	-	-	1,456,679
Proceeds from sale and maturities of securities	-	<u>(507,428)</u>	-	<u>(507,428)</u>
Interest and dividends on investments	<u>17,588</u>	<u>13,772</u>	<u>113</u>	<u>31,473</u>
Net cash provided (used) by investing activities	<u>1,474,267</u>	<u>(493,656)</u>	<u>113</u>	<u>980,724</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	962,792	574,528	<u>(30,560)</u>	1,506,760
CASH AND CASH EQUIVALENTS, BEGINNING	<u>493,798</u>	<u>1,459,209</u>	<u>162,617</u>	<u>2,115,624</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,456,590</u>	<u>\$ 2,033,737</u>	<u>\$ 132,057</u>	<u>\$ 3,622,384</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$(589,877)	\$ 654,367	\$(25,518)	\$ 38,972
Adjustments to reconcile operating income to net cash used by operating activities:				
Depreciation	-	1,274,255	102,310	1,376,565
Change in assets and liabilities:				
Decrease (increase) in prepaid expenses	<u>(3,070)</u>	-	-	<u>(3,070)</u>
Decrease (increase) in receivables	32,315	-	-	32,315
Increase (decrease) in accounts payable	49,157	<u>(173,676)</u>	-	<u>(124,519)</u>
Increase (decrease) in interfund payables	<u>-</u>	<u>(1,050)</u>	<u>-</u>	<u>(1,050)</u>
Total adjustments	<u>78,402</u>	<u>1,099,529</u>	<u>102,310</u>	<u>1,280,241</u>
Net cash provided (used) by operating activities	<u>\$(511,475)</u>	<u>\$ 1,753,896</u>	<u>\$ 76,792</u>	<u>\$ 1,319,213</u>

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

SEPTEMBER 30, 2016

	<u>Employee Assistance Trust</u>	<u>Scholarship Trust</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ <u>12,728</u>	\$ <u>8,309</u>	\$ <u>21,037</u>
Total assets	\$ <u><u>12,728</u></u>	\$ <u><u>8,309</u></u>	\$ <u><u>21,037</u></u>
LIABILITIES			
Accounts payable	\$ <u>12,728</u>	\$ <u>8,309</u>	\$ <u>21,037</u>
Total liabilities	\$ <u><u>12,728</u></u>	\$ <u><u>8,309</u></u>	\$ <u><u>21,037</u></u>

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

YEAR ENDED SEPTEMBER 30, 2016

	<u>Balance October 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2016</u>
EMPLOYEE ASSISTANCE TRUST FUND				
Assets				
Cash and investments	\$ <u>9,285</u>	\$ <u>13,949</u>	\$ <u>10,506</u>	\$ <u>12,728</u>
Total assets	\$ <u>9,285</u>	\$ <u>13,949</u>	\$ <u>10,506</u>	\$ <u>12,728</u>
Liabilities				
Accounts payable	\$ <u>9,285</u>	\$ <u>13,949</u>	\$ <u>10,506</u>	\$ <u>12,728</u>
Total liabilities	\$ <u>9,285</u>	\$ <u>13,949</u>	\$ <u>10,506</u>	\$ <u>12,728</u>
SCHOLARSHIP TRUST FUND				
Assets				
Cash and investments	\$ <u>8,909</u>	\$ <u>16,463</u>	\$ <u>17,063</u>	\$ <u>8,309</u>
Total assets	\$ <u>8,909</u>	\$ <u>16,463</u>	\$ <u>17,063</u>	\$ <u>8,309</u>
Liabilities				
Accounts payable	\$ <u>8,909</u>	\$ <u>16,463</u>	\$ <u>17,063</u>	\$ <u>8,309</u>
Total liabilities	\$ <u>8,909</u>	\$ <u>16,463</u>	\$ <u>17,063</u>	\$ <u>8,309</u>
TOTAL AGENCY FUNDS				
Assets				
Cash and investments	\$ <u>18,194</u>	\$ <u>30,412</u>	\$ <u>27,569</u>	\$ <u>21,037</u>
Total assets	\$ <u>18,194</u>	\$ <u>30,412</u>	\$ <u>27,569</u>	\$ <u>21,037</u>
Liabilities				
Accounts payable	\$ <u>18,194</u>	\$ <u>30,412</u>	\$ <u>27,569</u>	\$ <u>21,037</u>
Total liabilities	\$ <u>18,194</u>	\$ <u>30,412</u>	\$ <u>27,569</u>	\$ <u>21,037</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	97 – 108
<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	109 – 114
<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	115 – 119
<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	120 – 121
<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	122 – 126
<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		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities:			
Net investment in capital assets	\$ 14,125	\$ 14,999	\$ 13,137
Restricted	1,367	2,271	4,216
Unrestricted	<u>9,144</u>	<u>11,645</u>	<u>13,352</u>
Total governmental activities net position	<u>\$ 24,636</u>	<u>\$ 28,915</u>	<u>\$ 30,705</u>
Business-type activities:			
Net investment in capital assets	\$ 30,572	\$ 32,580	\$ 33,626
Restricted	-	-	-
Unrestricted	<u>28,530</u>	<u>25,888</u>	<u>25,990</u>
Total business-type activities net position	<u>\$ 59,102</u>	<u>\$ 58,468</u>	<u>\$ 59,616</u>
Primary government:			
Net investment in capital assets	\$ 44,697	\$ 47,579	\$ 46,763
Restricted	1,367	2,271	4,216
Unrestricted	<u>37,674</u>	<u>37,533</u>	<u>39,342</u>
Total primary government net position	<u>\$ 83,738</u>	<u>\$ 87,383</u>	<u>\$ 90,321</u>

Source: Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year						
2010	2011	2012	2013	2014	2015	2016
\$ 15,282	\$ 14,982	\$ 17,068	\$ 17,385	\$ 18,677	\$ 13,061	\$ 21,330
6,662	3,605	2,147	2,872	3,990	3,048	3,598
<u>6,984</u>	<u>9,453</u>	<u>9,216</u>	<u>9,936</u>	<u>11,117</u>	<u>4,631</u>	<u>4,221</u>
<u>\$ 28,928</u>	<u>\$ 28,040</u>	<u>\$ 28,431</u>	<u>\$ 30,193</u>	<u>\$ 33,784</u>	<u>\$ 20,740</u>	<u>\$ 29,149</u>
\$ 38,447	\$ 41,168	\$ 48,911	\$ 52,727	\$ 57,024	\$ 593	\$ 71,213
-	-	-	-	-	-	-
<u>24,273</u>	<u>25,078</u>	<u>21,247</u>	<u>22,888</u>	<u>24,506</u>	<u>80,937</u>	<u>22,885</u>
<u>\$ 62,720</u>	<u>\$ 66,246</u>	<u>\$ 70,158</u>	<u>\$ 75,615</u>	<u>\$ 81,530</u>	<u>\$ 81,531</u>	<u>\$ 94,098</u>
\$ 53,729	\$ 56,150	\$ 65,979	\$ 70,112	\$ 75,701	\$ 13,654	\$ 92,543
6,662	3,605	2,147	2,872	3,990	3,048	3,598
<u>31,257</u>	<u>34,531</u>	<u>30,463</u>	<u>32,824</u>	<u>35,623</u>	<u>85,568</u>	<u>27,106</u>
<u>\$ 91,648</u>	<u>\$ 94,286</u>	<u>\$ 98,589</u>	<u>\$ 105,808</u>	<u>\$ 115,314</u>	<u>\$ 102,271</u>	<u>\$ 123,247</u>

CITY OF HUNTSVILLE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(Unaudited)

	Fiscal Year			
	2007	2008	2009	2010
EXPENSES				
Governmental activities:				
General government	\$ -	\$ -	\$ -	\$ -
Charter offices	355,117	252,387	200,849	257,439
Finance	514,249	578,053	578,505	490,313
Public works	4,390,108	3,671,852	4,981,472	5,013,011
Planning and development	-	-	-	-
Administrative services	927,606	1,039,121	1,830,932	1,890,358
Community services	2,840,771	2,878,653	2,761,093	2,949,856
Public safety	5,261,792	5,884,539	6,063,508	6,413,503
Tourism and cultural services	-	-	-	-
Economic development	-	-	-	-
Information technology services	-	-	-	-
Organization and staff development	-	-	-	-
Non-departmental	-	-	-	-
Other	-	-	-	-
Interest on long-term debt	<u>823,536</u>	<u>790,282</u>	<u>756,682</u>	<u>657,074</u>
Total governmental activities expenses	<u>15,113,179</u>	<u>15,094,887</u>	<u>17,173,041</u>	<u>17,671,554</u>
Business-type activities:				
Water	9,418,778	9,838,924	10,809,836	11,240,528
Wastewater	6,865,550	8,186,346	7,598,209	7,202,096
Solid waste	3,653,569	4,364,518	3,935,369	4,153,125
Golf course	-	-	-	-
Oakwood cemetery - operating	<u>104,349</u>	<u>122,322</u>	<u>132,887</u>	<u>-</u>
Total business-type activities expenses	<u>20,042,246</u>	<u>22,512,110</u>	<u>22,476,301</u>	<u>22,595,749</u>
Total primary government expenses	<u>\$ 35,155,425</u>	<u>\$ 37,606,997</u>	<u>\$ 39,649,342</u>	<u>\$ 40,267,303</u>
PROGRAM REVENUES				
Governmental activities:				
Fees, fines, and charges for services:				
General government	\$ -	\$ -	\$ -	\$ -
Finance	696,960	869,337	815,659	742,152
Public works	551,018	397,595	545,732	646,211
Planning and development	-	-	-	-
Community services	126,987	156,246	132,403	543,111
Public safety	261,730	254,667	461,192	387,252
Tourism and cultural services	-	-	-	-
Information technology services	-	-	-	-
Non-departmental	-	-	-	-
Other	-	-	-	-
Operating grants and contributions	618,778	709,012	853,861	906,869
Capital grants and contributions	<u>475,000</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Total governmental activities program revenues	<u>2,730,473</u>	<u>2,411,857</u>	<u>2,808,847</u>	<u>3,225,595</u>

TABLE 2

Fiscal Year						
2011	2012	2013	2014	2015	2016	
\$ -	\$ 3,104,243	\$ 4,865,299	\$ 5,587,458	\$ 5,012,803	\$ 5,947,780	
219,632	-	-	-	-	-	
959,422	-	-	-	-	-	
8,191,939	4,826,684	6,155,206	5,459,928	5,249,265	5,632,124	
-	-	-	-	-	-	
553,173	-	-	-	-	-	
2,745,391	4,995,176	4,343,053	3,387,747	3,213,392	3,940,687	
6,772,314	7,042,470	7,674,754	7,571,741	7,737,532	8,725,431	
-	-	205,896	194,889	197,046	236,656	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
735,374	686,724	582,045	508,431	449,561	376,667	
<u>20,177,245</u>	<u>20,655,297</u>	<u>23,826,253</u>	<u>22,710,194</u>	<u>21,859,599</u>	<u>24,859,345</u>	
10,553,087	10,518,861	9,096,273	9,065,085	8,917,754	9,083,478	
7,325,201	6,789,773	4,779,128	4,809,679	4,984,867	5,148,292	
4,246,715	4,508,492	3,341,035	3,601,925	4,115,979	4,145,426	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>22,125,003</u>	<u>21,817,126</u>	<u>17,216,436</u>	<u>17,476,689</u>	<u>18,018,600</u>	<u>18,377,196</u>	
<u>\$ 42,302,248</u>	<u>\$ 42,472,423</u>	<u>\$ 41,042,689</u>	<u>\$ 40,186,883</u>	<u>\$ 39,878,199</u>	<u>\$ 43,236,541</u>	
\$ -	\$ 466,973	\$ 461,307	\$ 135,251	\$ 169,780	\$ 225,747	
902,445	-	-	-	-	-	
735,745	280,187	359,429	360,479	444,576	511,621	
-	-	-	-	-	-	
545,891	196,991	80,771	79,355	85,303	111,518	
399,662	1,162,227	1,152,995	1,466,846	1,355,814	1,587,548	
-	-	132,279	449,438	448,438	455,529	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
1,319,661	1,923,813	1,272,518	1,012,255	678,290	430,311	
-	597,817	228,627	1,240,972	461,936	121,190	
<u>3,903,404</u>	<u>4,628,008</u>	<u>3,687,926</u>	<u>4,744,596</u>	<u>3,644,137</u>	<u>3,443,464</u>	

CITY OF HUNTSVILLE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(Unaudited)

	Fiscal Year			
	2007	2008	2009	2010
Business-type activities:				
Charges for services:				
Water	\$ 10,041,283	\$ 10,777,639	\$ 11,236,725	\$ 10,686,144
Wastewater	8,258,369	8,471,967	8,264,083	8,320,895
Solid waste	3,845,390	4,136,836	4,257,337	4,246,461
Golf course	-	-	-	-
Oakwood cemetery - operating	23,930	11,930	16,457	-
Operating grants and contributions	357,206	358,290	577,216	190,023
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>22,526,178</u>	<u>23,756,662</u>	<u>24,351,818</u>	<u>23,443,523</u>
Total primary government program revenues	<u>\$ 25,256,651</u>	<u>\$ 26,168,519</u>	<u>\$ 27,160,665</u>	<u>\$ 26,669,118</u>
NET (EXPENSE) REVENUES				
Governmental activities	\$(12,382,706)	\$(12,683,030)	\$(14,364,194)	\$(14,445,959)
Business-type activities	2,483,932	1,244,552	1,875,517	847,774
Total primary government net expense	<u>(9,898,774)</u>	<u>(11,438,478)</u>	<u>(12,488,677)</u>	<u>(13,598,185)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	4,222,399	4,512,407	4,642,267	4,910,022
Franchise	2,157,839	2,204,367	2,464,364	2,933,589
Sales	5,902,325	6,072,299	6,516,515	5,989,793
Other	581,957	672,527	624,862	614,394
Investment earnings	571,588	443,065	163,418	201,656
Gain on sale of capital assets	-	-	(18,077)	-
Miscellaneous	445,494	495,382	822,493	132,978
Transfers	490,458	2,561,493	938,099	(2,113,407)
Total governmental activities	<u>14,372,060</u>	<u>16,961,540</u>	<u>16,153,941</u>	<u>12,669,025</u>
Business-type activities:				
Investment earnings	1,074,767	683,014	210,752	142,636
Miscellaneous	-	257	-	-
Transfers	(490,458)	(2,561,493)	(938,099)	2,113,407
Total business-type activities	<u>584,309</u>	<u>(1,878,222)</u>	<u>(727,347)</u>	<u>2,256,043</u>
Total primary government	<u>14,956,369</u>	<u>15,083,318</u>	<u>15,426,594</u>	<u>14,925,068</u>
CHANGE IN NET POSITION				
Governmental activities	1,989,354	4,278,510	1,789,747	(1,776,934)
Business-type activities	<u>3,068,241</u>	<u>(633,670)</u>	<u>1,148,170</u>	<u>3,103,817</u>
Total primary government	<u>\$ 5,057,595</u>	<u>\$ 3,644,840</u>	<u>\$ 2,937,917</u>	<u>\$ 1,326,883</u>

Notes:

Source: Comprehensive Annual Financial Reports

TABLE 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 11,475,640	\$ 12,899,947	\$ 14,953,542	\$ 14,834,188	\$ 15,736,699	\$ 16,129,760
8,387,721	8,554,235	8,110,864	8,319,330	8,581,175	8,793,130
4,300,845	4,464,921	4,589,223	4,676,708	4,888,187	5,251,611
-	-	-	-	-	-
-	-	-	-	-	-
1,339,979	129,421	64,530	462,175	105,698	1,449,514
-	377,791	103,632	-	-	-
<u>25,504,185</u>	<u>26,426,315</u>	<u>27,821,791</u>	<u>28,292,401</u>	<u>29,311,759</u>	<u>31,624,015</u>
<u>\$ 29,407,589</u>	<u>\$ 31,054,323</u>	<u>\$ 31,509,717</u>	<u>\$ 33,036,997</u>	<u>\$ 32,955,896</u>	<u>\$ 35,067,479</u>
\$(16,273,841)	\$(16,027,289)	\$(20,138,327)	\$(17,965,598)	\$(18,215,462)	\$(21,415,881)
3,379,182	4,609,189	10,605,355	10,815,712	11,293,159	13,246,819
<u>(12,894,659)</u>	<u>(11,418,100)</u>	<u>(9,532,972)</u>	<u>(7,149,886)</u>	<u>(6,922,303)</u>	<u>(8,169,062)</u>
4,945,427	4,950,887	5,432,756	5,708,473	5,840,689	5,816,471
2,893,671	2,067,884	2,073,036	2,065,187	2,741,577	2,083,559
6,443,698	6,515,890	6,726,868	7,292,731	7,942,631	7,956,186
647,106	652,479	889,203	1,025,696	1,013,999	980,206
182,986	191,187	274,573	373,492	337,682	210,191
-	7,485	670,466	-	-	-
256,999	75,453	158,219	185,946	621,758	125,828
16,745	1,366,445	5,675,280	5,381,142	5,145,966	5,005,447
<u>15,386,632</u>	<u>15,827,710</u>	<u>21,900,401</u>	<u>22,032,667</u>	<u>23,644,302</u>	<u>22,177,888</u>
141,713	236,694	53,314	304,479	196,447	327,113
21,557	214,013	474,384	680,754	561,630	404,109
<u>(16,745)</u>	<u>(1,366,445)</u>	<u>(5,675,280)</u>	<u>(5,381,142)</u>	<u>(5,145,966)</u>	<u>(5,005,447)</u>
<u>146,525</u>	<u>(915,738)</u>	<u>(5,147,582)</u>	<u>(4,395,909)</u>	<u>(4,387,889)</u>	<u>(4,274,225)</u>
<u>15,533,157</u>	<u>14,911,972</u>	<u>16,752,819</u>	<u>17,636,758</u>	<u>19,256,413</u>	<u>17,903,663</u>
(887,209)	(199,579)	1,762,074	4,067,069	5,428,840	762,007
<u>3,525,707</u>	<u>3,693,451</u>	<u>5,457,773</u>	<u>6,419,803</u>	<u>6,905,270</u>	<u>8,972,594</u>
<u>\$ 2,638,498</u>	<u>\$ 3,493,872</u>	<u>\$ 7,219,847</u>	<u>\$ 10,486,872</u>	<u>\$ 12,334,110</u>	<u>\$ 9,734,601</u>

CITY OF HUNTSVILLE, TEXAS

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

	Fiscal Year			
	2007	2008	2009	2010
General fund				
Reserved*	\$ 103,991	\$ 106,642	\$ 332,802	\$ 318,410
Unreserved	6,169,366	7,858,244	8,685,056	8,721,665
Nonspendable*	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 6,273,357</u>	<u>\$ 7,964,886</u>	<u>\$ 9,017,858</u>	<u>\$ 9,040,075</u>
All other governmental funds				
Reserved*	\$ 49,537	\$ 291,188	\$ 421,501	\$ 178,950
Unreserved, reported in:				
Special revenue funds	2,262,452	2,238,495	2,214,950	2,299,640
Capital project funds	1,065,296	1,953,751	3,727,631	5,985,616
Debt service funds	94,498	-	-	388,653
Permanent funds	454,218	458,694	463,210	459,190
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 3,926,001</u>	<u>\$ 4,942,128</u>	<u>\$ 6,827,292</u>	<u>\$ 9,312,049</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					
2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
112,643	191,710	191,710	139,731	-	174,505
220,230	-	-	-	-	-
-	990,943	990,943	1,537,355	1,042,101	2,560,581
<u>8,788,354</u>	<u>8,032,616</u>	<u>8,032,616</u>	<u>9,107,957</u>	<u>10,897,595</u>	<u>10,686,739</u>
<u>\$ 9,121,227</u>	<u>\$ 9,215,269</u>	<u>\$ 9,215,269</u>	<u>\$ 11,096,526</u>	<u>\$ 11,939,696</u>	<u>\$ 13,421,825</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
469,485	480,517	480,517	474,315	461,787	461,787
1,452,211	1,860,026	1,860,026	3,515,953	2,643,009	3,115,047
860,588	-	-	-	-	-
<u>2,898,732</u>	<u>3,154,522</u>	<u>3,154,522</u>	<u>2,621,088</u>	<u>2,663,390</u>	<u>3,463,729</u>
<u>\$ 5,681,016</u>	<u>\$ 5,495,065</u>	<u>\$ 5,495,065</u>	<u>\$ 6,611,356</u>	<u>\$ 5,768,186</u>	<u>\$ 7,040,563</u>

CITY OF HUNTSVILLE, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS
(Unaudited)

	Fiscal Year			
	2007	2008	2009	2010
REVENUES				
Taxes	\$ 12,776,640	\$ 13,674,901	\$ 14,228,818	\$ 14,465,189
Licenses, fees and permits	444,643	313,952	392,167	539,268
Fines, fees and forfeitures	889,400	878,632	858,241	857,412
Charges for services	636,241	609,287	834,379	862,328
Contributions, grants and donations	832,626	473,502	517,668	634,157
Administrative cost reimbursement	4,653,361	4,958,864	5,132,427	5,272,643
Investment earnings	571,586	443,066	163,418	201,656
Miscellaneous	445,751	504,917	919,343	467,635
Total revenues	<u>21,250,248</u>	<u>21,857,121</u>	<u>23,046,461</u>	<u>23,300,288</u>
EXPENDITURES				
General government	-	-	-	-
Charter offices	909,677	972,581	811,467	899,605
Finance	1,080,643	1,211,277	1,302,213	1,393,646
Public works	4,385,291	4,650,329	5,161,730	5,422,205
Administrative services	2,529,657	2,886,470	3,128,099	3,123,750
Community services	2,576,927	2,680,927	3,368,954	5,405,665
Public safety	5,291,327	5,660,044	6,075,462	6,448,506
Tourism and cultural services	-	-	-	-
Information technology services	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	1,446,655	242,698	-	-
Debt service:				
Interest and fiscal charges	829,343	976,916	926,827	653,729
Principal	<u>944,848</u>	<u>795,365</u>	<u>7,504,000</u>	<u>1,334,000</u>
Total expenditures	<u>19,994,368</u>	<u>20,076,607</u>	<u>28,278,752</u>	<u>24,681,106</u>

TABLE 4

		Fiscal Year									
		2011	2012	2013	2014	2015	2016				
\$	14,907,890	\$	14,298,498	\$	14,974,123	\$	16,124,713	\$	16,883,148	\$	16,919,724
	279,085		259,278		358,849		374,933		465,897		565,430
	941,449		1,222,931		858,761		1,270,905		1,105,652		1,244,894
	893,643		938,218		916,367		1,226,067		1,257,516		1,274,026
	1,048,495		1,903,849		1,240,129		1,894,348		881,160		332,022
	4,894,039		-		-		-		-		-
	182,986		191,187		39,136		221,282		161,675		210,191
	932,790		765,322		462,468		151,215		588,020		90,946
	<u>24,080,377</u>		<u>19,579,283</u>		<u>18,849,833</u>		<u>21,263,463</u>		<u>21,343,068</u>		<u>20,637,233</u>
	-		2,047,989		4,620,878		5,255,617		4,776,528		5,226,478
	740,769		-		-		-		-		-
	1,367,720		-		-		-		-		-
	6,631,987		4,808,254		5,942,388		5,659,152		5,625,395		5,628,818
	3,140,407		-		-		-		-		-
	6,517,329		5,282,411		4,327,291		3,506,538		3,428,744		4,020,172
	6,772,314		6,526,579		6,847,267		7,451,188		7,524,292		7,968,972
	-		-		205,896		194,889		197,046		236,656
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		-		-
	736,974		705,805		572,501		526,427		468,368		402,975
	<u>1,513,000</u>		<u>1,603,000</u>		<u>1,477,000</u>		<u>1,988,198</u>		<u>2,271,069</u>		<u>1,425,813</u>
	<u>27,420,500</u>		<u>20,974,038</u>		<u>23,993,221</u>		<u>24,582,009</u>		<u>24,291,442</u>		<u>24,909,884</u>

CITY OF HUNTSVILLE, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS
(Unaudited)

	Fiscal Year			
	2007	2008	2009	2010
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ <u>1,255,880</u>	\$ <u>1,780,514</u>	\$ <u>(5,232,291)</u>	\$ <u>(1,380,818)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of bonds/notes payable	-	-	8,255,000	3,500,000
Payments to escrow agent	-	-	-	-
Premium on issuance of debt	-	-	-	-
Sale of capital assets	-	-	-	-
Transfers in	951,915	2,924,903	2,207,393	2,391,521
Transfers out	<u>(814,391)</u>	<u>(1,997,764)</u>	<u>(2,291,969)</u>	<u>(2,003,729)</u>
Total other financing sources (uses)	<u>137,524</u>	<u>927,139</u>	<u>8,170,424</u>	<u>3,887,792</u>
NET CHANGE IN FUND BALANCES	\$ <u>1,393,404</u>	\$ <u>2,707,653</u>	\$ <u>2,938,133</u>	\$ <u>2,506,974</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>9.6%</u>	<u>8.9%</u>	<u>29.8%</u>	<u>8.1%</u>

Source: Comprehensive Annual Financial Reports

TABLE 4

Fiscal Year					
2011	2012	2013	2014	2015	2016
<u>\$ (3,340,123)</u>	<u>\$ (1,394,755)</u>	<u>\$ (5,143,388)</u>	<u>\$ (3,318,546)</u>	<u>\$ (2,948,374)</u>	<u>\$ (4,272,651)</u>
-	2,753,852	-	-	-	-
-	(2,845,716)	-	-	-	-
-	142,757	-	-	-	-
-	7,527	682,630	-	13,555	11,713
1,903,386	3,615,265	7,581,144	7,904,159	7,552,327	7,862,787
<u>(2,113,141)</u>	<u>(2,526,840)</u>	<u>(2,000,864)</u>	<u>(2,523,017)</u>	<u>(2,406,361)</u>	<u>(2,857,340)</u>
<u>(209,755)</u>	<u>1,146,845</u>	<u>6,262,910</u>	<u>5,381,142</u>	<u>5,159,521</u>	<u>5,017,160</u>
<u><u>\$ (3,549,878)</u></u>	<u><u>\$ (247,910)</u></u>	<u><u>\$ 1,119,522</u></u>	<u><u>\$ 2,062,596</u></u>	<u><u>\$ 2,211,147</u></u>	<u><u>\$ 744,509</u></u>
<u>8.2%</u>	<u>12.1%</u>	<u>8.5%</u>	<u>7.5%</u>	<u>12.0%</u>	<u>8.0%</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	Total
2007	\$ 4,134,519	\$ 5,902,325	\$ 2,739,796	\$ 12,776,640
2008	4,725,708	6,072,299	2,876,894	13,674,901
2009	4,623,075	6,516,515	3,089,227	14,228,817
2010	4,927,413	5,989,793	3,547,983	14,465,189
2011	4,923,415	6,443,698	3,540,777	14,907,890
2012	5,062,245	6,515,890	2,720,363	14,298,498
2013	5,285,016	6,726,868	2,962,239	14,974,123
2014	5,741,099	7,292,731	3,090,883	16,124,713
2015	5,799,429	7,942,631	3,141,088	3,141,088
2016	5,862,030	7,899,538	4,084,947	17,846,515

Notes:

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

Source: Comprehensive Annual Financial Report

TABLE 6

CITY OF HUNTSVILLE, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

(Unaudited)

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Agricultural Property</u>	<u>Industrial Property</u>	<u>Other Property (1)</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Rate</u>
2007	\$ 646,884,721	\$ 309,698,960	\$ 16,063,020	\$ 47,323,330	\$ 121,812,131	\$ 77,066,511	\$ 1,064,715,651	0.41920
2008	702,770,713	315,173,801	20,390,420	53,218,390	119,732,305	70,263,493	1,141,022,136	0.41350
2009	740,510,737	345,938,999	30,910,310	69,853,920	89,606,424	75,915,900	1,200,904,490	0.40070
2010	755,466,498	440,156,531	31,403,390	35,289,770	98,690,010	80,973,670	1,280,032,529	0.40070
2011	858,425,842	356,128,990	30,755,600	132,804,650	107,442,930	90,422,700	1,395,135,312	0.40070
2012	844,689,140	366,391,795	31,148,750	135,247,130	108,312,970	90,470,250	1,395,319,535	0.39150
2013	873,754,885	385,487,911	29,604,530	123,444,160	110,611,040	92,646,480	1,430,256,046	0.42060
2014	880,348,062	410,947,810	38,504,610	149,584,710	151,794,277	138,885,027	1,492,294,982	0.42060
2015	893,265,917	422,394,689	38,816,940	151,484,910	161,646,909	149,104,749	1,518,504,616	0.41060
2016	985,778,494	435,537,871	27,868,370	138,574,490	68,658,213	159,720,806	1,587,519,051	0.38380

Source: Walker County Appraisal District

Note: Reclassification of industrial and other in 2010.

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	
2007	0.23810	0.18110	0.41920	1.53000	0.56670	0.17200	2.68790
2008	0.24050	0.17300	0.41350	1.21000	0.54500	0.15370	2.32220
2009	0.21080	0.18990	0.40070	1.34000	0.54500	0.15370	2.43940
2010	0.22490	0.17580	0.40070	1.34000	0.57700	0.15370	2.47140
2011	0.21340	0.18730	0.40070	1.21000	0.57930	0.15300	2.34300
2012	0.23810	0.15340	0.39150	1.21000	0.55360	0.15680	2.31190
2013	0.26390	0.15670	0.42060	1.21000	0.63550	0.15540	2.42150
2014	0.29200	0.12860	0.42060	1.21000	0.67780	0.15900	2.46740
2015	0.28620	0.12440	0.41060	1.21000	0.65890	0.15370	2.43320
2016	0.28330	0.10050	0.38380	1.18000	0.62060	0.14270	2.32700

Source: County Board of Equalization and Assessment

TABLE 8

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

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
PEP-SHSU LLC	\$ 23,642,470	1	1.73%	N/A	N/A	N/A
C150 1330 Smither Drive LLC	20,490,270	2	1.71%	N/A	N/A	N/A
Entergy Texas Inc.	19,165,360	3	1.46%	11,070,810	6	0.97%
American Campus Community	19,154,190	4	1.38%	N/A	N/A	N/A
Weatherford US LP	19,042,602	5	1.38%	19,512,706	1	1.70%
Wal-Mart Stores Texas LLC	17,338,580	6	1.27%	16,093,830	2	1.41%
Hyponex Corporation	16,568,912	7	1.17%	N/A	N/A	N/A
Vesper Forum LLC	16,340,040	8	1.07%	N/A	N/A	N/A
Campus Crest at Huntsville LP	14,799,220	9	1.06%	N/A	N/A	N/A
Apexone Bearkat, LLC	14,611,630	10	1.05%	N/A	N/A	N/A
Total	\$ 181,153,274		13.28%	\$ 46,677,346		4.08%

Source: Walker County Appraisal District

CITY OF HUNTSVILLE, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy Collected		Amount	Percentage of Levy
2007	\$ 4,161,024	\$ 4,003,075	96.20%	\$ 143,726	\$ 4,146,801	99.7%
2008	4,345,730	4,279,765	98.48%	44,316	4,324,081	99.5%
2009	4,601,736	4,532,532	98.50%	41,796	4,574,328	99.4%
2010	4,826,650	4,748,093	98.37%	38,025	4,786,118	99.2%
2011	4,862,674	4,785,780	98.42%	14,645	4,800,425	98.7%
2012	4,933,221	4,870,973	98.74%	24,731	4,900,794	99.3%
2013	5,394,367	5,317,813	98.58%	27,622	5,345,435	99.1%
2014	5,621,790	5,557,846	98.86%	27,378	5,585,224	99.3%
2015	5,686,861	5,631,453	99.02%	27,356	5,658,808	99.5%
2016	5,775,552	5,697,051	98.64%	35,004	5,732,055	99.2%

Source: Walker County Appraisal District

CITY OF HUNTSVILLE, TEXAS
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Walker County</u>	<u>State of Texas</u>
2007	1.50%	0.50%	6.25%
2008	1.50%	0.50%	6.25%
2009	1.50%	0.50%	6.25%
2010	1.50%	0.50%	6.25%
2011	1.50%	0.50%	6.25%
2012	1.50%	0.50%	6.25%
2013	1.50%	0.50%	6.25%
2014	1.50%	0.50%	6.25%
2015	1.50%	0.50%	6.25%
2016	1.50%	0.50%	6.25%

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			
2007	\$ 4,171,916	\$ 13,380,000	\$ 1,038,929	\$ 27,788,084	\$ -	\$ -	\$ 46,378,929	3.39%	\$ 1,251
2008	4,345,000	12,950,000	772,489	27,445,000	-	-	45,512,489	2.94%	1,204
2009	11,781,000	6,265,000	986,353	25,040,000	-	-	44,072,353	2.81%	1,164
2010	14,582,000	5,630,000	791,974	22,820,000	-	-	43,823,974	2.62%	1,137
2011	13,379,000	5,320,000	409,398	20,160,000	-	-	39,268,398	2.26%	1,019
2012	12,279,852	4,725,000	-	30,970,000	5,396,148	-	53,371,000	N/A	1,346
2013	11,094,653	4,550,000	-	28,087,146	4,807,369	-	48,539,168	N/A	1,224
2014	9,718,477	3,925,000	-	23,882,505	4,358,159	-	41,884,141	N/A	1,056
2015	7,478,585	3,790,000	-	18,504,636	3,531,415	2,900,000	36,204,636	N/A	903
2016	6,270,639	3,650,000	-	15,177,854	3,022,092	3,048,058	31,168,643	N/A	751

Source: Comprehensive Annual Financial Report

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Personal income not available for 2012 and 2013.

* 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		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	Gross Bonded Debt						
2007	\$ 4,171,916	\$ 13,380,000	\$ 772,489	\$ 18,324,405	\$ -	\$ 18,324,405	\$ 94,498	\$ 18,229,907	\$ 1,064,715,651	1.71%	37,059	486
2008	4,345,000	12,950,000	986,353	18,281,353	-	18,281,353	-	18,281,353	1,141,022,136	1.60%	37,790	484
2009	11,781,000	6,265,000	791,974	18,837,974	-	18,837,974	-	18,837,974	1,200,904,490	1.57%	37,867	495
2010	14,582,000	5,630,000	603,926	20,815,926	-	20,815,926	388,653	20,427,273	1,280,032,529	1.60%	38,548	530
2011	13,379,000	5,320,000	409,398	19,108,398	-	19,108,398	596,149	18,512,249	1,395,135,312	1.33%	38,548	480
2012	12,279,852	4,725,000	-	17,004,852	5,396,148	22,401,000	316,110	22,084,890	1,346,993,723	1.64%	39,666	573
2013	11,094,653	4,550,000	-	15,644,653	4,807,369	20,452,022	280,487	20,171,535	1,430,256,046	1.41%	39,666	509
2014	9,718,477	3,925,000	-	13,643,477	4,358,159	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	14,800,000	280,487	14,519,513	1,518,504,616	0.96%	40,100	362
2016	6,192,773	3,650,000	-	9,842,773	2,648,341	12,491,114	280,487	12,210,627	1,587,519,051	0.77%	40,100	305

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, 2016
(Unaudited)

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes:			
Walker County	\$ 16,870,000	57.00%	\$ 9,615,900
Huntsville Independent School District	39,686,526	77.15%	30,618,155
Subtotal overlapping debt			40,234,055
Total direct - City of Huntsville	9,842,773	100.00%	<u>9,842,773</u>
Direct and Overlapping Debt			<u><u>\$ 50,076,828</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.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 98,764,914	\$ 107,075,864	\$ 112,498,860	\$ 117,174,274	\$ 128,878,748	\$ 134,699,372	\$ 133,760,957	\$ 135,340,996	\$ 151,850,462	\$ 158,751,905
Total net debt applicable to limit	<u>18,229,907</u>	<u>17,465,493</u>	<u>18,449,022</u>	<u>20,257,947</u>	<u>18,512,249</u>	<u>17,320,962</u>	<u>15,925,140</u>	<u>13,838,240</u>	<u>11,549,072</u>	<u>9,513,485</u>
Legal debt margin	<u>\$ 80,535,007</u>	<u>\$ 89,610,371</u>	<u>\$ 94,049,838</u>	<u>\$ 96,916,327</u>	<u>\$ 110,366,499</u>	<u>\$ 117,378,410</u>	<u>\$ 117,835,817</u>	<u>\$ 121,502,756</u>	<u>\$ 140,301,390</u>	<u>\$ 149,238,420</u>
Total net debt applicable to the limit as a percentage of debt limit.	18.46%	16.31%	16.40%	17.29%	14.36%	12.86%	11.91%	10.22%	7.61%	5.99%

Legal Debt Margin Calculation for Fiscal Year 2016	
Assessed value	\$ 1,587,519,051
Debt limit (10% of assessed value)	158,751,905
Debt applicable to limit:	
General obligation bonds	984,273
Less: Amount set aside for repayment of general obligation debt	<u>329,288</u>
Total net debt applicable to limit	<u>9,513,485</u>
Legal debt margin	<u>\$ 149,238,420</u>

CITY OF HUNTSVILLE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	Proprietary Fund - Waterworks and Sewer System Revenue Bonds				
	Utility Operating Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Principal and Interest Payments	Coverage
2007	\$ 19,807,892	\$ 14,168,876	\$ 5,639,016	\$ 1,653,410	3.41
2008	19,629,946	15,228,807	4,401,139	1,655,015	2.66
2009	20,020,455	15,689,469	4,330,986	1,905,744	2.27
2010	20,421,875	16,859,881	3,561,994	1,898,399	1.88
2011	19,184,481	15,059,681	4,124,800	1,911,129	2.16
2012	21,600,247	13,160,117	8,440,130	3,667,193	2.30
2013	23,471,922	14,403,707	9,068,215	3,933,276	2.31
2014	23,760,613	14,371,411	9,389,202	4,909,165	1.91
2015	24,816,032	14,166,110	10,649,922	4,920,376	2.16
2016	25,700,021	14,092,735	11,607,286	4,926,334	2.36

Notes:

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

^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
2007	37,508	64,245	\$ 1,367,000	\$ 21,385	29	N/A	1	6,528	4.8%
2008	37,761	64,239	1,547,453	23,130	29.7	N/A	76.4%	6,494	5.1%
2009	38,087	64,739	1,569,000	23,503	28.3	72.3%	78.2%	6,577	6.0%
2010	38,548	67,861	1,671,000	24,547	28.8	72.4%	N/A	6,502	7.5%
2011	38,548	67,861	1,737,000	25,508	28.6	72.4%	80.0%	6,502	8.3%
2012	39,666	68,408	1,765,500	25,809	28.6	72.4%	80.0%	6,276	6.5%
2013	39,666	68,408	1,794,500	26,200	28.6	72.4%	78.6%	6,291	6.7%
2014	39,666	68,861	1,930,692	29,527	28.6	72.4%	78.9%	6,276	7.9%
2015	40,100	69,600	1,781,973	25,603	28.6	72.4%	78.9%	6,276	7.9%
2016	40,100	69,600	1,842,508	26,473	28.6	73.5%	78.9%	6,276	5.8%

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

Notes: ^(a) For Walker County

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

Employer	2016			2007		
	Employees	Rank	Percentage of of Total City Employment	Employees	Rank	Percentage of of Total City Employment
Texas Department of Criminal Justice	6,783	1	45.41%	6,096	1	44.15%
Sam Houston State University	3,364	2	22.52%	2,862	2	20.73%
Huntsville Independent School District	900	3	6.02%	965	3	6.99%
Huntsville Memorial Hospital	522	4	3.49%	511	4	3.70%
Wal-Mart	485	5	3.25%	485	5	3.51%
Walker County	389	6	2.60%	365	7	2.64%
City of Huntsville	274	7	1.83%	321	8	2.32%
Weatherford Completion and Oilfield Services	188	8	1.26%	160	10	1.16%
Gulf Coast Trade Center	186	9	1.25%	200	9	1.45%
Education Service Center - Region VI	<u>136</u>	10	<u>0.91%</u>	<u>389</u>	6	<u>2.82%</u>
	<u>13,227</u>		<u>88.54%</u>	<u>12,354</u>		<u>89.47%</u>

Sources: City of Huntsville budget document

TABLE 18

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

Function/Program	Fulltime Equivalent Employees as of September 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Charter offices										
Office of the City Manager	3.00	2.00	2.00	2.00	2.00	2.00	2.50	2.00	2.00	2.00
Office of the City Secretary	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Office of the City Attorney	1.00	1.00	-	-	-	-	-	-	-	-
Office of the City Judge	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Charter offices support	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-
Finance										
Finance	8.00	9.00	9.00	9.00	9.00	9.00	9.00	7.00	7.00	7.00
Purchasing	2.00	2.50	2.50	2.50	2.50	2.50	2.50	1.00	1.00	1.00
Municipal court	5.50	5.50	5.50	6.50	6.50	6.50	7.00	4.50	4.50	4.50
Court security	1.00	1.00	1.00	-	-	-	1.00	-	-	-
Utility billing	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.50	5.50	5.50
Risk/safety management	1.00	1.00	1.00	1.00	-	-	-	-	-	-
Human resources	4.00	4.00	3.00	3.00	3.00	3.00	3.00	4.00	3.00	4.00
Information technology	5.00	5.00	6.00	6.00	4.00	4.00	4.00	4.00	4.00	5.00
Neighborhood Resources	-	-	-	-	-	3.00	3.00	2.00	2.00	2.00
Public Works										
Administration	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00
Water production	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00
Water distribution	10.00	10.00	10.00	10.00	10.00	13.00	13.00	13.00	13.00	13.00
Meter reading	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Wastewater collection	10.00	11.00	11.00	11.00	11.00	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	7.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	6.00	6.00
Solid waste disposal	9.00	8.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Residential collection	13.00	8.00	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	6.00	7.00	7.00	7.00	8.00	8.00	8.00	6.00	6.50	7.50
Fleet/Warehouse	3.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00
Streets	19.00	19.00	19.00	19.00	19.00	19.00	19.00	11.00	11.00	11.00
Drainage maintenance	4.00	4.00	4.00	4.00	4.00	4.00	4.00	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

Function/Program	Fulltime Equivalent Employees as of September 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Community & Economic Development										
Administration	6.50	6.00	3.00	3.00	3.00	3.00	3.00	3.00	1.00	-
Customer Service - Service Center									3.50	3.50
Planning and development	12.00	15.50	18.50	18.50	18.00	18.00	18.00	13.00	1.00	2.50
Central inspection	6.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00
Health inspection	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Construction crew	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	-	-
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
GIS	-	-	-	-	-	-	-	-	2.00	3.00
Survey	-	-	-	-	-	-	-	-	3.00	3.00
Parks & Leisure										
Administration	4.50	4.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Recreation	-	0.50	1.50	1.50	1.50	1.50	1.50	1.00	0.75	-
Parks maintenance	13.66	16.16	16.16	16.16	16.16	16.16	16.16	11.66	10.66	10.75
Aquatic center	-	0.66	0.66	1.00	1.00	1.00	1.00	2.00	2.50	2.50
Cemetery operations	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00
Building services	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00
Library	9.00	9.50	9.00	9.00	9.00	9.00	9.00	9.00	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	48.00	52.00	54.00	54.00	54.00	58.00	57.00	58.00	58.00	58.00
Fire	8.00	12.00	12.00	12.00	12.00	12.00	13.00	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
Visitor center	-	-	-	1.00	3.50	3.50	3.50	2.50	2.50	2.50
Gift shop	-	-	-	3.50	-	-	-	1.00	1.00	1.00
Cultural services	2.00	2.00	2.00	1.50	1.00	1.00	1.00	1.75	1.75	1.75
Total	251.16	258.32	257.82	263.16	259.16	267.16	269.66	269.91	267.82	271.66

Source: City of Huntsville budget documents

TABLE 19

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

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Finance										
Invoices processed	8,622	9,500	10,109	11,673	13,950	13,882	13,975	14,023	12,628	11,300
Payroll checks/Direct Deposits issued	3,430	3,100	2,521	2,600	2,267	2,104	2,250	7,514	8,315	9,400
Court cases filed and processed	7,393	8,000	7,341	7,300	9,508	9,967	9,500	10,031	10,031	10,500
Warrants issued	2,816	3,000	2,982	2,880	3,308	3,753	3,600	3,820	3,820	4,000
Utility bills generated	100,948	103,218	106,807	103,500	103,800	106,186	107,200	108,000	108,024	110,800
Utility payments received	81,499	95,501	95,964	96,000	96,500	99,893	102,100	105,000	106,920	104,000
Meter reading service orders generated	14,993	10,966	10,967	11,000	10,500	13,207	13,415	13,520	13,101	14,500
Administrative services										
Workers compensation claims filed	24	30	30	25	20	22	-	11	9	N/A
On-site property inspections conducted	91	80	N/A							
Purchase orders issued	237	298	394	378	414	564	510	473	481	500
Formal bids issued	21	35	41	17	30	30	35	27	29	45
Computer help desk requests completed	3,191	3,000	2,743	2,700	1,743	1,743	1,800	2,050	2,102	1,540
Garage work orders processed	1,333	1,100	1,500	1,542	1,900	2,416	2,300	2,350	2,327	2,600
Public Works										
Gallons of water produced (in billions)	2.58	2.84	2.81	2.70	2.70	2.70	2.70	3.16	3.04	3.00
Water main leaks repaired	87	277	573	210	200	245	250	253	228	140
New water connections installed	106	136	118	100	100	89	90	95	89	150
New sewer taps installed	150	130	124	124	120	80	90	95	85	128
Gallons wastewater treated (in billions)	1.57	1.45	1.33	1.35	1.30	1.30	1.30	1.50	1.60	1.45
Manholes inspected and serviced	756	760	465	310	426	426	425	430	426	500
Commercial waste collected (in tons)	19,501	20,765	19,299	19,500	20,388	20,085	22,104	22,900	23,500	19,942
Residential waste collected (in tons)	7,177	7,083	6,866	6,508	6,874	6,417	6,500	6,750	7,200	5,989
Waste transferred to landfill (in tons)	36,636	37,608	37,642	39,013	38,172	35,055	38,200	37,500	38,500	37,234
Waste recycled (in tons)	2,704	2,254	3,731	3,573	3,209	6,635	7,200	7,400	7,475	3,173
Lane miles of existing streets seal coated	13.77	23.34	-	18.97	11.22	14.04	14.60	12.10	13.60	6.74
Tons of debris removed from drainage ways	3,547	2,763	1,628	2,500	150	33	50	60	60	60
Curb miles swept by street sweeper	3,037	2,770	2,642	2,700	2,890	2,464	2,600	2,600	2,600	600
Community & Economic Development										
Code enforcement complaints investigated	377	333	327	172	193	593	525	551	547	451
Food establishment inspections performed	461	455	563	586	604	492	548	567	576	455

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

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Community services										
In-house recreation programs offered	30	69	30	44	47	44	44	48	46	N/A
Contract recreation programs offered	4	2	2	6	4	4	4	2	2	N/A
Playground safety inspections performed	141	144	144	144	144	144	140	142	142	144
Library items circulated	103,303	144,162	129,953	133,266	99,950	117,495	135,000	137,836	139,200	177,602
Library visitors	144,439	163,076	157,459	160,409	120,307	157,567	160,000	160,215	161,100	106,290
Wynne Home visitors	4,370	5,019	14,835	14,000	30,216	30,516	30,000	29,855	30,154	40,132
Art and cultural events held	165	245	361	350	370	370	300	288	288	396
Business in Main Street downtown district	86	85	85	85	93	93	93	93	93	94
Main Street events held	6	4	5	5	5	6	5	5	5	6
Public safety										
Police calls for service	36,921	44,220	49,501	45,496	47,005	52,013	52,000	51,401	44,067	45,750
Arrests made	1,621	1,669	1,916	2,173	2,430	2,401	2,500	2,741	2,305	2,882
Citations issued	6,323	6,457	6,181	5,893	5,900	7,854	8,000	7,777	5,321	8,316
Offenses/incidents reported	3,323	3,381	4,345	4,068	4,200	4,653	4,700	3,096	2,957	3,436
Fire calls for service	1,324	1,458	1,417	1,194	1,254	1,501	1,525	1,378	1,430	1,400
Main alarms answered	304	248	278	201	220	185	190	311	218	220
Fire inspections conducted	310	173	183	176	188	184	190	156	145	225

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	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public utilities										
Water line (approximate miles)	200	200	200	205	205	205	205	245	245	245
Sewer line (approximate miles)	205	205	205	210	210	210	210	250	250	250
Lift stations	28	29	29	29	29	29	29	31	28	28
Water plants	3	2	2	2	2	2	2	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)	139	142	144	145	145	145	145	142	142	142
Community services										
Parks	26	26	26	26	26	26	26	27	27	27
Park acreage	281.94	281.94	281.94	281.94	281.94	281.94	281.94	414	414	414
City pool (1997-2004)/aquatic centers	1	1	1	1	1	1	1	1	1	1
Community centers (MLK Building)	1	1	1	1	1	1	1	1	1	1
Arts center	1	1	1	1	1	1	1	1	1	1
Libraries	1	1	1	1	1	1	1	1	1	1
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	3	3	3	4	4	4	4	4	4	4

Note: N/A - data not available.

Source: City departments

SINGLE AUDIT SECTION

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntsville, Texas (the "City"), as of and for the year ended September 30, 2016, 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 10, 2017.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs (Finding 2016-001) to be a material weakness.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed above, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 10, 2017



P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Huntsville, Texas' (the "City") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2016. 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, 2016.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs (Finding 2016-001) to be a material weakness.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed above, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 10, 2017

CITY OF HUNTSVILLE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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 Housing and Urban Development</u>				
Passed through the Texas Department of Agriculture				
Community Development Block Grant - Disaster Recovery Program	14.228	7515240	\$ 33,805	\$ -
Total Passed through the Texas Department of Agriculture			<u>33,805</u>	<u>-</u>
Total U. S. Department of Housing and Urban Development			<u>33,805</u>	<u>-</u>
<u>U. S. Department of Justice</u>				
Direct Program				
Bullet Proof Vest Partnership	16.607	N/A	8,598	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0627	15,028	-
Total Direct Program			<u>23,626</u>	<u>-</u>
Passed through the Office of the Governor, Criminal Justice Division				
Victims of Crime Act Formula Grant Program	16.575	VA-15-V30-24632-05	55,579	-
Total Passed through the Office of the Governor, Criminal Justice Division			<u>55,579</u>	<u>-</u>
Total U. S. Department of Justice			<u>79,205</u>	<u>-</u>
<u>National Endowment for the Humanities</u>				
Direct Programs				
Promotion of the Arts - Grants to Organizations and Individuals	45.024	12-5900-8061	10,000	-
Total Direct Programs			<u>10,000</u>	<u>-</u>
Total National Endowment for the Humanities			<u>10,000</u>	<u>-</u>
<u>U. S. Department of Homeland Security</u>				
Passed through the Texas Department of Public Safety				
Hazard Mitigation Grant	97.039	DR-1791-120	1,415,812	-
Emergency Management Performance Grants	97.042	16-TX-EMPG-0484	24,862	-
Total Passed through the Texas Department of Public Safety			<u>1,440,674</u>	<u>-</u>
Total U. S. Department of Homeland Security			<u>1,440,674</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,563,684</u>	<u>\$ -</u>

CITY OF HUNTSVILLE, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2016

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, 2016

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	2016-001
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	2016-001
Significant deficiency(ies) identified?	None reported

Type of auditors' report issued on compliance for major programs	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) of Uniform Guidance	None
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Identification of major programs:

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

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

2016-001

Findings and Questioned Costs for Federal Awards

2016-001

CITY OF HUNTSVILLE, TEXAS

SUMMARY SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Item 2016-001

Federal Program: Hazard Mitigation Grant

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

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

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

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

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

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

Current Status: Issue was resolved during the current year.