

City of Huntsville, Texas

Comprehensive Annual Financial Report

For the year ended September 30, 2012



CITY OF HUNTSVILLE, TEXAS

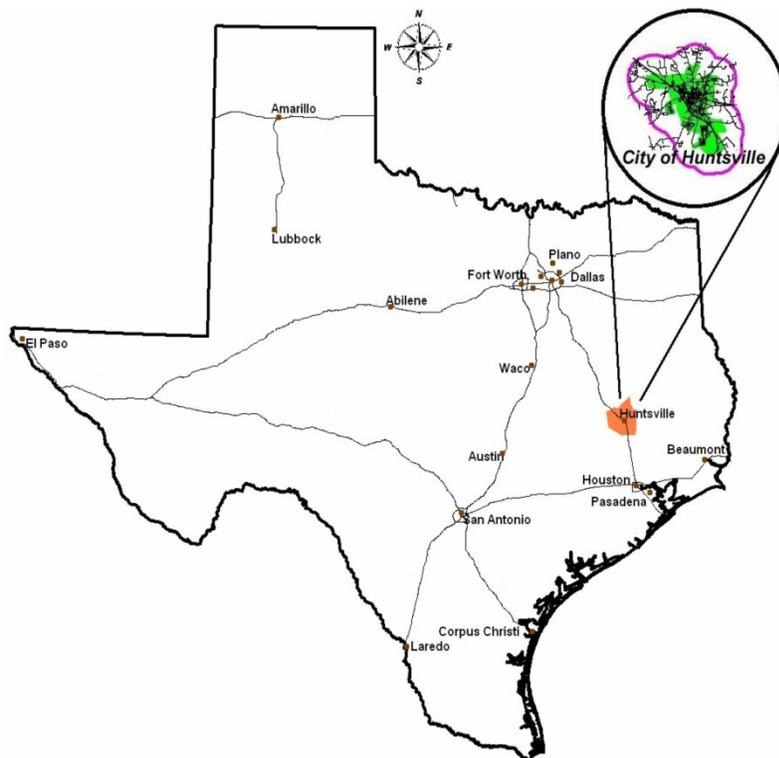
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2012

Prepared By:
City of Huntsville, Texas
Finance Department

**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 (over 13,000 inmates are housed in the area with TDCJ employment over 6,000 within Walker County).

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 17,291 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 272 acres, including part of the original home site of the Houston family. With 5 colleges (Arts and Science, Business, Criminal Justice, Education, and Humanities and Social Science), the university offers 79 undergraduate degree programs, 54 masters' programs, and 5 doctoral programs.

According to the United States Census Bureau, the 2008 per capita income for Walker County was \$27,130 per household, compared to the state median of \$39,967. 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 December, 2010 was 8%.

Other governmental presence in Huntsville includes Region VI Educational Service Center, Gulf Coast Trades Center, Sam Houston State Park and nonprofit 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.

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INTRODUCTORY SECTION

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City of Huntsville

Incorporated in 1845 under the Republic of Texas

May 20, 2013

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, 2012 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 ninth compliance year under Rule 34 as established by the Governmental Accounting Standards Board (GASB31). Under this rule, an entity-wide statement of net assets 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 second 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.

Our vision for the City of Huntsville is a community that is beautiful, historic, culturally diverse, affordable, safe, and well planned with great opportunity for our citizens.

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 Assets and a Statement of Activities with supplemental information provided in the Fund statements. The Statement of Net Assets 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 Street Fund.

Priorities and Objectives

Council expanded recycling to new areas within the city. Infrastructure improvements were continued to underserved areas. Health insurance and wellness initiatives were researched and costs were increased to dependents.

Primary priorities were to review the health insurance and retirement program, 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 Community Development division oversaw the following projects:

- In fiscal year 2011 a neighborhood stabilization grant of \$1,050,000 that was awarded to the City for the construction of twelve houses for qualified first time homebuyers. In fiscal year 2012 the City expended \$816,000 towards the grant project. All expenditures were 100% reimbursable by grant funds.
- A FEMA grant of \$11.1 million was awarded in fiscal year 2011 for drainage restoration along Town Creek, contingent on release of federal funding. In fiscal year 2012 \$274,000 was spent on engineering fees.

The property tax rate was lowered in 2012 by \$0.0092 per \$100 valuation. Water rates were increased according to the rate study financial plan.

An additional \$300,000 was contributed to the medical trust for retirees which was implemented under GASB 45. This brings total contributions to the irrevocable trust to \$1,800,000.

Disaster and Hazard Preparation

Huntsville and most parts of Texas incurred damage from forest fires in the last 2 years. Labor was expended on relief efforts near the City and other communities. As part of the continued relief effort, the City prepared fire lanes around key structures, and housing developments.

Summary of Financial Activities

The General Fund posted a net decrease in its Fund Balance from operations of \$583,773. The Street Fund budget was balanced, and the fund balance increased from operations by \$1,047.

The Water Fund had increased revenue compared to the prior year by \$1.2 million primarily due to the rate increase. Water Fund had an increase in Net Assets for the year in the amount of \$2.2 million excluding Prior Period Adjustments. Wastewater had an increase in net assets of \$1.7 million from operations (excludes Prior Period Adjustments). The Solid Waste Fund net assets decreased by \$148,000.

On a government-wide basis, net assets for Government activities decreased \$248,000 from operations. Net assets for business-type activities increased \$3.7 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. The city anticipates increased tax appraisals in the development in the upcoming year and continued moderate sales tax growth in the TIRZ. In the current year there was an addition of one business which is a chain restaurant operation.

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 and Main Street. The department had expenditures of \$389,306 for tourism, \$195,691 for the Arts center, \$86,638 for Main Street initiatives, and \$110,547 for the Gift shop with total revenues for these divisions of \$696,099.

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 \$1,017,695 in construction and the Wastewater Fund \$906,912 in construction. Governmental Activities improvements totaled \$1,675,975.

Completed Capital Projects for the fiscal year were:

- Library expansion and renovation
- Aquatic Center Splashpad
- Water extension to Huntsville State Park
- Wastewater extension to Huntsville State Park

Debt Issues

A refunding bond issue, Series 2012 in the amount of \$8,150,000 was issued in July, 2012 refinancing \$2,753,852 of General Obligation debt and \$5,396,148 of Water and Wastewater Revenue Debt. In addition in May 2012, the City, in conjunction with the Trinity River Authority issued \$19,190,000 in revenue bonds for the expansion and improvement of the Huntsville Regional Water Supply System water treatment plant.

Debt Service Fund

The fund balance for the Debt Service Fund servicing general obligation debt decreased \$280,039 to \$316,110.

Utility and Tax Rates

The adopted property tax rate for fiscal year 2012 was \$0.3915 which was a slight decrease from the \$0.4007 rate of the 3 previous fiscal years. This is the lowest rate in the last 10 years. The highest rate in the previous 10 years was for fiscal year 2003 in the amount of \$0.4500. The average rate in the last 10 years is \$0.41707.

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 2012 in accordance with rates from a rate study performed by a consultant. Wastewater and Solid Waste rates remained unchanged from the previous 2 fiscal years. 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.

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 began a review process 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

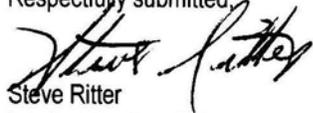
The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Huntsville for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2011. This was the 36th 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 25 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, 2012 (FY 2012-13), 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
Interim Director of Finance



Matt Benoit
City Manager

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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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morrell

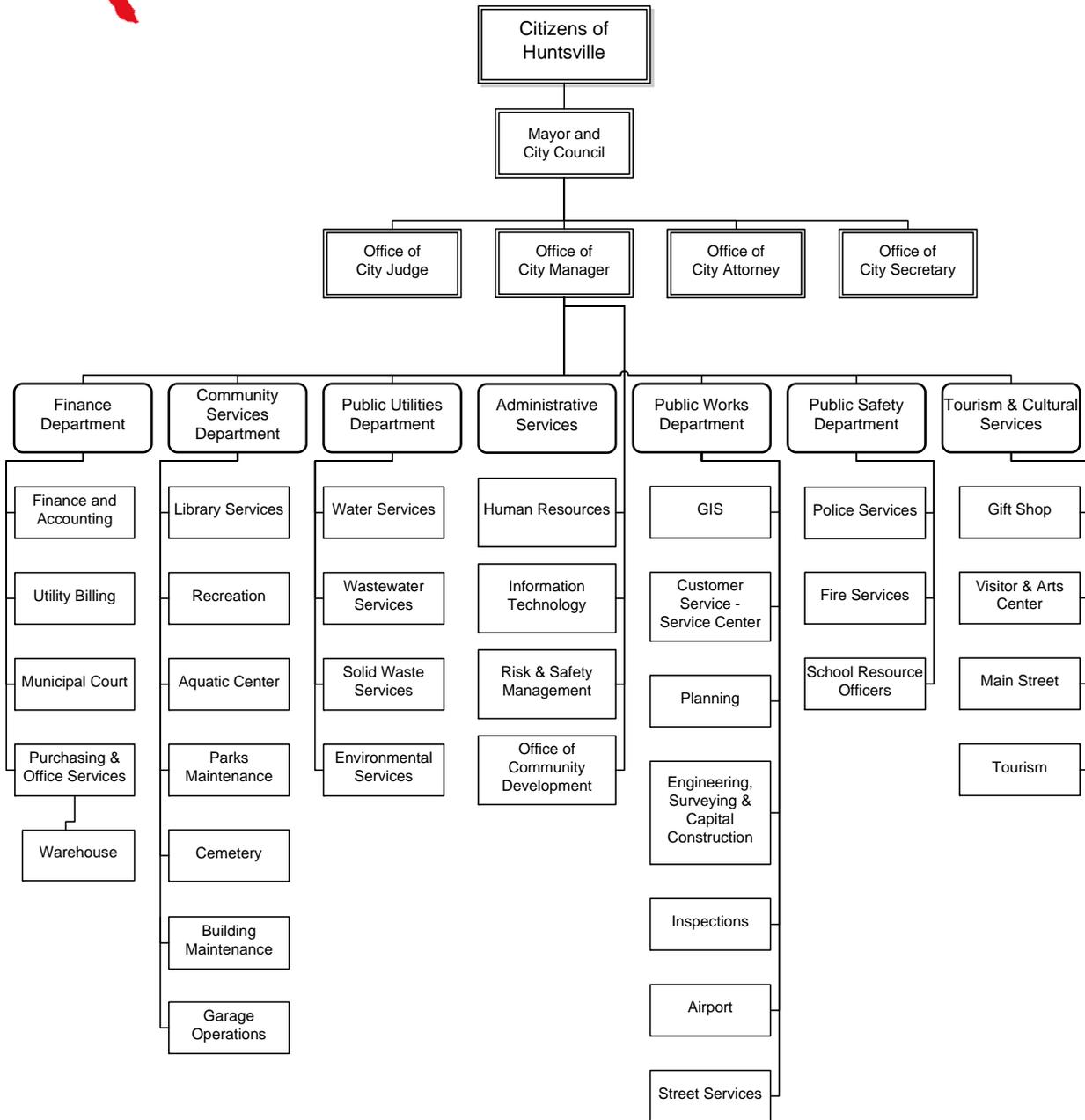
President

Jeffrey R. Emer

Executive Director



Organizational Chart FY 2011-12



CITY OF HUNTSVILLE, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2012

Elected Officials

<u>Name</u>	<u>Office</u>
Mac Woodward	Mayor
Joe Emmett	Councilmember - Ward 1
Tish Humphrey	Councilmember - Ward 2
Ronald Allen	Councilmember - Ward 3
Clyde Loll	Councilmember - Ward 4
James Fitch	Councilmember - Position 1
Lydia Montgomery	Councilmember - Position 2
Don Johnson	Councilmember - Position 3
Keith Olson	Councilmember - Position 4

Appointed Officials & Directors

<u>Name</u>	<u>Office</u>
Charles "Chuck" Pinto	City Manager
Lee Woodward	City Secretary
Leonard Schneider	City Attorney
John Gaines	Municipal Court Judge
Winston Duke	Director of Finance
Matt Lumpkins	Director of Community Services
Kevin Lunsford	Director of Public Safety
Aron Kulhavy	Director of Public Works
Carol Reed	Director of Public Utilities

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, 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 the internal control over our financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual—Street Fund, the Schedule of Funding Progress for Participation in the Texas Municipal Retirement System, and the Schedule of Funding Progress – Post-Retirement Health Care 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. 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 financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the financial statements. The combining and individual fund 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 it.

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

May 20, 2013

**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, 2012. 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 of the City exceeded its liabilities at the close of the 2012 fiscal year by \$98,588,686 (net assets). Of this amount, \$30,462,489 (unrestricted net assets) may be used to meet the government’s ongoing obligations to citizens and creditors.
- As of the close of fiscal year 2012, the City’s governmental funds reported combined ending fund balances of \$14,710,334, a decrease of \$247,910 from the prior year. Approximately 55% of this total amount is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,032,616 or 72% of total General Fund expenditures.
- The City’s total capital assets net of accumulated depreciation increased by \$19,170,257. The increase is primarily due to the additional purchase of water rights from Trinity River Authority (TRA).
- The City’s governmental and business-type activities long-term liabilities increased \$17,282,536 due to the issuance of \$19,190,000 of TRA contract revenue bonds and the issuance of \$8,150,000 in general obligation refunding bonds. The general obligation refunding bonds were issued to refund \$5,525,000 of waterworks and sewer system revenue bonds and \$2,575,000 in 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 assets presents information on all of the City’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the fiscal year. All changes in net assets 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 28 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, Street Special Revenue Fund, and Debt Service Fund, which are considered to be major funds. Data from the other 25 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 1 for additional information pertaining to fiduciary funds.

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of September 30, 2012, the City's assets exceeded liabilities by \$98,588,686.

The largest portion of the City's net assets (67%) 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 assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$30,462,489, may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2012, the City is able to report positive balances in all three categories of net assets, 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 Assets
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 20,528	\$ 21,203	\$ 23,940	\$ 36,474	\$ 44,468	\$ 57,677
Capital assets	33,984	34,083	86,855	52,172	120,839	86,255
Total assets	<u>54,512</u>	<u>55,286</u>	<u>110,795</u>	<u>88,646</u>	<u>165,307</u>	<u>143,932</u>
Long-term liabilities						
outstanding	23,808	25,093	39,079	20,511	62,887	45,604
Other liabilities	2,273	2,153	1,558	1,889	3,831	4,042
Total liabilities	<u>26,081</u>	<u>27,246</u>	<u>40,637</u>	<u>22,400</u>	<u>66,718</u>	<u>49,646</u>
Net assets:						
Invested in capital assets, net of related debt	17,068	14,982	48,911	41,168	65,979	56,150
Restricted	2,147	3,605	-	-	2,147	3,605
Unrestricted	9,216	9,453	21,247	25,078	30,463	34,531
Total net assets	<u>\$ 28,431</u>	<u>\$ 28,040</u>	<u>\$ 70,158</u>	<u>\$ 66,246</u>	<u>\$ 98,589</u>	<u>\$ 94,286</u>

Governmental activities. Net assets decreased by \$199,579 in fiscal year 2012. This is compared to a decrease of \$887,209 in fiscal year 2011. The increase in net assets as compared to the prior year is a result of a slight increase in sales tax collection and intergovernmental revenue.

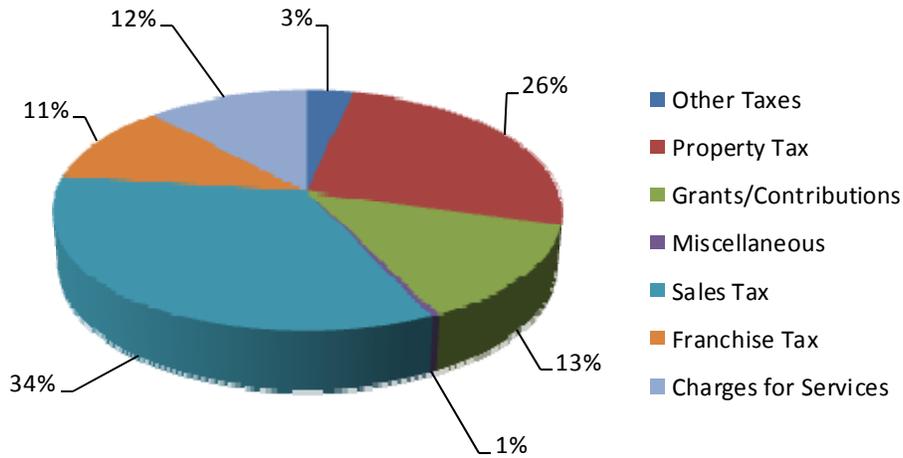
Business-type activities. Net assets increased by \$3,693,451 in the current year compared to a \$3,525,707 increase in fiscal year 2011. Overall, revenues exceeded total operating expenses/transfers for fiscal year 2012. Increases in charges for services coupled with decreases for grants and contributions were the primary drivers for the difference in net assets as compared to prior year.

Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2012. Overall, the City had an increase in net assets of \$3,493,872. This is due in part to an increase in charges for services.

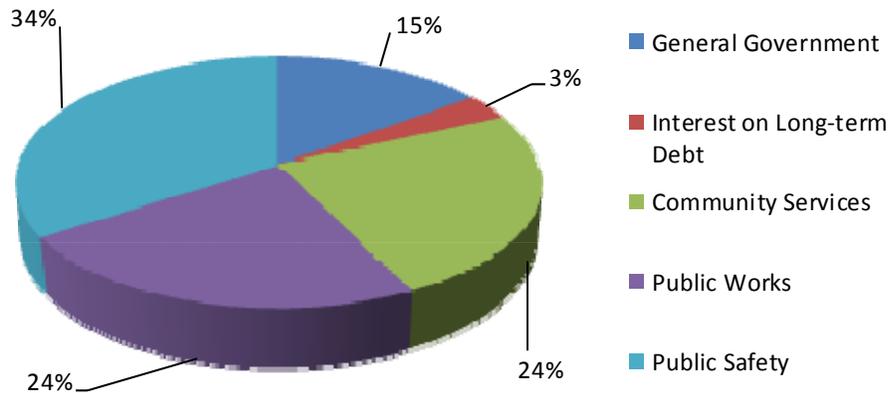
City of Huntsville, Texas'
Changes in Net Assets
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 2,106	\$ 2,584	\$ 25,919	\$ 24,164	\$ 28,025	\$ 26,748
Operating grants and contributions	1,924	-	129	-	2,053	-
Capital grants and contributions	598	1,320	378	1,340	976	2,660
General revenues:						
Property taxes	4,951	4,945	-	-	4,951	4,945
Sales taxes	6,516	6,444	-	-	6,516	6,444
Franchise taxes	2,068	2,894	-	-	2,068	2,894
Other taxes	652	647	-	-	652	647
Investment earnings	191	183	237	163	428	346
Miscellaneous	83	257	214	-	297	257
Total revenues	<u>19,089</u>	<u>19,274</u>	<u>26,877</u>	<u>25,667</u>	<u>45,966</u>	<u>44,941</u>
Expenses:						
General government	3,104	1,732	-	-	3,104	1,732
Public works	4,827	8,192	-	-	4,827	8,192
Community services	4,995	2,745	-	-	4,995	2,745
Public safety	7,042	6,772	-	-	7,042	6,772
Interest on long-term debt	687	735	-	-	687	735
Water production and distribution	-	-	10,519	10,553	10,519	10,553
Wastewater collection and treatment	-	-	6,790	7,325	6,790	7,325
Solid waste	-	-	4,508	4,247	4,508	4,247
Total expenses	<u>20,655</u>	<u>20,176</u>	<u>21,817</u>	<u>22,125</u>	<u>42,472</u>	<u>42,301</u>
Increases in net assets before transfers	(1,566)	(902)	5,060	3,542	3,494	2,640
Transfers	<u>1,366</u>	<u>17</u>	<u>(1,366)</u>	<u>(17)</u>	<u>-</u>	<u>-</u>
Increase in net assets	(200)	(885)	3,694	3,525	3,494	2,640
Net assets, beginning	28,040	28,928	66,246	62,720	94,286	91,648
Prior period adjustment	<u>590</u>	<u>-</u>	<u>219</u>	<u>-</u>	<u>809</u>	<u>-</u>
Net assets, beginning, as restated	28,630	28,928	66,465	62,720	95,095	91,648
Net assets, ending	<u>\$ 28,430</u>	<u>\$ 28,043</u>	<u>\$ 70,159</u>	<u>\$ 66,245</u>	<u>\$ 98,589</u>	<u>\$ 94,288</u>

**Revenues - Governmental Activities
Fiscal Year 2012 (excludes transfers)**



**Primary Government Functional Expenses for
Governmental Activities - Fiscal Year 2012**



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 2012 fiscal year, the City's governmental funds reported combined ending fund balances of \$14,710,334, a decrease of \$247,910 from the prior year. Approximately 55% of this total amount is available for spending at the City's discretion. The remainder of fund balance is not available for new spending because it is restricted to pay debt service (\$316,110) 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 \$8,032,616, while the total fund balance was \$9,215,269. 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 72% of the general fund expenditures, while total fund balance represents 83% of that same amount.

The final budget for fiscal year 2012 reflected a \$2,334,255 drawdown of fund balance, while still providing for a sufficient reserve balance. The actual change in fund balance was a decrease of \$583,773. Contributing factors was the realization of revenues \$641,053 over the budgeted amounts and overall expenditures \$981,750 under budgeted amounts. Key factors affecting fund balance are as follows:

- Total General Fund revenues of \$12,238,312 were increased from FY2011 by \$712,408.
 - Property tax revenue increased \$424,003 from FY2011 actuals.
 - Sales tax revenue increases by \$72,192.
 - Donations, contributions and grants increased by \$15,136.
 - Charges for services increased by \$3,102 while licenses and permits increased by \$26,265.
 - Fines and forfeitures decreased by \$108,502.
- Total General Fund expenditures of \$11,086,773 were increased from FY2011 by \$272,482.
 - General government expenditures increased by \$253,451 from FY2011. This increase is primarily due to the inclusion of sales tax rebate payments being reclassified to the general government function.
 - Total public safety expenditures decreased by \$32,273 from FY 2011 which can be attributed to a decrease in the rate the City is required to contribute for retirement.
 - Community services expenditures increased by \$65,084 due to an increase in contractual expenditures.
 - Public works expenditures decreased by \$13,135 over prior year expenditures.

The actual revenues of \$12,238,312 were more than the budgeted revenues by \$641,053. Sales tax revenue, fines and forfeitures and donations, contributions and grants exceeded the budgeted amounts. The actual expenditures of \$11,086,773 were \$981,750 less than the budgeted expenditures of \$12,068,523.

The fund balance of the Street Special Revenue fund increased by \$1,047. Fund balance was projected to decrease by \$267,481 in the final budget, but expenditures were less than final budget by \$269,943.

Debt Service fund balance decreased by \$280,039. Fund balance was projected to decrease by \$586,610 in the final budget, but property tax revenues exceeded final budgeted amounts by \$302,321.

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 assets of the respective proprietary funds are Water – \$9,899,087, Wastewater – \$9,458,835, and Solid Waste – \$1,888,587. The net assets for Water increased \$2,180,935; Wastewater increased \$1,660,532 and Solid Waste decreased \$148,016. The overall change in net assets for business-type activities increased by \$3,693,451 which is an increase of \$167,744 from the FY2011 change in net assets of \$3,525,707. Overall Utility operating revenues of \$26,133,116 reflected an increase of \$1,004,701 or an increase of 4.00% compared to FY2011. Utility operating expenses of \$20,984,147 reflected an increase of \$100,367 or an increase of 0.48% over FY2011. Significant increases in expenses were related to administration and depreciation expense these significant decreases were mostly offset by significant decreases in operating expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, the City had over \$120,839,219 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 19% over the amounts for the prior fiscal year.

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,872,245	\$ 1,826,345	\$ 782,325	\$ 782,325	\$ 2,654,570	\$ 2,608,670
Construction in progress	1,066,880	3,758,573	2,763,404	3,447,734	3,830,284	7,206,307
Buildings and improvements	8,806,931	5,168,875	646,629	719,294	9,453,560	5,888,169
Improvements other than buildings	7,602,635	7,766,920	260,518	278,699	7,863,153	8,045,619
Machinery, furniture and equipment	5,829,081	5,826,653	706,010	817,244	6,535,091	6,643,897
Water rights	-	-	35,771,704	15,413,933	35,771,704	15,413,933
Infrastructure	8,806,305	9,735,301	45,924,552	46,127,066	54,730,857	55,862,367
Total	<u>\$ 33,984,077</u>	<u>\$ 34,082,667</u>	<u>\$ 86,855,142</u>	<u>\$ 67,586,295</u>	<u>\$ 120,839,219</u>	<u>\$ 101,668,962</u>

Major capital asset events during the 2012 fiscal year include the following:

- Purchase of additional water rights in the amount of \$20,454,848.
- The City completed the \$3.6 million library expansion and renovation project. \$570,000 was spent in fiscal year 2012.
- A \$1.5 million project for a new water well was started in fiscal year 2012 and \$663,000 was spent in this fiscal year.
- \$290,000 was spent on various drainage projects, \$328,000 was spent on various wastewater projects, and \$445,000 was spent on street projects.
- A \$1.6 million project for sidewalks to provide “Safe Routes to Schools” was started. Approximately \$200,000 was spent in fiscal year 2012. The project should be completed late this year or early FY 13-14.

- In FY 12 the City purchased a new solid waste front loading commercial container loader for \$228,000 and a side loading residential loader for \$268,000. All other purchases for vehicles totaled approximately \$734,000. Purchases for equipment (from mowers to tractors) totaled \$170,000.

Additional information on the City’s capital assets can be found in Note II beginning on page 41 of this report.

Debt Administration

At the end of the current fiscal year, the City had total bonded debt outstanding of \$55,141,443 . 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	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 12,279,852	\$ 13,379,000	\$ 5,396,148	\$ -	\$ 17,676,000	\$ 13,379,000
Certificates of obligation	4,725,000	5,165,000	-	-	4,725,000	5,165,000
Revenue bonds	-	-	30,970,000	20,160,000	30,970,000	20,160,000
Premium on bonds issued	129,779	-	1,868,549	-	1,998,328	-
Deferred loss on refunding	-	-	(227,885)	-	(227,885)	-
Notes payable	-	155,000	-	-	-	155,000
Capital leases	-	409,400	-	-	-	409,400
Compensated absences	1,240,156	1,206,276	349,135	351,347	1,589,291	1,557,623
Legal judgment - tax refund	434,708	-	-	-	434,708	-
Net OPEB obligation	2,019,081	1,647,478	722,575	-	2,741,656	1,647,478
Developer TIRZ	2,979,563	3,130,624	-	-	2,979,563	3,130,624
	<u>\$ 23,808,139</u>	<u>\$ 25,092,778</u>	<u>\$ 39,078,522</u>	<u>\$ 20,511,347</u>	<u>\$ 62,886,661</u>	<u>\$ 45,604,125</u>

In fiscal year 2012, the city used proceeds from the sale of the 2012 series general obligation bonds 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. Additionally, the City, in conjunction with Trinity River Authority, issued \$19,190,000 in revenue bonds for the expansion and for improvements to the Huntsville Regional Water Supply System. These are the primary factors in the overall \$17,282,536 increase in the City’s long-term obligations for fiscal year 2012.

Additional information on the City’s long-term debt can be found in Note II beginning on page 43 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The following economic factors currently affect the City of Huntsville and were considered in developing the 2012-2013 fiscal year budget.

Sales Tax revenue makes up approximately 38% of the Revenues for General Fund. These revenues were budgeted to increase a modest 1.5 percent (\$100K) from the fiscal year budgeted amount of \$6.3 million.

A 35 percent increase in water volumetric rates beginning October 1, 2012 was approved. This was the second year of a significant increase in the volumetric rates. The rates adopted were rates received from a rate study performed by a consultant. 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.

A property tax rate increase of 7.4% from \$0.3915 per \$100 valuation to \$0.4206 per \$100 valuation was approved to cover Debt Service needs and for General Fund's operating expenditures to be able to be covered by revenues. Also, for fiscal year 2013 General Fund's budgeted expenditures were decreased by approximately 8.2% (\$1.6 million) from fiscal year 2012.

Interest rates are expected to remain at record low levels throughout fiscal year 2012-13.

The unemployment rate for the City of Huntsville in September 2012 was 6.5 percent, which is a decrease from a rate of 8.3 percent in September 2011.

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 ASSETS

SEPTEMBER 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,439,243	\$ 6,316,241	\$ 9,755,484
Investments	13,048,330	10,978,768	24,027,098
Prepaid expenses	44,348	-	44,348
Accounts receivable (net of allowances for uncollectable):			
Accounts	144,569	2,622,608	2,767,177
Taxes	1,713,738	-	1,713,738
Intergovernmental	1,319,091	115,530	1,434,621
Interest	55,442	61,127	116,569
Other	154,422	-	154,422
Internal balances	111,279	(111,279)	-
Inventories	166,092	125,982	292,074
Restricted assets:			
Cash and cash equivalents	-	1,659,431	1,659,431
Investments	-	1,500,000	1,500,000
Investment in joint venture	-	103,292	103,292
Deferred charges	331,916	567,370	899,286
Capital assets not being depreciated	2,939,125	3,545,729	6,484,854
Capital assets (net of accumulated depreciation)	<u>31,044,952</u>	<u>83,309,413</u>	<u>114,354,365</u>
Total assets	<u>54,512,547</u>	<u>110,794,212</u>	<u>165,306,759</u>
LIABILITIES			
Accounts payable	1,021,283	318,509	1,339,792
Accrued liabilities	339,581	189,508	529,089
Accrued interest	85,691	-	85,691
Liabilities payable from restricted assets:			
Accrued interest	-	173,402	173,402
Due to other governments	131,334	32,620	163,954
Unearned revenue	633,140	-	633,140
Other liabilities	62,285	-	62,285
Customer deposits	-	844,059	844,059
Noncurrent liabilities:			
Due within one year	2,519,997	4,811,169	7,331,166
Due in more than one year	<u>21,288,142</u>	<u>34,267,353</u>	<u>55,555,495</u>
Total liabilities	<u>26,081,453</u>	<u>40,636,620</u>	<u>66,718,073</u>
NET ASSETS			
Investment in capital assets, net of related debt	17,068,346	48,911,083	65,979,429
Restricted for:			
Library - nonspendable	106,914	-	106,914
Cemetery - nonspendable	354,873	-	354,873
Street improvements and repairs	150,357	-	150,357
Debt service	122,335	-	122,335
Promotion of tourism	748,005	-	748,005
Court technology and security	115,071	-	115,071
Purpose of grantors, trustees and donors	415,133	-	415,133
Law enforcement	134,080	-	134,080
Unrestricted	<u>9,215,980</u>	<u>21,246,509</u>	<u>30,462,489</u>
Total net assets	<u>\$ 28,431,094</u>	<u>\$ 70,157,592</u>	<u>\$ 98,588,686</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, 2012

Function/Program Activities	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 3,104,243	\$ 466,973	\$ 351,119	\$ 448,435
Public works	4,826,684	280,187	-	-
Community services	4,995,176	196,991	1,078,531	79,622
Public safety	7,042,470	1,162,227	494,163	69,760
Interest on long-term debt	686,724	-	-	-
Total governmental activities	<u>20,655,297</u>	<u>2,106,378</u>	<u>1,923,813</u>	<u>597,817</u>
Business-type activities:				
Water	10,518,861	12,899,947	129,421	-
Wastewater	6,789,773	8,554,235	-	377,791
Solid waste	4,508,492	4,464,921	-	-
Total business-type activities	<u>21,817,126</u>	<u>25,919,103</u>	<u>129,421</u>	<u>377,791</u>
Total primary government	<u>\$ 42,472,423</u>	<u>\$ 28,025,481</u>	<u>\$ 2,053,234</u>	<u>\$ 975,608</u>
			General revenues:	
			Taxes:	
			Property	
			Sales	
			Franchise	
			Other	
			Unrestricted investment earnings	
			Gain on disposal of capital assets	
			Miscellaneous	
			Transfers	
			Total general revenues and transfers	
			Change in net assets	
			Net assets, beginning	
			Prior period adjustment	
			Net assets, beginning as restated	
			Net assets, ending	

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

Net (Expense) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$(1,837,716)	\$ -	\$(1,837,716)
(4,546,497)	-	(4,546,497)
(3,640,032)	-	(3,640,032)
(5,316,320)	-	(5,316,320)
<u>(686,724)</u>	<u>-</u>	<u>(686,724)</u>
<u>(16,027,289)</u>	<u>-</u>	<u>(16,027,289)</u>
-	2,510,507	2,510,507
-	2,142,253	2,142,253
<u>-</u>	<u>(43,571)</u>	<u>(43,571)</u>
<u>-</u>	<u>4,609,189</u>	<u>4,609,189</u>
<u>(16,027,289)</u>	<u>4,609,189</u>	<u>(11,418,100)</u>
4,950,887	-	4,950,887
6,515,890	-	6,515,890
2,067,884	-	2,067,884
652,479	-	652,479
191,187	236,694	427,881
7,485	-	7,485
75,453	214,013	289,466
<u>1,366,445</u>	<u>(1,366,445)</u>	<u>-</u>
<u>15,827,710</u>	<u>(915,738)</u>	<u>14,911,972</u>
(199,579)	3,693,451	3,493,872
28,040,472	66,245,593	94,286,065
<u>590,201</u>	<u>218,548</u>	<u>808,749</u>
<u>28,630,673</u>	<u>66,464,141</u>	<u>95,094,814</u>
<u>\$ 28,431,094</u>	<u>\$ 70,157,592</u>	<u>\$ 98,588,686</u>

CITY OF HUNTSVILLE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	<u>General</u>	<u>Street Special Revenue</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,365,505	\$ 623,067	\$ 79,271	\$ 875,264	\$ 2,943,107
Investments	6,348,556	-	218,317	4,128,907	10,695,780
Receivables (net of allowance for uncollectibles):					
Accounts	105,504	1,442	-	6,673	113,619
Taxes	1,285,958	309,529	79,765	38,486	1,713,738
Intergovernmental	39,569	-	-	1,279,522	1,319,091
Interest	28,585	-	-	12,367	40,952
Other	31,630	-	-	-	31,630
Due from other funds	789,547	-	-	4,519	794,066
Inventory	147,362	18,730	-	-	166,092
Prepays	44,348	-	-	-	44,348
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>10,186,564</u>	\$ <u>952,768</u>	\$ <u>377,353</u>	\$ <u>6,345,738</u>	\$ <u>17,862,423</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	406,334	51,038	-	437,239	894,611
Accrued liabilities	250,028	58,842	-	30,711	339,581
Due to other funds	-	59,391	-	822,482	881,873
Due to other governments	104,941	-	-	26,393	131,334
Deferred revenue	148,022	633,140	61,243	-	842,405
Other liabilities	61,970	-	-	315	62,285
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>971,295</u>	<u>802,411</u>	<u>61,243</u>	<u>1,317,140</u>	<u>3,152,089</u>
Fund balances:					
Nonspendable:					
Nonspendable:	191,710	18,730	-	461,787	672,227
Restricted	-	131,627	316,110	1,412,289	1,860,026
Assigned	990,943	-	-	3,154,522	4,145,465
Unassigned	8,032,616	-	-	-	8,032,616
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>9,215,269</u>	<u>150,357</u>	<u>316,110</u>	<u>5,028,598</u>	<u>14,710,334</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ <u>10,186,564</u>	\$ <u>952,768</u>	\$ <u>377,353</u>	\$ <u>6,345,738</u>	\$ <u>17,862,423</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 ASSETS**

SEPTEMBER 30, 2012

Total fund balances - governmental funds balance sheet	\$ 14,710,334
Amounts reported for governmental activities in the statement of net assets are different	
Capital assets used in governmental activities are not reported in the funds.	29,682,018
Property taxes receivable unavailable to pay for current period expenditures are determined in the funds.	123,239
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	86,026
Payables for bond interest which are not due in the current period are not reported in the funds.	(85,691)
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	(17,004,852)
Bond premiums	(129,779)
Compensated absences	(1,240,156)
Net OPEB obligation	(2,019,081)
Legal judgment	(434,708)
Contractual obligation	(2,979,563)
Deferred charges recognized on Statement of Net Assets, not recognized in governmental balance sheet: Deferred bond issue costs	331,916
The assets and liabilities of Internal Service Funds are included in governmental activities in the statement of net assets.	<u>7,391,391</u>
Net assets of governmental activities - statement of net assets	\$ <u>28,431,094</u>

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

CITY OF HUNTSVILLE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>General</u>	<u>Street Special Revenue</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 3,004,836	\$ -	\$ 1,973,821	\$ 83,588	\$ 5,062,245
Sales	6,515,890	-	-	-	6,515,890
Franchise	-	2,067,884	-	-	2,067,884
Other	81,632	-	-	570,847	652,479
Licenses and permits	259,278	-	-	-	259,278
Charges for sales and services	438,219	108,285	-	391,714	938,218
Fines, fees, and forfeitures	1,165,755	-	-	57,176	1,222,931
Donations, contributions, and grants	246,803	-	-	1,657,046	1,903,849
Investment income	126,093	1,195	3,592	60,307	191,187
Miscellaneous	<u>399,806</u>	<u>8,819</u>	<u>460</u>	<u>356,237</u>	<u>765,322</u>
Total revenues	<u>12,238,312</u>	<u>2,186,183</u>	<u>1,977,873</u>	<u>3,176,915</u>	<u>19,579,283</u>
EXPENDITURES					
Current:					
General government	2,038,101	-	-	9,888	2,047,989
Public works	616,333	3,330,701	-	861,220	4,808,254
Community services	2,387,469	-	-	2,894,942	5,282,411
Public safety	5,886,963	-	-	639,616	6,526,579
Debt service:					
Principal retirement	155,000	-	1,448,000	-	1,603,000
Interest and fiscal charges	<u>2,907</u>	<u>-</u>	<u>702,898</u>	<u>-</u>	<u>705,805</u>
Total expenditures	<u>11,086,773</u>	<u>3,330,701</u>	<u>2,150,898</u>	<u>4,405,666</u>	<u>20,974,038</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,151,539</u>	<u>(1,144,518)</u>	<u>(173,025)</u>	<u>(1,228,751)</u>	<u>(1,394,755)</u>
OTHER FINANCING SOURCES (USES)					
Refunding debt issued	-	-	2,753,852	-	2,753,852
Payment to refunding escrow agent	-	-	(2,845,716)	-	(2,845,716)
Premium on refunded debt issued	-	-	142,757	-	142,757
Transfers in	359,069	1,176,155	-	2,080,041	3,615,265
Transfers out	(2,101,908)	(30,590)	(157,907)	(236,435)	(2,526,840)
Sale of capital assets	<u>7,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,527</u>
Total other financing sources (uses)	<u>(1,735,312)</u>	<u>1,145,565</u>	<u>(107,014)</u>	<u>1,843,606</u>	<u>1,146,845</u>
NET CHANGE IN FUND BALANCES	<u>(583,773)</u>	<u>1,047</u>	<u>(280,039)</u>	<u>614,855</u>	<u>(247,910)</u>
FUND BALANCES, BEGINNING	9,121,227	671,124	596,149	4,413,743	14,802,243
PRIOR PERIOD ADJUSTMENT	<u>677,815</u>	<u>(521,814)</u>	<u>-</u>	<u>-</u>	<u>156,001</u>
FUND BALANCES, BEGINNING AS RESTATED	<u>9,799,042</u>	<u>149,310</u>	<u>596,149</u>	<u>4,413,743</u>	<u>14,958,244</u>
FUND BALANCES, ENDING	<u>\$ 9,215,269</u>	<u>\$ 150,357</u>	<u>\$ 316,110</u>	<u>\$ 5,028,598</u>	<u>\$ 14,710,334</u>

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, 2012

Net change in fund balances - total governmental funds	\$(247,910)
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.	1,967,072
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.	(2,055,896)
The net effect of various miscellaneous transactions involving capital assets (i.e., the sales, trade-ins, and donations) is to decrease net assets.	(42)
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 assets. 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:	
Bonds payable	(2,753,852)
Bond premium	(142,757)
Bond issuance costs - deferred charges	50,434
Repayment of principal of long-term debt	1,603,000
Bond refunding	2,845,000
Amortization of:	
Bond issuance costs - deferred charges	(40,611)
Bond premium	12,978
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	(111,358)
Court fines and fees	(386,137)
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	(33,880)
Net OPEB obligation	(805,803)
Legal judgment	(434,708)
Contractual obligation	151,061
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.	(3,004)
The net revenue (expense) of internal service funds is reported with governmental activities.	<u>186,834</u>
Change in net assets of governmental activities - statement of activities	<u><u>\$(199,579)</u></u>

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

CITY OF HUNTSVILLE, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUND

SEPTEMBER 30, 2012

	Enterprise Funds		
	Water	Wastewater	Solid Waste
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,490,108	\$ 2,602,162	\$ 1,223,971
Investments	5,336,661	4,181,991	1,460,116
Accounts receivable (net of allowance for uncollectibles):			
Accounts	1,339,173	829,682	453,753
Intergovernmental	11,477	104,053	-
Interest	29,887	26,637	4,603
Other	-	-	-
Due from other funds	484,305	-	-
Inventories	122,451	3,531	-
Restricted assets:			
Cash and cash equivalents	430,296	1,196,702	32,433
Investments	200,000	1,300,000	-
Total current assets	<u>10,444,358</u>	<u>10,244,758</u>	<u>3,174,876</u>
Noncurrent assets:			
Investment in joint venture	-	103,292	-
Deferred charges	496,929	70,441	-
Capital assets not being depreciated	1,206,003	2,339,726	-
Capital assets (net of accumulated depreciation)	<u>50,791,341</u>	<u>31,976,524</u>	<u>541,548</u>
Total noncurrent assets	<u>52,494,273</u>	<u>34,489,983</u>	<u>541,548</u>
Total assets	<u>62,938,631</u>	<u>44,734,741</u>	<u>3,716,424</u>
LIABILITIES			
Current liabilities:			
Accounts payable	134,864	118,343	65,302
Accrued liabilities	69,812	62,510	57,186
Customer deposits	286,224	260,737	297,098
Liabilities payable from restricted assets:			
Accrued interest payable	145,627	27,775	-
Due to other funds	-	97,466	498,118
Due to other governments	-	8,551	24,069
Noncurrent liabilities due with one year	<u>3,100,050</u>	<u>1,676,602</u>	<u>34,517</u>
Total current liabilities	<u>3,736,577</u>	<u>2,251,984</u>	<u>976,290</u>
Noncurrent liabilities:			
Due in more than one year	<u>26,600,988</u>	<u>7,356,366</u>	<u>309,999</u>
Total noncurrent liabilities	<u>26,600,988</u>	<u>7,356,366</u>	<u>309,999</u>
Total liabilities	<u>30,337,565</u>	<u>9,608,350</u>	<u>1,286,289</u>
NET ASSETS			
Invested in capital assets, net of related debt	22,701,979	25,667,556	541,548
Unrestricted	<u>9,899,087</u>	<u>9,458,835</u>	<u>1,888,587</u>
Total net assets	<u>\$ 32,601,066</u>	<u>\$ 35,126,391</u>	<u>\$ 2,430,135</u>

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

<u>Total Enterprise</u>	<u>Internal Service</u>
\$ 6,316,241	\$ 496,136
10,978,768	2,352,550
2,622,608	30,950
115,530	-
61,127	14,490
-	122,792
484,305	257,981
125,982	-
1,659,431	-
1,500,000	-
<u>23,863,992</u>	<u>3,274,899</u>
103,292	-
567,370	-
3,545,729	-
<u>83,309,413</u>	<u>4,302,059</u>
<u>87,525,804</u>	<u>4,302,059</u>
<u>111,389,796</u>	<u>7,576,958</u>
318,509	126,672
189,508	-
844,059	-
173,402	-
595,584	58,895
32,620	-
<u>4,811,169</u>	<u>-</u>
<u>6,964,851</u>	<u>185,567</u>
<u>34,267,353</u>	<u>-</u>
<u>34,267,353</u>	<u>-</u>
<u>41,232,204</u>	<u>185,567</u>
48,911,083	4,302,059
<u>21,246,509</u>	<u>3,089,332</u>
<u>\$ 70,157,592</u>	<u>\$ 7,391,391</u>

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Funds		
	Water	Wastewater	Solid Waste
OPERATING REVENUES			
Charges for services:			
Water sales	\$ 12,776,081	\$ -	\$ -
Wastewater sales and services	-	8,514,328	-
Solid waste fees - residential and commercial	-	-	3,687,139
Solid waste fees - disposal	-	-	777,782
Inter-department services	-	-	-
Total service charges	<u>12,776,081</u>	<u>8,514,328</u>	<u>4,464,921</u>
Service fees and miscellaneous:			
Tap and connection fees	123,866	39,907	-
Customer penalties and miscellaneous	74,609	71,456	67,948
Total service fees and miscellaneous	<u>198,475</u>	<u>111,363</u>	<u>67,948</u>
Total operating revenues	<u>12,974,556</u>	<u>8,625,691</u>	<u>4,532,869</u>
OPERATING EXPENSES			
Administration	2,218,312	2,043,044	1,581,953
Water production and distribution	5,531,420	-	-
Wastewater collection and treatment	-	2,676,720	-
Solid waste collection and disposal	-	-	2,823,023
Utility billing/customer service	447,937	-	-
Lab/compliance	-	242,684	-
Equipment replacement	-	-	-
Depreciation	1,904,645	1,419,568	94,841
Total operating expenses	<u>10,102,314</u>	<u>6,382,016</u>	<u>4,499,817</u>
OPERATING INCOME (LOSS)	<u>2,872,242</u>	<u>2,243,675</u>	<u>33,052</u>
NONOPERATING REVENUES (EXPENSES)			
Grants and contributions	129,421	377,791	-
Interest income	103,688	97,718	35,288
Loss on disposal of property	-	(12,111)	-
Interest expense	(416,547)	(395,646)	(8,675)
Total nonoperating revenues (expenses)	<u>(183,438)</u>	<u>67,752</u>	<u>26,613</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	2,688,804	2,311,427	59,665
Transfers in	-	31,520	-
Transfers out	(507,869)	(682,415)	(207,681)
CHANGE IN NET ASSETS	2,180,935	1,660,532	(148,016)
NET ASSETS, BEGINNING	30,325,170	33,347,101	2,573,322
PRIOR PERIOD ADJUSTMENT	<u>94,961</u>	<u>118,758</u>	<u>4,829</u>
NET ASSETS, BEGINNING, AS RESTATED	<u>30,420,131</u>	<u>33,465,859</u>	<u>2,578,151</u>
NET ASSETS, ENDING	<u>\$ 32,601,066</u>	<u>\$ 35,126,391</u>	<u>\$ 2,430,135</u>

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

Total Enterprise	Internal Service
\$ 12,776,081	\$ -
8,514,328	-
3,687,139	-
777,782	-
-	5,080,685
25,755,330	5,080,685
163,773	-
214,013	64,474
377,786	64,474
26,133,116	5,145,159
5,843,309	3,720,178
5,531,420	-
2,676,720	-
2,823,023	-
447,937	-
242,684	-
-	33,766
3,419,054	1,534,725
20,984,147	5,288,669
5,148,969	(143,510)
507,212	-
236,694	52,324
(12,111)	-
(820,868)	-
(89,073)	52,324
5,059,896	(91,186)
31,520	325,004
(1,397,965)	(46,984)
3,693,451	186,834
66,245,593	7,204,557
218,548	-
66,464,141	7,204,557
\$ 70,157,592	\$ 7,391,391

CITY OF HUNTSVILLE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Funds			Total Enterprise	Internal Service
	Water	Wastewater	Solid Waste		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 12,717,343	\$ 9,001,474	\$ 4,540,290	\$ 26,259,107	\$ -
Interfund services provided and used	-	-	-	-	4,842,084
Cash payments to employees for services	(1,394,435)	(1,275,488)	(1,228,113)	(3,898,036)	-
Cash payments to suppliers for goods and services	(6,849,544)	(3,710,916)	(2,659,114)	(13,219,574)	(3,744,079)
Net cash provided by operating activities	<u>4,473,364</u>	<u>4,015,070</u>	<u>653,063</u>	<u>9,141,497</u>	<u>1,098,005</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants	129,421	-	-	129,421	-
Transfers from other funds	-	31,520	-	31,520	325,004
Transfers to funds	(507,869)	(682,415)	(207,681)	(1,397,965)	(46,984)
Net cash provided (used) by by noncapital financing activities	<u>(378,448)</u>	<u>(650,895)</u>	<u>(207,681)</u>	<u>(1,237,024)</u>	<u>278,020</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital grants	-	469,269	-	469,269	-
Principal repayment on long-term debt	(1,205,000)	(1,650,000)	-	(2,855,000)	(409,399)
Interest and fiscal charges on debt	(419,284)	(246,328)	-	(665,612)	(14,710)
Acquisition or construction of capital assets	(1,819,801)	(200,305)	(7,850)	(2,027,956)	(1,525,001)
Net used for capital and related financing activities	<u>(3,444,085)</u>	<u>(2,096,633)</u>	<u>(7,850)</u>	<u>(5,548,568)</u>	<u>(1,949,110)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(2,229,953)	(77,021)	-	(2,306,974)	(356,740)
Proceeds from sale and maturities of securities	-	-	98,986	98,986	421,841
Interest and dividends on investments	<u>73,801</u>	<u>74,714</u>	<u>35,288</u>	<u>183,803</u>	<u>37,834</u>
Net cash provided (used) by investing activities	<u>(2,156,152)</u>	<u>(2,307)</u>	<u>134,274</u>	<u>(2,024,185)</u>	<u>102,935</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(1,505,321)	1,265,235	571,806	331,720	(470,150)
CASH AND CASH EQUIVALENTS, BEGINNING					
	<u>3,518,813</u>	<u>2,971,272</u>	<u>689,201</u>	<u>7,179,286</u>	<u>966,286</u>
CASH AND CASH EQUIVALENTS, ENDING					
	<u>\$ 2,013,492</u>	<u>\$ 4,236,507</u>	<u>\$ 1,261,007</u>	<u>\$ 7,511,006</u>	<u>\$ 496,136</u>

(continued)

CITY OF HUNTSVILLE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	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)	\$ 2,872,242	\$ 2,243,675	\$ 33,052	\$ 5,148,969	\$ (143,510)
Adjustments to reconcile operating income to net cash used by operating activities:					
Depreciation	1,904,645	1,419,568	94,841	3,419,054	1,534,725
Change in assets and liabilities:					
Decrease (increase) in receivables	222,044	367,099	(2,182)	586,961	(59,596)
Decrease (increase) in inventories	1,005	9,524	-	10,529	-
Decrease (increase) in interfund receivables	(479,257)	8,684	7,901	(462,672)	(257,981)
Increase (decrease) in accounts payable	(140,898)	(212,565)	(35,447)	(388,910)	(34,528)
Increase (decrease) in accrued liabilities	6,857	3,116	(393)	9,580	-
Increase (decrease) in customer deposits	(15,673)	(11,952)	22,508	(5,117)	-
Increase (decrease) in compensated absences	8,488	2,884	(13,584)	(2,212)	-
Increase (decrease) in interfund payables	(18,443)	91,409	463,974	536,940	58,895
Increase (decrease) in net OPEB obligation	112,354	93,628	82,393	288,375	-
Total adjustments	<u>1,601,122</u>	<u>1,771,395</u>	<u>620,011</u>	<u>3,992,528</u>	<u>1,241,515</u>
Net cash provided (used) by operating activities	<u>\$ 4,473,364</u>	<u>\$ 4,015,070</u>	<u>\$ 653,063</u>	<u>\$ 9,141,497</u>	<u>\$ 1,098,005</u>

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

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CITY OF HUNTSVILLE, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2012

	<u>PEB Trust Medical</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 16,333
Restricted assets:		
Cash and cash equivalents	1,052	-
Investments	<u>1,990,123</u>	<u>-</u>
Total assets	<u>1,991,175</u>	<u>16,333</u>
LIABILITIES		
Accounts payable	<u>-</u>	<u>16,333</u>
Total liabilities	<u>-</u>	<u>16,333</u>
NET ASSETS		
Held in trust for other postemployment benefits	<u>\$ 1,991,175</u>	<u>\$ -</u>

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

CITY OF HUNTSVILLE, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>PEB Trust Medical</u>
ADDITIONS	
Investment income	\$ 61,727
Net (decrease) in fair value of investments	275,540
Employer contributions	<u>300,000</u>
Total additions	<u>637,267</u>
DEDUCTIONS	
Total deductions	<u>-</u>
CHANGE IN NET ASSETS	637,267
NET ASSETS, BEGINNING	<u>1,353,908</u>
NET ASSETS, ENDING	<u>\$ 1,991,175</u>

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

**NOTES TO THE
FINANCIAL STATEMENTS**

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CITY OF HUNTSVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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

The basic financial statements include both government-wide financial statements (based on the City as a whole) and fund financial statements. Both sets of financial statements classify activities as either governmental, which are supported by taxes and intergovernmental revenues, or business-type activities, which rely on fees and charges for support.

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, 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.

Street Special Revenue Fund – The Street Special Revenue Fund is used to account for the proceeds of revenue sources that are committed for expenditures for street repairs and improvements.

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.

Measurement Focus and Basis of Accounting

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

The government-wide statements and fund financial statements for proprietary funds 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 assets and operating statements present increases (revenues) and decreases (expenses) in net total assets. 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.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow private-sector guidance issued subsequent to November 30, 1989.

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, Liabilities and Net Assets 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 5, 2007. 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.

The City currently invests in local government pools, and obligations of the United States or State of Texas or its agencies and instrumentalities, exclusively. Investments are reported at fair value. The City follows the provisions GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" ("Statement"). Those provisions require that certain investments be reported at fair value, rather than at cost or amortized cost, and that the changes in fair value of investments be recognized as investment revenue. The statement further provides that the City has the option of continuing to report certain investments at cost or amortized cost but must disclose its policy in this regard. In accordance with GASB Statement No. 31, the City's general policy is to report all investments at fair value.

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.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a-7 like, in which case they are reported at share value. A 2a-7 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 it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940.

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.

Taxes Receivable – 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 2012 and those considered "available" at year-end are recognized as revenues in 2012. 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, 2008, to provide a revenue source to be used to finance the current year's budget. Taxes levied on October 1, 2008, were due and payable by January 31, 2009. On January 1, 2009, 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, 2009, unpaid taxes began to accrue a penalty and interest charge until paid. On July 1, 2009, 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.

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 a 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 valued at their fair market value on the date donated. 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 assets 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 Issuance Costs

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 an other 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, as well as issuance costs, 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. Issuance costs are reported as deferred charges.

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 fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (ordinance of the City Council); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance – amounts that the City intends to use for a specific purpose; intent can be expressed by the City Council; and

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the General Fund.

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.

In the General Fund, the City strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 16.67% of annual budgeted expenditures.

New Accounting Principles

Significant new accounting standards not yet implemented by the City include the following.

Statement No. 61 (“GASB 61”), *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* is effective for periods beginning after June 15, 2012. The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

Statement No. 63 (“GASB 63”), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is effective for periods beginning after December 15, 2011. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.

Statement No. 65 (“GASB 65”), *Items Previously Reported as Assets and Liabilities*, is effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Statement No. 68 (“GASB 68”), *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, is effective for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

II. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

A reconciliation of cash and investments as shown on the Balance Sheet for the City follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Cash Deposits	\$ 1,209,582	-
Certificates of Deposit	7,786,264	-
Money Market	6,742,233	-
Mutual Funds	1,990,123	-
TexPool Prime	591,937	57
Texas CLASS	731,013	46
LOGIC	188,507	46
U. S. Agency Securities	3,873,378	1,447
Municipal Bonds	<u>15,836,484</u>	474
Total portfolio	<u>\$ 38,949,521</u>	
Portfolio weighted average maturity (days)		414

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

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, 2012, 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:

	<u>General</u>	<u>Street Special Revenue</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Accounts	\$ 449,607	\$ 1,442	\$ -	\$ 6,673	\$ 457,722
Taxes	1,319,404	309,529	109,164	38,486	1,776,583
Intergovernmental	39,569	-	-	1,279,522	1,319,091
Interest	28,585	-	-	12,367	40,952
Other	<u>31,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,630</u>
Gross Receivables	1,868,795	310,971	109,164	1,337,048	3,625,978
Less: Allowance for uncollectibles	<u>(377,549)</u>	<u>-</u>	<u>(29,399)</u>	<u>-</u>	<u>(406,948)</u>
Net receivables	<u>\$ 1,491,246</u>	<u>\$ 310,971</u>	<u>\$ 79,765</u>	<u>\$ 1,337,048</u>	<u>\$ 3,219,030</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Governmental funds:		
Franchise taxes	\$ -	\$ 633,140
Delinquent property taxes receivable - general	61,996	-
Delinquent property taxes receivable - debt service	61,243	-
Municipal court fines	<u>86,026</u>	<u>-</u>
Total	<u>\$ 209,265</u>	<u>\$ 633,140</u>

Interfund Balances and Activity

Due to and From Other Funds

Balances due to and due from other funds at September 30, 2012, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Street Special Revenue	\$ 59,391
	Nonmajor governmental	75,677
	Wastewater	97,466
	Solid waste	498,118
	Internal service	<u>58,895</u>
Total General		<u>789,547</u>
Water	Nonmajor governmental	<u>484,305</u>
Internal service	Nonmajor governmental	<u>257,981</u>
Nonmajor governmental	Nonmajor governmental	<u>4,519</u>
		<u>\$ 1,536,352</u>

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

Transfers to and From Other Funds

Transfers to and from other funds at September 30, 2012, consisted of the following:

	<u>Transfers to</u>					<u>Total</u>
	<u>General</u>	<u>Street Special Revenue</u>	<u>Nonmajor Governmental</u>	<u>Wastewater</u>	<u>Internal Service</u>	
Transfers from:						
General	\$ -	\$ -	\$ 1,864,888	\$ 31,520	\$ 205,500	\$ 2,101,908
Street special revenue	8,870	-	-	-	21,720	30,590
Debt service	157,907	-	-	-	-	157,907
Nonmajor governmental	152,692	16,410	40,169	-	27,164	236,435
Water	29,120	404,919	48,000	-	25,830	507,869
Wastewater	6,495	604,070	48,000	-	23,850	682,415
Solid waste	3,985	150,756	32,000	-	20,940	207,681
Internal service	<u>-</u>	<u>-</u>	<u>46,984</u>	<u>-</u>	<u>-</u>	<u>46,984</u>
Total	<u>\$ 359,069</u>	<u>\$ 1,176,155</u>	<u>\$ 2,080,041</u>	<u>\$ 31,520</u>	<u>\$ 325,004</u>	<u>\$ 3,971,789</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:

- Transfers from the Water fund for \$404,919, Wastewater fund for \$290,045 and Solid Waste fund for \$150,756 to the Street Special Revenue fund in order to offset the Street Special Revenue fund's cost of maintaining public streets and right-of-ways for use in operating the water, wastewater, and solid waste utilities. Also, the Wastewater fund transferred \$314,025 to the Street Special Revenue fund to cover drainage expenditures related to maintenance and street sweeping.
- 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 – \$110,708
 - School Resource Officer fund – \$94,775
 - Arts Center fund – \$73,121
- The Debt Service fund transferred \$157,907 to the General fund to reimburse the General fund for principal and interest expenditures incurred.
- Additionally, \$1,857,961 was transferred into various capital project funds to fund construction and capital acquisition projects for the City.

Capital Assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,826,345	\$ 45,900	\$ -	\$ 1,872,245
Construction in progress	3,758,573	1,731,333	4,423,026	1,066,880
Total capital assets not being depreciated	<u>5,584,918</u>	<u>1,777,233</u>	<u>4,423,026</u>	<u>2,939,125</u>
Capital assets being depreciated:				
Buildings and improvements	9,898,473	3,905,096	-	13,803,569
Machinery, furniture, and equipment	19,334,229	1,799,537	261,717	20,872,049
Improvements other than buildings	12,885,312	410,900	-	13,296,212
Infrastructure	34,436,516	22,333	-	34,458,849
Total capital assets being depreciated	<u>76,554,530</u>	<u>6,137,866</u>	<u>261,717</u>	<u>82,430,679</u>
Less accumulated depreciation for:				
Buildings and improvements	4,729,598	267,040	-	4,996,638
Machinery, furniture, and equipment	13,507,576	1,797,067	261,675	15,042,968
Improvements other than buildings	5,118,392	575,185	-	5,693,577
Infrastructure	24,701,215	951,329	-	25,652,544
Total accumulated depreciation	<u>48,056,781</u>	<u>3,590,621</u>	<u>261,675</u>	<u>51,385,727</u>
Total capital assets being depreciated, net	<u>28,497,749</u>	<u>2,547,245</u>	<u>42</u>	<u>31,044,952</u>
Governmental activities capital assets, net	<u>\$ 34,082,667</u>	<u>\$ 4,324,478</u>	<u>\$ 4,423,068</u>	<u>\$ 33,984,077</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 782,325	\$ -	\$ -	\$ 782,325
Construction in progress	<u>3,447,734</u>	<u>1,829,497</u>	<u>2,513,827</u>	<u>2,763,404</u>
Total capital assets not being depreciated	<u>4,230,059</u>	<u>1,829,497</u>	<u>2,513,827</u>	<u>3,545,729</u>
Capital assets being depreciated:				
Buildings and improvements	1,887,041	-	-	1,887,041
Machinery, furniture, and equipment	2,204,223	104,863	22,200	2,286,886
Improvements other than buildings	398,950	-	-	398,950
Water rights	29,945,983	21,390,083	-	51,336,066
Infrastructure	<u>80,781,194</u>	<u>1,879,685</u>	<u>-</u>	<u>82,660,879</u>
Total capital assets being depreciated	<u>115,217,391</u>	<u>23,374,631</u>	<u>22,200</u>	<u>138,569,822</u>
Less accumulated depreciation for:				
Buildings and improvements	1,167,747	72,665	-	1,240,412
Machinery, furniture, and equipment	1,386,979	213,697	19,800	1,580,876
Improvements other than buildings	120,251	18,181	-	138,432
Water rights	14,532,050	1,032,312	-	15,564,362
Infrastructure	<u>34,654,128</u>	<u>2,082,199</u>	<u>-</u>	<u>36,736,327</u>
Total accumulated depreciation	<u>51,861,155</u>	<u>3,419,054</u>	<u>19,800</u>	<u>55,260,409</u>
Total capital assets being depreciated, net	<u>63,356,236</u>	<u>19,955,577</u>	<u>2,400</u>	<u>83,309,413</u>
Business-type activities capital assets, net	<u>\$ 67,586,295</u>	<u>\$ 21,785,074</u>	<u>\$ 2,516,227</u>	<u>\$ 86,855,142</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 1,502,604
Public works	1,645,576
Community services	285,360
Public safety	<u>157,081</u>
Total governmental activities depreciation	<u>\$ 3,590,621</u>
Business-type activities:	
Water production and distribution	\$ 1,904,645
Wastewater collection and treatment	1,419,568
Solid waste disposal and collection	<u>94,841</u>
Total business-type activities depreciation	<u>\$ 3,419,054</u>

Long-term Obligations

Long-term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2012, are as follows:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance	Due Within One Year
<u>Governmental activities:</u>						
General obligation bonds	\$ 13,379,000	\$ 2,753,852	\$(3,853,000)	\$ -	\$ 12,279,852	\$ 1,508,117
Certificates of obligation	5,165,000	-	(440,000)	-	4,725,000	175,000
Premium on bond issuance	-	142,757	(12,978)	-	129,779	-
Tax note	155,000	-	(155,000)	-	-	-
Capital leases	409,400	-	(409,400)	-	-	-
Compensated absences	1,206,276	1,323,770	(1,289,890)	-	1,240,156	310,039
Legal judgment - tax refund	-	434,708	-	-	434,708	434,708
OPEB obligations	1,647,478	805,803	-	(434,200)	2,019,081	-
Developer TIRZ	3,130,624	-	(151,061)	-	2,979,563	92,133
Total governmental activities	\$ 25,092,778	\$ 5,460,890	\$(6,311,329)	\$(434,200)	\$ 23,808,139	\$ 2,519,997
<u>Business-type activities:</u>						
TRA contract revenue bonds	\$ 9,155,000	\$ 19,190,000	\$(1,375,000)	\$ -	\$ 26,970,000	\$ 3,360,000
Revenue bonds	11,005,000	-	(7,005,000)	-	4,000,000	960,000
General obligation bonds	-	5,396,148	-	-	5,396,148	403,883
Premium on bond issuance	-	2,076,167	(207,618)	-	1,868,549	-
Deferred loss on refunding	-	(253,206)	25,321	-	(227,885)	-
Compensated absences	351,347	374,056	(376,268)	-	349,135	87,286
OPEB obligations	-	288,375	-	434,200	722,575	-
Total business-type activities	\$ 20,511,347	\$ 27,071,540	\$(8,938,565)	\$ 434,200	\$ 39,078,522	\$ 4,811,169

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

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

Debt Service Requirements

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 1,683,117	\$ 581,980	\$ 2,265,097
2014	1,499,964	529,240	2,029,204
2015	1,523,480	488,800	2,012,280
2016	1,579,170	445,052	2,024,222
2017	1,660,791	396,443	2,057,234
2018-2022	5,483,330	1,275,868	6,759,198
2023-2027	2,090,000	605,659	2,695,659
2028-2032	<u>1,485,000</u>	<u>231,000</u>	<u>1,716,000</u>
Total	<u>\$ 17,004,852</u>	<u>\$ 4,554,042</u>	# #####
September 30,	Principal	Interest	Total
2013	\$ 4,723,883	\$ 535,169	\$ 5,259,052
2014	4,697,036	485,891	5,182,927
2015	4,823,520	436,725	5,260,245
2016	4,926,830	384,770	5,311,600
2017	3,715,209	309,048	4,024,257
2018-2022	<u>13,479,670</u>	<u>582,645</u>	<u>14,062,315</u>
Total	<u>\$ 36,366,148</u>	<u>\$ 2,734,248</u>	<u>\$ 39,100,396</u>

At September 30, 2012, there were no authorized or unissued general obligation or revenue bonds, and the City is in compliance with all bond ordinances.

Tax Supported Debt

A summary of tax-supported debt outstanding at September 30, 2012, 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.	\$ 4,170,000
Certificate Series 2004 issued on March 15, 2004, at an interest rate of 2.50% - 4.40% to finance the construction and equipping of a new fire station, and improve existing facilities, due in installments of \$30,000 - \$165,000 for principal each February 15, beginning February 15, 2005, and interest payments due each February 15 and August 15, beginning February 15, 2005.	555,000
\$3,820,000 General Obligation Refunding Bonds, Series 2005 due in installments of \$15,000 to \$440,000 through 2020, interest rate of 3.52%.	375,000
\$1,850,000 General Obligation Bonds, Series 2009, dated February 24, 2009, to finance construction of a new fire station located in the northeast area of the City due in annual installments of \$144,000 - \$204,000 beginning in August 2009 with an interest rate of 2.90%.	1,201,000
\$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%.	4,825,000
\$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%.	3,125,000
\$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%.	<u>8,150,000</u>
Total outstanding tax supported debt as of September 30, 2012	<u>\$ 22,401,000</u>

Revenue Debt

A summary of Revenue Debt outstanding at September 30, 2012, follows:

\$3,125,000 2003 TRA Contract Revenue Bonds due in installments of \$240,000 to \$375,000 through 2013, interest rates from 3.50 - 4.75%.	\$ 375,000
\$1,795,000 2010A TRA Refunding Contract Revenue Bonds due in installments of \$220,000 to \$275,000 through 2016, interest rates from 2.00% - 2.25%.	1,075,000
\$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%.	1,220,000
\$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%.	5,110,000
\$4,970,000 2011 Waterworks and Sewer System Revenue Refunding Bonds, Series 2011 due in installments of \$40,000 to \$1,045,000, with an interest rate of 2.40%.	4,000,000
\$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>19,190,000</u>
Total outstanding revenue debt as of September 30, 2012	<u>\$ 30,970,000</u>

Advance Refunding

The City issued \$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. The bonds are due in annual installments of \$475,000 to \$1,060,000 with interest rates of 2.0% - 3.0%. The net proceeds of \$8,421,870 were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$252,490. This amount is being netted against the new debt and is being amortized over the remaining life of the refunded debt. The City advance refunded the bonds to reduce its total debt service payments over 12 years by \$1,128,560 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,032,330.

Joint Venture

Proprietary Funds: 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. In addition to funding provided by the sale of TRA bonds, the City acquired an Environmental Protection Agency Grant for \$4,417,500.

In accordance with GASB Statement 14, the equity interest in this joint venture is reported as an asset of the Enterprise Fund that participates. All profit on the operating transactions between TRA and the City’s Water and Wastewater Funds have been eliminated. Since aggregating the contract bond reserve account and contract bonded indebtedness into the “net equity in joint venture” would be misleading, those two items have been separately stated. The City is solely liable for that debt even though the funds were used to build facilities owned and used by the joint venture. Additionally, the City’s share of the net loss is reported as an operating expense since it actually represents the cost providing water and wastewater treatment, the integral function of these funds. Those costs are expected to be recovered through user fees.

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

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

Pension Plan

Plan Description

The City provides benefits for all of its fulltime employees through a nontraditional, joint contributory hybrid, defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and requires supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100%; transfers	0%
Annuity Increase	50% of CPI	0% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credit and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and the net pension obligation (asset) are as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/ (Assets)</u>
2010	\$ 2,621,003	\$ 2,621,003	100.00%	\$ -
2011	2,179,594	2,179,594	100.00%	-
2012	1,382,723	1,382,723	100.00%	-

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

<u>Valuation date</u>	<u>12/31/09</u>	<u>12/30/10</u>	<u>12/30/11</u>
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	27.9 years; closed period	24.9 years; closed period	23.9 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial assumptions:			
Investment rate of return*	7.5%	7.0%	7.0%
Projected salary increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes inflation at	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	1.5%	0%

The funded status as of December 31, 2011, the most recent actuarial valuation date, is 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>
12/31/11	\$ 48,054,476	\$ 54,908,861	87.5%	\$ 6,854,385	\$ 11,840,076	57.9%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include the techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits. Please see schedule of funding progress in the required supplementary information section.

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 2012, 2011 and 2010, were \$3,631, \$3,552, and \$3,533, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates

<u>Plan/ Calendar Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2010	0.03%	0.03%	100.0%
2011	0.03%	0.03%	100.0%
2012	0.03%	0.03%	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 assets.

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 2012 contribute \$15.00 per month depending on the coverage levels selected. For the year ended September 30, 2012, there were a total of 54 retirees in the City's health plan. Of these 54, 13 carried dependent coverage. In fiscal year 2012, total retiree contributions for retirees and dependents were \$79,159. The City contributions to the plan for fiscal year 2012, which are also equal to premiums paid in excess of premiums collected from retirees, were \$597,484.

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 Gallagher Basset. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (for funding excess) over a period not to exceed 30 years.

Annual Required Contribution (ARC)	\$ 1,688,717
Interest on net OPEB obligation	65,899
Adjustment to annual required contribution	<u>(62,954)</u>
Annual OPEB cost (expense)	1,691,662
Contributions made	<u>(597,484)</u>
Increase in net OPE B	1,094,178
Net OPEB obligation - beginning of year	<u>1,647,478</u>
Net OPEB obligation - end of year	<u>\$ 2,741,656</u>

The City's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation for 2012 and 2011 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution Made	Percentage of OPEB Cost Contributed	Net Pension Obligation/ (Assets)
2010	\$ 1,494,644	\$ 506,831	33.91%	\$ 1,956,560
2011	1,616,743	1,925,825	119.12%	1,647,478
2012	1,691,662	597,484	35.32%	2,741,656

Funded Status and Funding Progress

The funded status of the plan based on an actuarial update using age-adjusted premiums as of October 1, 2012, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2012	\$ 1,991,175	\$ 19,653,745	10.1%	\$ 17,662,570	\$ 11,588,950	152.4%

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>10/01/11</u>	<u>10/01/12</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*	4.00%	6.00%
Projected salary increases*	4.00%	3.00%
Health care cost trend rate	9.5% initial, 5.0% ultimate	10.0% initial, 4.5% ultimate

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.

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

	<u>2012</u>	<u>2011</u>
Aggregate liabilities October 1	\$ 161,200	\$ 180,425
Incurred liabilities	2,426,561	4,478,619
Paid liabilities	(2,461,089)	(4,497,844)
Aggregate liabilities September 30	<u>\$ 126,672</u>	<u>\$ 161,200</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, 2012. The City's remaining commitment to contractors for all projects is at \$1,962,362 at year-end. Projects include water and wastewater line extensions, construction of library expansion and renovation, sidewalk construction, and damage.

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, 2012.

Subsequent Events

In February 2013, the City received notice from Walker County Appraisal District that a lawsuit related to property tax overpayments in previous years had been settled and the City owed \$434,708 in refunds to the tax payers. The City made this payment in fiscal year 2013. \$265,381 was paid from the General fund and \$169,327 was paid from the Debt Service fund. As such, this amount has been included as a liability in the statement of net assets at September 30, 2012.

Restatement of Beginning Fund Balance and Net Assets

The City restated beginning fund balance and net assets for the following:

	General	Street Special Revenue	Water	Wastewater	Solid Waste	Governmental Activities	Business-type Activities
Prior year fund balance/ net assets as reported	\$ 9,121,227	\$ 671,124	\$ 30,325,170	\$ 33,347,101	\$ 2,573,322	\$ 28,040,472	\$ 66,245,593
Increased due to under- statement of sales tax revenues	677,815	-	-	-	-	677,815	-
Decrease due to over- statement of franchise tax revenue	-	(632,851)	-	-	-	(632,851)	-
Increase due to under- statement of franchise tax revenue	-	111,037	-	-	-	111,037	-
OPEB liability was not properly allocated to enterprise funds	-	-	(169,169)	(140,974)	(124,057)	434,200	(434,200)
Increase due to under- statement of grant revenue	-	-	-	91,478	-	-	91,478
Increase due to under- statement of utility service charges	-	-	264,130	168,254	128,886	-	561,270
	<u>\$ 9,799,042</u>	<u>\$ 149,310</u>	<u>\$ 30,420,131</u>	<u>\$ 33,465,859</u>	<u>\$ 2,578,151</u>	<u>\$ 28,630,673</u>	<u>\$ 66,464,141</u>

In the prior year, accruals were not properly recorded for sales taxes in the General fund, franchise taxes in the Street Special Revenue fund, utility service charges in the enterprise funds, and grant revenue in the Wastewater fund and this lead to the related revenues and receivables being understated. Additionally, electric franchise revenue is received in advance, and the payment received in the prior year was not properly recorded as unearned revenue. This misstatement resulted in franchise tax revenue being overstated and deferred revenue being understated.

Furthermore, the net OPEB obligation was not properly allocated to the enterprise funds in prior periods. This misstatement caused non-current liabilities to be understated in the enterprise funds and overstated in the governmental activities.

Fund Balance

As of September 30, 2012, governmental fund balance consisted of the following:

	<u>General</u>	<u>Street Special Revenue</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Fund balances:					
Nonspendable					
Inventory	147,362	18,730	-	-	166,092
Prepays	44,348	-	-	-	44,348
Library endowment	-	-	-	106,914	106,914
Cemetery endowment	-	-	-	354,873	354,873
Restricted for:					
Street improvements and repairs	-	131,627	-	-	131,627
Debt service	-	-	316,110	-	316,110
Promotion of tourism	-	-	-	748,005	748,005
Court technology and security	-	-	-	115,071	115,071
Purpose of grantors, trustees and donors	-	-	-	415,133	415,133
Law enforcement	-	-	-	134,080	134,080
Assigned for:					
Subsequent year's budget appropriation of fund balance	990,943	-	-	-	990,943
Construction of capital assets	-	-	-	3,154,522	3,154,522
Unassigned	<u>8,032,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,032,616</u>
Total fund balances	<u>9,215,269</u>	<u>150,357</u>	<u>316,110</u>	<u>5,028,598</u>	<u>14,710,334</u>

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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, 2012

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 2,984,500	\$ 2,984,500	\$ 3,004,836	\$ 20,336
Sales tax	6,300,000	6,300,000	6,515,890	215,890
Other taxes	82,500	82,500	81,632	(868)
Licenses and permits	305,350	305,350	259,278	(46,072)
Charges for sales and services	426,435	426,435	438,219	11,784
Fines, fees, and forfeitures	772,000	772,000	1,165,755	393,755
Donations, contributions, and grants	170,709	170,709	246,803	76,094
Investment income	121,100	121,100	126,093	4,993
Miscellaneous	422,080	434,665	399,806	(34,859)
Total revenue	<u>11,584,674</u>	<u>11,597,259</u>	<u>12,238,312</u>	<u>641,053</u>
EXPENDITURES				
Current:				
General government	2,551,806	2,426,408	2,038,101	388,307
Public works	735,890	706,882	616,333	90,549
Community services	2,429,842	2,552,073	2,387,469	164,604
Public safety	6,174,218	6,225,253	5,886,963	338,290
Debt service:				
Principal retirement	155,000	155,000	155,000	-
Interest and fiscal charges	2,907	2,907	2,907	-
Total expenditures	<u>12,049,663</u>	<u>12,068,523</u>	<u>11,086,773</u>	<u>981,750</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(464,989)</u>	<u>(471,264)</u>	<u>1,151,539</u>	<u>1,622,803</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	237,097	237,097	359,069	121,972
Transfers out	(1,995,588)	(2,100,088)	(2,101,908)	(1,820)
Sale of capital assets	-	-	7,527	7,527
Total other financing sources (uses)	<u>(1,758,491)</u>	<u>(1,862,991)</u>	<u>(1,735,312)</u>	<u>127,679</u>
NET CHANGE IN FUND BALANCE	<u>(2,223,480)</u>	<u>(2,334,255)</u>	<u>(583,773)</u>	<u>1,750,482</u>
FUND BALANCE, BEGINNING	9,121,227	9,121,227	9,121,227	-
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>677,815</u>	<u>677,815</u>
FUND BALANCE, BEGINNING AS RESTATED	<u>9,121,227</u>	<u>9,121,227</u>	<u>9,799,042</u>	<u>677,815</u>
FUND BALANCE, ENDING	<u>\$ 6,897,747</u>	<u>\$ 6,786,972</u>	<u>\$ 9,215,269</u>	<u>\$ 2,428,297</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

STREET SPECIAL REVENUE

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Franchise fees	\$ 2,115,000	\$ 2,115,000	\$ 2,067,884	\$(47,116)
Charges for sales and services	62,500	70,098	108,285	38,187
Investment income	2,500	2,500	1,195	(1,305)
Miscellaneous	-	-	8,819	8,819
Total revenue	2,180,000	2,187,598	2,186,183	(1,415)
EXPENDITURES				
Public works	3,557,134	3,600,644	3,330,701	269,943
Total expenditures	3,557,134	3,600,644	3,330,701	269,943
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,377,134)	(1,413,046)	(1,144,518)	268,528
OTHER FINANCING SOURCES (USES)				
Transfers in	1,159,745	1,176,155	1,176,155	-
Transfers out	(30,590)	(30,590)	(30,590)	-
Total other financing sources (uses)	1,129,155	1,145,565	1,145,565	-
NET CHANGE IN FUND BALANCE	(247,979)	(267,481)	1,047	268,528
FUND BALANCE, BEGINNING	671,124	671,124	671,124	-
PRIOR PERIOD ADJUSTMENT	-	-	(521,814)	(521,814)
FUND BALANCE, BEGINNING AS RESTATED	671,124	671,124	149,310	(521,814)
FUND BALANCE, ENDING	\$ 423,145	\$ 403,643	\$ 150,357	\$(253,286)

CITY OF HUNTSVILLE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2012

TEXAS MUNICIPAL RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/95	\$ 6,020,018	\$ 11,448,894	\$ 5,428,876	52.6%	\$ 6,645,505	81.7%
12/31/96	7,486,917	14,716,980	7,230,063	50.9%	6,969,972	103.7%
12/31/97	9,482,548	16,148,307	10,339,130	58.7%	7,371,413	90.4%
12/31/98	11,840,882	19,146,847	7,305,965	61.8%	7,994,046	91.4%
12/31/99	14,033,005	21,674,979	7,641,974	64.7%	8,002,647	95.5%
12/31/00	15,957,208	23,848,886	7,891,678	66.9%	8,369,082	94.3%
12/31/01	17,983,122	26,223,426	8,240,304	68.6%	8,849,367	93.1%
12/31/02	20,172,871	29,786,372	9,613,501	67.7%	9,767,300	98.4%
12/31/03	21,317,292	33,504,263	12,186,971	63.6%	8,753,684	139.2%
12/31/04	23,461,827	35,599,317	12,137,490	65.9%	9,602,604	126.4%
12/31/05	24,386,073	37,120,033	12,733,960	65.7%	9,655,475	131.9%
12/31/06	25,314,524	38,560,912	13,246,388	65.6%	10,198,416	129.9%
12/31/07	25,879,876	47,764,663	21,884,787	54.2%	10,742,813	203.7%
12/31/08	27,501,940	50,842,530	23,340,590	54.1%	12,209,814	191.2%
12/31/09	30,111,640	42,072,614	11,960,974	71.6%	11,583,294	103.3%
12/31/10	44,443,575	52,324,084	7,880,509	84.9%	11,777,752	66.9%
12/31/11	48,054,476	54,908,861	6,854,385	87.5%	11,840,076	57.9%

OTHER POSTEMPLOYMENT BENEFITS PLAN SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/01/10	1,500,000	20,357,239	18,857,239	7%	10,609,972	177.7%
10/01/12	1,991,175	19,653,745	17,662,570	10%	11,588,950	152.4%

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CITY OF HUNTSVILLE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2012

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 division 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 fund except for salaries and benefits budgets. 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 division level. During the year, several supplementary appropriations were necessary.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

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**COMBINING STATEMENTS
AND BUDGETARY COMPARISONS**

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CITY OF HUNTSVILLE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 288,386	\$ 581,029	\$ 5,849	\$ 875,264
Investments	1,006,217	2,661,502	461,188	4,128,907
Accounts receivable (net of allowance for uncollectibles):				
Accounts	6,573	100	-	6,673
Taxes	38,486	-	-	38,486
Intergovernmental	1,097,898	181,624	-	1,279,522
Interest	2,652	5,159	4,556	12,367
Due from other funds	<u>4,519</u>	<u>-</u>	<u>-</u>	<u>4,519</u>
 Total assets	 <u>\$ 2,444,731</u>	 <u>\$ 3,429,414</u>	 <u>\$ 471,593</u>	 <u>\$ 6,345,738</u>
LIABILITIES				
Accounts payable	\$ 177,383	\$ 259,856	\$ -	\$ 437,239
Accrued liabilities	30,711	-	-	30,711
Due to other funds	807,446	15,036	-	822,482
Due to other governments	26,393	-	-	26,393
Other liabilities	<u>315</u>	<u>-</u>	<u>-</u>	<u>315</u>
Total liabilities	<u>1,042,248</u>	<u>274,892</u>	<u>-</u>	<u>1,317,140</u>
FUND BALANCES				
Nonspendable permanent funds	-	-	461,787	461,787
Restricted for:				
Promotion of tourism	748,005	-	-	748,005
Court technology and security	115,071	-	-	115,071
Purpose of grantors, trustees and donors	405,327	-	9,806	415,133
Law enforcement	134,080	-	-	134,080
Assigned to:				
Construction of capital assets	<u>-</u>	<u>3,154,522</u>	<u>-</u>	<u>3,154,522</u>
Total fund balances	<u>1,402,483</u>	<u>3,154,522</u>	<u>471,593</u>	<u>5,028,598</u>
 Total liabilities and fund balances	 <u>\$ 2,444,731</u>	 <u>\$ 3,429,414</u>	 <u>\$ 471,593</u>	 <u>\$ 6,345,738</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, 2012

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Property taxes	\$ 83,588	\$ -	\$ -	\$ 83,588
Other taxes	570,847	-	-	570,847
Charges for sales and services	391,714	-	-	391,714
Fines, fees, and forfeitures	57,176	-	-	57,176
Donations, contributions, and grants	1,413,865	243,181	-	1,657,046
Investment income	11,970	36,121	12,216	60,307
Miscellaneous	356,237	-	-	356,237
Total revenues	<u>2,885,397</u>	<u>279,302</u>	<u>12,216</u>	<u>3,176,915</u>
EXPENDITURES				
General government	9,888	-	-	9,888
Public works	200,181	661,039	-	861,220
Community services	1,880,008	1,014,934	-	2,894,942
Public safety	508,193	131,423	-	639,616
Total expenditures	<u>2,598,270</u>	<u>1,807,396</u>	<u>-</u>	<u>4,405,666</u>
EXCESS (DEFICIENCY) OF REVENUES (OVER) UNDER EXPENDITURES	<u>287,127</u>	<u>(1,528,094)</u>	<u>12,216</u>	<u>(1,228,751)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	278,604	1,801,437	-	2,080,041
Transfers out	<u>(216,882)</u>	<u>(17,553)</u>	<u>(2,000)</u>	<u>(236,435)</u>
Total other financing sources (uses)	<u>61,722</u>	<u>1,783,884</u>	<u>(2,000)</u>	<u>1,843,606</u>
NET CHANGE IN FUND BALANCES	348,849	255,790	10,216	614,855
FUND BALANCES, BEGINNING	<u>1,053,634</u>	<u>2,898,732</u>	<u>461,377</u>	<u>4,413,743</u>
FUND BALANCES, ENDING	<u>\$ 1,402,483</u>	<u>\$ 3,154,522</u>	<u>\$ 471,593</u>	<u>\$ 5,028,598</u>

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

SEPTEMBER 30, 2012

	<u>Municipal Court Security and Technology</u>	<u>Police Forfeiture</u>	<u>Airport</u>	<u>Library Special Donations</u>
ASSETS				
Cash and cash equivalents	\$ 75,947	\$ 5,977	\$ 2,858	\$ 5,618
Investments	42,223	109,723	18	46,352
Accounts receivable (net of allowance for uncollectibles):				
Accounts	-	-	-	-
Taxes	-	-	-	-
Intergovernmental	-	-	184,570	-
Interest	-	343	-	-
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 118,170</u>	 <u>\$ 116,043</u>	 <u>\$ 187,446</u>	 <u>\$ 51,970</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	3,099	-	705	-
Due to other funds	-	-	2,171	2,000
Due to other governments	-	26,393	-	-
Due to others	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,099</u>	<u>26,393</u>	<u>2,876</u>	<u>2,000</u>
FUND BALANCES				
Restricted for:				
Promotion of tourism	-	-	-	-
Court security and technology	115,071	-	-	-
Purpose of grantors, trustees and donors	-	-	184,570	49,970
Law enforcement	<u>-</u>	<u>89,650</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>115,071</u>	<u>89,650</u>	<u>184,570</u>	<u>49,970</u>
 Total liabilities and fund balances	 <u>\$ 118,170</u>	 <u>\$ 116,043</u>	 <u>\$ 187,446</u>	 <u>\$ 51,970</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>
\$ 834	\$ 39,395	\$ 27,340	\$ 302	\$ 15,832	\$ 6,383
-	40,060	36,828	66	42,055	23
-	150	9	-	6,414	-
-	-	-	-	-	-
-	-	1,156	-	-	912,172
-	-	-	-	-	-
<u>4,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 5,353</u>	<u>\$ 79,605</u>	<u>\$ 65,333</u>	<u>\$ 368</u>	<u>\$ 64,301</u>	<u>\$ 918,578</u>
\$ -	\$ 1,324	\$ -	\$ -	\$ 4,709	\$ 166,708
-	17,052	-	-	3,288	-
-	16,799	6,998	337	18,904	751,811
-	-	-	-	-	-
-	-	-	-	45	-
<u>-</u>	<u>35,175</u>	<u>6,998</u>	<u>337</u>	<u>26,946</u>	<u>918,519</u>
-	-	-	-	-	-
-	-	-	-	-	-
5,353	-	58,335	31	37,355	59
-	44,430	-	-	-	-
<u>5,353</u>	<u>44,430</u>	<u>58,335</u>	<u>31</u>	<u>37,355</u>	<u>59</u>
<u>\$ 5,353</u>	<u>\$ 79,605</u>	<u>\$ 65,333</u>	<u>\$ 368</u>	<u>\$ 64,301</u>	<u>\$ 918,578</u>

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CITY OF HUNTSVILLE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

(Continued)

SEPTEMBER 30, 2012

	<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	\$ 2,447	\$ 36,349	\$ 69,104	\$ 288,386
Investments	20,114	10,744	658,011	1,006,217
Accounts receivable (net of allowance for uncollectibles):				
Accounts	-	-	-	6,573
Taxes	-	-	38,486	38,486
Intergovernmental	-	-	-	1,097,898
Interest	-	-	2,309	2,652
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,519</u>
 Total assets	 <u>\$ 22,561</u>	 <u>\$ 47,093</u>	 <u>\$ 767,910</u>	 <u>\$ 2,444,731</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 4,642	\$ 177,383
Accrued liabilities	-	-	6,567	30,711
Due to other funds	-	-	8,426	807,446
Due to other governments	-	-	-	26,393
Due to others	<u>-</u>	<u>-</u>	<u>270</u>	<u>315</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>19,905</u>	<u>1,042,248</u>
FUND BALANCES				
Restricted for:				
Promotion of tourism	-	-	748,005	748,005
Court security and technology	-	-	-	115,071
Purpose of grantors, trustees and donors	22,561	47,093	-	405,327
Law enforcement	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,080</u>
Total fund balances	<u>22,561</u>	<u>47,093</u>	<u>748,005</u>	<u>1,402,483</u>
 Total liabilities and fund balances	 <u>\$ 22,561</u>	 <u>\$ 47,093</u>	 <u>\$ 767,910</u>	 <u>\$ 2,444,731</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, 2012

	<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	-	-	11,550	-
Fines, fees, and forfeitures	50,022	3,769	-	4
Donations, contributions, and grants	-	-	195,846	9,972
Investment income	203	2,852	19	113
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>50,225</u>	<u>6,621</u>	<u>207,415</u>	<u>10,089</u>
EXPENDITURES				
General government	9,888	-	-	-
Public works	-	-	122,772	-
Community services	-	-	-	11,059
Public safety	<u>-</u>	<u>3,840</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>9,888</u>	<u>3,840</u>	<u>122,772</u>	<u>11,059</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>40,337</u>	<u>2,781</u>	<u>84,643</u>	<u>(970)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	110,708	-
Transfers out	<u>(13,695)</u>	<u>(14,662)</u>	<u>(39,026)</u>	<u>-</u>
Total other financing sources (uses)	<u>(13,695)</u>	<u>(14,662)</u>	<u>71,682</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	26,642	(11,881)	156,325	(970)
FUND BALANCES, BEGINNING	88,429	101,531	28,245	50,940
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, BEGINNING AS RESTATED	<u>88,429</u>	<u>101,531</u>	<u>28,245</u>	<u>50,940</u>
FUND BALANCES, ENDING	<u>\$ 115,071</u>	<u>\$ 89,650</u>	<u>\$ 184,570</u>	<u>\$ 49,970</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	81,549	-
-	380,164	-	-	-	-
-	-	-	-	3,381	-
99,622	-	45,787	99,273	27,457	930,816
-	76	102	164	105	-
-	-	<u>5,118</u>	-	-	-
<u>99,622</u>	<u>380,240</u>	<u>51,007</u>	<u>99,437</u>	<u>112,492</u>	<u>930,816</u>
-	-	-	-	-	-
-	-	-	-	-	-
89,280	-	-	201,114	193,532	930,816
-	448,148	<u>56,205</u>	-	-	-
<u>89,280</u>	<u>448,148</u>	<u>56,205</u>	<u>201,114</u>	<u>193,532</u>	<u>930,816</u>
<u>10,342</u>	<u>(67,908)</u>	<u>(5,198)</u>	<u>(101,677)</u>	<u>(81,040)</u>	<u>-</u>
-	94,775	-	-	73,121	-
<u>(10,342)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,160)</u>	<u>-</u>
<u>(10,342)</u>	<u>94,775</u>	<u>-</u>	<u>-</u>	<u>70,961</u>	<u>-</u>
-	26,867	(5,198)	(101,677)	(10,079)	-
5,353	17,563	63,533	101,708	47,434	59
-	-	-	-	-	-
<u>5,353</u>	<u>17,563</u>	<u>63,533</u>	<u>101,708</u>	<u>47,434</u>	<u>59</u>
<u>\$ 5,353</u>	<u>\$ 44,430</u>	<u>\$ 58,335</u>	<u>\$ 31</u>	<u>\$ 37,355</u>	<u>\$ 59</u>

(continued)

CITY OF HUNTSVILLE, TEXAS

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

(Continued)

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<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	\$ -	83,588	\$ -	\$ 83,588
Other taxes	-	-	489,298	570,847
Charges for sales and services	-	-	-	391,714
Fines, fees, and forfeitures	-	-	-	57,176
Donations, contributions, and grants	2,122	-	2,970	1,413,865
Investment income	35	3,637	4,664	11,970
Miscellaneous	-	-	351,119	356,237
Total revenues	<u>2,157</u>	<u>87,225</u>	<u>848,051</u>	<u>2,885,397</u>
EXPENDITURES				
General government	-	-	-	9,888
Public works	-	-	77,409	200,181
Community services	-	157,334	296,873	1,880,008
Public safety	-	-	-	508,193
Total expenditures	<u>-</u>	<u>157,334</u>	<u>374,282</u>	<u>2,598,270</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,157</u>	<u>(70,109)</u>	<u>473,769</u>	<u>287,127</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	278,604
Transfers out	-	(121,972)	(15,025)	(216,882)
Total other financing sources (uses)	<u>-</u>	<u>(121,972)</u>	<u>(15,025)</u>	<u>61,722</u>
NET CHANGE IN FUND BALANCES	2,157	(192,081)	458,744	348,849
FUND BALANCES, BEGINNING	20,404	239,174	289,261	1,053,634
PRIOR PERIOD ADJUSTMENT	-	-	-	-
FUND BALANCE, BEGINNING AS RESTAT]	<u>20,404</u>	<u>239,174</u>	<u>289,261</u>	<u>1,053,634</u>
FUND BALANCES, ENDING	<u>\$ 22,561</u>	<u>\$ 47,093</u>	<u>\$ 748,005</u>	<u>\$ 1,402,483</u>

CITY OF HUNTSVILLE, TEXAS
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL COURT SECURITY AND TECHNOLOGY FUND
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines, fees, and forfeiture	\$ 31,922	\$ 31,922	\$ 50,022	\$ 18,100
Investment income	<u>25</u>	<u>25</u>	<u>203</u>	<u>178</u>
Total revenue	<u>31,947</u>	<u>31,947</u>	<u>50,225</u>	<u>18,278</u>
EXPENDITURES				
General government	<u>10,000</u>	<u>10,000</u>	<u>9,888</u>	<u>112</u>
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>9,888</u>	<u>112</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>21,947</u>	<u>21,947</u>	<u>40,337</u>	<u>18,390</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(28,695)	(13,695)	(13,695)	-
Total other financing sources (uses)	<u>(28,695)</u>	<u>(13,695)</u>	<u>(13,695)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE				
	(6,748)	8,252	26,642	18,390
FUND BALANCE, BEGINNING				
	<u>88,429</u>	<u>88,429</u>	<u>88,429</u>	<u>-</u>
FUND BALANCE, ENDING				
	<u>\$ 81,681</u>	<u>\$ 96,681</u>	<u>\$ 115,071</u>	<u>\$ 18,390</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**POLICE FORFEITURE FUND
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines, fees, and forfeitures	\$ -	\$ -	\$ 3,769	\$ 3,769
Total revenues	<u>-</u>	<u>-</u>	<u>3,769</u>	<u>3,769</u>
EXPENDITURES				
Public safety	<u>5,760</u>	<u>5,760</u>	<u>3,840</u>	<u>1,920</u>
Total expenditures	<u>5,760</u>	<u>5,760</u>	<u>-</u>	<u>5,760</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,760)	(5,760)	-	5,760
NET CHANGE IN FUND BALANCE	(5,760)	(5,760)	-	5,760
FUND BALANCE, BEGINNING	<u>5,353</u>	<u>5,353</u>	<u>5,353</u>	<u>-</u>
FUND BALANCE, ENDING	<u><u>\$ (407)</u></u>	<u><u>\$ (407)</u></u>	<u><u>\$ 5,353</u></u>	<u><u>\$ 5,760</u></u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**AIRPORT FUND
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Charges for sales and services	\$ 700	\$ 700	\$ 11,550	\$ 10,850
Donations, contributions, and grants	50,000	50,000	195,846	145,846
Investment income	<u>80</u>	<u>80</u>	<u>19</u>	<u>(61)</u>
Total revenues	<u>50,780</u>	<u>50,780</u>	<u>207,415</u>	<u>156,635</u>
EXPENDITURES				
Public works	<u>61,972</u>	<u>126,068</u>	<u>122,772</u>	<u>3,296</u>
Total expenditures	<u>61,972</u>	<u>126,068</u>	<u>122,772</u>	<u>3,296</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(11,192)</u>	<u>(75,288)</u>	<u>84,643</u>	<u>159,931</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	11,192	109,692	110,708	1,016
Transfer out	<u>-</u>	<u>-</u>	<u>(39,026)</u>	<u>(39,026)</u>
Total other financing sources (uses)	<u>11,192</u>	<u>109,692</u>	<u>71,682</u>	<u>(38,010)</u>
NET CHANGE IN FUND BALANCE	-	34,404	156,325	121,921
FUND BALANCE, BEGINNING	<u>28,245</u>	<u>28,245</u>	<u>28,245</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 28,245</u>	<u>\$ 62,649</u>	<u>\$ 184,570</u>	<u>\$ 121,921</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**LIBRARY SPECIAL DONATIONS FUND
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Fines, fees, and forfeitures	\$ 800	\$ 800	\$ 4	\$(796)
Donations, contributions, and grants	8,900	8,900	9,972	1,072
Investment income	<u>180</u>	<u>180</u>	<u>112</u>	<u>(68)</u>
Total revenues	<u>9,880</u>	<u>9,880</u>	<u>10,088</u>	<u>208</u>
EXPENDITURES				
Community services	<u>13,900</u>	<u>14,800</u>	<u>11,059</u>	<u>3,741</u>
Total expenditures	<u>13,900</u>	<u>14,800</u>	<u>11,059</u>	<u>3,741</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(4,020)</u>	<u>(4,920)</u>	<u>(971)</u>	<u>3,949</u>
NET CHANGE IN FUND BALANCE				
	<u>(4,020)</u>	<u>(4,920)</u>	<u>(971)</u>	<u>3,949</u>
FUND BALANCE, BEGINNING				
	<u>50,940</u>	<u>50,940</u>	<u>50,940</u>	<u>-</u>
FUND BALANCE, ENDING				
	<u>\$ 46,920</u>	<u>\$ 46,020</u>	<u>\$ 49,969</u>	<u>\$ 3,949</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**SCHOOL RESOURCE OFFICER FUND
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Charges for sales and services	\$ 379,098	\$ 379,098	\$ 380,164	\$ 1,066
Investment income	<u>70</u>	<u>70</u>	<u>76</u>	<u>6</u>
Total revenues	<u>379,168</u>	<u>379,168</u>	<u>380,240</u>	<u>1,072</u>
EXPENDITURES				
Public safety	<u>473,873</u>	<u>475,169</u>	<u>448,148</u>	<u>27,021</u>
Total expenditures	<u>473,873</u>	<u>475,169</u>	<u>448,148</u>	<u>27,021</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(94,705)</u>	<u>(96,001)</u>	<u>(67,908)</u>	<u>28,093</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>94,775</u>	<u>94,775</u>	<u>94,775</u>	<u>-</u>
Total other financing sources (uses)	<u>94,775</u>	<u>94,775</u>	<u>94,775</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	70	(1,226)	26,867	28,093
FUND BALANCE, BEGINNING	<u>17,563</u>	<u>17,563</u>	<u>17,563</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 17,633</u>	<u>\$ 16,337</u>	<u>\$ 44,430</u>	<u>\$ 28,093</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**POLICE GRANTS
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Budget	Final	Actual	
REVENUES				
Donations, contributions, and grants	\$ 52,835	\$ 71,813	\$ 45,787	\$(26,026)
Investment income	150	150	102	(48)
Miscellaneous	-	-	5,118	5,118
Total revenues	52,985	71,963	51,007	(20,956)
EXPENDITURES				
Public safety	60,589	79,567	56,205	23,362
Total expenditures	60,589	79,567	56,205	23,362
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,604)	(7,604)	(5,198)	2,406
NET CHANGE IN FUND BALANCE	(7,604)	(7,604)	(5,198)	2,406
FUND BALANCE, BEGINNING	63,533	63,533	63,533	-
FUND BALANCE, ENDING	\$ 55,929	\$ 55,929	\$ 58,335	\$ 2,406

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**ARTS CENTER FUND
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Other taxes	\$ 78,000	\$ 78,000	\$ 81,549	\$ 3,549
Fines, fees, and forfeitures	3,000	3,000	3,381	381
Donations, contributions, and grants	5,500	5,500	27,457	21,957
Investment income	150	150	105	(45)
Total revenues	<u>86,650</u>	<u>86,650</u>	<u>112,492</u>	<u>25,842</u>
EXPENDITURES				
Community services	<u>181,172</u>	<u>213,233</u>	<u>193,532</u>	<u>19,701</u>
Total expenditures	<u>181,172</u>	<u>213,233</u>	<u>193,532</u>	<u>19,701</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(94,522)</u>	<u>(126,583)</u>	<u>(81,040)</u>	<u>45,543</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	73,121	73,121	73,121	-
Transfers out	<u>(2,160)</u>	<u>(2,160)</u>	<u>(2,160)</u>	<u>-</u>
Total other financing sources (uses)	<u>70,961</u>	<u>70,961</u>	<u>70,961</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(23,561)</u>	<u>(55,622)</u>	<u>(10,079)</u>	<u>45,543</u>
FUND BALANCE, BEGINNING	<u>47,434</u>	<u>47,434</u>	<u>47,434</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 23,873</u>	<u>\$(8,188)</u>	<u>\$ 37,355</u>	<u>\$ 45,543</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**HUNTSVILLE BEAUTIFICATION FUND
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Donations, contributions, and grants	\$ 1,500	\$ 1,500	\$ 2,122	\$ 622
Investment income	<u>70</u>	<u>70</u>	<u>35</u>	<u>(35)</u>
Total revenues	<u>1,570</u>	<u>1,570</u>	<u>2,157</u>	<u>587</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,570	1,570	2,157	587
NET CHANGE IN FUND BALANCE	1,570	1,570	2,157	587
FUND BALANCE, BEGINNING	<u>20,404</u>	<u>20,404</u>	<u>20,404</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 21,974</u>	<u>\$ 21,974</u>	<u>\$ 22,561</u>	<u>\$ 587</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**HOTEL MOTEL - TOURISM
SPECIAL REVENUE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Budget	Final	Actual	
REVENUES				
Other taxes	\$ 450,000	\$ 450,000	\$ 489,298	\$ 39,298
Donations, contributions, and grants	3,500	3,500	2,970	(530)
Investment income	1,080	1,080	4,664	3,584
Miscellaneous	-	-	351,119	351,119
Total revenues	454,580	454,580	848,051	393,471
EXPENDITURES				
Public works	104,355	93,594	77,409	16,185
Community services	338,671	394,890	296,873	98,017
Total expenditures	443,026	488,484	374,282	114,202
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,554	(33,904)	473,769	507,673
OTHER FINANCING SOURCES (USES)				
Transfers out	(15,025)	(15,025)	(15,025)	-
Total other financing sources (uses)	(15,025)	(15,025)	(15,025)	-
NET CHANGE IN FUND BALANCE	(3,471)	(48,929)	458,744	507,673
FUND BALANCE, BEGINNING	289,261	289,261	289,261	-
FUND BALANCE, ENDING	\$ 285,790	\$ 240,332	\$ 748,005	\$ 507,673

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Property taxes	\$ 1,671,500	\$ 1,671,500	\$ 1,973,821	\$ 302,321
Investment income	5,000	5,000	3,592	(1,408)
Miscellaneous	-	-	460	460
Total revenues	<u>1,676,500</u>	<u>1,676,500</u>	<u>1,977,873</u>	<u>301,373</u>
EXPENDITURES				
Debt service:				
Principal retirement	1,448,000	1,448,000	1,448,000	-
Interest and fiscal charges	<u>657,203</u>	<u>657,203</u>	<u>702,898</u>	<u>(45,695)</u>
Total expenditures	<u>2,105,203</u>	<u>2,105,203</u>	<u>2,150,898</u>	<u>(45,695)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(428,703)</u>	<u>(428,703)</u>	<u>(173,025)</u>	<u>255,678</u>
OTHER FINANCING SOURCES (USES)				
Refunding debt issued	-	-	2,753,852	2,753,852
Payment to refunding escrow agent	-	-	(2,845,716)	(2,845,716)
Premium on refunded debt issued	-	-	142,757	142,757
Transfers out	<u>(157,907)</u>	<u>(157,907)</u>	<u>(157,907)</u>	<u>-</u>
Total other financing sources (uses)	<u>(157,907)</u>	<u>(157,907)</u>	<u>(107,014)</u>	<u>50,893</u>
NET CHANGE IN FUND BALANCE	<u>(586,610)</u>	<u>(586,610)</u>	<u>(280,039)</u>	<u>306,571</u>
FUND BALANCE, BEGINNING	<u>596,149</u>	<u>596,149</u>	<u>596,149</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 9,539</u>	<u>\$ 9,539</u>	<u>\$ 316,110</u>	<u>\$ 306,571</u>

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CITY OF HUNTSVILLE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2012

	<u>Street Capital Projects</u>	<u>Sidewalks</u>	<u>General Improvements</u>	<u>Swimming Pool</u>
ASSETS				
Cash and cash equivalents	\$ 253,073	\$ 64,252	\$ 106,445	\$ 1,286
Investments	971,079	307,979	562,986	7,040
Receivables (net of allowance for uncollectibles):				
Accounts	-	-	-	100
Intergovernmental	-	181,624	-	-
Interest	<u>1,965</u>	<u>-</u>	<u>1,650</u>	<u>-</u>
 Total assets	 <u>\$ 1,226,117</u>	 <u>\$ 553,855</u>	 <u>\$ 671,081</u>	 <u>\$ 8,426</u>
LIABILITIES				
Accounts payable	\$ 187,561	\$ 67,759	\$ 3,302	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>36</u>	<u>-</u>
Total liabilities	<u>187,561</u>	<u>67,759</u>	<u>3,338</u>	<u>-</u>
FUND BALANCES				
Assigned to:				
Construction of capital assets	<u>1,038,556</u>	<u>486,096</u>	<u>667,743</u>	<u>8,426</u>
Total fund balances	<u>1,038,556</u>	<u>486,096</u>	<u>667,743</u>	<u>8,426</u>
 Total liabilities and fund balances	 <u>\$ 1,226,117</u>	 <u>\$ 553,855</u>	 <u>\$ 671,081</u>	 <u>\$ 8,426</u>

<u>IS Computer CIP</u>	<u>Fire Station West Side</u>	<u>NE Fire Station Construction</u>	<u>Library Expansion</u>	<u>Cemetery Projects</u>	<u>Land Acquisition</u>	<u>Total Nonmajor Capital Projects</u>
\$ 112,952	\$ 350	\$ 4,288	\$ 9,208	\$ 1,730	\$ 27,445	\$ 581,029
582,381	45,420	168,614	5,792	7,064	3,147	2,661,502
-	-	-	-	-	-	100
-	-	-	-	-	-	181,624
<u>1,313</u>	<u>-</u>	<u>231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,159</u>
<u>\$ 696,646</u>	<u>\$ 45,770</u>	<u>\$ 173,133</u>	<u>\$ 15,000</u>	<u>\$ 8,794</u>	<u>\$ 30,592</u>	<u>\$ 3,429,414</u>
\$ 1,234	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 259,856
-	-	-	15,000	-	-	15,036
<u>1,234</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>274,892</u>
<u>695,412</u>	<u>45,770</u>	<u>173,133</u>	<u>-</u>	<u>8,794</u>	<u>30,592</u>	<u>3,154,522</u>
<u>695,412</u>	<u>45,770</u>	<u>173,133</u>	<u>-</u>	<u>8,794</u>	<u>30,592</u>	<u>3,154,522</u>
<u>\$ 696,646</u>	<u>\$ 45,770</u>	<u>\$ 173,133</u>	<u>\$ 15,000</u>	<u>\$ 8,794</u>	<u>\$ 30,592</u>	<u>\$ 3,429,414</u>

CITY OF HUNTSVILLE, TEXAS

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

NONMAJOR CAPITAL PROJECTS FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Street Capital Projects</u>	<u>Sidewalks</u>	<u>General Improvements</u>	<u>Swimming Pool</u>
REVENUES				
Donations, contributions, and grants	\$ -	\$ 181,624	\$ 41,000	\$ 1,000
Investment earnings	<u>14,732</u>	<u>1,251</u>	<u>8,366</u>	<u>1,183</u>
Total revenues	<u>14,732</u>	<u>182,875</u>	<u>49,366</u>	<u>2,183</u>
EXPENDITURES				
Public works	428,614	186,524	-	-
Community services	-	-	414,814	30,039
Public safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>428,614</u>	<u>186,524</u>	<u>414,814</u>	<u>30,039</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(413,882)</u>	<u>(3,649)</u>	<u>(365,448)</u>	<u>(27,856)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,061,000	185,000	177,649	-
Transfers out	<u>(17,553)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,043,447</u>	<u>185,000</u>	<u>177,649</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
	629,565	181,351	(187,799)	(27,856)
FUND BALANCES, BEGINNING				
	<u>408,991</u>	<u>304,745</u>	<u>855,542</u>	<u>36,282</u>
FUND BALANCES, ENDING				
	<u>\$ 1,038,556</u>	<u>\$ 486,096</u>	<u>\$ 667,743</u>	<u>\$ 8,426</u>

<u>IS Computer CIP</u>	<u>Fire Station West Side</u>	<u>NE Fire Station Construction</u>	<u>Library Expansion</u>	<u>Cemetery Projects</u>	<u>Land Acquisition</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 18,980	\$ 577	\$ -	\$ 243,181
<u>7,781</u>	<u>112</u>	<u>1,926</u>	<u>665</u>	<u>13</u>	<u>92</u>	<u>36,121</u>
<u>7,781</u>	<u>112</u>	<u>1,926</u>	<u>19,645</u>	<u>590</u>	<u>92</u>	<u>279,302</u>
-	-	-	-	-	45,901	661,039
-	-	-	570,081	-	-	1,014,934
<u>131,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,423</u>
<u>131,423</u>	<u>-</u>	<u>-</u>	<u>570,081</u>	<u>-</u>	<u>45,901</u>	<u>1,807,396</u>
(123,642)	<u>112</u>	<u>1,926</u>	(550,436)	<u>590</u>	(45,809)	(1,528,094)
376,984	-	-	804	-	-	1,801,437
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,553)</u>
<u>376,984</u>	<u>-</u>	<u>-</u>	<u>804</u>	<u>-</u>	<u>-</u>	<u>1,783,884</u>
253,342	112	1,926	(549,632)	590	(45,809)	255,790
<u>442,070</u>	<u>45,658</u>	<u>171,207</u>	<u>549,632</u>	<u>8,204</u>	<u>76,401</u>	<u>2,898,732</u>
<u>\$ 695,412</u>	<u>\$ 45,770</u>	<u>\$ 173,133</u>	<u>\$ -</u>	<u>\$ 8,794</u>	<u>\$ 30,592</u>	<u>\$ 3,154,522</u>

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CITY OF HUNTSVILLE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR PERMANENT FUNDS

SEPTEMBER 30, 2012

	Library Endowment Nonexpendable Trust	Oakwood Cemetery Endowment	Total Nonmajor Permanent Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 4,442	\$ 1,407	\$ 5,849
Investments	102,204	358,984	461,188
Interest receivable	<u>268</u>	<u>4,288</u>	<u>4,556</u>
 Total assets	 <u>\$ 106,914</u>	 <u>\$ 364,679</u>	 <u>\$ 471,593</u>
 LIABILITIES AND FUND BALANCES	 <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>-</u>	<u>9,806</u>	<u>9,806</u>
Total fund balances	<u>106,914</u>	<u>364,679</u>	<u>471,593</u>
 Total liabilities and fund balances	 <u>\$ 106,914</u>	 <u>\$ 364,679</u>	 <u>\$ 471,593</u>

CITY OF HUNTSVILLE, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Library Endowment Nonexpendable Trust	Oakwood Cemetery Endowment	Total Internal Service Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Investment income	\$ 959	\$ 11,257	\$ 12,216
Total revenues	<u>959</u>	<u>11,257</u>	<u>12,216</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>959</u>	<u>11,257</u>	<u>12,216</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>-</u>	<u>(2,000)</u>	<u>(2,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>(2,000)</u>	<u>(2,000)</u>
NET CHANGE IN FUND BALANCES	959	9,257	10,216
FUND BALANCES, BEGINNING	<u>105,955</u>	<u>355,422</u>	<u>461,377</u>
FUND BALANCES, ENDING	<u>\$ 106,914</u>	<u>\$ 364,679</u>	<u>\$ 471,593</u>

CITY OF HUNTSVILLE, TEXAS

BUDGETARY COMPARISON SCHEDULE

**LIBRARY ENDOWMENT
PERMANENT FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Investment income	\$ <u>1,000</u>	\$ <u>1,000</u>	\$ <u>959</u>	\$ (<u>41</u>)
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>959</u>	(<u>41</u>)
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,000	1,000	959	(41)
NET CHANGE IN FUND BALANCE	1,000	1,000	959	(41)
FUND BALANCE, BEGINNING	<u>105,955</u>	<u>105,955</u>	<u>105,955</u>	<u>-</u>
FUND BALANCE, ENDING	\$ <u><u>106,955</u></u>	\$ <u><u>106,955</u></u>	\$ <u><u>106,914</u></u>	\$ (<u><u>41</u></u>)

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Investment income	\$ 2,000	\$ 2,000	\$ 11,257	\$ 9,257
Total revenues	2,000	2,000	11,257	9,257
EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,000	2,000	11,257	9,257
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,000)	(2,000)	(2,000)	-
Total other financing sources (uses)	(2,000)	(2,000)	(2,000)	-
NET CHANGE IN FUND BALANCE	-	-	9,257	9,257
FUND BALANCE, BEGINNING	355,422	355,422	355,422	-
FUND BALANCE, ENDING	\$ 355,422	\$ 355,422	\$ 364,679	\$ 9,257

CITY OF HUNTSVILLE, TEXAS

STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2012

	<u>Medical Insurance</u>	<u>Equipment Replacement</u>	<u>Computer Replacement</u>	<u>Total Internal Service</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 254,134	\$ 242,002	\$ -	\$ 496,136
Investments	1,719,378	568,092	65,080	2,352,550
Due from other funds	257,981	-	-	257,981
Accounts receivable (net of allowances for uncollectable):				
Accounts	-	30,950	-	30,950
Interest	4,180	10,310	-	14,490
Other	<u>122,792</u>	<u>-</u>	<u>-</u>	<u>122,792</u>
Total current assets	<u>2,358,465</u>	<u>851,354</u>	<u>65,080</u>	<u>3,274,899</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	<u>-</u>	<u>3,831,740</u>	<u>470,319</u>	<u>4,302,059</u>
Total noncurrent assets	<u>-</u>	<u>3,831,740</u>	<u>470,319</u>	<u>4,302,059</u>
 Total assets	 <u>2,358,465</u>	 <u>4,683,094</u>	 <u>535,399</u>	 <u>7,576,958</u>
LIABILITIES				
Current assets:				
Accounts payable	\$ 126,672	\$ -	\$ -	\$ 126,672
Due to other funds	<u>-</u>	<u>14,502</u>	<u>44,393</u>	<u>58,895</u>
Total liabilities	<u>126,672</u>	<u>14,502</u>	<u>44,393</u>	<u>185,567</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	3,831,740	470,319	4,302,059
Unrestricted	<u>2,231,793</u>	<u>836,852</u>	<u>20,687</u>	<u>3,089,332</u>
 Total net assets	 <u>\$ 2,231,793</u>	 <u>\$ 4,668,592</u>	 <u>\$ 491,006</u>	 <u>\$ 7,391,391</u>

CITY OF HUNTSVILLE, TEXAS

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

INTERNAL SERVICE FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<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	\$ 3,353,255	\$ 1,532,260	\$ 195,170	\$ 5,080,685
Total service charges	<u>3,353,255</u>	<u>1,532,260</u>	<u>195,170</u>	<u>5,080,685</u>
Service fees and miscellaneous:				
Customer penalties and miscellaneous	34,136	30,338	-	64,474
Total service fees and miscellaneous	<u>34,136</u>	<u>30,338</u>	<u>-</u>	<u>64,474</u>
Total operating revenues	<u>3,387,391</u>	<u>1,562,598</u>	<u>195,170</u>	<u>5,145,159</u>
OPERATING EXPENSES				
Administration	3,720,178	-	-	3,720,178
Equipment replacement	-	-	33,766	33,766
Depreciation	-	1,348,822	185,903	1,534,725
Total operating expenses	<u>3,720,178</u>	<u>1,348,822</u>	<u>219,669</u>	<u>5,288,669</u>
OPERATING INCOME (LOSS)	<u>(332,787)</u>	<u>213,776</u>	<u>(24,499)</u>	<u>(143,510)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	21,716	30,472	136	52,324
Total nonoperating revenues (expenses)	<u>21,716</u>	<u>30,472</u>	<u>136</u>	<u>52,324</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(311,071)</u>	<u>244,248</u>	<u>(24,363)</u>	<u>(91,186)</u>
Transfers in	300,000	14,662	10,342	325,004
Transfers out	<u>-</u>	<u>-</u>	<u>(46,984)</u>	<u>(46,984)</u>
CHANGE IN NET ASSETS	<u>(11,071)</u>	<u>258,910</u>	<u>(61,005)</u>	<u>186,834</u>
NET ASSETS, BEGINNING	<u>2,242,864</u>	<u>4,409,682</u>	<u>552,011</u>	<u>7,204,557</u>
NET ASSETS, ENDING	<u>\$ 2,231,793</u>	<u>\$ 4,668,592</u>	<u>\$ 491,006</u>	<u>\$ 7,391,391</u>

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF CASH FLOWS

ALL INTERNAL SERVICE FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<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	\$ 3,094,164	\$ 1,552,750	\$ 195,170	\$ 4,842,084
Cash payments to suppliers for goods and services	<u>(3,754,706)</u>	<u>-</u>	<u>10,627</u>	<u>(3,744,079)</u>
Net cash provided (used) by operating activities	<u>(660,542)</u>	<u>1,552,750</u>	<u>205,797</u>	<u>1,098,005</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	300,000	14,662	10,342	325,004
Transfers to funds	<u>-</u>	<u>-</u>	<u>(46,984)</u>	<u>(46,984)</u>
Net cash provided (used) by noncapital financing activities	<u>300,000</u>	<u>14,662</u>	<u>(36,642)</u>	<u>278,020</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal repayment on capital leases	-	(409,399)	-	(409,399)
Interest and fiscal charges on capital leases	-	(14,710)	-	(14,710)
Acquisition or construction of capital assets	<u>-</u>	<u>(1,400,351)</u>	<u>(124,650)</u>	<u>(1,525,001)</u>
Net used for capital and related financing activities	<u>-</u>	<u>(1,824,460)</u>	<u>(124,650)</u>	<u>(1,949,110)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(291,660)	-	(65,080)	(356,740)
Proceeds from sale and maturities of securities	-	421,841	-	421,841
Interest and dividends on investments	<u>17,536</u>	<u>20,162</u>	<u>136</u>	<u>37,834</u>
Net cash provided (used) by investing activities	<u>(274,124)</u>	<u>442,003</u>	<u>(64,944)</u>	<u>102,935</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(634,666)</u>	<u>184,955</u>	<u>(20,439)</u>	<u>(470,150)</u>
CASH AND CASH EQUIVALENTS, BEGINNING	<u>888,800</u>	<u>57,047</u>	<u>20,439</u>	<u>966,286</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 254,134</u>	<u>\$ 242,002</u>	<u>\$ -</u>	<u>\$ 496,136</u>

(continued)

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF CASH FLOWS

ALL INTERNAL SERVICE FUNDS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>Medical Insurance</u>	<u>Equipment Replacement</u>	<u>Computer Replacement</u>	<u>Total Internal Service</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (332,787)	\$ 213,776	\$ (24,499)	\$ (143,510)
Adjustments to reconcile operating income to net cash used by operating activities:				
Depreciation	-	1,348,822	185,903	1,534,725
Change in assets and liabilities:				
Decrease (increase) in receivables	(35,246)	(24,350)	-	(59,596)
Decrease (increase) in interfund receivables	(257,981)	-	-	(257,981)
Increase (decrease) in accounts payable	(34,528)	-	-	(34,528)
Increase (decrease) in interfund payables	-	<u>14,502</u>	<u>44,393</u>	<u>58,895</u>
Total adjustments	<u>(327,755)</u>	<u>1,338,974</u>	<u>230,296</u>	<u>1,241,515</u>
Net cash provided (used) by operating activities	\$ <u>(660,542)</u>	\$ <u>1,552,750</u>	\$ <u>205,797</u>	\$ <u>1,098,005</u>

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

SEPTEMBER 30, 2012

	<u>Employee Assistance Trust</u>	<u>Scholarship Trust</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ <u>6,330</u>	\$ <u>10,003</u>	\$ <u>16,333</u>
Total assets	\$ <u>6,330</u>	\$ <u>10,003</u>	\$ <u>16,333</u>
LIABILITIES			
Accounts payable	\$ <u>6,330</u>	\$ <u>10,003</u>	\$ <u>16,333</u>
Total liabilities	\$ <u>6,330</u>	\$ <u>10,003</u>	\$ <u>16,333</u>

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

YEAR ENDED SEPTEMBER 30, 2012

	Balance October 1, 2011	Additions	Deductions	Balance September 30, 2012
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EMPLOYEE ASSISTANCE TRUST FUND				
Assets				
Cash and investments	\$ <u>5,259</u>	\$ <u>2,925</u>	\$ <u>1,854</u>	\$ <u>6,330</u>
Total assets	\$ <u>5,259</u>	\$ <u>2,925</u>	\$ <u>1,854</u>	\$ <u>6,330</u>
Liabilities				
Accounts payable	\$ <u>5,259</u>	\$ <u>2,925</u>	\$ <u>1,854</u>	\$ <u>6,330</u>
Total liabilities	\$ <u>5,259</u>	\$ <u>2,925</u>	\$ <u>1,854</u>	\$ <u>6,330</u>
SCHOLARSHIP TRUST FUND				
Assets				
Cash and investments	\$ <u>6,298</u>	\$ <u>4,874</u>	\$ <u>1,169</u>	\$ <u>10,003</u>
Total assets	\$ <u>6,298</u>	\$ <u>4,874</u>	\$ <u>1,169</u>	\$ <u>10,003</u>
Liabilities				
Accounts payable	\$ <u>6,298</u>	\$ <u>4,874</u>	\$ <u>1,169</u>	\$ <u>10,003</u>
Total liabilities	\$ <u>6,298</u>	\$ <u>4,874</u>	\$ <u>1,169</u>	\$ <u>10,003</u>
TOTAL AGENCY FUNDS				
Assets				
Cash and investments	\$ <u>11,557</u>	\$ <u>7,799</u>	\$ <u>3,023</u>	\$ <u>16,333</u>
Total assets	\$ <u>11,557</u>	\$ <u>7,799</u>	\$ <u>3,023</u>	\$ <u>16,333</u>
Liabilities				
Accounts payable	\$ <u>11,557</u>	\$ <u>7,799</u>	\$ <u>3,023</u>	\$ <u>16,333</u>
Total liabilities	\$ <u>11,557</u>	\$ <u>7,799</u>	\$ <u>3,023</u>	\$ <u>16,333</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	93 – 104
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	105 – 110
These schedules contain information to help the reader assess the City's most significant local revenue sources.	
Debt Capacity	111 – 115
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.	
Demographic and Economic Information	116 – 117
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	118 – 122
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.	

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 ASSETS BY COMPONENT

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 9,107	\$ 8,816	\$ 11,379	\$ 14,371
Restricted	2,089	2,825	2,684	1,950
Unrestricted	<u>5,707</u>	<u>6,284</u>	<u>5,167</u>	<u>7,141</u>
Total governmental activities net assets	<u>\$ 16,903</u>	<u>\$ 17,925</u>	<u>\$ 19,230</u>	<u>\$ 23,462</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 21,944	\$ 26,518	\$ 30,039	\$ 30,650
Restricted	-	-	-	-
Unrestricted	<u>23,588</u>	<u>20,086</u>	<u>21,769</u>	<u>25,383</u>
Total business-type activities net assets	<u>\$ 45,532</u>	<u>\$ 46,604</u>	<u>\$ 51,808</u>	<u>\$ 56,033</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 31,051	\$ 35,334	\$ 41,418	\$ 45,021
Restricted	2,089	2,825	2,684	1,950
Unrestricted	<u>29,295</u>	<u>26,370</u>	<u>26,936</u>	<u>32,524</u>
Total primary government net assets	<u>\$ 62,435</u>	<u>\$ 64,529</u>	<u>\$ 71,038</u>	<u>\$ 79,495</u>

Source: Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 14,125	\$ 14,999	\$ 13,137	\$ 15,282	\$ 14,982	\$ 17,068
1,367	2,271	4,216	6,662	3,605	2,147
<u>9,144</u>	<u>11,645</u>	<u>13,352</u>	<u>6,984</u>	<u>9,453</u>	<u>9,216</u>
<u>\$ 24,636</u>	<u>\$ 28,915</u>	<u>\$ 30,705</u>	<u>\$ 28,928</u>	<u>\$ 28,040</u>	<u>\$ 28,431</u>
\$ 30,572	\$ 32,580	\$ 33,626	\$ 38,447	\$ 41,168	\$ 48,911
-	-	-	-	-	-
<u>28,530</u>	<u>25,888</u>	<u>25,990</u>	<u>24,273</u>	<u>25,078</u>	<u>21,247</u>
<u>\$ 59,102</u>	<u>\$ 58,468</u>	<u>\$ 59,616</u>	<u>\$ 62,720</u>	<u>\$ 66,246</u>	<u>\$ 70,158</u>
\$ 44,697	\$ 47,579	\$ 46,763	\$ 53,729	\$ 56,150	\$ 65,979
1,367	2,271	4,216	6,662	3,605	2,147
<u>37,674</u>	<u>37,533</u>	<u>39,342</u>	<u>31,257</u>	<u>34,531</u>	<u>30,463</u>
<u>\$ 83,738</u>	<u>\$ 87,383</u>	<u>\$ 90,321</u>	<u>\$ 91,648</u>	<u>\$ 94,286</u>	<u>\$ 98,589</u>

CITY OF HUNTSVILLE, TEXAS

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS

(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
EXPENSES				
Governmental activities:				
General government	\$ -	\$ -	\$ -	\$ -
Charter offices	342,510	526,118	234,145	225,564
Finance	709,130	507,637	467,116	512,507
Public works	3,378,614	3,419,677	2,817,160	2,947,577
Planning and development	381,545	530,927	532,233	368,452
Administrative services	-	-	-	-
Community services	2,204,666	2,351,859	1,980,942	2,097,339
Public safety	4,191,375	4,299,561	4,592,788	4,652,795
Economic development	147,119	103,614	110,600	39,160
Information technology services	705,643	395,067	149,582	451,404
Organization and staff development	119,443	204,211	59,033	93,335
Non-departmental	116,202	194,913	482,963	1,001,188
Other	364,736	498,007	466,855	367,129
Interest on long-term debt	736,566	679,692	865,744	883,950
Total governmental activities expenses	<u>13,397,549</u>	<u>13,711,283</u>	<u>12,759,161</u>	<u>13,640,400</u>
Business-type activities:				
Water	8,535,882	8,515,828	8,495,061	8,600,477
Wastewater	5,901,759	6,199,501	6,498,942	6,743,995
Solid waste	3,342,894	3,316,718	3,543,587	3,498,996
Golf course	1,503,952	1,349,473	1,053,620	-
Oakwood cemetery - operating	71,071	78,315	84,286	96,891
Total business-type activities expenses	<u>19,355,558</u>	<u>19,459,835</u>	<u>19,675,496</u>	<u>18,940,359</u>
Total primary government expenses	<u>\$ 32,753,107</u>	<u>\$ 33,171,118</u>	<u>\$ 32,434,657</u>	<u>\$ 32,580,759</u>
PROGRAM REVENUES				
Governmental activities:				
Fees, fines, and charges for services:				
General government	\$ -	\$ -	\$ -	\$ -
Finance	877,670	965,298	732,291	742,856
Public works	42,996	52,625	65,263	69,796
Planning and development	-	12,054	12,518	12,781
Community services	23,239	34,782	37,960	45,677
Public safety	419,625	476,810	229,457	265,943
Information technology services	-	-	-	20,422
Non-departmental	224,197	246,108	243,499	288,280
Other	-	127,568	139,006	-
Operating grants and contributions	1,612,944	557,824	1,427,022	1,104,914
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	<u>3,200,671</u>	<u>2,473,069</u>	<u>2,887,016</u>	<u>2,550,669</u>

TABLE 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,104,243
355,117	252,387	200,849	257,439	219,632	-
514,249	578,053	578,505	490,313	959,422	-
4,390,108	3,671,852	4,981,472	5,013,011	8,191,939	4,826,684
-	-	-	-	-	-
927,606	1,039,121	1,830,932	1,890,358	553,173	-
2,840,771	2,878,653	2,761,093	2,949,856	2,745,391	4,995,176
5,261,792	5,884,539	6,063,508	6,413,503	6,772,314	7,042,470
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>823,536</u>	<u>790,282</u>	<u>756,682</u>	<u>657,074</u>	<u>735,374</u>	<u>686,724</u>
<u>15,113,179</u>	<u>15,094,887</u>	<u>17,173,041</u>	<u>17,671,554</u>	<u>20,177,245</u>	<u>20,655,297</u>
9,418,778	9,838,924	10,809,836	11,240,528	10,553,087	10,518,861
6,865,550	8,186,346	7,598,209	7,202,096	7,325,201	6,789,773
3,653,569	4,364,518	3,935,369	4,153,125	4,246,715	4,508,492
-	-	-	-	-	-
<u>104,349</u>	<u>122,322</u>	<u>132,887</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>20,042,246</u>	<u>22,512,110</u>	<u>22,476,301</u>	<u>22,595,749</u>	<u>22,125,003</u>	<u>21,817,126</u>
\$ <u>35,155,425</u>	\$ <u>37,606,997</u>	\$ <u>39,649,342</u>	\$ <u>40,267,303</u>	\$ <u>42,302,248</u>	\$ <u>42,472,423</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 466,973
696,960	869,337	815,659	742,152	902,445	-
551,018	397,595	545,732	646,211	735,745	280,187
-	-	-	-	-	-
126,987	156,246	132,403	543,111	545,891	196,991
261,730	254,667	461,192	387,252	399,662	1,162,227
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
618,778	709,012	853,861	906,869	1,319,661	1,923,813
<u>475,000</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>597,817</u>
<u>2,730,473</u>	<u>2,411,857</u>	<u>2,808,847</u>	<u>3,225,595</u>	<u>3,903,404</u>	<u>4,628,008</u>

(continued)

CITY OF HUNTSVILLE, TEXAS

CHANGES IN NET ASSETS (Continued) LAST TEN FISCAL YEARS (Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Business-type activities:				
Charges for services:				
Water	\$ 9,232,782	\$ 9,647,002	\$ 10,429,286	\$ 10,368,491
Wastewater	7,359,933	7,522,863	7,551,567	7,706,381
Solid waste	3,620,950	3,623,527	3,590,668	3,749,599
Golf course	226,928	649,014	556,896	-
Oakwood cemetery - operating	30,200	12,713	24,732	10,749
Operating grants and contributions	574,109	146,889	1,442,555	518,343
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>21,044,902</u>	<u>21,602,008</u>	<u>23,595,704</u>	<u>22,353,563</u>
 Total primary government program revenues	 <u>\$ 24,245,573</u>	 <u>\$ 24,075,077</u>	 <u>\$ 26,482,720</u>	 <u>\$ 24,904,232</u>
NET (EXPENSE) REVENUES				
Governmental activities	\$(10,196,878)	\$(11,238,214)	\$(9,872,145)	\$(11,089,731)
Business-type activities	<u>1,689,344</u>	<u>2,142,173</u>	<u>3,920,208</u>	<u>3,413,204</u>
Total primary government net expense	<u>(8,507,534)</u>	<u>(9,096,041)</u>	<u>(5,951,937)</u>	<u>(7,676,527)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS				
Governmental activities:				
Taxes				
Property	3,457,350	3,601,495	3,891,063	4,047,933
Franchise	1,719,210	1,717,886	1,908,146	2,061,344
Sales	4,708,826	4,920,554	5,127,306	5,511,003
Other	430,533	444,255	466,001	556,923
Investment earnings	150,186	97,467	251,741	481,777
Gain on sale of capital assets	-	-	-	-
Miscellaneous	41,461	106,061	187,608	859,883
Transfers	<u>(703,609)</u>	<u>1,372,195</u>	<u>(654,410)</u>	<u>481,703</u>
Total governmental activities	<u>9,803,957</u>	<u>12,259,913</u>	<u>11,177,455</u>	<u>14,000,566</u>
 Business-type activities:				
Investment earnings	273,920	227,585	564,915	1,294,075
Miscellaneous	490,863	74,101	64,315	-
Transfers	<u>703,609</u>	<u>(1,372,195)</u>	<u>654,410</u>	<u>(481,703)</u>
Total business-type activities	<u>1,468,392</u>	<u>(1,070,509)</u>	<u>1,283,640</u>	<u>812,372</u>
 Total primary government	 <u>11,272,349</u>	 <u>11,189,404</u>	 <u>12,461,095</u>	 <u>14,812,938</u>
CHANGE IN NET ASSETS				
Governmental activities	(392,921)	1,021,699	1,305,310	2,910,835
Business-type activities	<u>3,157,736</u>	<u>1,071,664</u>	<u>5,203,848</u>	<u>4,225,576</u>
 Total primary government	 <u>\$ 2,764,815</u>	 <u>\$ 2,093,363</u>	 <u>\$ 6,509,158</u>	 <u>\$ 7,136,411</u>

Notes:

Source: Comprehensive Annual Financial Reports

TABLE 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 10,041,283	\$ 10,777,639	\$ 11,236,725	\$ 10,686,144	\$ 11,475,640	\$ 12,899,947
8,258,369	8,471,967	8,264,083	8,320,895	8,387,721	8,554,235
3,845,390	4,136,836	4,257,337	4,246,461	4,300,845	4,464,921
-	-	-	-	-	-
23,930	11,930	16,457	-	-	-
357,206	358,290	577,216	190,023	1,339,979	129,421
-	-	-	-	-	377,791
<u>22,526,178</u>	<u>23,756,662</u>	<u>24,351,818</u>	<u>23,443,523</u>	<u>25,504,185</u>	<u>26,426,315</u>
<u>\$ 25,256,651</u>	<u>\$ 26,168,519</u>	<u>\$ 27,160,665</u>	<u>\$ 26,669,118</u>	<u>\$ 29,407,589</u>	<u>\$ 31,054,323</u>
\$ (12,382,706)	\$ (12,683,030)	\$ (14,364,194)	\$ (14,445,959)	\$ (16,273,841)	\$ (16,027,289)
2,483,932	1,244,552	1,875,517	847,774	3,379,182	4,609,189
<u>(9,898,774)</u>	<u>(11,438,478)</u>	<u>(12,488,677)</u>	<u>(13,598,185)</u>	<u>(12,894,659)</u>	<u>(11,418,100)</u>
4,222,399	4,512,407	4,642,267	4,910,022	4,945,427	4,950,887
2,157,839	2,204,367	2,464,364	2,933,589	2,893,671	2,067,884
5,902,325	6,072,299	6,516,515	5,989,793	6,443,698	6,515,890
581,957	672,527	624,862	614,394	647,106	652,479
571,588	443,065	163,418	201,656	182,986	191,187
-	-	(18,077)	-	-	7,485
445,494	495,382	822,493	132,978	256,999	75,453
490,458	2,561,493	938,099	(2,113,407)	16,745	1,366,445
<u>14,372,060</u>	<u>16,961,540</u>	<u>16,153,941</u>	<u>12,669,025</u>	<u>15,386,632</u>	<u>15,827,710</u>
1,074,767	683,014	210,752	142,636	141,713	236,694
-	257	-	-	21,557	214,013
<u>(490,458)</u>	<u>(2,561,493)</u>	<u>(938,099)</u>	<u>2,113,407</u>	<u>(16,745)</u>	<u>(1,366,445)</u>
<u>584,309</u>	<u>(1,878,222)</u>	<u>(727,347)</u>	<u>2,256,043</u>	<u>146,525</u>	<u>(915,738)</u>
<u>14,956,369</u>	<u>15,083,318</u>	<u>15,426,594</u>	<u>14,925,068</u>	<u>15,533,157</u>	<u>14,911,972</u>
1,989,354	4,278,510	1,789,747	(1,776,934)	(887,209)	(199,579)
3,068,241	(633,670)	1,148,170	3,103,817	3,525,707	3,693,451
<u>\$ 5,057,595</u>	<u>\$ 3,644,840</u>	<u>\$ 2,937,917</u>	<u>\$ 1,326,883</u>	<u>\$ 2,638,498</u>	<u>\$ 3,493,872</u>

CITY OF HUNTSVILLE, TEXAS

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

	Fiscal Year			
	2003	2004	2005	2006
General fund				
Reserved*	\$ 98,141	\$ 110,273	\$ 114,235	\$ 88,110
Unreserved	4,267,861	3,548,607	2,848,143	4,172,594
Nonspendable*	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 4,366,002</u>	<u>\$ 3,658,880</u>	<u>\$ 2,962,378</u>	<u>\$ 4,260,704</u>
All other governmental funds				
Reserved*	\$ 503,054	\$ 526,226	\$ 476,455	\$ 152,525
Unreserved, reported in:				
Special revenue funds	1,175,373	1,434,916	1,909,801	2,339,591
Capital project funds	1,531,268	3,092,004	1,995,204	1,612,793
Debt service funds	503,054	526,226	476,455	152,525
Permanent funds	441,142	442,913	440,727	440,344
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 4,153,891</u>	<u>\$ 6,022,285</u>	<u>\$ 5,298,642</u>	<u>\$ 4,697,778</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					
2007	2008	2009	2010	2011	2012
\$ 103,991	\$ 106,642	\$ 332,802	\$ 318,410	\$ -	\$ -
6,169,366	7,858,244	8,685,056	8,721,665	-	-
-	-	-	-	112,643	191,710
-	-	-	-	220,230	-
-	-	-	-	-	990,943
-	-	-	-	<u>8,788,354</u>	<u>8,032,616</u>
<u>\$ 6,273,357</u>	<u>\$ 7,964,886</u>	<u>\$ 9,017,858</u>	<u>\$ 9,040,075</u>	<u>\$ 9,121,227</u>	<u>\$ 9,215,269</u>
\$ 49,537	\$ 291,188	\$ 421,501	\$ 178,950	\$ -	\$ -
2,262,452	2,238,495	2,214,950	2,299,640	-	-
1,065,296	1,953,751	3,727,631	5,985,616	-	-
94,498	-	-	388,653	-	-
454,218	458,694	463,210	459,190	-	-
-	-	-	-	469,485	480,517
-	-	-	-	1,452,211	1,860,026
-	-	-	-	860,588	-
-	-	-	-	<u>2,898,732</u>	<u>3,154,522</u>
<u>\$ 3,926,001</u>	<u>\$ 4,942,128</u>	<u>\$ 6,827,292</u>	<u>\$ 9,312,049</u>	<u>\$ 5,681,016</u>	<u>\$ 5,495,065</u>

CITY OF HUNTSVILLE, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS
(Unaudited)**

	Fiscal Year		
	2003	2004	2005
REVENUES			
Taxes	\$ 10,284,507	\$ 10,627,961	\$ 11,349,448
Licenses, fees and permits	184,436	226,406	242,684
Fines, fees and forfeitures	884,086	834,062	779,967
Charges for services	468,196	650,709	676,585
Contributions, grants and donations	1,612,837	557,824	1,124,133
Administrative cost reimbursement	2,720,752	2,993,567	3,696,776
Investment earnings	150,186	97,467	251,741
Miscellaneous	63,143	132,412	252,426
Total revenues	<u>16,368,143</u>	<u>16,120,408</u>	<u>18,373,760</u>
EXPENDITURES			
General government	-	-	-
Charter offices	650,215	728,146	808,611
Finance	1,060,367	917,304	1,073,657
Public works	4,605,281	4,195,014	3,878,094
Administrative services	-	-	-
Community services	2,279,377	1,910,635	2,049,479
Public safety	4,193,602	4,086,565	4,758,577
Information technology services	1,229,269	1,087,422	774,743
Non-departmental	837,978	1,008,322	1,390,944
Capital outlay	23,995	1,058,033	2,212,789
Debt service:			
Interest and fiscal charges	565,000	787,652	861,679
Principal	755,086	605,000	4,296,631
Total expenditures	<u>16,200,170</u>	<u>16,384,093</u>	<u>22,105,204</u>

TABLE 4

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$ 12,110,807	\$ 12,776,640	\$ 13,674,901	\$ 14,228,818	\$ 14,465,189	\$ 14,907,890	\$ 14,298,498
284,860	444,643	313,952	392,167	539,268	279,085	259,278
827,609	889,400	878,632	858,241	857,412	941,449	1,222,931
568,879	636,241	609,287	834,379	862,328	893,643	938,218
843,689	832,626	473,502	517,668	634,157	1,048,495	1,903,849
4,215,525	4,653,361	4,958,864	5,132,427	5,272,643	4,894,039	-
481,777	571,586	443,066	163,418	201,656	182,986	191,187
919,297	445,751	504,917	919,343	467,635	932,790	765,322
<u>20,252,443</u>	<u>21,250,248</u>	<u>21,857,121</u>	<u>23,046,461</u>	<u>23,300,288</u>	<u>24,080,377</u>	<u>19,579,283</u>
-	-	-	-	-	-	2,047,989
777,808	909,677	972,581	811,467	899,605	740,769	-
1,178,178	1,080,643	1,211,277	1,302,213	1,393,646	1,367,720	-
4,434,253	4,385,291	4,650,329	5,161,730	5,422,205	6,631,987	4,808,254
-	2,529,657	2,886,470	3,128,099	3,123,750	3,140,407	-
2,104,560	2,576,927	2,680,927	3,368,954	5,405,665	6,517,329	5,282,411
4,673,004	5,291,327	5,660,044	6,075,462	6,448,506	6,772,314	6,526,579
776,754	-	-	-	-	-	-
1,611,146	-	-	-	-	-	-
2,682,132	1,446,655	242,698	-	-	-	-
886,283	829,343	976,916	926,827	653,729	736,974	705,805
<u>1,079,681</u>	<u>944,848</u>	<u>795,365</u>	<u>7,504,000</u>	<u>1,334,000</u>	<u>1,513,000</u>	<u>1,603,000</u>
<u>20,203,799</u>	<u>19,994,368</u>	<u>20,076,607</u>	<u>28,278,752</u>	<u>24,681,106</u>	<u>27,420,500</u>	<u>20,974,038</u>

(continued)

CITY OF HUNTSVILLE, TEXAS

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

	Fiscal Year		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ <u>167,973</u>	\$(<u>263,685</u>)	\$(<u>3,731,444</u>)
OTHER FINANCING SOURCES (USES)			
Issuance of bonds/notes payable	-	2,453,076	3,820,000
Payments to escrow agent	-	(1,183,208)	-
Premium on issuance of debt	-	-	-
Sale of capital assets	-	-	-
Transfers in	1,175,617	2,663,545	701,991
Transfers out	(<u>2,014,346</u>)	(<u>2,531,631</u>)	(<u>2,160,921</u>)
Total other financing sources (uses)	(<u>838,729</u>)	<u>1,401,782</u>	<u>2,361,070</u>
NET CHANGE IN FUND BALANCES	\$(<u><u>670,756</u></u>)	\$ <u><u>1,138,097</u></u>	\$(<u><u>1,370,374</u></u>)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>8.2%</u>	<u>9.1%</u>	<u>25.9%</u>

Source: Comprehensive Annual Financial Reports

TABLE 4

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$ 48,644	\$ 1,255,880	\$ 1,780,514	\$(5,232,291)	\$(1,380,818)	\$(3,340,123)	\$(1,394,755)
1,145,000	-	-	8,255,000	3,500,000	-	2,753,852
-	-	-	-	-	-	(2,845,716)
-	-	-	-	-	-	142,757
-	-	-	-	-	-	7,527
2,350,717	951,915	2,924,903	2,207,393	2,391,521	1,903,386	3,615,265
(2,522,969)	(814,391)	(1,997,764)	(2,291,969)	(2,003,729)	(2,113,141)	(2,526,840)
<u>972,748</u>	<u>137,524</u>	<u>927,139</u>	<u>8,170,424</u>	<u>3,887,792</u>	<u>(209,755)</u>	<u>1,146,845</u>
<u>\$ 1,021,392</u>	<u>\$ 1,393,404</u>	<u>\$ 2,707,653</u>	<u>\$ 2,938,133</u>	<u>\$ 2,506,974</u>	<u>\$(3,549,878)</u>	<u>\$(247,910)</u>
<u>11.2%</u>	<u>9.6%</u>	<u>8.9%</u>	<u>29.8%</u>	<u>8.1%</u>	<u>8.2%</u>	<u>12.1%</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
2003	\$ 3,425,938	\$ 4,708,826	\$ 2,149,743	\$ 10,284,507
2004	3,545,266	4,920,554	2,162,141	10,627,961
2005	3,847,994	5,127,306	2,374,148	11,349,448
2006	3,916,022	5,511,003	2,061,344	11,488,369
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

Notes:

- a Includes current taxes, delinquent taxes, penalties and interest.
- b Includes franchise 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</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Rate</u>
2003	\$ 467,036,552	\$ 262,242,030	\$ 12,076,640	\$ 22,238,680	\$ 30,545,570	\$ 38,158,512	\$ 755,980,960	\$ 0.45000
2004	525,955,569	274,367,340	13,453,940	23,791,720	32,645,762	50,283,554	819,930,777	0.42500
2005	549,917,299	323,799,290	13,769,880	11,605,650	34,859,152	54,257,548	879,693,723	0.43750
2006	591,101,352	326,560,700	14,961,910	12,552,400	37,624,120	66,240,485	916,559,997	0.43190
2007	646,884,721	309,698,960	16,063,020	47,323,330	44,745,620	77,066,511	987,649,140	0.41920
2008	702,770,713	315,173,801	20,390,420	53,218,390	49,468,812	70,263,493	1,070,758,643	0.41350
2009	740,510,737	345,938,999	30,910,310	69,853,920	13,690,524	75,915,900	1,124,988,590	0.40070
2010	755,466,498	440,156,531	31,403,390	35,289,770	17,716,340	80,973,670	1,199,058,859	0.40070
2011	858,425,842	356,128,990	30,755,600	132,804,650	17,020,230	90,422,700	1,304,712,612	0.40070
2012	886,833,578	368,568,025	31,148,750	135,247,130	17,842,720	92,646,480	1,346,993,723	0.39150

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	
2003	\$ 0.28397	\$ 0.16603	\$ 0.45000	\$ 1.66000	\$ 0.62500	\$ 0.16000	\$ 2.89500
2004	0.23223	0.19277	0.42500	1.66000	0.62500	0.18500	2.89500
2005	0.24473	0.19277	0.43750	1.66000	0.62500	0.19220	2.91470
2006	0.23913	0.19277	0.43190	1.66000	0.59970	0.18250	2.87410
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

Source: County Board of Equalization and Assessment

TABLE 8

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

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Weatherford Completion	\$ 26,857,264	1	2.01%	\$ 12,161,920	2	1.48%
University House Huntsville LLC	21,131,590	2	1.58%	6,746,610	4	0.82%
Diamond URS Huntsville LLC	21,099,930	3	1.58%	N/A	N/A	N/A
Wal-Mart Stores Texas LP	19,221,250	4	1.44%	15,588,260	1	1.90%
Sycamore Avenue Associates LLC	17,011,020	5	1.27%	N/A	N/A	N/A
Forum Huntsville LTD	15,161,500	6	1.13%	N/A	N/A	N/A
Entergy Texas, Inc.	14,843,790	7	1.11%	11,374,660	3	1.39%
Huntsville Place LP	13,169,430	8	0.98%	N/A	N/A	N/A
Huntsville Aberdeen Place LP	12,957,120	9	0.97%	N/A	N/A	N/A
Hyponex Corporation	<u>12,533,599</u>	10	<u>0.94%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total	\$ <u>173,986,493</u>		<u>13.01%</u>	\$ <u>45,871,450</u>		<u>5.59%</u>

Source: Walker County Appraisal District

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

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy Collected		Amount	Percentage of Levy
2003	\$ 3,407,218	\$ 3,330,628	97.75%	\$ 68,682	\$ 3,399,310	99.8%
2004	3,536,589	3,423,539	96.80%	104,140	3,527,679	99.7%
2005	3,842,132	3,717,347	96.75%	113,741	3,831,088	99.7%
2006	3,987,376	3,835,272	96.19%	139,363	3,974,635	99.7%
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%	-	4,870,973	98.7%

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>
2003	1.50%	0.50%	6.25%
2004	1.50%	0.50%	6.25%
2005	1.50%	0.50%	6.25%
2006	1.50%	0.50%	6.25%
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%

Source: City Budget Documents and Texas Comptroller

TABLE 11

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			
2003	\$ 1,700,000	\$ 12,385,000	\$ -	\$ 38,715,000	\$ -	\$ 5,555,000	\$ 58,355,000	5.34%	\$ 1,624
2004	1,403,076	13,380,000	981,692	35,981,925	-	5,010,000	56,756,693	4.88%	1,557
2005	5,011,445	14,140,000	772,719	32,883,555	-	-	52,807,719	4.34%	1,439
2006	4,611,764	13,760,000	1,094,888	29,953,236	-	-	49,419,888	3.79%	1,327
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	1,385

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.

* See Table 16 for personal income and population data.

CITY OF HUNTSVILLE, TEXAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

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

Fiscal Year	Governmental Activities				Business-type Activities	Gross Bonded Debt	Less: Amounts Available for Debt Service	Net Bonded Debt	Assessed Value	Percentage of Actual Taxable Value of Property	Population	Per Capita
	General Obligation Bonds	Certificates of Obligation	Capital Leases	Total	General Obligation Bonds							
2003	\$ 1,700,000	\$ 12,385,000	\$ 981,692	\$ 15,066,692	\$ -	\$ 15,066,692	\$ 503,054	\$ 14,563,638	\$ 755,980,960	1.93%	35,926	\$ 403
2004	1,403,076	13,380,000	772,719	15,555,795	-	15,555,795	526,226	15,029,569	819,930,777	1.83%	36,442	408
2005	5,011,445	14,140,000	1,094,888	20,246,333	-	20,246,333	476,455	19,769,878	879,693,723	2.25%	36,699	521
2006	4,611,764	13,760,000	1,038,929	19,410,693	-	19,410,693	152,525	19,258,168	916,559,997	2.10%	37,237	512
2007	4,171,916	13,380,000	772,489	18,324,405	-	18,324,405	94,498	18,229,907	987,649,140	1.85%	37,059	486
2008	4,345,000	12,950,000	986,353	18,281,353	-	18,281,353	-	18,281,353	1,070,758,643	1.71%	37,790	484
2009	11,781,000	6,265,000	791,974	18,837,974	-	18,837,974	-	18,837,974	1,124,988,590	1.67%	37,867	495
2010	14,582,000	5,630,000	603,926	20,815,926	-	20,815,926	388,653	20,427,273	1,199,058,859	1.70%	38,548	530
2011	13,379,000	5,320,000	409,398	19,108,398	-	19,108,398	596,149	18,512,249	1,304,712,612	1.42%	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%	38,548	573

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, 2012
(Unaudited)

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Walker County	\$ 20,000,000	57.00%	\$ 11,400,000
Huntsville Independent School District	40,547,551	77.15%	31,282,436
Subtotal overlapping debt			42,682,436
Total direct - City of Huntsville	17,004,852	100.00%	<u>17,004,852</u>
Direct and Overlapping Debt			<u>\$ 59,687,288</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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 75,598,096	\$ 81,992,078	\$ 87,693,223	\$ 91,655,999	\$ 98,764,914	\$ 107,075,864	\$ 112,498,860	\$ 117,174,274	\$ 128,878,748	\$ 134,699,372
Total net debt applicable to limit	<u>14,650,000</u>	<u>15,066,992</u>	<u>15,555,975</u>	<u>19,256,095</u>	<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>
Legal debt margin	<u>\$ 60,948,096</u>	<u>\$ 66,925,086</u>	<u>\$ 72,137,248</u>	<u>\$ 72,399,904</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit.	19.38%	18.38%	17.74%	21.01%	18.46%	16.31%	16.40%	17.29%	14.36%	12.86%

Legal Debt Margin Calculation for Fiscal Year 2012	
Assessed value	\$ 1,346,993,723
Debt limit (10% of assessed value)	134,699,372
Debt applicable to limit:	
General obligation bonds	17,004,852
Less: Amount set aside for repayment of general obligation debt	<u>316,110</u>
Total net debt applicable to limit	<u>17,320,962</u>
Legal debt margin	<u>\$ 117,378,410</u>

CITY OF HUNTSVILLE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	Proprietary Fund - Waterworks and Sewer System Revenue Bonds				Coverage
	Utility Operating Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Principal and Interest Payments	
2003	\$ 17,332,664	\$ 11,282,537	\$ 6,050,127	\$ 1,391,918	4.35
2004	17,407,743	13,031,755	4,375,988	1,654,078	2.65
2005	18,530,513	13,641,064	4,889,449	1,654,748	2.95
2006	19,807,892	14,168,876	5,639,016	1,653,410	3.41
2007	19,629,946	15,228,807	4,401,139	1,655,015	2.66
2008	20,020,455	15,689,469	4,330,986	1,905,744	2.27
2009	20,421,875	16,859,881	3,561,994	1,898,399	1.88
2010	19,184,481	15,059,681	4,124,800	1,911,129	2.16
2011	21,034,896	15,234,268	5,800,628	1,924,579	3.01
2012	21,600,247	13,160,117	8,440,130	3,667,193	2.30

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
2003	36,157	63,882	\$ 1,111,911	\$ 17,837	N/A	N/A	N/A	6,907	6.3%
2004	36,798	62,904	1,159,211	18,470	N/A	N/A	N/A	6,917	5.7%
2005	37,937	62,945	1,217,000	19,223	N/A	N/A	N/A	6,878	5.2%
2006	37,614	64,480	1,304,000	20,374	N/A	N/A	N/A	6,790	5.5%
2007	37,508	64,245	1,367,000	21,385	28.8	N/A	79.4%	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	8.0%
2011	38,548	67,861	1,737,000	25,508	28.6	72.4%	80.0%	6,502	7.4%
2012	38,548	68,087	N/A	N/A	28.6	72.4%	80.0%	6,276	7.9%

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 and 2012 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	2012			2003		
	Employees	Rank	Percentage of of Total City Employment	Employees	Rank	Percentage of of Total City Employment
Texas Department of Criminal Justice	6,783	1	45.29%			N/A
Sam Houston State University	3,364	2	22.46%			N/A
Huntsville Independent School District	900	3	6.01%			N/A
Huntsville Memorial Hospital	522	4	3.49%			N/A
Wal-Mart	485	5	3.24%			N/A
Walker County	389	6	2.60%			N/A
Education Service Center - Region VI	375	7	2.50%			N/A
City of Huntsville	300	8	2.00%			N/A
Weatherford Completion and Oilfield Services	188	9	1.26%			N/A
Gulf Coast Trade Center	<u>186</u>	10	<u>1.24%</u>			N/A
	<u>13,492</u>		<u>90.09%</u>			N/A

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,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Charter offices										
Office of the City Manager	2.50	2.50	3.50	3.00	3.00	2.00	2.00	2.00	2.00	2.00
Office of the City Secretary	1.00	1.00	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	1.00	1.00	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	2.00	2.00	-	-	-	-	-	-	-	-
Finance										
Finance	6.00	5.50	6.50	8.00	8.00	9.00	9.00	9.00	9.00	9.00
Purchasing	1.00	1.00	1.00	1.00	2.00	2.50	2.50	2.50	2.50	2.50
Fleet/Warehouse										
Administration	3.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00	1.00	1.00
Municipal court	4.00	4.00	4.00	4.50	5.50	5.50	5.50	6.50	6.50	6.50
Court security	-	-	-	1.00	1.00	1.00	1.00	-	-	-
Utility billing	5.00	5.00	5.50	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Administrative services										
Human resources	2.00	2.00	3.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00
Risk/safety management	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-	-
Information technology	6.00	6.00	5.00	5.00	5.00	5.00	6.00	6.00	4.00	4.00
Community development	-	-	-	-	-	-	-	-	-	3.00
Public utilities										
Administration	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Water production	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00
Water distribution	9.00	9.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	13.00
Meter reading	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Wastewater collection	11.00	11.00	11.00	10.00	10.00	11.00	11.00	11.00	11.00	9.00
AJ Brown WWTP	6.00	5.50	5.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00
NB Davidson WWTP	3.50	3.50	3.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Robinson Creek WWTP	3.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Environmental services	3.00	3.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Commercial collection	7.00	7.00	7.00	7.00	7.00	5.00	5.00	5.00	5.00	5.00
Solid waste disposal	9.00	9.00	9.00	9.00	9.00	8.00	9.00	9.00	9.00	9.00
Residential collection	13.00	13.00	13.00	13.00	13.00	8.00	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

(continued)

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,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public works										
Administration	6.00	6.00	6.00	6.50	6.50	6.00	3.00	3.00	3.00	3.00
Planning and development	14.00	14.00	15.00	14.00	12.00	15.50	18.50	18.50	18.00	18.00
Central inspection	6.00	5.00	6.00	6.00	6.00	4.00	4.00	4.00	4.00	5.00
Health inspection	1.00	1.00	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	4.00	4.00
Streets	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00
Drainage maintenance	-	-	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Street sweeping	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Community services										
Administration	1.00	1.00	2.00	2.00	4.50	4.00	2.00	2.00	2.00	2.00
Recreation	4.00	4.00	4.00	4.50	-	0.50	1.50	1.50	1.50	1.50
Parks maintenance	8.66	8.66	8.66	8.66	13.66	16.16	16.16	16.16	16.16	16.16
Aquatic center	-	-	-	-	-	0.66	0.66	1.00	1.00	1.00
Cemetery operations	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Building services	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00
Garage services	6.00	7.00	7.00	6.00	6.00	7.00	7.00	7.00	8.00	8.00
Library	8.00	9.00	9.00	9.00	9.00	9.50	9.00	9.00	9.00	9.00
Urban forestry	-	1.00	1.00	1.00	-	-	-	-	-	-
Golf course operations	10.50	9.50	9.50	-	-	-	-	-	-	-
Golf course pro shop operations	10.00	10.00	5.50	-	-	-	-	-	-	-
Public safety										
Administration	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Police	47.00	47.00	47.00	47.00	48.00	52.00	54.00	54.00	54.00	58.00
Fire	5.00	5.00	6.00	7.00	8.00	12.00	12.00	12.00	12.00	12.00
School resource officers	-	5.00	5.00	5.00	6.00	6.00	6.00	6.00	6.00	6.00
Cultural services and tourism										
Tourism	-	-	-	-	-	-	-	1.00	1.00	1.00
Visitor center	-	-	-	-	-	-	-	1.00	3.50	3.50
Gift shop	-	-	-	-	-	-	-	3.50	-	-
Cultural services	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.50	1.00	1.00
Main street	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	<u>271.16</u>	<u>276.16</u>	<u>284.16</u>	<u>272.16</u>	<u>278.16</u>	<u>284.32</u>	<u>283.82</u>	<u>289.16</u>	<u>284.16</u>	<u>292.16</u>

Source: City of Huntsville budget documents

TABLE 19

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Finance										
Invoices processed	N/A	N/A	9,423	9,847	8,622	9,500	10,109	11,673	13,950	13,882
Payroll checks issued	5,231	4,377	3,909	3,526	3,430	3,100	2,521	2,600	2,267	2,104
Court cases filed and processed	10,788	9,168	8,698	7,833	7,393	8,000	7,341	7,300	9,508	9,967
Warrants issued	N/A	N/A	3,590	2,870	2,816	3,000	2,982	2,880	3,308	3,753
Utility bills generated	N/A	N/A	N/A	98,273	100,948	103,218	106,807	103,500	103,800	106,186
Utility payments received	N/A	N/A	N/A	82,025	81,499	95,501	95,964	96,000	96,500	99,893
Meter reading service orders generated	5,277	5,382	N/A	13,718	14,993	10,966	10,967	11,000	10,500	13,207
Administrative services										
Workers compensation claims filed	48	42	40	21	24	30	30	25	20	22
On-site property inspections conducted	N/A	N/A	9	8	91	80	N/A	N/A	N/A	N/A
Purchase orders issued	N/A	N/A	N/A	214	237	298	394	378	414	564
Formal bids issued	N/A	N/A	13	18	21	35	41	17	30	30
Computer help desk requests completed	N/A	N/A	2,457	3,081	3,191	3,000	2,743	2,700	1,743	1,743
Garage work orders processed	N/A	N/A	3,949	3,419	1,333	1,100	1,500	1,542	1,900	2,416
Public utilities										
Gallons of water produced (in billions)	N/A	N/A	2.12	2.82	2.58	2.84	2.81	2.70	2.70	2.70
Water main leaks repaired	N/A	N/A	30	80	87	277	573	210	200	245
New water connections installed	N/A	N/A	91	150	106	136	118	100	100	89
New sewer taps installed	N/A	N/A	72	80	150	130	124	124	120	80
Gallons wastewater treated (in billions)	N/A	N/A	1.35	1.53	1.57	1.45	1.33	1.35	1.30	1.30
Manholes inspected and serviced	N/A	N/A	N/A	318	756	760	465	310	426	426
Commercial waste collected (in tons)	N/A	N/A	16,871	17,100	19,501	20,765	19,299	19,500	20,388	20,085
Residential waste collected (in tons)	N/A	N/A	7,372	7,098	7,177	7,083	6,866	6,508	6,874	6,417
Waste transferred to landfill (in tons)	N/A	N/A	34,334	34,064	36,636	37,608	37,642	39,013	38,172	35,055
Waste recycled (in tons)	N/A	N/A	2,223	2,486	2,704	2,254	3,731	3,573	3,209	6,635
Public works										
Code enforcement complaints investigated	260	273	485	594	377	333	327	172	193	593
Food establishment inspections performed	N/A	N/A	257	422	461	455	563	586	604	492
Lane miles of existing streets seal coated	N/A	N/A	8.08	-	13.77	23.34	-	18.97	11.22	14.04
Tons of debris removed from drainage ways	N/A	N/A	5,074	6,020	3,547	2,763	1,628	2,500	150	33
Curb miles swept by street sweeper	N/A	3,617	3,786	3,216	3,037	2,770	2,642	2,700	2,890	2,464

(continued)

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Community services										
In-house recreation programs offered	N/A	N/A	N/A	N/A	30	69	30	44	47	44
Contract recreation programs offered	N/A	N/A	N/A	N/A	4	2	2	6	4	4
Playground safety inspections performed	12	12	N/A	N/A	141	144	144	144	144	144
Library items circulated	N/A	N/A	103,256	96,974	103,303	144,162	129,953	133,266	99,950	117,495
Library visitors	113,089	145,543	173,245	156,067	144,439	163,076	157,459	160,409	120,307	157,567
Wynne Home visitors	N/A	N/A	N/A	650	4,370	5,019	14,835	14,000	30,216	30,516
Art and cultural events held	N/A	N/A	150	270	165	245	361	350	370	370
Business in Main Street downtown district	N/A	N/A	67	70	86	85	85	85	93	93
Main Street events held	N/A	N/A	5	7	6	4	5	5	5	6
Public safety										
Police calls for service	44,021	45,170	44,666	38,078	36,921	44,220	49,501	45,496	47,005	52,013
Arrests made	N/A	N/A	1,446	1,339	1,621	1,669	1,916	2,173	2,430	2,401
Citations issued	10,327	9,133	7,168	6,793	6,323	6,457	6,181	5,893	5,900	7,854
Offenses/incidents reported	N/A	N/A	3,479	3,344	3,323	3,381	4,345	4,068	4,200	4,653
Fire calls for service	787	794	1,275	1,522	1,324	1,458	1,417	1,194	1,254	1,501
Main alarms answered	N/A	N/A	249	330	304	248	278	201	220	185
Fire inspections conducted	238	210	210	248	310	173	183	176	188	184

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public utilities										
Water line (approximate miles)	N/A	N/A	N/A	200	200	200	200	205	205	205
Sewer line (approximate miles)	N/A	N/A	N/A	190	205	205	205	210	210	210
Lift stations	N/A	N/A	N/A	26	28	29	29	29	29	29
Water plants	3	3	3	3	3	2	2	2	2	2
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)	N/A	N/A	N/A	139	139	142	144	145	145	145
Community services										
Parks	25	25	26	26	26	26	26	26	26	26
Park acreage	406.72	406.72	265.41	281.94	281.94	281.94	281.94	281.94	281.94	281.94
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
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	3	3	3	3	4	4	4

Note: N/A - data not available.

Source: City departments

SINGLE AUDIT SECTION

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**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 the financial statements of the governmental activities, the discretely presented component unit, 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, 2012, which collectively comprise the City’s basic financial statements and have issued our report thereon dated May 20, 2013. 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.

Internal Control Over Financial Reporting

Management of the City of Huntsville, Texas, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (Items 2012-1 and 2012-2).

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

The City of Huntsville, Texas' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Huntsville, Texas' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, others within the City, and appropriate federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

May 20, 2013



**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Huntsville, Texas (the “City”) with the types of compliance requirements described in the U. S. Office of Management and Budget (“OMB”) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

The management of the City of Huntsville, Texas, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Huntsville, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 of Huntsville, Texas' internal control over compliance.

A deficiency in internal control over compliance 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, 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City's compliance but not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

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

May 20, 2013

CITY OF HUNTSVILLE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS			
<u>U. S. Department of Commerce</u>			
Passed through the Texas State Library and Archives Commission			
Broadband Technology Opportunities Grant	11.557	461-11019	\$ 79,622
Total Passed through the Texas State Library and Archives Commission			79,622
Total U. S. Department of Commerce			79,622
<u>U. S. Department of Housing and Urban Development</u>			
Passed through the Texas General Land Office			
Community Development Block Grant - Disaster Recovery Program	14.228	12-441-000-6526	11,375
Total Passed through the Texas General Land Office			11,375
Passed through the Texas Department of Housing and Community Affairs			
Community Development Block Grant - NSP	14.228	77099999126	816,338
Total Passed through the Texas Department of Housing and Community Affairs			816,338
Passed through the Texas Department of Housing and Community Affairs			
Home Investment Partnership Program	14.239	1001147	83,219
Total Passed through the Texas Department of Housing and Community Affairs			83,219
Total U. S. Department of Housing and Urban Development			910,932
<u>U. S. Department of Justice</u>			
Direct Program			
Bullet Proof Vest Partnership	16.607	N/A	4,504
COPS Hiring Program	16.710	2011UMWX0178	79,302
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0833	922
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2912	5,571
Total Direct Program			90,299
Passed through the Office of the Governor, Criminal Justice Division			
Victims of Crime Act Formula Grant Program	16.575	VA-11-V30-24632-01	37,098
Victims of Crime Act Formula Grant Program	16.575	VA-12-V30-24632-01	2,922
Total Passed through the Office of the Governor, Criminal Justice Division			40,020
Total U. S. Department of Justice			130,319
<u>U. S. Department of Transportation</u>			
Passed through the Texas Department of Transportation			
Airport Improvement Program	20.106	2XXAV022	184,570
Highway Planning and Construction - Safe Routes to Schools	20.205	0917-27-038	181,624
Total Passed through the Texas Department of Transportation			366,194

(continued)

CITY OF HUNTSVILLE, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS (continued)			
<u>National Endowment for the Humanities</u>			
Direct Programs			
Promotion of the Arts - Grants to Organizations and Individuals	45.024	11-5900-8061	\$ 10,000
Total Direct Programs			<u>10,000</u>
Total National Endowment for the Humanities			<u>10,000</u>
<u>U. S. Department of Homeland Security</u>			
Direct Program			
Staffing for Adequate Fire and Emergency Response Grant	97.044	EMW-2006-FF-04180	2,550
Staffing for Adequate Fire and Emergency Response Grant	97.044	EMW-2007-FF-01003	22,019
Assistance to Firefighters Grant Program	97.044	EMW-2010-FO-08169	<u>15,811</u>
Total Direct Program			<u>40,380</u>
Passed through the Texas Department of Public Safety			
Hazard Mitigation Grant	97.039	DR-1791-120	245,649
Hazard Mitigation Grant	97.039	DR-1791-283	23,973
Emergency Management Performance Grants	97.042	11 TX-EMPG-0484	<u>13,347</u>
Total Passed through the Texas Department of Public Safety			<u>282,969</u>
Total U. S. Department of Homeland Security			<u>323,349</u>
Total Expenditures of Federal Awards			\$ <u>1,820,416</u>

CITY OF HUNTSVILLE, TEXAS

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

YEAR ENDED SEPTEMBER 30, 2012

1. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards (the “Schedule”) is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. REPORTING ENTITY

The City of Huntsville, Texas (the City), for purposes of the Schedule of Expenditures of Federal Awards, includes all the funds of the primary government.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The information included in the Schedule may not fully agree with other federal award reports that the City submits to granting agencies because, among other reasons, the award reports may be prepared for a different fiscal period and may include cumulative (from prior years) data rather than data for the current year only.

CITY OF HUNTSVILLE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	2012-1; 2012-2
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	None
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Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster:
#14.228	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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CITY OF HUNTSVILLE, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**Findings Relating to the Financial Statements Which are
Required to Be Reported in Accordance with Generally
Accepted Government Auditing Standards**

Item 2012-1:

Condition: Several instances were noted where generally accepted accounting principles were not being followed as they pertain to revenue recognition: 1) accruals were not being properly recorded for utility service charges; 2) franchise taxes were being booked on the cash basis of accounting and not according to when they were actually earned; 3) grant revenue was being recorded on the cash basis of accounting and not when expenditures were actually incurred; and, 4) sales tax revenues were not being properly accrued and expenditures were being netted against sales tax revenues.

Criteria: Generally accepted accounting principles direct that governmental funds recognize revenues in the period when they become both measurable and available and proprietary funds recognize revenues as soon as they are earned.

Cause of Condition: Controls currently in place to ensure that all revenues are recorded in the proper period are inadequate.

Effect of Condition: Revenues in the governmental and proprietary fund financial statements have been misstated in prior periods.

Recommendation: City Management should review current procedures and develop additional controls that will help to ensure that all revenues recorded on the City's financial statements are properly recorded.

Management's Response: Management has implemented a checklist for all year-end journal entries to ensure all revenues are appropriately accrued.

Contact Person Responsible
For Corrective Action: Steve Ritter, Interim Finance Director

Anticipated Completion Date: Completed

(continued)

CITY OF HUNTSVILLE, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Item 2012-2:

Condition: The net OPEB obligation was not being properly allocated to the proprietary funds in the prior period.

Criteria: Generally accepted accounting principles direct that governments should record a liability in the fund that is responsible for the repayment of the debt.

Cause of Condition: Management was unaware that the debt needed to be recorded in the City's proprietary funds.

Effect of Condition: The long-term liabilities have been understated in the proprietary funds and business-type activities of the City's financial statements in prior years.

Recommendation: Controls need to be put in to place that will ensure that all liabilities are recorded in the proper funds and are repaid in accordance with generally accepted accounting principles.

Management's Response: As of May 2013, all debt for proprietary funds has been moved to the respective funds.

Contact Person Responsible
For Corrective Action: Steve Ritter, Interim Finance Director

Anticipated Completion Date: Completed

Findings and Questioned Costs for Federal Awards

None noted