



**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2024**

**CITY OF HUNTINGTON, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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DAVID K. GODWIN
CERTIFIED PUBLIC ACCOUNTANT, PLLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Huntington, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Huntington, Texas, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Huntington, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Huntington, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Huntington, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Huntington, Texas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison information on pages 66 through 67, and the Texas Municipal Retirement System schedules on pages 68 through 70 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2025, on our consideration of the City of Huntington, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City of Huntington, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Huntington, Texas's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "David K. Godwin, CPA, PLLC". The signature is fluid and cursive.

David K. Godwin, CPA, PLLC

Tyler, Texas

November 18, 2025

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Management's Discussion and Analysis

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**Management's Discussion and Analysis
For Year Ended September 30, 2024
(Unaudited)**

The Management Discussion and Analysis of the City of Huntington's (City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2024. Please read in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Mayor and Council

Todd Ricks
Mayor

Gary Litton
Mayor Pro-Tem

Kim Smith
Alderman

Keith Malone
Alderman

Twila Bertrand
Alderman

Robert Williams
Alderman

City Administration

Bill Stewart
City Administrator

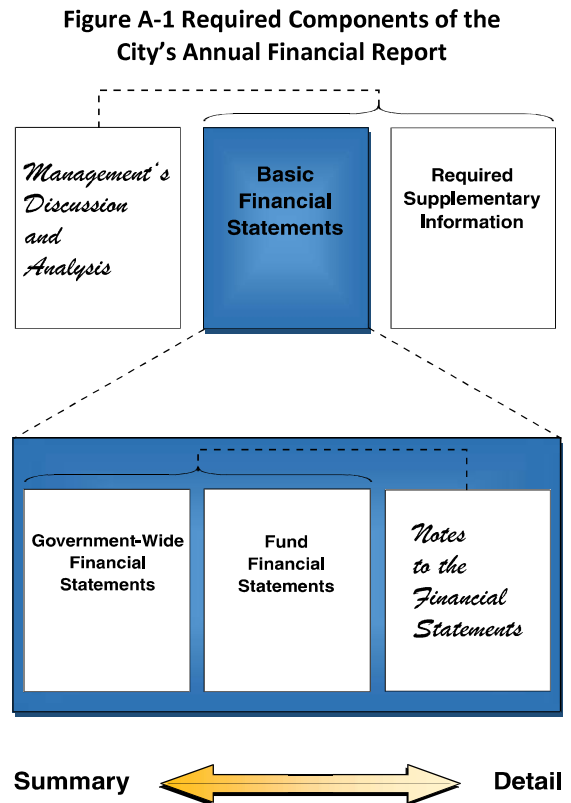
Julie Davis
City Secretary

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,556,677 (Net Position). Of this amount, \$2,857,492 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$580,602.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$537,128. Of this amount, \$281,289 is unassigned and available for use within the City's fund designation and fiscal policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$281,289, or 18.8% of the total general fund expenditures.
- The City's outstanding long-term debt decreased by \$637,582.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual report consists of a series of financial statements, notes to those statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the City's operations in more detail than the Government-Wide Statements.
 - The Governmental Funds Statements tell how general government services were financed in the short term as well as what remains for future spending.
 - Proprietary Fund Statements offer financial information about the internal service fund used to report activities that provide services to organizations within the City. *The City had no active proprietary funds during the fiscal year.*



The basic financial statements include notes that explain information contained within the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 (above) shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 (next page) summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-2 MAJOR FEATURES OF THE CITY'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS			
<i>Type of Statement</i>	Government-Wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.
<i>Required financial statements</i>	• Statement of net position	• Balance sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures and changes in fund balances	• Statement of revenues, expenses and changes in fund net position
			• Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of flow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The Government-Wide Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-Wide Statements report the City's net position and how it has changed. Net position, the difference between the City's assets and liabilities, is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's tax base.

The Government-Wide Financial Statements of the City include the governmental activities. The City's basic activities include general government, municipal court, public safety, emergency services, sanitation, highways and streets, and parks and recreation. Fines, forfeitures, service charges, and taxes finance most of these activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices used by the City to track specific sources and uses of funding for specified activities.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two types of funds:

- Governmental funds—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the year-end balances that are available for spending. Consequently, the Governmental Fund Statements provide a detailed short-term view that helps you determine the level of financial resources that can be spent in the near term to finance the City's programs. Because this information does not encompass the additional long-term focus of the Government-Wide Statements, we provide additional information at the bottom of the Governmental Fund Statements, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary funds—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the Government-Wide Statements, provide both long-term and short-term financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$5,556,677 as of September 30, 2024.

The largest portion of the City's net position, 44%, or \$2,443,346, reflects its investments in capital assets (e.g., land, building, equipment, vehicles, improvements, and infrastructure), less any outstanding debt used in acquiring those assets. 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 liquidated to repay these liabilities.

CITY OF HUNTINGTON NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and Other Assets	\$ 1,395,752	\$ 983,309	\$ 4,761,236	\$ 5,732,789	\$ 6,156,988	\$ 6,716,098
Capital Assets	1,507,924	1,600,237	5,088,922	4,685,396	6,596,846	6,285,633
Total Assets	2,903,676	2,583,546	9,850,158	10,418,185	12,753,834	13,001,731
Total Deferred Outflows of Resources	222,754	248,790	193,544	216,635	416,298	465,425
Non-Current Liabilities	562,119	1,132,506	3,720,250	4,379,246	4,282,369	5,511,752
Other Liabilities	811,767	816,929	2,154,591	2,395,782	2,966,358	3,212,711
Total Liabilities	1,373,886	1,949,435	5,874,841	6,775,028	7,248,727	8,724,463
Total Deferred Inflows of Resources	220,926	24,045	143,802	19,574	364,728	43,619
Net Position:						
Invested in Capital Assets,						
Net of Related Debt	1,120,641	1,105,629	1,322,705	2,951,914	2,443,346	4,057,543
Restricted	255,839	12,326	-	3,328	255,839	15,654
Unrestricted	155,138	(259,099)	2,702,354	884,976	2,857,492	625,877
Total Net Position	\$ 1,531,618	\$ 858,856	\$ 4,025,059	\$ 3,840,218	\$ 5,556,677	\$ 4,699,074

A portion of net position, \$4,931, is restricted for municipal court security and technology enhancements, in addition to \$215,946 held for city debt obligations through debt service. The final portion of net position, \$34,962, is held for emergency services through the Fire Department fund. The remaining balance of unrestricted net position, \$2,857,492 may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2024, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its business-type activities. In the prior fiscal year, the City also reported overall positive balances in all three categories of net position.

Analysis of the City's Operations - Overall the City had an increase in net position of \$857,603

Governmental Activities: Net position for the governmental activities increased by \$672,762. Net position invested in capital assets, net of related debt, decreased by \$1,614,197 due to capital asset acquisitions being more than depreciation expenses and liquidation of long-term debt. The remaining change in net position is due to lower-than-expected revenue collections and interfund transfers.

Total revenues for the governmental activities increased from the previous year by \$20,840 primarily due to larger sales tax receipts in the previous year. General revenue increased \$71031 during 2024, primarily due to similar activity.

Business-type Activities: Net position from business-type activities increased by \$184,841. This increase was primarily due to operating activities of the City's utilities and interfund payroll transfers.

The following table provides a summary of the City's operations for the year ended September 30, 2024.

CITY OF HUNTINGTON'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Operating Revenues:						
Charges for Services	\$ 273,457	\$ 323,648	\$ 2,030,360	\$ 2,575,095	\$ 2,303,817	\$ 2,898,743
Other	-	-	69,776	-	69,776	-
General Revenues:						
Taxes	1,205,197	930,498	-	-	1,205,197	930,498
Grants & Contributions	11,625	263,335	518,676	232,515	530,301	495,850
Miscellaneous	49,858	1,816	-	2,500	49,858	4,316
Total Revenues	1,540,137	1,519,297	2,618,812	2,810,110	4,158,949	4,329,407
Expenses:						
General Government	1,686,221	1,690,349	-	-	1,686,221	1,690,349
Utility Services	-	-	1,922,070	2,337,619	1,922,070	2,337,619
Total Expenses	1,686,221	1,690,349	1,922,070	2,337,619	3,608,291	4,027,968
Increase (Decrease) in Total Revenues	(146,084)	(171,052)	696,742	472,491	550,658	301,439
NONOPERATING REVENUES (EXPENSES)						
Interest Income	13,530	13,222	92,480	86,101	106,010	99,323
Interest Expense	-	(22,622)	(56,704)	(74,357)	(56,704)	(96,979)
Total Non-operating Expense	13,530	(9,400)	35,776	11,744	49,306	2,344
OTHER FINANCING SOURCES (USES)						
Operating Transfers from Other Funds	548,315	90,307	-	-	548,315	90,307
Operating Transfers to Other Funds	-	-	(547,677)	(90,307)	(547,677)	(90,307)
Total Other Financing Sources (Uses)	548,315	90,307	(547,677)	(90,307)	638	-
Change in Net Position	415,761	(90,145)	184,841	393,928	600,602	303,783
Net Position – Beginning	1,135,857	949,001	3,840,218	3,446,290	4,976,075	4,395,291
Net Position – Ending	\$ 1,551,618	\$ 858,856	\$ 4,025,059	\$ 3,840,218	\$ 5,576,677	\$ 4,699,074

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$537,128 ; of this total amount, \$281,289, constitutes a surplus in unassigned fund balance.

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.

GENERAL FUND BUDGETARY HIGHLIGHTS

In the general fund, the City's original budget planned for a decrease in the fund balance on a budget basis. The City passed a general fund budget amendment on September 24, 2024. This amendment was made due to an unanticipated increase in sales tax revenues as well as additional operational expenses.

Actual revenues in almost all categories were lower than the final budgeted amounts by a total of \$278,073. Actual expenditures not including transfers were lower than final budgeted amounts by a total of \$83,787

After considering operating transfers, the City had a favorable variance of \$157,266 where transfers were made to support ongoing operating activities of the City's utility services; these expenditures were paid from the general funds unassigned fund balance.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2024 amounts to \$6,596,846 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, vehicles, and infrastructure. The total increase in capital assets for the current fiscal year was \$311,213 or 4.72% and due to capital asset acquisitions exceeding depreciation expenditures.

Major capital asset additions during fiscal year 2024 included an additional \$589,115 in Construction in progress.

CAPITAL ASSETS AT YEAR-END AND ACCUMULATED DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 162,894	\$ 162,894	\$ 55,422	\$ 55,422	\$ 218,316	\$ 218,316
Construction in Progress	-	-	3,843,758	3,254,643	3,843,758	3,254,643
Utility Systems	-	-	9,082,658	9,082,658	9,082,658	9,082,658
Building	402,201	402,201	145,158	145,158	547,359	547,359
Machinery & Equipment	540,677	540,677	454,852	454,852	995,529	995,529
Vehicles	415,176	415,176	357,770	357,770	772,946	772,946
Infrastructure	1,560,737	1,560,737	-	-	1,560,737	1,560,737
Right-to-use lease agreements	-	-	58,257	58,257	58,257	58,257
Right-to-use software arrangements	50,737	-	34,230	-	84,967	-
Accumulated Depreciation	(1,624,498)	(1,481,448)	(8,943,183)	(8,723,364)	(10,567,681)	(10,204,812)
Total	\$ 1,507,924	\$ 1,600,237	\$ 5,088,922	\$ 4,685,396	\$ 6,596,846	\$ 6,285,633

Additional information on the City's capital assets can be found in Note 2 on pages 42 and 43 in the notes of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had various bonds and notes payable outstanding:

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Bonds - Series 2006	\$ 340,000	\$ 350,000	-	-	340,000	350,000
Bonds - Series 2012	-	65,250	-	104,750	-	170,000
Deferred amount of refunding 2012	-	(1,081)	-	(2,944)	-	(4,025)
Bonds - Series 2012A	-	80,439	-	64,561	-	145,000
Note - State of Texas	12,553	21,553	-	-	12,553	21,553
Compensated absences	35,529	30,757	17,401	22,878	52,930	53,635
Net pension liability	444,395	577,910	218,664	306,898	663,059	884,808
Net OPEB liability	39,385	38,435	18,553	17,925	57,938	56,360
Right-to-use lease agreements	-	-	20,200	33,626	20,200	33,626
Right-to-use software arrangements	35,108	-	23,686	-	58,794	-
Bonds - Series 2014	-	-	-	15,000	-	15,000
Bonds - Series 2017	-	-	805,000	860,000	805,000	860,000
Bonds - Series 2020	-	-	1,985,000	2,010,000	1,985,000	2,010,000
Deferred amount of refunding 2012A	-	-	-	(732)	-	(732)
Note - Meter project	-	-	932,331	970,162	932,331	970,162
Total	<u>\$ 906,970</u>	<u>\$ 1,163,263</u>	<u>\$ 4,020,835</u>	<u>\$ 4,402,124</u>	<u>\$ 4,927,805</u>	<u>\$ 5,565,387</u>

During the fiscal year, the City's outstanding debt decreased by \$637,582, or 11.46%. The decrease was primarily due to the following:

- Annual debt principal payment made on the bonds and notes payable.
- Amortization of right-to-use software arrangements and leases.

Additional information on the City's long term-debt can be found in Note 2 on pages 44 through 52 in the notes of this report.

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 any additional information, contact the City of Huntington, Attn: City Administrator at 802 U.S. 69 Huntington, TX 75949.

Basic Financial Statements

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Government-Wide Financial Statements

CITY OF HUNTINGTON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATION
ASSETS				
Cash and cash equivalents	\$ 671,699	\$ 347,164	\$ 1,018,863	\$ 248,076
Investments	-	269,904	269,904	106,579
Receivables (net of allowances):				
Sales taxes	68,495	-	68,495	34,249
Property taxes	101,676	-	101,676	-
Fines and forfeitures	297,315	-	297,315	-
Other	728	249,811	250,539	-
Restricted cash	255,839	3,894,357	4,150,196	-
Capital assets:				
Land and other non-depreciated assets	162,894	3,899,180	4,062,074	-
Other capital assets - net of depreciation	1,345,030	1,189,742	2,534,772	-
Total Assets	2,903,676	9,850,158	12,753,834	388,904
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	219,926	191,562	411,488	-
Deferred outflows from OPEB	2,828	1,982	4,810	-
Total Deferred Outflows of Resources	222,754	193,544	416,298	-
LIABILITIES				
Accounts payable and accrued liabilities	459,633	1,854,006	2,313,639	-
Long-term liabilities:				
Due within one year	352,134	300,585	652,719	-
Due in more than one year	562,119	3,720,250	4,282,369	-
Total Liabilities	1,373,886	5,874,841	7,248,727	-
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	210,851	134,528	345,379	-
Deferred inflows from OPEB	10,075	9,274	19,349	-
Total Deferred Inflows of Resources	220,926	143,802	364,728	-
NET POSITION				
Investment in capital assets, net of related debt	1,120,641	1,322,705	2,443,346	-
Restricted for municipal court	4,931	-	4,931	-
Restricted for debt service	215,946	-	215,946	-
Restricted for emergency services	34,962	-	34,962	-
Unrestricted	155,138	2,702,354	2,857,492	388,904
Total Net Position	\$ 1,531,618	\$ 4,025,059	\$ 5,556,677	\$ 388,904

The notes to the financial statements are an integral part of this statement.

EXHIBIT 2

CITY OF HUNTINGTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

FUNCTIONS / PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			COMPONENT UNIT
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS		PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES		TOTAL	
			OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		
Primary government:								
Governmental activities:								
Administration	\$ 395,845	\$ 84,552	\$ 11,625	\$ -	\$ (299,668)	\$ -	\$ (299,668)	
Public safety	779,284	-	-	-	(779,284)	-	(779,284)	
Municipal court	278,589	188,905	-	-	(89,684)	-	(89,684)	
Emergency services	21,906	-	-	-	(21,906)	-	(21,906)	
Highways and streets	210,597	-	-	-	(210,597)	-	(210,597)	
Total governmental activities	1,686,221	273,457	11,625	-	(1,401,139)	-	(1,401,139)	
Business-type activities:								
Utility services	1,978,774	2,030,360	-	518,676	-	570,262	570,262	
Total business-type activities	1,978,774	2,030,360	-	518,676	-	570,262	570,262	
Total primary government	\$ 3,664,995	\$ 2,303,817	\$ 11,625	\$ 518,676	(1,401,139)	570,262	(830,877)	
Component unit:								
Economic Development Corporation	\$ 76,752	\$ -	\$ -	\$ -			\$ 76,752	
General revenues:								
Sales taxes					381,487	-	381,487	190,723
Property taxes					735,452	-	735,452	-
Franchise taxes					88,258	-	88,258	-
Investment earnings					13,530	92,480	106,010	5,326
Miscellaneous local and intermediate revenue					49,858	69,776	119,634	-
Transfers					528,315	(547,677)	(19,362)	(638)
Total general revenues and transfers					1,796,900	(385,421)	1,411,479	195,411
Change in net position					395,761	184,841	580,602	118,659
Net position - beginning, as restated					1,135,857	3,840,218	4,976,075	270,245
Net position - ending					\$ 1,531,618	\$ 4,025,059	\$ 5,556,677	\$ 388,904

The notes to the financial statements are an integral part of this statement.

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Fund Financial Statements

**CITY OF HUNTINGTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024**

	MAJOR FUNDS		TOTAL
	GENERAL	DEBT	GOVERNMENTAL
	FUND	SERVICE	FUNDS
		FUND	
ASSETS			
Cash	\$ 671,699	\$ -	\$ 671,699
Receivables (net of allowances):			
Sales taxes	68,495	-	68,495
Property taxes	54,318	47,358	101,676
Fine and forfeitures	297,315	-	297,315
Other	728	-	728
Restricted cash	39,893	215,946	255,839
Total assets	\$ 1,132,448	\$ 263,304	\$ 1,395,752
LIABILITIES			
Accounts payable	\$ 116,332	\$ -	\$ 116,332
Due to other funds	343,301	-	343,301
Total liabilities	459,633	-	459,633
DEFERRED INFLOWS (OF RESOURCES)			
Property taxes	54,318	47,358	101,676
Fines, forfeitures, and warrants	297,315	-	297,315
Total deferred inflows	351,633	47,358	398,991
FUND BALANCES			
Restricted fund balance:			
Municipal court	4,931	-	4,931
Debt Service	-	215,946	215,946
Emergency services	34,962	-	34,962
Unassigned fund balance	281,289	-	281,289
Total fund balances	321,182	215,946	537,128
Total liabilities, deferred inflows and fund balances	\$ 1,132,448	\$ 263,304	\$ 1,395,752

The notes to the financial statements are an integral part of this statement.

CITY OF HUNTINGTON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances - governmental funds	\$ 537,128
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the governmental funds balance sheet.	1,507,924
Long-term pension liability, which is based on GASB 68 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements:	
Net pension liability	(444,395)
Deferred outflows, related to pension	219,926
Deferred inflows, related to pension	(210,851)
Long-term OPEB liability, which is based on GASB 75 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements:	
Net OPEB liability	(39,385)
Deferred outflows, related to OPEB	2,828
Deferred inflows, related to OPEB	(10,075)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported on the governmental funds balance sheet.	
Bonds and notes	(352,175)
Compensated absences	(35,529)
Right-to-use software arrangements	(35,108)
Accrued interest	(7,661)
Outstanding fines, forfeitures and warrants are a long-term asset and not available to pay for current period expenditures and therefore is deferred in the funds.	297,315
Delinquent property taxes receivable is a long-term asset and not available to pay for current period expenditures and therefore is deferred in the funds.	101,676
Net position of governmental activities	\$ 1,531,618

CITY OF HUNTINGTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	MAJOR FUNDS		TOTAL
	GENERAL	DEBT	GOVERNMENTAL
	FUND	SERVICE	FUNDS
		FUND	
REVENUES			
Taxes:			
Sales	\$ 381,487	\$ -	\$ 381,487
Property	409,969	224,213	634,182
Franchise	88,258	-	88,258
Fines and forfeitures	168,185	-	168,185
Licenses and permits	6,566	-	6,566
Charges for services	77,986	-	77,986
Rental income	-	-	-
Grants and contributions	11,625	-	11,625
Interest income	10,959	2,571	13,530
Miscellaneous	29,858	-	29,858
Total revenues	<u>1,184,893</u>	<u>226,784</u>	<u>1,411,677</u>
EXPENDITURES			
Administration	286,169	20,060	306,229
Public safety	689,872	-	689,872
Municipal court	278,589	-	278,589
Emergency services	21,906	-	21,906
Highways and streets	146,102	-	146,102
Debt service	24,629	154,986	179,615
Capital outlay	50,737	-	50,737
Total expenditures	<u>1,498,004</u>	<u>175,046</u>	<u>1,673,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(313,111)</u>	<u>51,738</u>	<u>(261,373)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers from other funds	489,824	58,491	548,315
Right-to-use software arrangements	50,737	-	50,737
Sale of assets	-	-	-
Total other financing sources (uses)	<u>540,561</u>	<u>58,491</u>	<u>599,052</u>
Net change in fund balances	227,450	110,229	337,679
Fund balances - beginning of year, as restated	<u>93,732</u>	<u>105,717</u>	<u>199,449</u>
Fund balances - end of year	<u>\$ 321,182</u>	<u>\$ 215,946</u>	<u>\$ 537,128</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HUNTINGTON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$ 337,679
The depreciation of capital assets used in governmental activities is not reported in the funds.	(143,050)
Net delinquent property tax collections provide current financial resources to the funds (but has no effect on net assets).	101,270
The portion of fines, forfeitures and warrants receivable which are measurable and available are recognized as revenue in the funds. The remainder of the receivables are deferred and, therefore, are not reported in the governmental activities.	20,720
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
GASB 68 Pension adjustments	(89,083)
GASB 75 Other post employment benefit adjustments	(1,269)
Compensated absences	(4,772)
Decreases in long-term liabilities do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds:	
Right-to-use software arrangements	15,629
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide statement of activities.	50,737
Increases in long-term liabilities on capital assets should be shown as an expenditure in the government-wide statement of activities, however, current financial resources are not consumed in the governmental funds:	
Accrued interest	(5,349)
Right-to-use software arrangements	(50,737)
Repayments of loan principal consumes the current financial resources of the governmental funds which report the effect as an expenditure, however, there is no expense on the statement of activities.	163,986
Change in net position of governmental activities	<u>\$ 395,761</u>

**CITY OF HUNTINGTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2024**

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUND
	UTILITY SERVICES
ASSETS	
Current assets:	
Cash	\$ 347,164
Investments	269,904
Accounts receivable (net)	249,811
Total current assets	<u>866,879</u>
Noncurrent assets:	
Restricted cash	3,894,357
Capital assets:	
Land	55,422
Utility systems	9,082,659
Buildings	145,158
Machinery and equipment	454,852
Vehicles	357,770
Right-to-use lease agreements	58,257
Right-to-use software arrangements	34,230
Construction in progress	3,843,758
Less: accumulated depreciation	<u>(8,943,184)</u>
Total noncurrent assets	<u>8,983,279</u>
Total assets	<u>9,850,158</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pensions	191,562
Deferred outflows from OPEB	<u>1,982</u>
Total deferred outflows of resources	<u>193,544</u>
LIABILITIES	
Current liabilities:	
Accounts payable	79,760
Accrued interest	7,074
Unearned revenue	1,569,604
Customer deposits	197,568
Loans and bonds payable	172,621
Right-to-use software arrangements	11,388
Right-to-use lease agreements	15,074
Net Pension liability	100,839
Net OPEB liability	<u>663</u>
Total current liabilities	2,154,591
Non-current liabilities:	
Loans and bonds payable	3,549,710
Right-to-use software arrangements	12,298
Right-to-use lease agreements	5,126
Compensated absences	17,401
Net Pension liability	117,825
Net OPEB liability	<u>17,890</u>
Total liabilities	<u>5,874,841</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pensions	134,528
Deferred inflows from OPEB	<u>9,274</u>
Total deferred inflows of resources	<u>143,802</u>
NET POSITION	
Investment in capital assets, net of related debt	1,322,705
Unrestricted	<u>2,702,354</u>
Total net position	<u>\$ 4,025,059</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HUNTINGTON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUND
	<u>UTILITY SERVICES</u>
OPERATING REVENUES	
Water service charges	\$ 596,549
Sewer service charges	578,164
Gas service charges	684,490
Sanitation fees	171,157
Grants	518,676
Other	<u>69,776</u>
Total operating revenues	<u>2,618,812</u>
OPERATING EXPENSES	
Personnel services	744,851
Natural gas purchases	365,052
Contract labor	166,468
Depreciation	219,819
Maintenance	171,138
Utilities	69,054
Chemicals	28,031
Supplies	20,192
Insurance	12,218
Professional fees	99,468
Training and education	6,892
Advertising	3,300
Other	<u>11,911</u>
Total operating expenses	<u>1,918,394</u>
Operating income	<u>700,418</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	92,480
Interest expense	(56,704)
Debt issuance costs	<u>(3,676)</u>
Total nonoperating expenses	<u>32,100</u>
Income before operating transfers	<u>732,518</u>
TRANSFERS	
Transfers out	<u>(547,677)</u>
Total transfers	<u>(547,677)</u>
Change in net position	184,841
Net position - beginning of year	<u>3,840,218</u>
Net position - end of year	<u><u>\$ 4,025,059</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF HUNTINGTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUND
	UTILITY SERVICES
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,030,360
Other cash receipts	588,452
Payments to suppliers for goods and services	(1,474,174)
Payments to employees for services	(651,768)
Net cash provided by operating activities	492,870
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers-out to other funds	(547,677)
Due from other funds	314,610
Due to other funds	(85,071)
Net cash used in non-capital financing activities	(318,138)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(623,346)
Principal repayments on debt	(288,206)
Payment of debt issuance costs	(3,676)
Interest on debt	(56,704)
Net cash used in capital and related financing activities	(971,932)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	92,480
Net cash provided by investing activities	92,480
Net decrease in cash and cash equivalents	(704,720)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,946,241
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,241,521
Reconciliation of Operating Income to Net Cash provided by (used in) Operating Activities	
Operating income	\$ 700,418
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	219,819
Changes in assets and liabilities:	
Increase (decrease) in accounts payable	(3,921)
Increase (decrease) in accrued expenses	(169,056)
Increase (decrease) in accrued interest	(2,869)
Increase (decrease) in unearned revenue	(384,099)
Increase (decrease) in pension liability	(88,234)
Increase (decrease) in OPEB liability	628
Increase (decrease) in deferred inflows	124,228
Increase (decrease) in compensated absences	(5,477)
Increase (decrease) in customer deposits	41,047
Decrease (increase) in deferred outflows	23,091
Decrease (increase) in investments	(8,984)
Decrease (increase) in accounts receivable	46,279
Total adjustments	(207,548)
Net cash provided by operating activities	\$ 492,870

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

**CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Huntington, Texas (City) was incorporated in 1938 and operates under the laws of the State of Texas as a Type A General Law Municipality. The City operates under a mayor/council form of government with a mayor and (5) council members elected at large. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2024.

Discretely Presented Component Unit

The financial statements of the City include all funds and other organizations for which the City is financially accountable. Financial accountability is determined on the basis of appointment of a voting majority of the respective governing board, imposition of will, financial benefit or burden and financial accountability as a result of fiscal dependency.

The Huntington Economic Development Corporation, Inc. (Type B) was formed in 2007 and is governed by a seven-member board of directors, which includes the City's council members. For financial reporting purposes, the Huntington Economic Development Corporation, Inc. has been presented as a discrete component unit of the City. Its purpose is to account for construction activities funded by the revenues generated by the one-half cent sales tax. The Huntington Economic Development Corporation, Inc., does not issue separate financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. Governmental activities include programs supported primarily by taxes and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity.

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Government-Wide and Fund Financial Statements – continued

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Interfund activities between governmental funds appear as due to/due froms on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance. All interfund transactions between governmental funds are eliminated on the government-wide statements.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. All other expenses are non-operating.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of taxes. Tax revenue and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

**CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation – continued

The City reports the following major governmental funds:

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

Debt Service Fund is used to account for the interest and sinking property taxes collected for the payment of the City’s debt.

The City reports the following major proprietary fund:

Utility Services Fund – This fund is utilized for the operations of the water, natural gas, and sewer provided by the City for the community.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources, as they are needed.

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

The City's cash and cash equivalents include amounts on hand and in demand deposits.

Investments

State statutes and the City's investment policy authorize the City to invest in obligations of the U.S. Treasury, State of Texas obligations, certificates of deposit, commercial paper, corporate bonds, repurchase agreements, and mutual funds.

Restricted Assets

Certain assets are classified as restricted because they are maintained in separate accounts and their use is limited by applicable bond covenants, grant agreements, laws or regulations, and/or other contractual agreements.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "Due to/from Other Funds" (i.e., the current portion of the interfund loan) or "Advances to/from Other Funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "Due to/from Other Funds."

Property Taxes Receivable are shown net of an allowance for uncollectibles. The allowance is equal to zero (0) percent of delinquent property taxes receivable at September 30, 2024. The City's ad valorem taxes are levied on October 1 but do not become due until January 1 of the following year. Taxes become past due February 1 and become delinquent June 30. The City's taxes become a lien on real property on the due date of January 1. This lien is effective until the taxes are paid.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types report the face amount of the debt issued as Other Financing Sources and debt payments as Expenditures.

**CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure (roads and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one (1) year, though no written policy exists. Such assets are recorded at historical cost where records are available or at an estimated fair market value at the date of acquisition where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide statements regardless of their amount.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, equipment, and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 to 50
Water and sewer system	5 to 40
Office furniture and equipment	5 to 10
Other equipment	5 to 20
Infrastructure	50

In the case of initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities), public domain property including roads, bridges, curbs and gutters, streets and sidewalks and similar assets prior to September 30, 2020, have not been capitalized by the City. Additional capital assets, constructed or acquired each period subsequent to September 30, 2020, are capitalized and reported at historical cost.

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Fund Balance Classification

The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in 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 Council, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest-level action to remove or change the constraint.

Assigned fund balance – amounts the City Council intends to use for a specific purpose. Intent can be expressed by the Mayor or the City Secretary, through which the City Council has delegated the authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). When it is appropriate for fund balance to be assigned, the City Council designated the authority to the Mayor and the City Secretary (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Compensated Absences

In accordance with its policy, the City accrues accumulated unpaid vacation leave when earned by the employee. Employees are encouraged to use all, or a substantial portion of their vacation pay each year. No employee may accumulate more than 160 hours of vacation, unless approved by the City Council.

Salaried employees who are required to work hours beyond their normal week due to a declared State of Emergency by the Mayor or Mayor Pro-Tem shall accumulate compensatory time at a rate of one and one-half times the hours worked. A liability for unused vacation and compensatory time is calculated at year end and report in these financial statements

Sick time is accounted for as an expenditure in the fiscal year in which such benefits are paid. Sick leave may accumulate but does not vest. No accrual is recorded

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report to a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, items are unavailable revenue and are reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions

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

**CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund considers all cash on hand and demand deposits to be cash equivalents.

Stewardship, Compliance, and Accountability

Budgetary Data

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. The City holds a public hearing on the proposed budget prior to its adoption. All appropriations lapse at fiscal year-end.

The budget is legally enacted and once approved, can only be amended by approval of a majority of the Council members. Amendments are presented to the Council at its regular meetings.

Expenditures in Excess of Budgeted Amounts

The following is a summary of expenditures in excess of appropriations for the General Fund:

<u>Department</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Variance</u>
Public safety	\$ 689,872	\$ 669,225	\$ (20,647)
Emergency services	\$ 21,906	\$ 16,000	\$ (5,906)
Debt service	\$ 179,615	\$ -	\$ (179,615)
Capital outlay	\$ 50,737	\$ -	\$ (50,737)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS

Deposits

The City's balances were completely covered by federal deposit insurance or collateralized at September 30, 2024. The City's deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized.

Deposits categorized by level of risk for cash and cash equivalents are as follows:

<u>Cash & Cash Equivalents</u>	<u>Bank Balance</u>	<u>Category</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
<i>Governmental activities:</i>					
General fund	\$ 711,592	\$ 250,000	\$ 461,592	\$ -	\$ 711,592
Debt service fund	215,946	-	215,946	-	215,946
<i>Business-type activities:</i>					
Utility services fund	4,241,521	250,000	3,991,521	-	4,241,521
<i>Component unit:</i>					
Economic development corporation	248,076	248,076	-	-	248,076
Total	<u>\$ 5,417,135</u>	<u>\$ 748,076</u>	<u>\$ 4,669,059</u>	<u>\$ -</u>	<u>\$ 5,417,135</u>

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Investments

The City is required by The Public Funds Investment Act (“Act”) to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City did adhere to the requirements of the Act.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The City’s certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State. The FDIC currently insures the first \$250,000 of the City’s deposits at each financial institution. Deposit balances over \$250,000 are insured by the collateral pool. As of September 30, 2024, the carrying amount of the City’s certificates of deposit were \$376,483.

<u>Certificates of Deposit</u>	<u>Maturity</u>	<u>Fair Value</u>
<i>Business-type activities:</i>		
Utility services fund	Various <1 year	\$ 269,904
<i>Component unit:</i>		
Economic development corporation	Various <1 year	<u>106,579</u>
	Total	<u>\$ 376,483</u>

Economic Dependence

The City’s operations are funded by taxes and revenues collected from the residents of the City of Huntington, Texas. Accordingly, the City is economically dependent on the property values and the local economy of the City and surrounding area.

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Property Tax

The assessed valuation (net of exemptions) was \$611,841.72 for 2023 (with taxes due January 1, 2024) levied at a rate of \$0.678996 per hundred-dollar valuation.

Receivables

Receivables as of year-end for the City's major government fund, including applicable allowances for uncollectible accounts, are as follows:

	Primary Government				Component Unit
	Governmental Activities		Business-Type		Economic
	General	Debt Service	Utility Services		Development
Receivables	Fund	Fund	Fund	Total	Corporation
Accounts	\$ 728	\$ -	\$ 384,811	\$ 385,539	\$ -
Fines	424,736	-	-	424,736	-
Taxes	122,813	47,358	-	170,171	34,249
Gross receivables	548,277	47,358	384,811	980,446	34,249
Less: Allowance for uncollectables	(127,421)	-	(135,000)	(262,421)	-
Total	\$ 420,856	\$ 47,358	\$ 249,811	\$ 718,025	\$ 34,249

Interfund Transfers

Transfers are indicative of funding for capital projects, debt service, and subsidies of various City operations. The composition of inter-fund transfers from/to other funds as of September 30, 2024, is as follows:

Funds	Transfers in	Transfers out
General fund	\$ 489,824	\$ -
Debt service fund	58,491	-
Utility services fund	-	(547,677)
Economic development corporation	-	(638)
Total	\$ 548,315	\$ (548,315)

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Capital Assets

The following is a summary of the changes in the capital assets during the fiscal year:

Primary Government	Balance 9/30/2023	Additions	Deletions	Balance 9/30/2024
<i>Governmental activities</i>				
<u>Non-depreciable assets:</u>				
Land	\$ 162,894	\$ -	\$ -	\$ 162,894
<u>Depreciable assets:</u>				
Buildings & improvements	402,201	-	-	402,201
Machinery and equipment	540,677	-	-	540,677
Infrastructure	1,560,737	-	-	1,560,737
Vehicles	415,176	-	-	415,176
Right-to-use software arrangements	-	50,737	-	50,737
Accumulate depreciation	(1,481,448)	(143,050)	-	(1,624,498)
Governmental activities, net	1,600,237	(92,313)	-	1,507,924
<i>Business-type activities</i>				
<u>Non-depreciable assets:</u>				
Land	55,422	-	-	55,422
Construction in progress	3,254,643	589,115	-	3,843,758
<u>Depreciable assets:</u>				
Utility systems	9,082,658	-	-	9,082,658
Buildings	145,158	-	-	145,158
Machinery and equipment	454,852	-	-	454,852
Vehicles	357,770	-	-	357,770
Right-to-use lease agreement	58,257	-	-	58,257
Right-to-use software arrangements	-	34,230	-	34,230
Accumulate depreciation	(8,723,364)	(219,819)	-	(8,943,183)
Business-type activities, net	4,685,396	403,526	-	5,088,922
Capital assets, net	\$ 6,285,633	\$ 311,213	\$ -	\$ 6,596,846

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Capital Assets - continued

Depreciation expense for governmental activities was charged to Functions/Programs as follows:

Administration	\$ 32,826
Public safety	45,729
Highways and streets	<u>64,495</u>
Total depreciation expense	<u>\$ 143,050</u>

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage during the year ending September 30, 2024.

The City is a member of the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool, participating in workers' compensation, general liability, law enforcement liability, errors and omissions liability, automobile liability, automobile physical damage, real and personal property coverage, and employee health insurance.

Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and 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. No reportable litigation was pending against the City as of September 30, 2024.

Related Parties

In the ordinary course of business, the City has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the City.

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Long-Term Liabilities

Obligations currently outstanding and reported as liabilities of the City are comprised of the following:

	Maturity Date	Interest Rates	Original Issue Amount	Yearend Balance
Governmental Activities				
Certificate of Obligation, Series 2006	3/1/2026	5.10%	\$395,000	\$ 340,000
Note payable - State of Texas	3/1/2026	0.00%	158,430	12,553
Business-Type Activities				
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2017	2/1/2037	0.00-2.46%	1,180,000	805,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2020	2/1/2050	0.00%	2,035,000	1,985,000
Note payable - Meter project	8/1/2038	3.69%	990,507	932,331
Total obligations			<u>\$ 4,758,937</u>	<u>\$ 4,074,884</u>

The changes in the general long-term debt as of September 30, 2024 are as follows:

	Beginning Balance	Additions	Reductions	Yearend Balance	Due Within One Year
Governmental Activities					
Bonds - Series 2006	\$ 350,000	\$ -	\$ (10,000)	\$ 340,000	\$ 165,000
Bonds - Series 2012	65,250	-	(65,250)	-	-
Deferred amount of refunding 2012	(1,081)	-	1,081	-	-
Bonds - Series 2012A	80,439	-	(80,439)	-	-
Note - State of Texas	21,553	-	(9,000)	12,553	9,000
Compensated absences	30,757	4,772	-	35,529	-
Net pension liability	577,910	-	(133,515)	444,395	152,590
Net OPEB liability	38,435	950	-	39,385	1,004
Right-to-use lease agreements	-	-	-	-	-
Right-to-use software arrangements	-	50,737	(15,629)	35,108	16,879
Business-Type Activities					
Bonds - Series 2014	15,000	-	(15,000)	-	-
Bonds - Series 2017	860,000	-	(55,000)	805,000	55,000
Bonds - Series 2020	2,010,000	-	(25,000)	1,985,000	80,000
Bonds - Series 2012	104,750	-	(104,750)	-	-
Deferred amount of refunding 2012	(2,944)	-	2,944	-	-
Bonds - Series 2012A	64,561	-	(64,561)	-	-
Deferred amount of refunding 2012A	(732)	-	732	-	-
Note - Meter project	970,162	-	(37,831)	932,331	37,621
Compensated absences	22,878	-	(5,477)	17,401	-
Net pension liability	306,898	-	(88,234)	218,664	100,839
Net OPEB liability	17,925	628	-	18,553	663
Right-to-use lease agreements	33,626	-	(13,426)	20,200	15,074
Right-to-use software arrangements	-	34,230	(10,544)	23,686	11,388
Total	<u>\$ 5,565,387</u>	<u>\$ 91,317</u>	<u>\$ (728,899)</u>	<u>\$ 4,927,805</u>	<u>\$ 645,058</u>

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Long-Term Liabilities – continued

Annual debt service requirements for the City's long-term debt are as follows:

Year Ending September 30	Governmental Activities		Total
	Bonds		
	Principal	Interest	
2025	\$ 165,000	\$ 13,133	\$ 178,133
2026	175,000	4,463	179,463
Total	\$ 340,000	\$ 17,596	\$ 357,596

Year Ending September 30	Business-Type Activities		Total
	Bonds		
	Principal	Interest	
2025	\$ 135,000	\$ 16,622	\$ 151,622
2026	135,000	15,767	150,767
2027	135,000	14,832	149,832
2028	140,000	13,781	153,781
2029	140,000	12,617	152,617
2030-2034	695,000	43,315	738,315
2035-2039	695,000	36,126	731,126
2040-2044	375,000	-	375,000
2045-2049	375,000	-	375,000
2050	80,000	-	80,000
Total	\$2,905,000	\$153,060	\$3,058,060

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Long-Term Liabilities – continued

Notes payable currently outstanding and reported as liabilities of the City activities are as follows:

Governmental Activities	Maturity Date	Interest Rates	Note Amount	Yearend Balance
State of Texas - Municipal court fines	9/30/2026	0.000%	\$ 146,376	\$ 12,553
Business-Type Activities				
Flagstar Bank - Meter project	8/1/2038	3.69%	990,507	932,331
		Total	<u>\$ 1,136,883</u>	<u>\$ 944,884</u>

Annual debt service requirements for the City's notes payable are as follows:

Year Ending March 31	Governmental Activities		Business-Type Activities		Total
	Notes Payable		Notes Payable		
	Principal	Interest	Principal	Interest	
2025	\$ 9,000	\$ -	\$ 37,621	\$ 34,403	\$ 81,024
2026	3,553	-	39,922	33,015	76,490
2027	-	-	42,332	31,542	73,874
2028	-	-	44,858	29,980	74,838
2029	-	-	47,504	28,324	75,828
2030-2034	-	-	347,973	112,740	460,713
2035-2038	-	-	383,213	99,900	483,113
Total	\$ 12,553	\$ -	\$ 943,423	\$ 369,904	\$ 1,325,880

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Long-Term Liabilities - continued

At September 30, 2023, the City had \$105,392 available in the debt service fund, as required by bond covenants. Additionally, though not specifically required by bond covenants, the City has \$167,277 available in the system fund that has been set aside by management to service long-term debt.

Bonds and other debt payable at September 30, 2023, are comprised of the following:

Certificates of Obligation, Series 2006. In April, 2006, the City issued \$395,000 of general obligation bonds. The bonds were issued as term bonds at a rate of 5.10% and mature March 1, 2026. The bonds are subject to mandatory redemption in prescribed amounts before the maturity dates. The net proceeds were used for the purchase and renovation of the city hall building. The bonds are secured by ad valorem tax revenue and net surplus utility system revenue and are recorded in the debt service fund.

General Obligation Refunding Bonds, Series 2012. On July 15, 2012, the City issued \$1,675,000 of general obligation bonds carrying a rate of 3.400%. The bonds were issued to retire existing bonds and take advantage of lower interest rates. The bonds mature in varying amounts from 2013 to 2024. The net proceeds were used to advance refund \$275,000 of outstanding 1998A General Obligation Refunding Bonds, \$1,000,000 of outstanding 1998B Utility System Revenue Refunding Bonds, and the outstanding balance of \$335,000 of 1998C General Obligation Funding Bonds.

The refunding resulted in a difference of \$85,067 between the net carrying amount of the old debt and the reacquisition price (funds required to be deposited in escrow fund less accrued interest on the old bonds at the closing date). The loss on refunding is being amortized to interest expense over the life of the bonds.

General Obligation Refunding Bonds, Series 2012A. On December 1, 2012, the City issued \$1,500,000 of general obligation bonds carrying a rate of 3.400%. The bonds were issued to retire existing bonds and take advantage of lower interest rates. The bonds mature in varying amounts from 2013 to 2024. The net proceeds were used to refund the outstanding balance (\$790,000) of 1998A General Obligation Refunding Bonds and the outstanding balance (\$640,000) of 1998B Utility System Revenue Refunding Bonds.

The refunding resulted in a difference of \$8,785 between the net carrying amount of the old debt and the reacquisition price (principal being redeemed). The difference, a loss on refunding, is being amortized to interest expense over the life of the Series 2012A bonds.

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Long-Term Liabilities - continued

Both the 2012 and the 2012A Bonds require annual payments of principal and semi-annual payments of interest at varying amounts. The bond indenture allows the City to pay the bonds from the proceeds of an additional ad valorem tax that may be levied by the City, and the City has pledged any such proceeds to secure the payment. However, the City Council has elected to repay the bonds on a pro rata basis, with the portion of debt service that relates to the refunded 1998B bonds to be paid from utility revenue and the remaining portion of debt service that relates to the 1998A and 1998C bonds to be paid from ad valorem tax revenue. The bonds are recorded in the debt service fund and system fund on the same basis.

Combination Tax and Surplus Revenue Certificates of Obligation, Series 2014 (Direct Placement). In January 2014, the City approved issuance of \$125,000 of combination tax and revenue certificates of obligation carrying interest at rates of 0.38% to 2.56%. The proceeds from the bonds (\$77,930, net of issuance costs totaling \$47,070) will be used for the planning and design of wastewater system improvements. The sale of the bonds was made by private placement with the Texas Water Development Board. The bonds mature on February 1, 2024, are secured by ad valorem taxes and a lien on surplus utility revenue and are recorded in the system fund.

Combination Tax and Surplus Revenue Certificates of Obligation, Series 2017 (Direct Placement). In August 2016, the City approved issuance of \$1,180,000 of combination tax and surplus revenue certificates of obligation carrying interest at rates of 0.00% to 2.46%. The sale of the bonds was made by private placement with the Texas Water Development Board ("TWDB"). The bonds were issued in conjunction with a loan forgiveness grant being made by the TWDB to the City in the amount of \$1,132,025. The proceeds from the grant and bonds (\$2,214,877, net of issuance costs totaling \$97,148) will be used for the construction of improvements to the City's wastewater treatment system. The bonds mature on February 1, 2037, are secured by ad valorem taxes and a lien on surplus utility revenue, and are recorded in the system fund.

Combination Tax and Surplus Revenue Certificates of Obligation, Series 2020 (Direct Placement). In September, 2020, the City approved issuance of \$2,035,000 of combination tax and surplus revenue certificates of obligation carrying interest at rates of 0%. The sale of the bonds was made by private placement with the TWDB. The bonds were issued in conjunction with a loan forgiveness grant being made by the TWDB to the City in the amount of \$2,000,000. The proceeds from the grant and bonds (\$3,915,059, net of issuance costs totaling \$119,941) will be used for the construction of improvements to the City's wastewater system. The bonds mature on February 1, 2050, are secured by ad valorem taxes and a lien on surplus utility revenue and are recorded in the system fund.

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Long-Term Liabilities – continued

Note Payable to the State of Texas. In 2004, the City reached an agreement with the State of Texas to begin repaying previously unremitted municipal court costs, fees, and fines totaling \$146,376. The agreement requires monthly installments of \$500 through February 2029. As a result of an audit of the City's court costs, fees, and fines, conducted by the State of Texas during fiscal year 2015, the City was found to owe \$12,054 to the State. This amount is being paid to the state at a rate of \$250 per month, beginning in March 2016. No interest is being charged on either of the balances.

Note Payable – Meter Project. In 2022, the City entered into an agreement with Flagstar Bank for the funding of remotely read utility meters in the amount of \$990,507 (inclusive of issuance costs of \$11,000). The agreement includes an escrow account from which draws are made. The loan requires sixteen annual payments (at varying amounts) of principal and interest beginning August 1, 2023, and bearing interest at 3.69%. The note matures August 1, 2038 and is recorded in the system fund.

Bond Compliance Requirements. The bond ordinances require that during the period in which the bonds are outstanding, the City must create and maintain certain accounts or funds to receive the proceeds from the sale of the bonds and to account for the revenues (as defined) and/or taxes, which are pledged for payment of the bonds. The assets can be used only in accordance with the terms of the bond ordinance and for the specific purpose(s) designated therein. Certain bond ordinances have additional requirements for the establishment of rates and the accumulation of principal and interest repayment amounts from surplus operating funds. Generally, the bonds may be redeemed prior to their maturities in accordance with the bond ordinances and at various premiums equal to or less than 2%.

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Leases

Lease agreements are summarized as follows:

Description	Lease Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Yearend Balance
John Deere - Backhoe	1/14/2022	48 Months	\$ 1,289	3.000%	\$ 58,257	\$ 20,200
Total					<u>\$ 58,257</u>	<u>\$ 20,200</u>

The John Deere Backhoe was leased for Utility Operations, beginning on January 14, 2022, for a term of forty-eight (48) months or two years at a fixed interest rate of 3.00% with a monthly payment of \$1,289. This lease is renewable, and the City has the option to purchase the equipment for a purchase price of \$46,702.61

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending September 30	Business-Type Activities	
	Lease Payment Schedule	
	Principal	Interest
2025	\$ 15,074	\$ 400
2026	5,126	32
Total	<u>\$ 20,200</u>	<u>\$ 432</u>

Prior Period Adjustment

Prior to 2024, Compensated Absences, delinquent property taxes, and delinquent fines and forfeitures were reported on the governmental funds balance sheet. However, these long-term liabilities and Assets are not due and payable in the current period and are not available to pay for current period expenditures respectively and therefore should not be reported in that manner.

As a result, the City determined that an adjustment to its previously reported September 30, 2023, Governmental Fund Balances and Governmental Activities Net Position was necessary and increased fund balances and net position by \$277,001, as presented below:

	<u>General Fund</u>
Beginning fund balance	\$ 168,692
Adjustment to correct compensated absences payable	30,757
Beginning fund balance, as restated	<u>\$ 199,449</u>
	<u>Governmental Activities</u>
Beginning net position	\$ 858,856
Adjustment to deferred property taxes	406
Adjustment to deferred fines, forfeitures, and warrants	276,595
Beginning net position, as restated	<u>\$ 1,135,857</u>

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Subscription-Based Information Technology Arrangements

The City implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. The City has one (1) software arrangement that requires recognition under GASBS No. 96. The software amortization expense is included on the Statement of Revenues, Expenses and Changes in Fund Net Position related to the City's intangible asset of five software systems, which is included in the capital assets table as Intangible Right-to-Use Software Arrangements.

The City recognizes subscription-based information technology arrangement (SBITA) liabilities and intangible right-to-use assets for software as follows:

The FundView accounting software arrangement is a one-year agreement, initiated in fiscal year 2023 with an annual payment of \$32,970. At the inception, the City has used a 8.00% interest rate for this arrangement based on the prime rate as published by the *Wall Street Journal*. The City has an option to extend this arrangement for 12 additional months and is likely to exercise that option for two (2) additional years. There is no option to purchase the software.

These assets will be amortized over the lease terms of three years with \$58,794 recorded as intangible right-to-use software arrangements in the General Fund and Water Sewer Fund capital assets.

SBITA agreements are summarized as follows:

<u>Governmental Activities</u>	<u>SBITA Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Total SBITA Liability</u>	<u>Yearend Balance</u>
Right-to-use software arrangements						
FundView	10/1/2023	36 months	\$ 19,688	8.00%	\$ 50,737	\$ 35,108
<u>Business-Type Activities</u>						
Right-to-use software arrangements						
FundView	10/1/2023	36 months	\$ 13,283	8.00%	34,230	23,686
				Total	<u>\$ 17,813</u>	<u>\$ 58,794</u>

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Subscription-Based Information Technology Arrangements – continued

A summary of the principal and interest amounts for the remaining arrangements includes the following principal and interest payments:

Year Ending March 31	SBITA Payment Schedule				
	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2025	\$ 16,879	\$ 2,809	\$ 11,388	\$ 1,895	\$ 32,971
2026	18,229	1,458	12,298	984	32,969
2027	-	-	-	-	-
2028	-	-	-	-	-
Total	\$ 35,108	\$ 4,267	\$ 23,686	\$ 2,879	\$ 65,940

Commitments

The City has the following contractual commitments as of September 30, 2024:

Solid Waste Contract. In January, 2016, the City entered into a five-year contract with a company to collect commercial and residential garbage within the city. The initial contract term expired on December 31, 2020 and automatically renewed for a five year term. During the year, the City paid \$125,473 under the contract.

Natural Gas Purchase Contract. In July, 2021, the City extended its agreement with a company to provide natural gas to the City. The contract term is for ten years beginning July 1, 2021 and is set to be in effect in five year periods thereafter unless terminated by either party. During the year, the City paid \$808,738 under the contract.

Mowing Contract. In September, 2019, the City entered into a three-year agreement for the mowing of various City properties at a rate of \$2,400 per month. During the year, the City paid \$28,800 under the contract.

Interlocal Agreement – Dispatch Services. In December, 2015, the City entered into a one-year agreement with Angelina County for dispatch services. The agreement includes a provision for automatic annual renewal each calendar year; absent the City's notice of cancellation. During the year, the City paid \$14,000 under the agreement.

**CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan

Plan Description – The City participates as one of 940 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

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

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

Plan provisions for the City were as follows:

Plan Year	2024	2023
Employee deposit rate	7%	7%
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

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Employees covered by benefit terms:

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	22
Active employees	<u>21</u>
Total	<u><u>60</u></u>

Contributions – Member contribution rates in TMRS are either 5%, 6% or 7% of the Member’s total compensation, and the city matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city’s contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.06% and 16.01% in calendar years 2022 and 2023, respectively. The City’s contributions to TMRS for the year ended September 30, 2024 were \$166,797, and were equal to the required contributions.

Net Pension Liability – The City’s Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements.

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Actuarial assumptions – continued:

For disabled annuitants, the same mortality tables for healthy retirees is used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2012. They were adopted in 2024 and first used in the December 31, 2024 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public and Private Markets	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%
Total	100.00%	

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Discount rate:

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

Changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	\$ 4,789,002	\$ 3,904,198	\$ 884,804
Changes for the year:			
Service cost	\$ 176,088	\$ -	\$ 176,088
Interest	320,647	-	320,647
Changes in current period benefits*	-	-	-
Difference between expected and actual experience	(12,390)	-	(12,390)
Changes of assumptions	(40,727)	-	(40,727)
Contributions - employer	-	147,644	(147,644)
Contributions - employee	-	68,631	(68,631)
Net investment income	-	451,987	(451,987)
Benefit payments, including refunds of employee contributions	(253,429)	(253,429)	-
Administrative expense	-	(2,875)	2,875
Other changes	-	(20)	20
Net changes	190,189	411,938	(221,749)
Balance at 12/31/2024	\$ 4,979,191	\$ 4,316,136	\$ 663,055

* For TMRS, the "changes in current period benefits" includes substantively automatic benefit status changes, if applicable.

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Sensitivity of the net pension liability to changes in the discount rate:

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

	1% Decrease in Discount Rate 5.75%	Current Rate Assumption 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability (asset)	\$ 1,327,473	\$ 663,055	\$ 115,343

Pension plan fiduciary net position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at tmrs.com.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended September 30, 2024, the City recognized pension expenditures of \$147,954.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 333,293
Changes in actuarial assumptions	-	12,086
Difference between projected and actual investment earnings	244,692	-
Contributions subsequent to the measurement date	166,796	-
Total	<u>\$ 411,488</u>	<u>\$ 345,379</u>

**CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – continued

The amount of \$166,796 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
2024	\$	35,072
2025		30,040
2026		74,299
2027		(37,690)
2028		-
Thereafter		-
Total	\$	<u>101,721</u>

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Postemployment Benefits Other Than Pensions (OPEB): Supplemental Death Benefits Fund

Plan Description – The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by 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.

Benefits Provided – 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.

Employees covered by benefit terms:

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>21</u>
Total	<u>33</u>

Contributions – 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.

Schedule of contributions:

Plan Year	2023	2022
Total SDB Contribution (Rate)	.44%	.26%
Retiree Portion of SDB Contribution (Rate)	.17%	.14%

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

Actuarial assumptions:

Summary of actuarial assumptions:	
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	3.77%
Retirees' share of benefit-related costs	\$0.00
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019Municipal Retirees of TexasMortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

Changes in the OPEB liability:

	<u>Total OPEB Liability</u>
Balance at 12/31/2023	<u>\$ 56,361</u>
Changes for the year:	
Service cost	\$ 2,745
Interest	2,304
Change of benefit terms	-
Difference between expected and actual experience	(4,160)
Changes of assumptions	2,355
Benefit payments	<u>(1,667)</u>
Net changes	<u>1,577</u>
Balance at 12/31/2024	<u>\$ 57,938</u>

CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

Sensitivity of the OPEB liability to changes in the discount rate:

	1% Decrease in Discount Rate <u>2.77%</u>	Current Rate Assumption <u>3.77%</u>	1% Increase in Discount Rate <u>4.77%</u>
City's net pension liability (asset)	\$ 68,532	\$ 57,938	\$ 49,554

OPEB expense:

	<u>OPEB Expense</u>
Service cost	\$ 2,745
Interest	2,304
Change of benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(1,579)
Changes of assumptions	<u>(1,361)</u>
Total OPEB expense	<u>\$ 2,109</u>

Deferred outflows of resources and deferred inflows of resources related to OPEB:

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 10,624
Changes in assumptions and other inputs	-	8,725
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	<u>4,810</u>	<u>-</u>
Total	<u>\$ 4,810</u>	<u>\$ 19,349</u>

**CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):

<u>Year ended December 31:</u>		
2024	\$	(2,382)
2025		(4,142)
2026		(5,730)
2027		(1,783)
2028		(100)
Thereafter		<u>-</u>
Total	\$	<u>(14,137)</u>

Accounting Standards

The GASB has issued the following Statement(s) which were implemented during the current fiscal year as shown below:

GASB Statement No. 100 – “*Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62.*” The objectives of this Statement are to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement will become effective for fiscal years beginning after June 15, 2023. All applicable provisions have been included in the City’s financial statements as of September 30, 2024.

The GASB has issued the following Statements which will become effective in future years as shown below:

GASB Statement No. 101 – “*Compensated Absences.*” The objectives of this Statement are to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Statement will become effective for fiscal years beginning after December 15, 2023. All applicable provisions have been included in the City’s financial statements as of September 30, 2024.

**CITY OF HUNTINGTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Accounting Standards – continued

GASB Statement No. 102 – “*Certain Risk Disclosures.*” The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 103 – “*Financial Reporting Model Improvements.*” The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 104 – “*Disclosure of Certain Capital Assets.*” The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. Management has not yet determined the impact of this Statement on its financial statements.

OMB Circular A-133 – State of Texas Single Audit Circular

The City did not expend \$750,000 or more in federal or state awards during 2024. As a result, a Single Audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular was not required for the year ended September 30, 2024

Subsequent Events

Management has evaluated all other subsequent events through November 18, 2025, which is the date the financial statements were made available to management

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Required Supplementary Information

**CITY OF HUNTINGTON, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Taxes:				
Sales	\$ 460,000	\$ 572,000	\$ 381,487	\$ (190,513)
Property	422,500	426,000	634,182	208,182
Franchise	89,850	89,850	88,258	(1,592)
Fines and forfeitures	398,200	398,200	168,185	(230,015)
Licenses and permits	21,600	21,600	6,566	(15,034)
Charges for services	142,350	142,350	77,986	(64,364)
Grants and contributions	14,250	14,250	11,625	(2,625)
Interest income	5,100	5,100	13,530	8,430
Miscellaneous	400	20,400	29,858	9,458
Total revenues	1,554,250	1,689,750	1,411,677	(278,073)
EXPENDITURES				
Administration	402,649	447,149	306,229	140,920
Public safety	669,225	669,225	689,872	(20,647)
Municipal court	394,661	406,011	278,589	127,422
Emergency services	16,000	16,000	21,906	(5,906)
Highways and streets	218,452	218,452	146,102	72,350
Debt service	-	-	179,615	(179,615)
Capital outlay	-	-	50,737	(50,737)
Total expenditures	1,700,987	1,756,837	1,673,050	83,787
Excess (deficiency) of revenues over (under) expenditures	(146,737)	(67,087)	(261,373)	(194,286)
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds	227,500	227,500	548,315	320,815
Right-to-use software arrangements	-	-	50,737	50,737
Sale of assets	2,500	20,000	-	(20,000)
Total other financing sources	230,000	247,500	599,052	351,552
Excess (deficiency) of revenues & other sources over expenditures & other (uses)	\$ 83,263	\$ 180,413	337,679	\$ 157,266
Fund balance - beginning of year			93,732	
Fund balance - end of year			\$ 321,182	

**CITY OF HUNTINGTON, TEXAS
DEBT SERVICE FUND
SSCHEUDLE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Taxes:				
Property	\$ 232,001	\$ 232,001	\$ 224,213	\$ (7,788)
Interest income	-	-	2,571	2,571
Total revenues	232,001	232,001	226,784	(5,217)
EXPENDITURES				
Administration	-	-	20,060	(20,060)
Debt service	223,748	223,748	154,986	68,762
Total expenditures	223,748	223,748	175,046	48,702
Excess (deficiency) of revenues over (under) expenditures	8,253	8,253	51,738	43,485
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds	-	-	58,491	58,491
Total other financing sources	-	-	58,491	58,491
Excess (deficiency) of revenues & other sources over expenditures & other (uses)	\$ 8,253	\$ 8,253	110,229	\$ 101,976
Fund balance - beginning of year			105,717	
Fund balance - end of year			\$ 215,946	

TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 YEARS
(UNAUDITED)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	\$ 176,088	\$ 163,195	\$ 156,120	\$ 148,632	\$ 130,828	\$ 129,624	\$ 127,330	\$ 115,773	\$ 102,252	\$ 89,591
Interest (on the total pension liability)	320,647	297,147	282,510	265,159	246,619	232,213	217,519	207,637	205,583	202,986
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(12,390)	101,032	(41,443)	12,029	35,421	17,461	22,208	(38,491)	(36,218)	(101,675)
Change of assumptions	(40,727)	-	-	-	22,478	-	-	-	19,434	-
Benefit payments, including refunds of employee contributions	(253,429)	(185,901)	(181,850)	(163,173)	(176,002)	(156,957)	(144,072)	(144,508)	(172,736)	(147,516)
Net change in total pension liability	190,189	375,473	215,337	262,647	259,344	222,341	222,985	140,411	118,315	43,386
Total pension liability - beginning	4,789,002	4,413,529	4,198,192	3,935,545	3,676,201	3,453,860	3,230,875	3,090,464	2,972,149	2,928,763
Total pension liability - ending (a)	\$ 4,979,191	\$ 4,789,002	\$ 4,413,529	\$ 4,198,192	\$ 3,935,545	\$ 3,676,201	\$ 3,453,860	\$ 3,230,875	\$ 3,090,464	\$ 2,972,149
Plan fiduciary net position										
Contributions - employer	\$ 147,644	\$ 139,337	\$ 136,246	\$ 121,868	\$ 109,567	\$ 108,768	\$ 107,957	\$ 93,119	\$ 95,183	\$ 92,229
Contributions - employee	68,631	63,466	62,270	59,795	54,318	53,281	51,761	47,337	44,183	39,462
Net investment income	451,987	(306,084)	481,891	259,553	459,841	(91,745)	371,139	169,887	3,758	138,747
Benefit payments, including refunds of employee contributions	(253,429)	(185,901)	(181,850)	(163,173)	(176,002)	(156,957)	(144,072)	(144,508)	(172,736)	(147,516)
Administrative expense	(2,875)	(2,649)	(2,230)	(1,680)	(2,599)	(1,774)	(1,924)	(1,920)	(2,289)	(1,449)
Other	(20)	3,164	15	(66)	(78)	(93)	(98)	(104)	(113)	(119)
Net change in plan fiduciary net position	411,938	(288,667)	496,342	276,297	445,047	(88,520)	384,763	163,811	(32,014)	121,354
Plan fiduciary net position - beginning	3,904,198	4,192,865	3,696,523	3,420,226	2,975,179	3,063,699	2,678,936	2,515,125	2,547,139	2,425,785
Plan fiduciary net position - ending (b)	\$ 4,316,136	\$ 3,904,198	\$ 4,192,865	\$ 3,696,523	\$ 3,420,226	\$ 2,975,179	\$ 3,063,699	\$ 2,678,936	\$ 2,515,125	\$ 2,547,139
Net pension liability - ending [(a) - (b)]	\$ 663,055	\$ 884,804	\$ 220,664	\$ 501,669	\$ 515,319	\$ 701,022	\$ 390,161	\$ 551,939	\$ 575,339	\$ 425,010
Plan fiduciary net position as a percentage of total pension liability	86.68%	81.52%	95.00%	88.05%	86.91%	80.93%	88.70%	82.92%	81.38%	85.70%
Covered employee payroll	\$ 980,444	\$ 908,759	\$ 889,572	\$ 854,208	\$ 775,967	\$ 761,151	\$ 739,433	\$ 676,243	\$ 631,184	\$ 563,744
Net pension liability as a percentage of covered employee payroll	67.63%	97.36%	24.81%	58.73%	66.41%	92.10%	52.76%	81.62%	91.15%	75.39%

TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS
(UNAUDITED)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 166,797	\$ 41,033	\$ 16,793	\$ 136,507	\$ 119,114	\$ 110,659	\$ 107,793	\$ 104,599	\$ 92,835	\$ 91,266
Contributions in relation to the actuarially determined contribution	166,797	146,909	137,158	136,507	119,114	110,659	107,793	104,599	92,835	91,266
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered employee payroll	980,444	908,759	889,572	854,208	775,967	761,151	739,433	676,243	631,184	563,744
Contributions as a percentage of covered employee payroll	17.01%	12.18%	15.42%	15.98%	15.35%	14.54%	14.58%	15.47%	14.71%	16.19%

NOTES TO THE SCHEDULE OF CONTRIBUTIONS

Valuation Date:	
Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.
Methods and assumptions used to determine	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 Years (longest amortization ladder)
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.5%
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
	Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Other information:	
Notes	There were no benefit changes during the year.

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFITS FUND**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)**

(UNAUDITED)

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability							
Service cost	\$ 2,745	\$ 4,805	\$ 4,092	\$ 3,075	\$ 2,018	\$ 2,206	\$ 1,923
Interest (on the total OPEB liability)	2,304	1,496	1,539	1,683	1,788	1,633	1,589
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(4,160)	(1,773)	(2,696)	1,316	(252)	(1,078)	-
Change of assumptions	2,355	(26,454)	2,399	9,993	9,296	(3,474)	3,939
Benefit payments	(1,667)	(1,270)	(1,334)	(342)	(388)	(304)	(295)
Net change in total OPEB liability	1,577	(23,196)	4,000	15,725	12,462	(1,017)	7,156
Total OPEB liability - beginning	56,361	79,556	75,556	59,831	47,369	48,386	41,230
Total OPEB liability - ending	<u>\$ 57,938</u>	<u>\$ 56,360</u>	<u>\$ 79,556</u>	<u>\$ 75,556</u>	<u>\$ 59,831</u>	<u>\$ 47,369</u>	<u>\$ 48,386</u>
Covered employee payroll	\$ 980,444	\$ 908,759	\$ 889,572	\$ 854,208	\$ 775,967	\$ 761,151	\$ 739,433
Total OPEB liability as a percentage of covered employee payroll	5.91%	6.20%	8.94%	8.85%	7.71%	6.22%	6.54%

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Compliance and Internal Control



DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

INDEPENDENT AUDITOR'S 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 City Council
City of Huntington, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the 2024 City of Huntington (City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 18, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Huntington, Texas's Response to Prior Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying summary schedule of prior findings and responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "David K. Godwin, CPA, PLLC". The signature is fluid and cursive.

David K. Godwin, CPA, PLLC

Tyler, Texas

November 18, 2025

**CITY OF HUNTINGTON, TEXAS
SUMMARY SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

2023-001 Material Weakness: Bank Reconciliations

Recommendation 2023-001.01

Bank reconciliations are a front-line defense for any organization as a means of preventing possible misappropriation of funds and/or inaccurate financing reporting. All bank statements should be reconciled to the City's general ledger as soon after month end as practical and reviewed by someone other than the preparer. The reviewer should document this action by initialing the reconciliation and bank statement. This documentation should be retained in the City's records.

Corrective Action Plan

As this has been noted in previous years' audits, we set procedures to have Julie Davis review all bank reconciliations. Those plans were placed on hold due to the conversion to Fund View as there were issues in getting our consolidated cash accounts reconciled. The issues were identified and dealt with and will not be a problem moving forward. Reconciliations will be reviewed on a monthly basis, per the auditor's request.

Remediation Status

In Progress

2023-002 Material Weakness: Subledgers vs. General Ledger

Recommendation 2023-002.02

We recommend that City management develop specific daily/monthly procedures to ensure that the sub-ledger and general ledger for these accounts agree. In addition, the City should allocate sufficient funds to additional software training on Fund View.

Corrective Action Plan

Lisa Carter was attempting to reconcile these ledgers while we were with Asyst. Since moving to Fund View there has not been opportunity to pursue this process. However, we will get with Fund View personnel for additional training relating to this matter and attempt to move forward in a timely manner.

Remediation Status

In Progress