



**Operating Budget
For Fiscal Year
October 1, 2019 – September 30, 2020**



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Town of Annetta Proposed Budget | 2019-2020

August 15, 2019

To the Citizens and City Council members of the Town of Annetta:

The Town of Annetta continues to provide quality service to the community while maintaining its commitment to efficient, conservative management of public resources. The Town also remains committed to grow in terms of professionalism and service levels without taxing the wealth of its citizens through implementation of an ad valorem tax. Reserve funds will be maintained at a responsible level in accordance with the Town of Annetta fiscal policies.

Assumptions

The proposed budget was developed following an extensive process involving input and feedback from the staff of the Town and vendors including the City of Hudson Oaks as Operator of the Water and Sewer System.

The proposed FY 2019-20 Budgets assume:

- The Town will continue to operate without an ad valorem tax.
- The Town's sales tax revenues for FY 2019-20 will continue to increase slightly over previous years due to increased homebased business activities.
- Franchise fee collections will remain stable.
- Water and Waste Water revenues will remain stable.
- Special Sales Tax funding for street maintenance will add approximately \$20,000.00 to the budgeted amount for road repairs in 2019-20.
- A Crime Control and Prevention program continues to move forward with over \$18,600.00 in voter approved funding through sales taxes collected in the previous year. This program provides citizen awareness training, communication and other resources to help maintain a low crime rate in the Annetta community.

Planning for the Future

The proposed budgets include funding and plans for:

- Continued maintenance and repair of the Town's roadways and public right of ways.
- Operations and Maintenance programs (O&M) of the Town's water and wastewater systems.
- Funding for Capital Improvements to the Town's water and wastewater systems.
- New equipment and other facilities for the water and wastewater department.
- Budgetary payroll increases related to new hires and council objectives.

Respectfully Submitted,

Bruce Pinckard
Mayor

Kent Stasey
Mayor Pro-Tem
Place 5

Shane Mudge
Place 1

Danny Coffman
Place 2

Sandy Roberts
Place 3

James Causey
Place 4

Town of Annetta General Fund | 2019-2020

Program of Service:

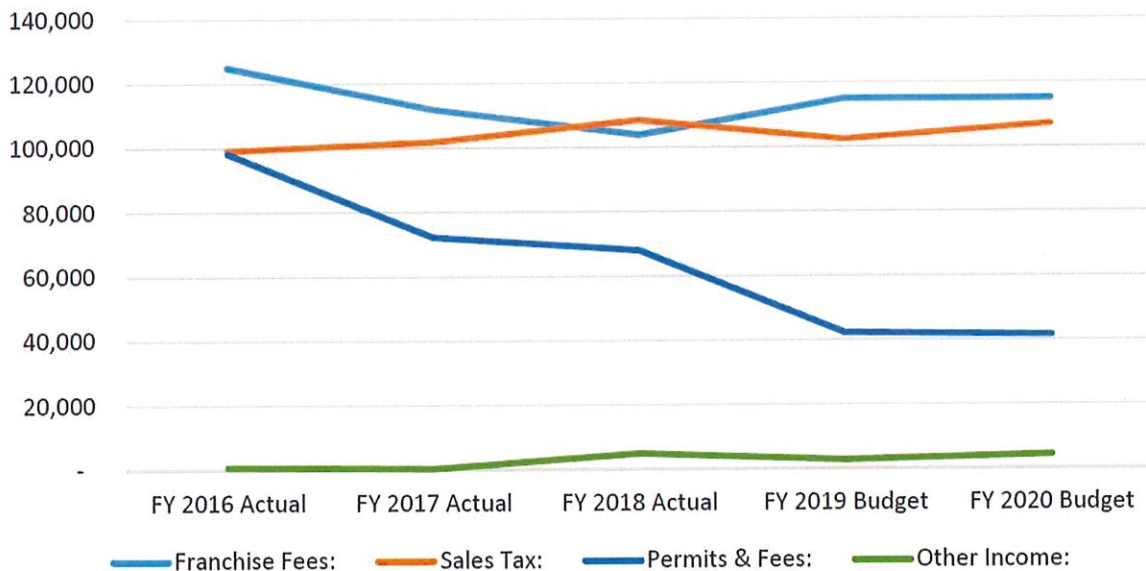
The General Fund accounts for activities related to city services and development including:

- Elections
- Building Permits and Inspections
- Public Information Requests
- Certificates of Occupancy
- City Council information and meeting requirements
- Civil Engineering and Zoning
- General Health and Safety code regulations
- Franchisees that operate within the City Limits
- Requests for Public Service
- City Planning, Mapping and Ordinance review

As part of the day to day city activities, our friendly city staff will interact and meet with citizens, landowners, business owners and developers. Staff receive requests for services and information, answer questions and communicate with city leaders the needs that come before the Town. City staff will work to ensure that planned developments meet both the letter of the law and the community standard. The staff works in concert with the City Council and other committees to take proposed projects through the processes of design, review, and consideration by both the Planning and Zoning Commission and the City Council.

How does the Town of Annetta get its revenue?

General Fund: Historical Revenue Trends

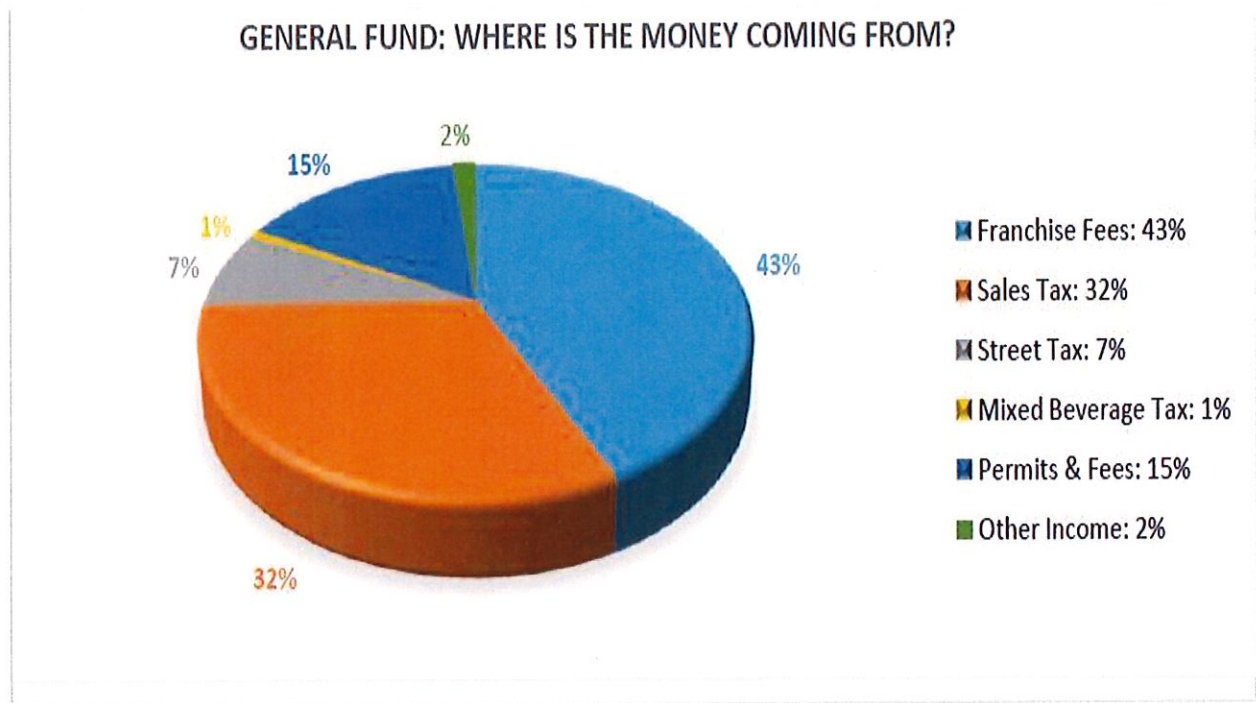


The Town of Annetta derives revenue primarily from Franchise Fees and Sales Taxes. Permit fees although received as revenue are paid out as a direct expense to contract service providers for

Town of Annetta General Fund | 2019-2020

building inspections. As illustrated above, permit fees continue to decline as the Town finds more efficient ways to process building permits and find more cost-effective providers of inspection services.

Below is a summary of the 2019-20 budgeted cash inflows and outflows of the General Fund:



Franchise Fees are monies paid to a municipality by utility and service providers for use of the roadways and easements in the Town. All cities receive franchise fees to help offset wear and tear from vehicular traffic not only from those providers but from their customers as well. These fees are typically based on a percentage of the gross revenue within a defined service area such as a town or city. For utility providers such as ONCOR and Tri-County Electric, these fees may go up or down along with the price of energy needed to produce electricity. For other service providers the rate may be more stable.

The ability for the town to manage maintenance of these roadways and easements is not only advantageous to the utility and service companies who operate within the corporate limits but also to the residents who enjoy those services. This could not otherwise occur without some form of replacement income to keep these easements clear and accessible in all weathers.

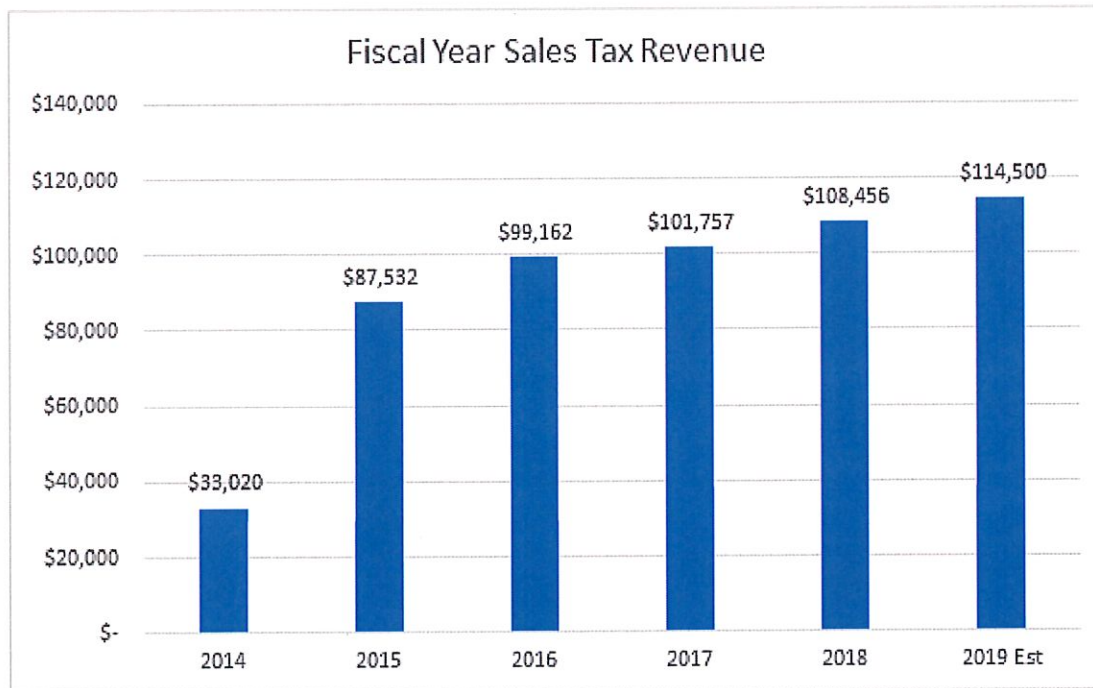
In 2019, the Town of Annetta continued an auditing process of these payments by franchise fee providers to ensure that fees collected are adequate to provide upkeep of these roads and easements within the Town. These Audits have led to a recent increase in total receipts as addresses within the town are reconciled with payments in order to ensure completeness. As

Town of Annetta General Fund | 2019-2020

energy costs have declined relative to expenses related to road repairs it has been important to constantly evaluate the town's relationships with these providers. Review of agreements with these providers has also led to negotiations that provide beneficial increases to the citizens in the form of fairly written contracts, future rate adjustments and accurate collections. The most notable increase in franchise fees however came after the 2014 voluntary annexation of residents into Annetta. The increase to the town in the number of homes which were already in our community added greatly to the ability of Annetta to bring aging and previously ignored infrastructure into repair.

Sales Taxes are largely generated by home-based businesses and online sales with products delivered to an address within the town. The portion of total sales taxes collected by Annetta is small (1%) but the total dollar amount indicates a healthy economic community. Sales tax income accounts for about one-third of the revenue generated in Annetta each year within the General Fund. The total sales tax rate collected in Annetta is the same as most other Texas cities and is comprised of the following:

- 6.25% State Sales Tax
- .50% Parker County Sales Tax
- .50% Annetta Sales Tax
- .25% Annetta Road Tax
- .25% Annetta Crime Control and Prevention District
- 8.25% Total Sales Tax



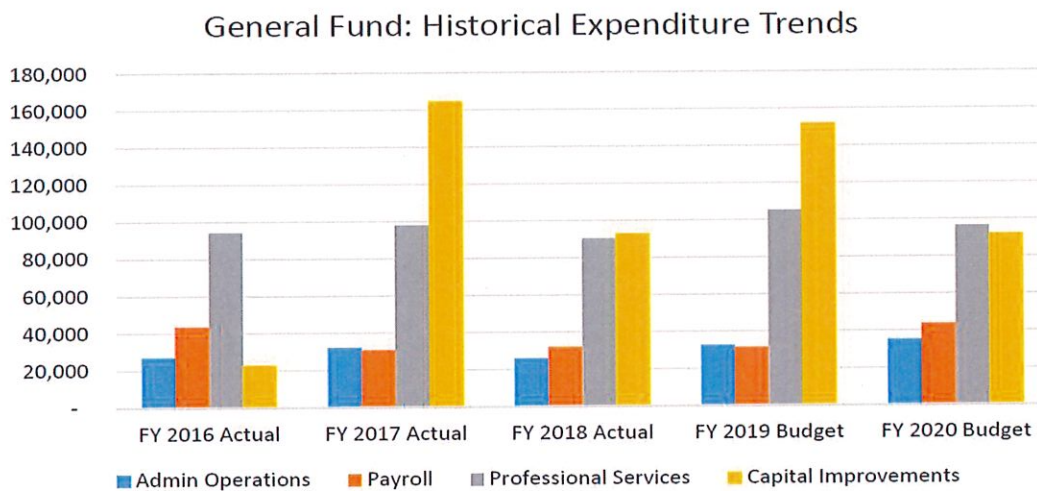
Town of Annetta General Fund | 2019-2020

In 2019, the town once again audited sales tax collection information from the State to insure completeness and correctness. This review process has been beneficial as the town discovered some Annetta businesses had that portion of their sales tax collections erroneously going to another city. This was due to the State Comptroller’s Office having incorrect information. The Annetta City Council and staff are always working to benefit Annetta citizens.

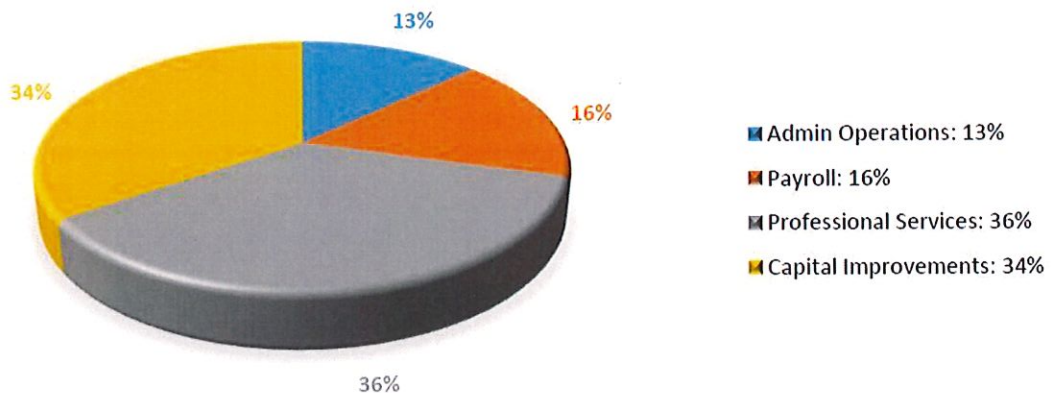
Also noted in the graph this year is Street Tax collections. The voters have overwhelmingly approved continuance of this very small percentage of sales tax (.25%) which can only be spent on road projects within the taxing area. In previous years this was included in the graph as part of total sales tax collections, but we have broken it out this year for clarity.

What are the areas of expense related to running the town?

The below graph illustrates the areas of historical expenditure trends of the Town.



GENERAL FUND: WHERE WILL THE MONEY GO?



The General Fund has three notable and consistent areas of expenses. In the 2019-20 budget, Administrative Operations and Employee Costs together account for about 29% of the General Fund expenses with Professional Services such as Legal, Engineering and Consulting planned for roughly 36%. Capital Improvements makes up the remaining 34% and includes road and road related projects.

Notable Accomplishments, FY 2018-19

Continued commitment to road repairs and street maintenance

The Town of Annetta has a working plan to upgrade and maintain all the roads in the Town and it has again committed substantial resources in the amount of \$78,950.00 in this next budget cycle. Road repairs are reflected in the budget under Capital Improvements.

This past year the Town of Annetta kept its commitment to aggressively finance the repair and maintenance of the roads in our town. City Council members and staff often meet with citizens and personally inspect conditions to address concerns over both road surface and drainage issues. This is also one aspect of determining each year's road projects as complaints are filed and reviewed through a grading process.

Due to the way our community has developed over the last three decades, little attention was given to drainage issues before 2014. The effect poor drainage has on private property as well as roads when not dealt with has a high and recurring cost due to undermining road surfaces causing pre-mature wear. This has changed as Annetta continues to improve policies and standards to protect from poorly planned developments. Older neighborhoods are being closely monitored and where possible, improvements will be made to help create a better condition moving forward. In 2019, heavy Spring rains delayed all road construction projects in the area however a commitment has been made to continue working to ensure the Annetta projects are completed in this budget cycle.



Planning for the future.

With a solid Comprehensive Plan, ordinances and development regulations are continuously being tailored to coincide with the Town Vision Statement. The Zoning Ordinance adopted in 2018 is being closely reviewed and tailored with citizen participation to reflect the desire to maintain a high standard of living and a semi-rural lifestyle.

The Annetta Engineering Design Manual continues to make a great difference in increasing construction standards on publicly dedicated infrastructure both inside the city limits as well as in the Extra Territorial Jurisdiction. Annetta will not accept substandard roads, drainages or utilities from developers. The effects on negotiations with developers regarding these issues has been noticeably improved due to this steadfast commitment to quality. These new standards will help prolong the life of roads, water and sewer lines and other vital components of community infrastructure so that the citizens do not have to inherit higher ongoing maintenance costs into the future.

Other Annetta Happenings in 2018-19



New Annetta Weather Monitoring Station

The Town of Annetta now has a new weather monitoring station by virtue of an agreement with the City of Fort Worth. This project came at no cost to the citizens of Annetta.

This weather monitoring station will be able to provide site specific data to local weather stations for weather reports. Temperature, humidity, wind speed and direction as well as rainfall and other important data are now gathered at 450 Thunder Head Ln. so Annetta residents can see what weather events are happening right in their own backyard.

Look for weather reports to begin referring to Annetta in their broadcasts in the very near future!

The 2019 Annetta Cleanup Day

This year's event was another tremendous success with awards given for the most trash picked up and most unusual item collected. Afterwards, everyone shared a meal and conversation to better know their neighbors. The General Fund supports the cost of trash bags, refuse pickup and the meal. Volunteers give of their time and Sponsors provide Safety Vests and pick up tools.



Other Town Improvements:



The Town of Annetta Administration Building continues to improve with the help of the Parker County Master Gardeners, and we would like to extend our heartfelt thanks for all they do!

Landscaping flourishes with the drip irrigation system in place which is proving that plants can be kept healthy and vibrant while effectively reducing water loss that would normally occur through evaporation. Healthy soil also means less maintenance.

This year again saw many neighbors come use the benches built in front of city hall and even use the beautiful landscaping as a backdrop for photos of their pets and children.

The Town of Annetta's new logo and branding not only reflect the Annetta Vision but is now associated with a higher standard of living. Town staff have received numerous compliments on this effort and citizens readily identify with it. If you haven't done so already, please visit the



Town's website www.annetta.org and view the video of citizens speaking about what Annetta means to them!

Annetta Monarch Butterfly Way Station

In July, the Town of Annetta reinforced its pledge to remain a "Monarch Butterfly Way Station". By instituting a native plant program that naturally helps support Monarch Butterflies as they migrate from Canada to Mexico, the Town hopes to set an example of how a little effort can make a big difference. More plants have been added by the Parker County Master Gardeners that are drought resistant as well as a valuable source of energy for these beautiful creatures.



We were pleased to see many citizens come enjoy the Monarch Butterflies as they paused at Annetta City Hall along their journey.



COMMON NAME: Monarch Butterfly
SCIENTIFIC NAME: *Danaus plexippus*
TYPE: Invertebrates
DIET: Herbivore
GROUP NAME: Flutter
AVERAGE LIFE SPAN: 6 to 8 months
SIZE: Wingspan 3.7 to 4.1 inches
WEIGHT: 0.0095 to 0.026 ounces
Source: National Geographic



Bearcat Nation 101

The Town of Annetta once again participated in the annual Bearcat Nation 101 event. This well attended venue provides local organizations a chance to welcome new residents to the school district.

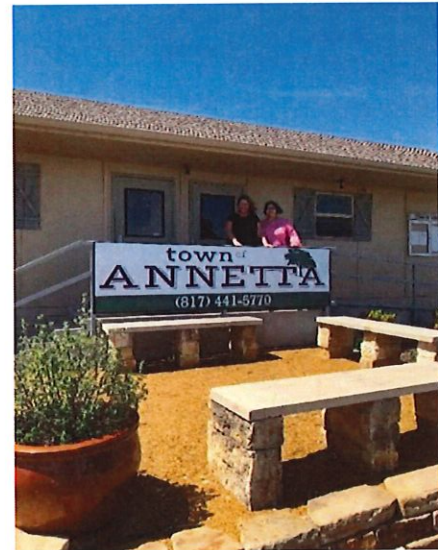
The Annetta booth is always very popular as people new to the area get familiarized with the various cities and towns within the AISD.

This year's best comment: "We just bought a house to get into the AISD but **Annetta** is our eventual goal".

Other things the Town of Annetta is always working on:

Annetta has a Business Continuity Plan that goes to work in case of emergencies or natural disaster to keep vital systems running. This is reviewed and updated every year.

- Financial policies are reviewed and updated to be compliant with state law and sound business practices.
- Staff and Elected officials attend local and area events in order to hear from citizens and answer questions in order to better represent the town.
- Continuous review and upgrade of policies and ordinances help to address issues of concern and to curtail the negative effects of unregulated growth.
- Quarterly budget reviews by the city council will again be scheduled in FY 2019-20 to more effectively communicate financial information to citizens, manage upcoming project expenses and to more closely monitor changes in financial performance in both the General and Enterprise funds.
- Staff and council/ committee members attend training and continuing education programs to help them in their roles serving the great citizens of Annetta.



Town of Annetta
Fiscal Year 2019-2020 Budget Worksheet
General Fund

| Categories | Budget | | | |
|--|------------|------------|---------|--------------|
| | FY 2018-19 | FY 2019-20 | Y/Y % | Year/Year \$ |
| Income | | | | |
| 3200 · Total Franchise Fees | | | | |
| 3250 · HB 1777 - ROW | 20 | 50 | | |
| 3210 · Electrical | | | | |
| 3212 · Tri-County | 36,000 | 40,000 | | |
| 3211 · ONCOR | 32,000 | 35,000 | | |
| 3210 · Electrical - Other | - | - | | |
| Total 3210 · Electrical | 68,000 | 75,000 | 10.29% | \$6,999.00 |
| 3230 · Sanitation | 25,000 | 25,000 | | |
| 3240 · Telephone | 22,000 | 15,000 | | |
| Total 3200 · Total Franchise Fees | 115,020 | 115,050 | 0.03% | \$29.00 |
| 3100 · Sales and Use Taxes | | | | |
| 3130 · Sales Tax 1% | 80,000 | 85,000 | | |
| 3120 · MBGRT | 2,350 | 2,000 | | |
| 3140 · Streets .25% | 20,000 | 20,000 | | |
| Total 3100 · Sales and Use Taxes | 102,350 | 107,000 | 4.54% | \$4,649.00 |
| Total 3310 · Building Permits | 37,645 | 37,000 | -1.71% | -\$646.00 |
| 3300 · Other Income | | | | |
| 3800 · Variance and Special Exceptions | 50 | 500 | | |
| 3305 · Contractor Registration Fees | 2,000 | 2,000 | | |
| 3500 · Rezoning Fee | - | - | | |
| 3700 · Platting Fees | 2,500 | 2,000 | | |
| 3301 · Interest Income | 2,500 | 4,000 | | |
| 3302 · Miscellaneous Income | - | 200 | | |
| 3303 · Other - Income | 200 | 100 | | |
| Total 3300 · Other Income | 7,250 | 8,800 | 21.38% | \$1,549.00 |
| From Capital Reserve | 59,000 | - | | |
| Total Income | 321,265 | 267,850 | -16.63% | -\$53,416.00 |
| Expense | | | | |
| 5500 · Committees | | | | |
| 5511 · Comprehensive Zoning | 1,000 | 1,000 | | |
| Total 5500 · Committees | 1,000 | 1,000 | 0.00% | -\$1.00 |
| 5100 · Admin & Other Operations | | | | |
| 5268 · Off-site Storage | - | - | | |
| 5280 · Facilities Expense | | | | |
| 5284 · Cleaning and Sanitation | 250 | 250 | | |
| 5283 · Supplies | 100 | 150 | | |
| 5282 · Equipment Repairs & Maint. | 200 | 150 | | |
| 5281 · Small Tools | 200 | 200 | | |
| Total 5280 · Facilities Expense | 750 | 750 | 0.00% | -\$1.00 |
| 5256 · Memberships, Dues & Fees | 750 | 500 | | |
| 5267 · Subscriptions & Publications | 75 | 100 | | |
| 5220 · Interest Expense | - | - | | |
| 5110 · Bereavement and/or Recognition | - | 250 | | |
| 5150 · Town Branding & Identification | - | 1,000 | | |
| 5210 · Insurance | | | | |
| 5211 · General & Property Liability | 2,161 | 3,500 | | |
| 5212 · Health/Life/Dental | 3,000 | 2,750 | | |
| 5213 · Worker's Compensation | 400 | 400 | | |
| Total 5210 · Insurance | 5,561 | 6,650 | 19.58% | \$1,088.00 |
| 5120 · Contributions (EPCL) | | | | |
| EPCL Library | 1,000 | 1,000 | | |
| Total 5120 · Contributions (EPCL) | 1,000 | 1,000 | 0.00% | -\$1.00 |
| 5230 · Office Equipment | | | | |
| 5233 · Copier Maint Contract | 600 | 650 | | |

| Categories | Budget | | | |
|--|----------------|---------------|----------------|--------------------|
| | FY 2018-19 | FY 2019-20 | Y/Y % | Year/Year \$ |
| 5231 · New/Replacement | 750 | 750 | | |
| 5232 · Supplies | 1,500 | 1,500 | | |
| 5234 · Software Maint & Upgrade | 4,000 | 4,000 | | |
| Total 5230 · Office Equipment | 6,850 | 6,900 | 0.73% | \$49.00 |
| 5260 · Utilities (Admin Building) | | | | |
| 5262 · Electric | 750 | 800 | | |
| 5264 · Telephone | 550 | 800 | | |
| 5263 · ISP | 350 | 400 | | |
| 5266 · Web Site Maintenance | - | - | | |
| 5265 · Web Hosting and e-mail | 150 | 225 | | |
| 5261 · Cell Phones | 260 | 225 | | |
| 5260 · Utilities (Admin Building) - Other | - | - | | |
| Total 5260 · Utilities (Admin Building) | 2,060 | 2,450 | 18.93% | \$389.00 |
| 5270 · Vehicle Expense | | | | |
| 5275 · Mileage Expense | 525 | 400 | | |
| 5274 · Vehicle License & Inspection | 35 | 25 | | |
| 5271 · Acquisition | 2,041 | - | | |
| 5272 · Fuel | 330 | 200 | | |
| 5273 · Vehicle Maintenance | 1,000 | 1,000 | | |
| 5270 · Vehicle Expense - Other | 50 | 100 | | |
| Total 5270 · Vehicle Expense | 3,981 | 1,725 | -56.67% | -\$2,257.00 |
| 5201 · Advertising and Notifications | 460 | 575 | | |
| 5250 · Security | 300 | 300 | | |
| 5202 · Building Maintenance | 600 | 1,250 | | |
| 5125 · Credit Card Fees | 785 | 500 | | |
| 5130 · Elections | 5,000 | 5,500 | | |
| 5135 · Filing Fees | - | 100 | | |
| 5140 · License/Permits/Fees | 1,200 | 1,500 | | |
| 5240 · PO Box Fees/Postage | 25 | 100 | | |
| 5145 · Postage | - | 100 | | |
| 5245 · Public Events | - | - | | |
| 5155 · Travel/Meals/Training | 2,200 | 3,000 | | |
| Total 5100 · Admin & Other Operations | 31,597 | 34,250 | 8.40% | \$2,652.00 |
| 5300 · Payroll Expenses | | | | |
| 5320 · Payroll Taxes | | | | |
| 5322 · FICA - Medicare | - | 539 | | |
| 5324 · State Unemployment | - | 189 | | |
| 5323 · FICA - SS | - | 2,303 | | |
| 5321 · Federal Unemployment | - | - | | |
| Total 5320 · Payroll Taxes | 2,195 | 3,031 | 38.07% | \$834.73 |
| 5304 · Retirement | 2,545 | 3,699 | | |
| 5305 · Salaries | 26,710 | 37,150 | | |
| Total 5300 · Payroll Expenses | 31,450 | 43,880 | 39.52% | \$12,429.13 |
| 5600 · Professional Services | | | | |
| 5607 · Planning Consultant | - | 5,000 | | |
| 5606 · Code Enforcement Officer | 500 | 500 | | |
| 5605 · P&Z - New Zoning Ordinance | 5,000 | - | | |
| Total 5660 · Development Projects | 6,318 | 6,000 | -5.03% | -\$319.00 |
| 5640 · Other Financial | 900 | 2,000 | | |
| 5601 · Audit Financial | 3,000 | 3,000 | | |
| 5602 · Building Inspections | 35,000 | 36,000 | | |
| 5610 · Engineering | | | | |
| 5614 · Plat Review | - | 500 | | |
| 5613 · Lidar | - | - | | |
| 5611 · Civil Planning | 7,500 | 7,500 | | |
| 5610 · Engineering - Other | 1,000 | 1,000 | | |
| Total 5610 · Engineering | 8,500 | 9,000 | 5.88% | \$499.00 |
| 5655 · Surveying/Mapping | 1,000 | 1,000 | | |
| 5630 · Legal | 45,000 | 30,000 | | |
| 5635 · Mowing & Grounds Keeping | - | 2,500 | | |
| 5600 · Professional Services - Other | - | 1,500 | | |
| Total 5600 · Professional Services | 105,218 | 96,500 | -8.29% | -\$8,719.00 |

| Categories | Budget | | | |
|--|-------------------|-------------------|----------------|---------------------|
| | FY 2018-19 | FY 2019-20 | Y/Y % | Year/Year \$ |
| 5700 · Capital Improvements | | | | |
| 5714 · Road Material Storage Pad | - | - | | |
| 5750 · Yard Improvements - Thunderhead | 6,500 | 1,000 | | |
| 5720 · Building Fund | 10,000 | 10,000 | | |
| 5730 · Community Beautification | 500 | 770 | | |
| 5710 · Roads | | | | |
| 5713 · Shoulder & Drainage Ditch | 10,000 | 10,000 | | |
| 5712 · Street/Road Reconstruction | 113,000 | 65,450 | | |
| 5711 · General Pot Hole Repair | 6,000 | 3,500 | | |
| 5710 · Roads - Other | - | - | | |
| Total 5710 · Roads | 129,000 | 78,950 | -38.80% | -\$50,051.00 |
| 5740 · Signage and Related | 6,000 | 1,500 | | |
| Total 5700 · Capital Improvements | 152,000 | 92,220 | -39.33% | -\$59,781.00 |
| Total Expense | 321,265 | 267,850 | -16.63% | -\$53,415.87 |
| Net Income | - | (0) | | |
| Less transfers from Capital Reserves | 59,000 | - | | |
| NET Comparison | \$ 262,265 | \$ 267,850 | 2.13% | \$ 5,584 |

Program of Service

The Water and Wastewater Department provides Town of Annetta customers with safe, clean and reliable drinking water and a dependable and efficient sewer system.

The Town of Annetta water system maintains a SUPERIOR RATING with the State of Texas. A little over 8 years ago, the situation seemed nearly impossible as the condition of infrastructure had not been maintained by the previous owners and reliability was poor, operational costs were high and citizens were in mandatory, year-round outdoor watering restrictions. Annetta is pleased to announce that for the sixth consecutive year there have been no long-term outdoor watering restrictions. In recent years the department has successfully increased overall water production capabilities, reduced water loss, improved wastewater treatment capabilities and continues to provide a level of service that is enviable to other communities.



The Annetta Wastewater Treatment Plant put into service in 2016 continues to operate efficiently and economically. The town will make additional improvements to sound barriers, visual screening and backup power capabilities to help in periods of power outages or mechanical failure. In addition, wastewater sampling and laboratory work required by the state will soon be done on-site in a re-purposed building left over from the old Wastewater Treatment plant. This will speed up testing results for reporting further reducing the need for costly outsourcing. The new plant is still able to return 100% of the treated wastewater to the ground by virtue of oxygenated ponds and then irrigation on the Split Rail Golf Course. This results in less need for additional groundwater pumping than would otherwise be utilized and is a smart way to help sustain our natural resources.

As always, we encourage responsible use of resources available to us but are happy to be able to provide our citizens with an adequate supply of water during the high demands of a hot Texas summer.

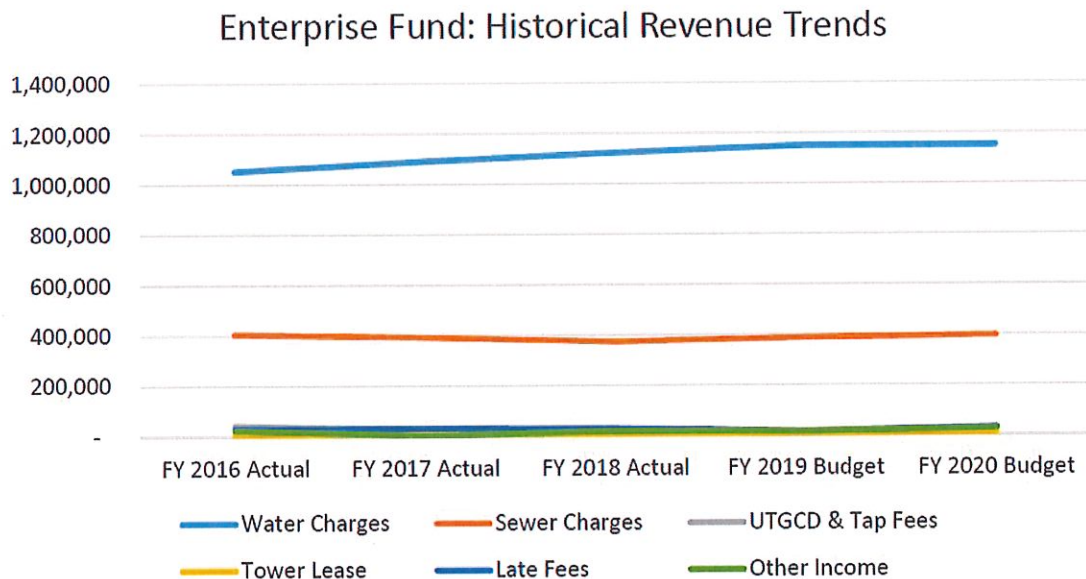
The Town of Annetta again sees no need to adjust rates for service in 2019-20 even as other local cities are forced to raise prices or subsidize rates with property taxes.

Revenue

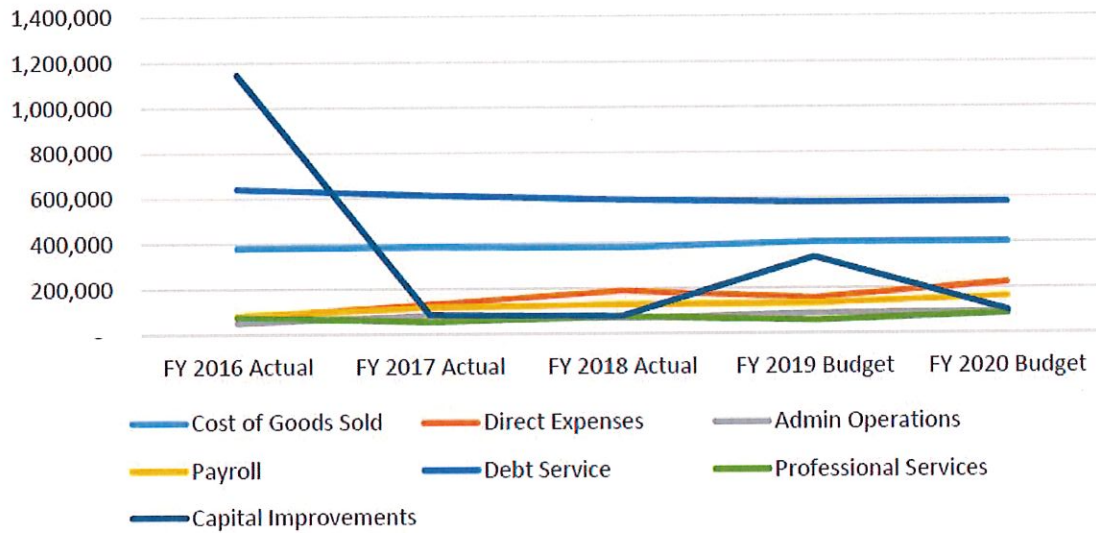
Customers of the utilities pay for the service through usage charges. Annetta has no property tax to subsidize utilities or other infrastructure requirements likewise, all revenue generated by the utilities stay within the utilities and are not used for other purposes. Water usage accounts for the bulk of the revenue through a tiered rate structure that includes a base rate for all customers depending on meter size. Base rates alone could never meet the costs associated with operations and maintenance along with debt service therefore consumption in the warmer months makes up the difference and allows the utility to function as a stand-alone enterprise.

In the Spring of 2019, near record rainfall was a factor in greatly reduced consumption placing the utility in jeopardy of drawing on reserves. As summer continues however, rising temperatures and increased demand for irrigation water is expected and planned for. The Annetta water system continues to operate smoothly through periods of both planned maintenance and emergency repairs.

Historical income and expense information is provided below:



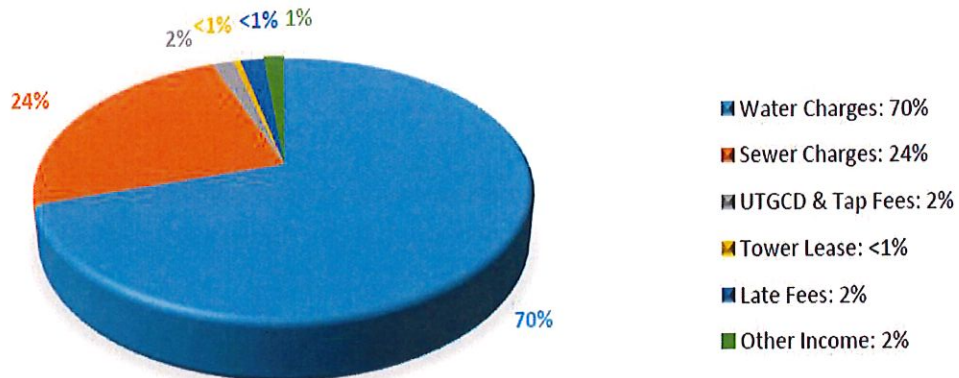
Enterprise Fund: Historical Expenditure Trends



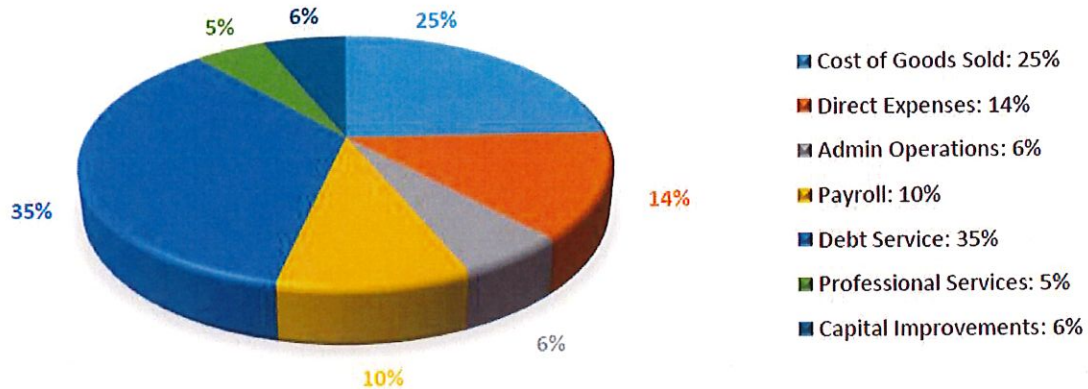
As illustrated in the graphs above, the Annetta Water and Sewer Systems have operated in a very stable and responsible manner while undergoing a program of continuous improvements that have resulted in higher performance and reliability. While revenue is predicated on customer usage, operations and maintenance (O&M) activities are conservatively managed to ensure customer needs are met adequately regardless of weather conditions or infrastructure shortcomings that might negatively affect revenue. Maintaining adequate reserves is an important aspect of operational stability as well as rate stabilization.

Below is a summary of the budgeted cash inflow and outflow areas of the Enterprise Fund for 2019-20:

ENTERPRISE FUND: WHERE IS THE MONEY COMING FROM?



ENTERPRISE FUND: WHERE WILL THE MONEY GO?



The largest category of expense for 2019-20 remains long term debt. This debt is in the form of bonds which have a set schedule for repayment and retirement. As recently as 2016 the Annetta City Council elected to call all the debt available that could be refinanced at a lower rate. This enabled the customers to realize a savings over the next 20 years of over \$600,000.00. This success story was largely made available due to the improvement in systems reliability and performance and the prudent management of the town's finances which resulted in an improved bond rating from BBB to A. The current city council remains committed to capitalize on future opportunities that may be beneficial to the customer. Having adequate reserves allows the town to target future call dates as well as avoid incurring any more debt should a large, unforeseen expense occur.

The next largest area of expenses includes all the costs of operating the systems including costs like repairs, treatment, utilities and contract services. Repair costs have been stable as Annetta remains committed to continuously monitor and improve systems as well as perform routine maintenance and timely repairs of necessary infrastructure. All of the well sites have been brought back to an industry standard from the neglect of previous ownership however most of the transmission lines throughout the system are approaching 35 years of age and are showing signs of needing more frequent attention. Appropriate budgeting for these repairs is critical to delivering high quality service on a consistent basis.

Capital Improvements

Capital Improvements are planned based on best value and return for the customer in both the long and short term. This takes considerable evaluation from consulting engineers as well as the City of Hudson Oaks as contract operator. These evaluations focus on pushing down recurring and future costs regarding labor and or contract services.

Automated Metering Infrastructure

Last Fall, a new Automated Metering Infrastructure (AMI) was deployed allowing Annetta to realize considerable improvement in both accurately measuring consumption at the customer level as well as production from well sites. This wise investment will forever curtail the need for the labor necessary to read water meters and input data for billing. The implementation of AMI reduces meter reading from 3 persons for 2 ½ days each billing cycle to a data download that only takes a few minutes. Administratively, what was a several-day process of manually entering meter readings followed by an account usage analysis before invoicing has been reduced to only a few minutes of upload time. A wonderful side benefit is that customers are now notified much earlier of unusual consumption related to plumbing leaks and so they can make repairs more quickly not only saving water but avoiding higher than usual water bills.



SCADA

The past year saw the continued installation of SCADA (Supervisory Control and Data Acquisition) at more well sites and wastewater lift stations. SCADA is infrastructure that monitors and allows for real-time adjustments regarding production at various well sites from remote positions. This addition helps to keep labor costs lower by reducing the need for multiple on-site visits each day to individual sites.

Planning for the Future

In a fast-growing area like East Parker County and particularly in the highly desirable Aledo ISD, towns and cities must remain vigilant to protect and preserve our resources for future use. The pressures of new development place additional burden on the availability of groundwater. This is a difficult problem to solve as the state legislature is slow to address the issues associated with rampant growth and often work against local citizen's abilities to manage their own destiny. Parker County leads the state in new water wells being drilled which not only poses the risk of reduced water availability to current users but also adds to the likelihood of potential contamination of our groundwater. As the local provider of both water and sewer services,

Annetta has a legal responsibility mandated by the State of Texas, to provide services to those requesting it. Problems often arise as to how best to manage such a valuable resource for future use.

A transition plan continues to develop which will allow Annetta to one day manage the daily operations of both water and sewer systems which is still done by contract with the City of Hudson Oaks. This plan works to provide reasonably obtainable goals, acquire necessary systems and equipment and develop staff training in order to meet customer expectations. A big first step in meeting that goal is to continue to invest in items that push back against the rising needs for additional labor as the customer base grows.

Over the next five years the department will take steps to:

- Continue to prepare for expected growth in the service area by increasing capacity through developer negotiated impact fees and cost assessments;
- Continue to plan for and obtain training and expertise in the operation of the water and sewer systems;
- Continue to plan for and acquire equipment and facilities necessary to provide reliable and effective operation of both the water and sewer systems;
- Reduce water loss through proper maintenance, conservation and public education, and
- Continue to work to further diversify the community's water sources to handle an increase in demand volatility.

It has been, and will continue to be, the goal for the Town of Annetta to operate the water and sewer system in a manner that maximizes the service, quality and availability of this most precious resource while minimizing the cost, disruption and impact to the lives and financial welfare of its citizens. As we have tried to lay out in this budget presentation, Annetta does not generate excess revenues by charging exorbitant rates. The customers will never see the town wasting your hard-earned money on frivolous projects or high-cost operations nor will the town maintain financial reserves far beyond what is fiscally responsible. Rates are set at what it costs to operate the system and maintain the quality that our citizens deserve.

The Annetta approach is to continue managing the system in such a way that provides what the citizens need at a rate that ensures we continue moving in a positive direction without the need for a property tax. We believe that this budget furthers that goal.

Town of Annetta
Fiscal Year 2019-2020 Budget Worksheet
Enterprise Fund

| | Budget | | | |
|---|------------------|------------------|-------------|----------------------|
| | FY 2018-19 | FY 2019-20 | Y/Y % | Year/Year \$ |
| Income | | | | |
| 3400 · Water/Wastewater Income | | - | | |
| 3422 · Water System Revenue | 1,150,000 | 1,150,000 | 0% | \$0.00 |
| 3410 · Sewer System Revenue | 386,710 | 395,000 | | |
| 3415 · Late Charges & Fees | 15,000 | 30,741 | | |
| 3423 · Water Tower Communicate Lease | 7,200 | 8,000 | | |
| 3421 · Water & Sewer Tap Fees | - | 1,500 | | |
| 3420 · UTGCD Fee (collected) | - | 27,000 | | |
| From Capital Reserve | 172,459 | | | |
| Total 3400 · Water/Wastewater Income | 1,731,369 | 1,612,241 | -7% | -\$119,127.57 |
| 3300 · Other Income | | - | | |
| 3301 · Interest Income | 15,000 | 25,000 | | |
| 3303 · Other - Income | - | - | | |
| Total 3300 · Other Income | 15,000 | 25,000 | 67% | \$10,000.00 |
| Total Income | 1,746,369 | 1,637,241 | -6% | -\$109,127.57 |
| Cost of Goods Sold | | | | |
| 4000 · Cost of Goods Sold | | | | |
| 4700 · Sampling/Testing | | | | |
| 4720 · Waste Water Samples | 8,100 | 8,250 | | |
| 4710 · Water Samples | 6,000 | 6,250 | | |
| Total 4700 · Sampling/Testing | 14,100 | 14,500 | 3% | \$400.00 |
| 4400 · Split Rail Pond Maintenance | - | - | | |
| 4100 · System Supplies/Chemicals | | | | |
| 4140 · Water System Supplies | 15,000 | 12,000 | | |
| 4130 · Water System Chemicals | 3,200 | 6,500 | | |
| 4120 · Sewer System Supplies | 1,500 | 1,500 | | |
| 4110 · Sewer System Chemicals | 9,300 | 5,000 | | |
| 4100 · System Supplies/Chemicals - Other | - | - | | |
| Total 4100 · System Supplies/Chemicals | 29,000 | 25,000 | -14% | -\$4,000.00 |
| 4200 · Contract Operation of System | 234,000 | 243,000 | 4% | \$9,000.00 |
| 4300 · System Utilities | | - | | |
| 4320 · Water System Utilities | 50,000 | 52,000 | | |
| 4310 · Sewer System Utilities | 50,000 | 40,000 | | |
| 4300 · System Utilities - Other | - | - | | |
| Total 4300 · System Utilities | 100,000 | 92,000 | -8% | -\$8,000.00 |
| 4500 · UTGCD Fees | 25,000 | 27,000 | 8% | \$2,000.00 |
| Total 4000 · Cost of Goods Sold | 402,100 | 401,500 | | |
| Total COGS | 402,100 | 401,500 | 0% | -\$600.00 |
| Net Enterprise Fund Revenue | 1,344,269 | 1,235,741 | -8% | -\$108,527.57 |
| Expense | | | | |
| 6010 · Debt Issuance Cost | - | - | | |
| 5900 · Gain/Loss on Disposal of Assets | - | - | | |
| 5000 · Direct Expenses | | | | |
| 5085 · Repair Site Restoration | 3,000 | 3,000 | | |
| 5012 · Permitting Waste Water | - | - | | |
| 5065 · Statement Mailing | 8,000 | 4,000 | | |

| | Budget | | | |
|--|------------|------------|-------|--------------|
| | FY 2018-19 | FY 2019-20 | Y/Y % | Year/Year \$ |
| 5060 · Rental Equipment | | - | | |
| 5061 · Rental Equipment - Sewer System | - | 1,000 | | |
| 5062 · Rental Equipment - Water System | - | 1,000 | | |
| Total 5060 · Rental Equipment | - | 2,000 | | |
| 5070 · Tools & Equipment Purchases | 1,200 | 1,000 | | |
| 5050 · Maintenance and Repair | | - | | |
| 5057 · Tank Inspections | 4,000 | 4,500 | | |
| 5056 · Generator Maintenance & Repair | - | 4,000 | | |
| 5055 · Water Well Repair | 20,000 | 22,000 | | |
| 5054 · WWTP Repairs & Maintenance | - | 50,000 | | |
| 5053 · Water System Maint & Repairs | 22,000 | 22,000 | | |
| 5052 · Water Plant Maint & Repairs | 62,000 | 85,000 | | |
| 5051 · Sewer System Maint & Repairs | 30,000 | 25,000 | | |
| 5050 · Maintenance and Repair - Other | 5,000 | - | | |
| Total 5050 · Maintenance and Repair | 143,000 | 212,500 | 49% | \$69,500.00 |
| Total 5000 · Direct Expenses | 155,200 | 222,500 | 43% | \$67,300.00 |
| 5100 · Admin & Other Operations | | - | | |
| 5268 · Off-site Storage | - | - | | |
| 5280 · Facilities Expense | | - | | |
| 5284 · Cleaning and Sanitation | 750 | 1,500 | | |
| 5283 · Supplies | 500 | 500 | | |
| 5282 · Equipment Repairs & Maint. | 500 | 500 | | |
| 5281 · Small Tools | 1,000 | 500 | | |
| 5280 · Facilities Expense - Other | - | - | | |
| Total 5280 · Facilities Expense | 2,750 | 3,000 | 9% | \$250.00 |
| 5256 · Memberships, Dues & Fees | 250 | 500 | | |
| 5267 · Subscriptions & Publications | 200 | 200 | | |
| 5220 · Interest Expense | - | - | | |
| 5150 · Town Branding & Identification | - | - | | |
| 5210 · Insurance | | - | | |
| 5211 · General & Property Liability | 6,482 | 10,000 | | |
| 5212 · Health/Life/Dental | 9,000 | 8,500 | | |
| 5213 · Worker's Compensation | 250 | 250 | | |
| 5210 · Insurance - Other | - | - | | |
| Total 5210 · Insurance | 15,732 | 18,750 | 19% | \$3,018.00 |
| 5230 · Office Equipment | | - | | |
| 5233 · Copier Maint Contract | 2,100 | 2,200 | | |
| 5231 · New/Replacement | 2,250 | 3,000 | | |
| 5232 · Supplies | 4,500 | 5,000 | | |
| 5234 · Software Maint & Upgrade | 11,000 | 12,000 | | |
| 5230 · Office Equipment - Other | 250 | 100 | | |
| Total 5230 · Office Equipment | 20,100 | 22,300 | 11% | \$2,200.00 |
| 5260 · Utilities (Admin Building) | | - | | |
| 5262 · Electric | 2,200 | 2,500 | | |
| 5264 · Telephone | 1,650 | 2,500 | | |
| 5263 · ISP | 1,000 | 1,250 | | |
| 5266 · Web Site Maintenance | - | 1,000 | | |
| 5265 · Web Hosting and e-mail | 510 | 750 | | |
| 5261 · Cell Phones | 800 | 500 | | |
| 5260 · Utilities (Admin Building) - Other | - | - | | |
| Total 5260 · Utilities (Admin Building) | 6,160 | 8,500 | 38% | \$2,340.00 |

| | Budget | | | |
|--|----------------|----------------|-------------|----------------------|
| | FY 2018-19 | FY 2019-20 | Y/Y % | Year/Year \$ |
| 5270 · Vehicle Expense | | | | |
| 5275 · Mileage Expense | 2,000 | 1,000 | | |
| 5274 · Vehicle License & Inspection | 30 | 100 | | |
| 5271 · Acquisition | 13,000 | 17,000 | | |
| 5272 · Fuel | 910 | 685 | | |
| 5273 · Vehicle Maintenance | 2,000 | 500 | | |
| 5270 · Vehicle Expense - Other | 1,000 | - | | |
| Total 5270 · Vehicle Expense | 18,940 | 19,285 | 2% | \$344.65 |
| 5201 · Advertising and Notifications | 1,400 | 1,000 | | |
| 5250 · Security | 906 | 700 | | |
| 5202 · Building Maintenance | 2,000 | 2,000 | | |
| 5125 · Credit Card Fees | 4,025 | 5,000 | | |
| 5140 · License/Permits/Fees | 10,000 | 7,500 | | |
| 5225 · Miscellaneous Expense | - | - | | |
| 5240 · PO Box Fees/Postage | 95 | 100 | | |
| 5145 · Postage | 650 | 1,000 | | |
| 5245 · Public Events | - | - | | |
| 5155 · Travel/Meals/Training | 4,500 | 2,235 | | |
| Total 5100 · Admin & Other Operations | 87,708 | 92,070 | 5% | \$4,361.88 |
| 5300 · Payroll Expenses | | | | |
| 5325 · Payroll Processing Fees | - | - | | |
| 5320 · Payroll Taxes | | | | |
| 5322 · FICA - Medicare | - | 2,013 | | |
| 5324 · State Unemployment | - | 704 | | |
| 5323 · FICA - SS | - | 8,605 | | |
| 5321 · Federal Unemployment | - | - | | |
| Total 5320 · Payroll Taxes | 9,116 | 11,323 | 24% | \$2,207.15 |
| 5302 · Other Payroll Expenses | 4,799 | 100 | | |
| 5304 · Retirement | 10,170 | 10,366 | | |
| 5305 · Salaries | 106,810 | 138,810 | | |
| 5300 · Payroll Expenses - Other | - | - | | |
| Total 5300 · Payroll Expenses | 130,895 | 160,599 | 23% | \$29,704.48 |
| 5600 · Professional Services | | | | |
| 5604 · Bond Advisor Fees | 2,500 | 2,750 | | |
| Total 5660 · Development Projects | 16,194 | 10,000 | -38% | -\$6,194.00 |
| 5640 · Other Financial | 2,750 | 3,500 | | |
| 5601 · Audit Financial | 8,550 | 9,400 | | |
| 5610 · Engineering | 20,000 | 35,000 | | |
| 5630 · Legal | 3,500 | 12,000 | | |
| 5635 · Mowing & Grounds Keeping | 2,300 | 12,000 | | |
| Total 5600 · Professional Services | 55,794 | 84,650 | 52% | \$28,856.00 |
| 5700 · Capital Improvements | | | | |
| AMI Water Meter Replacement | 200,000 | 1,100 | | |
| Chlorination Room/Lab | 5,000 | 18,000 | | |
| SCADA | 119,000 | 79,910 | | |
| 5750 · Yard Improvements - Thunderhead | - | - | | |
| 5730 · Community Beautification | 10,000 | - | | |
| 5710 · Roads | - | - | | |
| 5711 · General Pot Hole Repair | - | - | | |
| Total 5710 · Roads | - | - | | |
| 5740 · Signage and Related | 2,000 | 281 | | |
| Total 5700 · Capital Improvements | 336,000 | 99,291 | -70% | -\$236,709.00 |

| | Budget | | | |
|--------------------------------------|------------|------------|-------|---------------|
| | FY 2018-19 | FY 2019-20 | Y/Y % | Year/Year \$ |
| 6000 - Annual Debt Service | 578,672 | 576,631 | | |
| Total Expense | 1,344,269 | 1,235,741 | -8% | -\$108,527.64 |
| Net Income | - | 0 | | |
| Less transfers from Capital Reserves | 172,459 | - | | |
| NET Comparison | 1,171,810 | 1,235,741 | 5% | \$63,931.36 |



Annetta Crime Control and Prevention District

The Annetta Crime Control and Prevention District was overwhelmingly re-approved by voters in May of 2019. The district exists to put programs in place to help prevent crime and encourage safety in our community. The continued rapid growth within Annetta and surrounding areas causes the Town to prepare for what might happen instead of waiting to react to unexpected events. Citizen involvement is critical to the success of this organization.

CCPD funds are generated through a .25% portion of the sales tax collected within Annetta and are returned to the town by the State Comptroller's office. Annetta based businesses such as the Split Rail Golf Course and Annetta home-based businesses as well as internet sales delivered to an address within the town all contribute to the total sales tax revenue collected. Through discussions with citizens regarding areas of desired attention, these CCPD funds become available to fund programs such as a Neighborhood Watch Program, training for Citizen First Responders such as First Aid and CPR, technology and equipment used in monitoring the community or capturing information on crime, theft or vandalism for communication to local law enforcement authorities. The Annetta CCPD has contributed to traffic control devices around Stuard Elementary as well as provided equipment to local law enforcement agencies that help protect our community. Funds have also been provided for the purchase of a utility vehicle for use during events, safety and crime prevention efforts as well as city or community-wide events such as Annetta's Annual Clean-up day.

Talk of the Town

In June of 2019, the Annetta Crime Control and Prevention District held its 3rd annual "Talk of the Town" community event providing awareness, information sharing and Citizens on Patrol sign-up and education. This was another successful event with representatives from Parker County Constable, Precinct 4, AISD Police and Emergency District #1 all in attendance.





The Annetta CCPD held a drawing at this event for doorbell activated cameras as a way of discouraging package theft. Concessions and Child-Safe activities were available for everyone's enjoyment!

Annetta residents have not asked for a Police Department or a full-time law enforcement presence but have expressed a need for better communication and more watchful eyes on the community so that we can all continue to enjoy our quiet town for years to come. The fiscal year 2019-2020 CCPD Budget will provide \$18,638.00 to spend on continued communication, information sharing, citizen awareness and training, and signs to help support crime prevention and safety efforts.

Town of Annetta
Fiscal Year 2019-2020 Budget Worksheet
CCPD Fund

| | Budget | | | |
|--|---------------|---------------|-------------|-----------------|
| | FY 2018-19 | FY 2019-20 | Y/Y % | Y/Y \$ |
| Income | | | | |
| 3100 · Sales and Use Taxes | | | | |
| 3110 · CCPD .25% | 17,000 | 18,338 | | |
| Total 3100 · Sales and Use Taxes | 17,000 | 18,338 | 8% | 1,338 |
| 3300 · Other Income | | | | |
| 3301 · Interest Income | - | 300 | | |
| Total 3300 · Other Income | - | 300 | | |
| Fund Balance Transfer | 17,000 | | | |
| Total Income | 34,000 | 18,638 | -45% | (15,362) |
| Expense | | | | |
| 5384 · Computer & Software | 200 | - | | |
| 5383 · Pubic Events and Education | 6,700 | 8,700 | | |
| 5381 · Communication and Informational | 2,200 | 4,200 | | |
| 5385 · Cargo Container - CCPD | 4,000 | - | | |
| 5386 · UTV - CCPD | 18,200 | - | | |
| 5387 · CPR Certifications | 2,000 | 1,420 | | |
| 5388 · Fuel, Maintenance, Repairs of UTV | 700 | - | | |
| Internet Exchange Security Zone | | 4,318 | | |
| Total Expense | 34,000 | 18,638 | -45% | (15,362) |
| Net Income | - | - | | |

TOWN OF ANNETTA, TEXAS
Balance Sheet
Governmental Funds
September 30, 2018

| ASSETS | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------|---|---|
| Assets: | | | |
| Cash and cash equivalents | \$ 32,910 | \$ 26,719 | \$ 59,629 |
| Investments | 270,872 | 37,565 | 308,437 |
| Receivables | | | |
| Sales Tax | 14,043 | 6,364 | 20,407 |
| Franchise Tax | 64,395 | - | 64,395 |
| Due from other funds | 1,876 | - | 1,876 |
| | <u>384,096</u> | <u>70,648</u> | <u>454,744</u> |
| Total assets | <u>\$ 384,096</u> | <u>\$ 70,648</u> | <u>\$ 454,744</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 3,133 | \$ - | \$ 3,133 |
| | <u>3,133</u> | <u>-</u> | <u>3,133</u> |
| Total liabilities | <u>3,133</u> | <u>-</u> | <u>3,133</u> |
| Deferred inflows of resources: | | | |
| Deferred tax revenue | 58,429 | - | 58,429 |
| | <u>58,429</u> | <u>-</u> | <u>58,429</u> |
| Fund balances: | | | |
| Restricted | 14,944 | 70,648 | 85,592 |
| Committed | 50,047 | - | 50,047 |
| Unassigned | 257,543 | - | 257,543 |
| | <u>322,534</u> | <u>70,648</u> | <u>393,182</u> |
| Total fund balances | <u>322,534</u> | <u>70,648</u> | <u>393,182</u> |
| Total liabilities, deferred inflows of resources and fund balances | | | |
| | <u>\$ 384,096</u> | <u>\$ 70,648</u> | <u>\$ 454,744</u> |

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

TOWN OF ANNETTA, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2018

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-----------------------------------|-------------------|---|---|
| REVENUES: | | | |
| Taxes | | | |
| Sales & Mixed Beverage | \$ 87,136 | \$ 39,834 | \$ 126,970 |
| Franchise | 103,862 | - | 103,862 |
| Permits | 66,652 | - | 66,652 |
| Interest | 4,533 | 566 | 5,099 |
| Other Income | 1,455 | - | 1,455 |
| Total revenues | <u>263,638</u> | <u>40,400</u> | <u>304,038</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government: | | | |
| Administrative Operations | 11,060 | - | 11,060 |
| Building Department - Inspections | 19,582 | - | 19,582 |
| Elections | 4,848 | - | 4,848 |
| Insurance | 2,161 | - | 2,161 |
| Membership Dues | 690 | - | 690 |
| Payroll | 34,650 | - | 34,650 |
| Planning and Zoning Committee | 139 | - | 139 |
| Professional Services | 73,725 | - | 73,725 |
| Public Safety | - | 16,757 | 16,757 |
| Repairs and Maintenance | 65,509 | 4,420 | 69,929 |
| Seminars and Travel | 3,344 | - | 3,344 |
| Utilities | 1,589 | - | 1,589 |
| Capital outlay | 23,000 | - | 23,000 |
| Total expenditures | <u>240,297</u> | <u>21,177</u> | <u>261,474</u> |
| NET CHANGE IN FUND BALANCE | 23,341 | 19,223 | 42,564 |
| FUND BALANCE, OCTOBER 1 | <u>299,193</u> | <u>51,425</u> | <u>350,618</u> |
| FUND BALANCE, SEPTEMBER 30 | <u>\$ 322,534</u> | <u>\$ 70,648</u> | <u>\$ 393,182</u> |

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

TOWN OF ANNETTA, TEXAS
Statement of Net Position
Proprietary Fund
September 30, 2018

Assets

Current Assets:

| | |
|--|---------------|
| Cash and cash equivalents | \$ 333,556 |
| Investments | 997,644 |
| Accounts receivable (net of allowance for doubtful accounts) | 164,544 |
| Prepayments | 16,339 |
| Restricted Assets: | |
| Cash and cash equivalents | 97,520 |
| Investments | <u>10,610</u> |

Total current assets 1,620,213

Noncurrent Assets:

Capital Assets:

| | |
|-------------------------------|--------------------|
| Land | 433,040 |
| Buildings | 75,883 |
| Equipment | 33,816 |
| Vehicles | 80,464 |
| Water system | 5,285,419 |
| Wastewater system | 2,743,854 |
| Less accumulated depreciation | <u>(2,018,620)</u> |
| Net capital assets | <u>6,633,856</u> |

Total noncurrent assets 6,633,856

Total assets \$ 8,254,069

Deferred Outflows of Resources

| | |
|---------------------------------------|----------------|
| Deferred outflows related to pensions | \$ 10,634 |
| Deferred outflows related to OPEB | 63 |
| Deferred charges on refunding | <u>394,740</u> |

Total deferred outflows of resources \$ 405,437

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

Exhibit D-1**Liabilities****Current Liabilities:**

| | |
|------------------------------|-----------|
| Accounts payable | \$ 35,750 |
| Credit card payable | 312 |
| Payroll liabilities | 2,589 |
| Compensated absences payable | 2,428 |
| Due to other funds | 1,876 |

Current Liabilities Payable from Restricted Assets

| | |
|-----------------------------------|----------------|
| Interest payable | 40,627 |
| Current portion of long-term debt | <u>370,225</u> |

Total current liabilities453,807**Noncurrent Liabilities:**

| | |
|-----------------------|-----------|
| Net pension liability | 4,840 |
| OPEB liability | 1,216 |
| Capital lease payable | 31,543 |
| Bonds payable | 7,389,321 |

Total Noncurrent Liabilities7,426,920**Total liabilities**\$ 7,880,727**Deferred Inflows of Resources**

| | |
|--------------------------------------|-----------------|
| Deferred inflows related to pensions | <u>\$ 2,623</u> |
|--------------------------------------|-----------------|

Total deferred inflows of resources\$ 2,623**Net Position**

| | |
|---|------------------|
| Investment in capital assets, net of debt | \$ (694,384) |
| Restricted for debt service | 67,503 |
| Unrestricted | <u>1,403,037</u> |

Total net position\$ 776,156

TOWN OF ANNETTA, TEXAS
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2018

| | |
|--|--------------------------|
| Operating revenues: | |
| Water sales | \$ 1,124,039 |
| Wastewater charges | 372,688 |
| Late payment penalties | 19,589 |
| Tap fees | 195 |
| Tower lease | 7,200 |
| Other fees and charges | 34,112 |
| Total operating revenues | <u>1,557,823</u> |
| Operating expenses: | |
| Administrative | 53,706 |
| Contractual services | 232,751 |
| Professional fees | 116,562 |
| Payroll | 137,044 |
| Repairs and maintenance | 194,928 |
| Seminars and travel | 3,317 |
| Supplies and chemicals | 41,669 |
| Well utilities | 94,871 |
| Depreciation | 303,161 |
| Total operating expenses | <u>1,178,009</u> |
| Operating income (loss) | 379,814 |
| Nonoperating revenues (expenses): | |
| Interest income | 17,618 |
| Interest expense | <u>(266,234)</u> |
| Total nonoperating revenues (expenses) | <u>(248,616)</u> |
| Change in Net Position | 131,198 |
| Net Position, October 1 | <u>644,958</u> |
| Net Position, September 30 | <u><u>\$ 776,156</u></u> |

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

TOWN OF ANNETTA, TEXAS
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2018

| | |
|--|---------------------|
| Cash flows from operating activities: | |
| Cash received from customers and users | \$ 1,654,011 |
| Cash paid to suppliers | (772,831) |
| Cash paid to employees | (137,216) |
| Net cash provided (used) by operating activities | <u>743,964</u> |
| Cash flows from noncapital financing activities: | |
| Increase (decrease) in due to other funds | <u>34,548</u> |
| Net cash provided (used) by noncapital financing activities | <u>34,548</u> |
| Cash flows from capital and related financing activities: | |
| Purchase of capital assets | (24,240) |
| Principal payments on long-term debt | (325,000) |
| Interest payments | (250,372) |
| Net cash flows provided by (used in) capital and related financing activities | <u>(599,612)</u> |
| Cash flow from investing activities: | |
| Interest income | <u>17,618</u> |
| Net cash provided by investing activities | <u>17,618</u> |
| Net increase (decrease) in cash | 196,518 |
| Cash, October 1 | <u>1,242,812</u> |
| Cash, September 30 | <u>\$ 1,439,330</u> |
| Reconciliation of income from operations to net cash provided by operating activities: | |
| Income (loss) from operations | <u>\$ 379,814</u> |
| Adjustments to reconcile income from operations to net cash provided by (used in) operating activities | |
| Depreciation | 303,161 |
| (Increase) decrease in accounts receivable | 96,188 |
| (Increase) decrease in prepaid items | 961 |
| Increase (decrease) in payroll liabilities | (660) |
| Increase (decrease) in compensated absences | (866) |
| Increase (decrease) in net pension balances | 201 |
| Increase (decrease) in OPEB balances | 1,153 |
| Increase (decrease) in credit card payable | (2,512) |
| Increase (decrease) in accounts payable | (33,476) |
| Net adjustments | <u>364,150</u> |
| Net cash provided (used) by operating activities | <u>\$ 743,964</u> |
| Noncash Investing, Capital and Financing Activities: | |
| Capital assets purchased with capital lease | <u>\$ 46,646</u> |
| Reconciliation of cash and cash equivalents to Statement of Net Position | |
| Cash and cash equivalents | \$ 333,556 |
| Investments | 997,644 |
| Restricted cash and cash equivalents | 97,520 |
| Restricted investments | 10,610 |
| | <u>\$ 1,439,330</u> |

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

TOWN OF ANNETTA, TEXAS
Notes to the Financial Statements
September 30, 2018

NOTE 5 – LONG-TERM LIABILITIES (continued)

The certificates were issued to pay, in whole or part, contractual obligations to acquire, construct and equip extensions and improvements to the City's waterworks and wastewater system, and to pay all or a portion of the legal, fiscal and engineering fees in connection therewith, and to pay the costs of issuance related to such Certificates of Obligation.

On April 1, 2015, the City issued the \$995,000 Combination Tax and Revenue Certificates of Obligation, Series 2015. Interest is due semiannually on February 1 and August 1 of each year at interest rates ranging from 2.00% to 4.00%.

The certificates were issued to pay, in whole or part, contractual obligations to acquire, construct and equip extensions and improvements to the City's waterworks and wastewater system, and to pay all or a portion of the legal, fiscal and engineering fees in connection therewith, and to pay the costs of issuance related to such Certificates of Obligation.

On August 15, 2017, the City issued \$4,715,000 of General Obligation Refunding Bonds, Series 2017. The bonds consisted of general obligation bonds with interest rates ranging from 2.0% to 3.0%. The net proceeds were used to partially refund Combination Tax and Revenue Certificates of Obligation, Series 2010. \$4,315,000 of the total principal amount of \$5,760,000 was refunded. The refunding decreased debt service payments for the City by \$602,366 with a net present value savings (economic gain) of \$498,288 or 10.57%.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded combination tax and revenue certificates of obligation. As a result, the refundable certificates of obligation are considered to be defeased, and the related liability for the certificates of obligation has been removed from the City's liabilities. At September 30, 2018, \$4,315,000 2010 defeased certificates of obligation are outstanding with a scheduled redemption date of August 1, 2020.

The remaining certificates constitute direct obligations of the City payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property in the City and (ii) the surplus revenues of the City's waterworks and wastewater system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with any of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and wastewater system, all as provided in the Ordinance. During each year while any of the Certificates of Obligation or interest thereon are outstanding and unpaid, the City shall compute and ascertain a rate and amount of ad valorem tax which, together with surplus revenues of the waterworks and wastewater system budgeted to pay principal and interest coming due during such fiscal year, will be sufficient to raise and produce the money required to pay the interest on the certificates as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of the certificates as such principal matures (but never less than 2% of the original principal amount of the certificates as a sinking fund each year). The interest and sinking fund balance at September 30, 2018 was \$108,130.

TOWN OF ANNETTA, TEXAS
Notes to the Financial Statements
September 30, 2018

NOTE 5 -- LONG-TERM LIABILITIES (continued)

The annual requirements to amortize all bonded debt outstanding as of September 30, 2018 are as follows:

| | Business-type Activities | | |
|-----------|--------------------------|---------------------|---------------------|
| | Principal | Interest | Total |
| 2019 | \$ 335,000 | \$ 243,762 | \$ 578,762 |
| 2020 | 345,000 | 231,631 | 576,631 |
| 2021 | 405,000 | 218,774 | 623,774 |
| 2022 | 420,000 | 204,492 | 624,492 |
| 2023 | 435,000 | 189,289 | 624,289 |
| 2024-2028 | 2,380,000 | 731,925 | 3,111,925 |
| 2029-2033 | 2,335,000 | 344,630 | 2,679,630 |
| 2034-2038 | 880,000 | 39,750 | 919,750 |
| | <u>\$ 7,535,000</u> | <u>\$ 2,204,253</u> | <u>\$ 9,739,253</u> |

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2018:

| | 10/01/17 | Additions | Retirements | 09/30/18 | Due within one year |
|---|---------------------|------------------|-------------------|---------------------|------------------------|
| Governmental Activities: | | | | | |
| Compensated Absences | \$ 823 | \$ 607 | \$ 823 | \$ 607 | \$ 607 |
| Total Governmental Activities | <u>823</u> | <u>607</u> | <u>823</u> | <u>607</u> | <u>607</u> |
| Business-type Activities: | | | | | |
| Certificates of Obligation, Series 2010 | 1,445,000 | - | 220,000 | 1,225,000 | 225,000 |
| Certificates of Obligation, Series 2012 | 825,000 | - | 40,000 | 785,000 | 45,000 |
| Certificates of Obligation, Series 2015 | 875,000 | - | 65,000 | 810,000 | 65,000 |
| General Obligation Refunding, Series 2017 | 4,715,000 | - | - | 4,715,000 | - |
| Issuance Premium | 229,312 | - | 19,869 | 209,443 | 20,122 |
| Capital Lease | - | 46,646 | - | 46,646 | 15,103 |
| Net Pension Liability | 561 | 4,279 | - | 4,840 | - |
| OPEB Liability | - | 1,216 | - | 1,216 | - |
| Compensated Absences | 3,294 | 2,428 | 3,294 | 2,428 | 2,428 |
| Total Business-type Activities | <u>8,093,167</u> | <u>54,569</u> | <u>348,163</u> | <u>7,799,573</u> | <u>372,653</u> |
| Total Long-Term Liabilities | <u>\$ 8,093,990</u> | <u>\$ 55,176</u> | <u>\$ 348,986</u> | <u>\$ 7,800,180</u> | <u>\$ 373,260</u> |

B. Capital Leases Payable

On October 1, 2017, the City entered into a lease purchase agreement for a utility vehicle. The lease is due in 3 annual payments of \$7,780.21 beginning October 1, 2019. The interest rate is 2.80%.

TOWN OF ANNETTA, TEXAS
Notes to the Financial Statements
September 30, 2018

NOTE 5 – LONG-TERM LIABILITIES (continued)

On December 20, 2017, the City entered into a lease purchase agreement for a utility vehicle. The lease is due in 3 annual payments of \$8,626.80 beginning October 1, 2019. The interest rate is 2.80%.

The future minimum lease purchase commitments are as follows:

| | Business-type Activities |
|---------------------------------|-----------------------------|
| 2019 | \$ 16,407 |
| 2020 | 16,407 |
| 2021 | 16,463 |
| Total Debt Service Requirements | 49,277 |
| Less: Interest Portion | (2,631) |
| Debt Principal | \$ 46,646 |

Assets under lease and the related accumulated depreciation are as follows:

| | Business-type Activities |
|--------------------------------|-----------------------------|
| Vehicles | \$ 54,812 |
| Less: Accumulated Depreciation | (9,325) |
| Net | \$ 45,487 |

NOTE 6 – DEFINED BENEFIT PENSION PLANS

A. PLAN DESCRIPTION

The City participates in one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TRMS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

B. 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 statues governing TMRS.