

CITY OF HUNTSVILLE, ALABAMA



HUNTSVILLE

Tommy Battle
Mayor

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2016

**Fiscal Year Ended
September 30, 2016**

**Prepared by
Finance Department**

City of Huntsville

Comprehensive Annual Financial Report

SEPTEMBER 30, 2016

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INTRODUCTORY SECTION



May 31, 2017

The Honorable Tommy Battle, Mayor,
Members of the City Council, and
Citizens of Huntsville
City of Huntsville, Alabama

Honorable Mayor and Council, and Citizens:

This Comprehensive Annual Financial Report of the City of Huntsville, Alabama, for the fiscal year ended September 30, 2016, is hereby presented to you. This report has been prepared to summarize the financial results of the City's operations in 2016, and to help you understand its financial condition.

City management, primarily the Finance Director and Clerk-Treasurer are responsible for this report, because it is based on the information they have provided about City finances. To help insure that this information is reasonable and reliable, management has established a system of controls that is designed to protect the City's assets from loss, theft, or misuse, and produce reliable financial information. Because the cost of such controls should not outweigh their benefits, the City's system is intended to provide reasonable, not absolute, confidence that the City's financial statements are materially accurate. As Finance Director and Clerk-Treasurer, we have primary responsibility for City financial matters, and to the best of our knowledge and belief, this report is complete and reliable in all material respects.

State law requires an annual audit of the City's financial statements by independent certified public accountants, who must conduct the audit in accordance with established standards. Warren Averett, LLC, a certified public accounting firm in Huntsville, conducted the audit and their report on the City's basic financial statements is included herein. It contains an "unmodified opinion," commonly known as a "clean opinion," regarding the City's financial statements, meaning the auditors have concluded the City's financial statements conform with established accounting principles. The auditors are required to report on the City's system of controls and the City's compliance with legal requirements, and they have issued their reports to City management. Also, the City is required by federal law to conduct a "Single Audit," or audit of the City's compliance with the requirements of federal grants it has received. That audit is also underway and close to completion.

Accounting standards require management to provide a narrative introduction, overview and analysis with the financial statements, in the form of Management's Discussion and Analysis (MD&A), which can be found on page 17.

Profile of the Government

The City was incorporated on December 9, 1811 and is operated under a Mayor-Council form of government. The City currently has a land area of about 215 square miles and a population of about 188,000. The City is empowered to levy taxes on real and personal property and to extend its corporate limits through annexation.

Policy making and legislature authority are vested in a five-member City Council who are, among other things, responsible for passing local ordinances, adopting budgets, appointing committees and board members of related organizations and approving the appointment of department heads. The Mayor is responsible for carrying out the policies and ordinances of the City Council, supervising the operations of the City, and appointing department heads. The Mayor and Council members are elected to four-year staggered terms with elections every two years for three of the six positions. All Council members are elected from within their respective districts.

The City provides a full range of services through its various departments. Several important public services are provided by organizations for which the City has some legal oversight responsibility. The Huntsville Public Library, Art Museum, Alabama Constitution Village Museums, Burritt Museum, Public Building Authority, Huntsville Tennis Center, Von Braun Center and Benton H. Wilcoxon Municipal Iceplex were established by the City to be managed by separate boards. Because the City has some financial and legal responsibility for their operations, they are included in the City's financial statements. Also, the Huntsville Utilities Electric, Gas and Water Systems, the Huntsville/Madison County Convention & Visitors' Bureau, and the Downtown Redevelopment Authority, are included in the City's financial statements because of the City's oversight responsibilities, although they are legally separate entities.

The annual budget serves as the foundation for the City's financial planning and control. The Mayor is required to submit a budget proposal to the City Council for most of the City's departments and funds by September 1 of each fiscal year. The Council, after public comment and evaluation, must adopt a balanced operating budget by the beginning of the fiscal year each October 1. The budget is adopted by fund, department (e.g. urban development), division (e.g. engineering), activity (personnel, operating and capital), and object (e.g. salaries). For funds which include the City's operating departments (e.g. General Fund), the Mayor and department heads are authorized to make budget transfers within departments' objects, but the Council must approve transfers between activities and funds. Comparisons of department and fund budgets to actual amounts are provided in this report on pages 36 through 37, 105 through 114, and 119 through 127.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. Many factors affect the City's financial strength and operations, including the national economy, spending by the large federal agencies based in Huntsville, local economic development, quality of local education systems, and effectiveness of City management in its use of resources.

Economic Conditions

The City began a period of recovery after the 2008-2010 national recession, and its financial position has continued to strengthen through 2016. An important factor in managing through tough economic conditions is the City's economic development efforts. Strategic planning that focuses far into the future has helped promote revenue stability through business diversification and residential growth.

The City's population, business base, and revenue grew at an accelerated rate through early 2008. With the recession, City revenues first stagnated in February 2008, then decreased, and began to stabilize in early 2010. The greatest impact was from lower consumer and construction industry spending that decreased sales tax and license revenue. Interest rates dropped sharply and City interest earnings followed. Federal government program spending in Huntsville remained basically stable throughout the recession, which lessened the recession's effects on the City. The City is experiencing some reductions in local federal spending due to federal budget reductions, which is expected to continue, although the effect is uncertain. Offsetting some of this, however, is the broad diversity of federal activities in Huntsville, which is more than the well-known military and space research and development programs.

The local unemployment rate continues to improve, and is below state and national figures. A growing employment rate while the population is growing is a positive sign for local business conditions. The median family income of Huntsville residents still exceeds national and state figures.

Significant swings in City revenues are inherently likely because more than forty percent of total City revenue is linked to consumer spending activity, e.g. sales tax. As such, diversification of our business base is especially critical, so that employment and spending will not be concentrated in too narrow a manner. In other words, diversification can offset some of the inherent swings in consumer spending activity.

The City aggressively cultivates partnerships with state and federal agencies and, as a result, a significant number of local road projects include state and federal funding. Most notably, in 2014 the City and State agreed upon a \$250 million road improvement program, with each providing one-half of the cost. The City increased its sales tax by one percent on March 1, 2014, to finance its share. This five-year plan will greatly enhance major thoroughfares across the City, maintaining our short-commute reputation.

The following significant economic development projects have developed over the past few years, due largely to incentives by the City and its valuable State and local government partners:

- Twickenham Square, a mixed development that includes residential units, a high-rise office, a hotel, a City parking garage and a Publix grocery store in south downtown are mostly complete, which has completely renovated the former federal housing project located there.
- Remington Outdoor Company purchased a facility and opened a new advanced manufacturing plant in Huntsville that employs 2,000 workers in 2015.
- In June 2014, ground was broken at the Shops at Merchants Walk, a 100,000 square foot shopping development that is anchored by Whole Foods Market and includes other new venues to the City.
- Cabela's announced in June 2014 that it would begin construction that fall on an 80,000-square-foot superstore at the \$80 million newly planned mixed-use development Parkside Town Centre in Huntsville. The project is near the intersection of Interstate 565 and Research Park Boulevard. The store opened in September 2015. It is the first Cabela's store in Alabama and one of only a handful in the Southeast.
- During 2014, the Bridge Street Town Center welcomed a new \$20 million Belk, three parking areas creating 1,023 new parking spaces, and several important retail and restaurant venues.
- In January 2015, Polaris Industries announced plans to build a 600,000-square-foot plant on a 453-acre site located within the Huntsville city limits in Limestone County. Polaris specializes in all-terrain vehicles (ATVs), the Polaris RANGER® and RZR® side-by-side vehicles, snowmobiles, motorcycles and on-road electric/hybrid powered vehicles. Polaris broke ground on the \$142 million plant in 2015 and official plan to open it in the second quarter of 2016 and create at least 1,700 new jobs.

- In April of 2015 work began on a mixed-use project called CityCentre at Big Spring, in the heart of downtown. Phase I will include a new-to-market boutique hotel, 31,000 square feet of retail stores and restaurants, 53,000 square feet of office loft space and 200 multi-family apartments.

2016 was another successful year for Huntsville with regard to attracting new industrial development and jobs. Companies in Huntsville announced 1,067 new jobs from existing and new industries and \$199,476,083 in capital expansion. Major economic development announcements for 2016 included:

- Google Fiber announced it would be bringing its services to Huntsville, making it just the 10th US City to receive the service. Google Fiber is the first of possibly many ISPs to lease excess dark fiber on a planned Huntsville Utilities-constructed network. This open architecture model is open to any ISP looking to tap into residents and businesses within the Huntsville Utilities/City of Huntsville footprint. The Rocket City is now a Gig City.
- AerojetRocketdyne, one of the world's leading rocket engine companies, announced plans to make Huntsville the Headquarters for its Defense Business Unit.
- Boeing broke ground on a significant manufacturing facility that will provide products for its defense customers. The new \$78M facility will employ 400 new people.
- Israeli-based IT company High Sec Labs established a new U.S. presence with a facility in Huntsville. The company manufactures products for the data center industry.
- BASF, a leader in the production of catalytic converters for a variety of industries, invested nearly \$20M in new equipment at its plant in Huntsville.

The Marshall Space Flight Center in Huntsville was established in 1960 as the lead agency for the National Aeronautics and Space Administration ("NASA") for development of the Saturn rockets for travel to the moon. Building on the successes of past programs including Saturn and the Space Shuttle, the center provides the engineering expertise behind propulsion and transportation systems and has recently begun development of the Space Launch System (SLS), the most powerful rocket system ever. SLS will enable exploration beyond low-earth orbit via cargo and eventually crewed flights.

The City's work is mostly complete for the current infrastructure phase at Redstone Gateway Park, a partnership with Redstone Arsenal through its enhanced use lease program, and private developers. The \$1 billion office park at Redstone's primary entrance will expand the City's ability to meet the needs of the local defense industry, and highly compliments our Cummings Research Park. Much of the public infrastructure has been completed through the City's TIF 5, and office buildings are complete and occupied with new ones under construction.

Huntsville City Schools is building or rebuilding \$200 million of school facilities across the city. This combined with improvements in educational achievement throughout the system are further enhancing the City's reputation as a place for quality public education.

In summary, the local economic outlook is positive, but some financial challenges remain. Growth in the demand for public services will exert pressure on spending requirements, and restoring budgetary reductions in the past several years will remain a near-term challenge. The City will also experience growing pressure from increasing pension contributions and the rising cost of retiree health care benefits.

Management of City Resources

Long-term capital planning. Much of the City's growth and vitality depend on public infrastructure, and the Mayor and Council continue to plan comprehensively for development and maintenance of this expensive asset. The ten-year capital improvement plans establish spending priorities and identifies funding needs, primarily long-term debt, and is updated every year.

Long-term debt management. Most of the City's capital and school construction projects are financed with long-term debt, and managing debt size and complexity within available revenues requires careful long-term planning. The ten-year capital plans provide the framework for managing existing debt for current and upcoming capital projects. Capital spending pressure, however, will remain high because of budgetary reductions required during the recession.

The City issued new debt in 2015 and 2016, for a variety of capital projects, and for work at Redstone Gateway, for which private developers are providing the financing, and for refinancing existing debt to take advantage of cash flow savings. The City is also looking to refinance some outstanding debt in the near future to reduce interest costs.

An important factor in assessing the economic health of the City of Huntsville, and the City's finances, is the credit rating assigned by credit rating agencies, because of their in-depth review of economic conditions and City financial performance. The City most recently received a Aaa rating from Moody's Investors Service, Inc. and a AAA rating from Standard & Poor's Rating Services in March 2015, which is eight years in a row the City has achieved this respectable accomplishment. The manner in which city leaders respond to our economic challenges will be a critical factor in maintaining this high rating.

General Fund reserves. City ordinance generally requires that at least 11.5 percent of General Fund revenue budget be kept in unassigned fund balance, so the City has adequate working capital and can respond to unexpected financial shocks. The City met this requirement in 2016, and had fund balance in excess of the requirement.

Cash management. The City's investment policy intends to maximize earnings while protecting cash assets. The City invests operating funds conservatively, and only in certificates of deposit, money market accounts, and Federal securities, as required by state and city law.

Operational efficiency. Mayor Battle has continually challenged all City departments to improve their operations and the quality of citizen services, which has been effective as personnel and operating costs in 2016 were generally lower than budget plans. Financial challenges remain due to increasing demand for public services and new infrastructure as the City grows more rapidly than in recent years.

Financial and risk management. Sound financial management practices are a very important part of the City meeting its obligation for public services. The City is regarded for conservative financial management amidst its financial challenges. Maintaining these practices will require careful prioritization of spending desires.

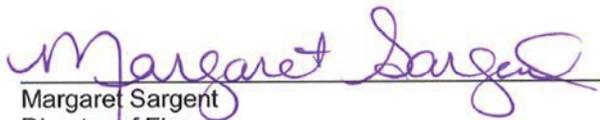
Pension and other postemployment benefits. The cost of providing benefits to City retirees is a significant commitment of current and future resources. There is a misperception that the State of Alabama provides financial assistance for these pension benefits through the Retirement Systems of Alabama, but the City pays 100 percent of benefit costs after employee contributions and plan earnings. The City has met all of its obligations and incorporates the effect of expected benefit cost increases in making annual budget decisions. Information about the retirement plans is found on pages 84 through 92 of this report. Because of benefit increases and plan earnings in recent years, the amount of City pension benefits that are considered "funded" has dropped significantly, and the City's costs have risen accordingly. Future increases may occur. Also, given the increasing cost of health care and the number of employees eligible to retire, management of retiree benefits must be very intentional and consider all issues to help provide balance between retiree benefits and other financial obligations of the City.

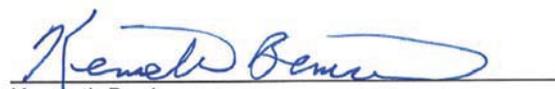
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

The staff of the Finance Department assisted in the preparation of this report. We appreciate their hard work and the support of the Mayor and City Council members, whose commitment to good financial stewardship makes our financial success possible.

Respectfully,


Margaret Sargent
Director of Finance


Kenneth Benion
Clerk-Treasurer

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Government Finance Officers Association

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

Presented to

**City of Huntsville
Alabama**

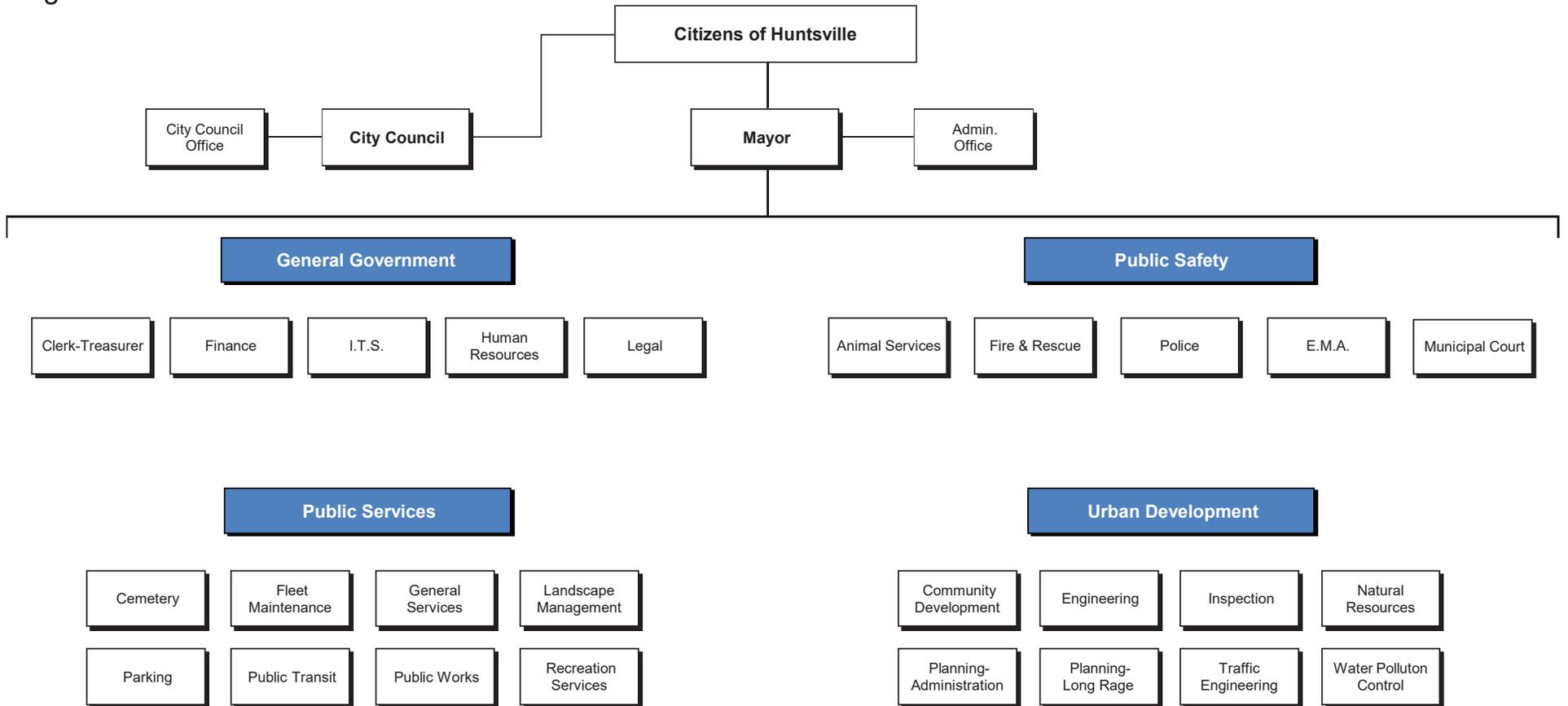
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

City of Huntsville

Organizational Structure



CITY OF HUNTSVILLE
ELECTED OFFICIALS
September 30, 2016

MAYOR

Honorable Tommy Battle

TERM OF OFFICE

November 2016 – 2020

CITY COUNCIL MEMBERS

District 1 – Devyn Keith

Term Expires 2020

District 2 - Mark Russell

Term Expires 2018

District 3 - Jennie Robinson

Term Expires 2018

District 4 - Bill Kling

Term Expires 2018

District 5 - Will Culver

Term Expires 2020

FINANCIAL SECTION

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Independent Auditors' Report

The Honorable Mayor and Members
of the City Council
City of Huntsville, Alabama

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Huntsville Electric, Natural Gas, and Water Systems (Huntsville Utilities), and the Huntsville/Madison County Convention and Visitors Bureau, which are component units of the City, or the financial statements of the Public Library Special Revenue Fund, the Huntsville Museum of Art - Board Special Revenue Fund, and the Municipal IcePlex Enterprise Fund. Those financial statements represent 100% of the total assets, and 100% of the revenues of the discretely presented component units; 21.7% of the total assets and 30.3% of the revenues of the other nonmajor governmental funds; and 0.5% of the total assets and 2.4% of the operating revenues of the enterprise funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based on the reports of the other auditors.

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. The financial statements of the Huntsville/Madison County Convention and Visitors Bureau, which is a component unit of the City, and the Huntsville Museum of Art - Board Special Revenue Fund were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, 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 units, each major fund, and the aggregate remaining fund information of the City of Huntsville, Alabama, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, beginning on page 17, and the pension information beginning on page 97, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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 and the other auditors do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Huntsville, Alabama's basic financial statements. The introductory section, supplementary information section, and statistical section, as listed in the table of contents, and collectively referred to as supplementary information as follows, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements as well as the schedules of revenues, expenditures and changes in fund balance budgetary comparisons are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017, on our consideration of the City of Huntsville, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Warren Averett, LLC

Huntsville, Alabama

May 31, 2017

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BASIC FINANCIAL STATEMENTS



Management's Discussion and Analysis

As management of the City, we offer readers this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here and in the letter of transmittal at the front of this report, and the City's financial statements that follow.

Financial Highlights

As explained in more detail below, City financial activities are presented in two ways:

- The *government-wide financial statements* provide a broad overview of the City's finances, in a manner similar to private-sector businesses.
- The *fund financial statements* provide information about City financial resources that have been segregated for specific activities or objectives.

From the Government-Wide Financial Statements:

- The City's net position was \$756.6 million at the close of fiscal year 2016, an increase of \$22.3 million from 2015. The net position of the governmental activities increased an additional \$11 million and the net position of the business-type activities increased \$11.3 million.
- The unrestricted net position of the governmental activities are negative \$597 million, which means the City must meet its ongoing obligations to citizens and creditors from future revenues. The largest reasons for this negative unrestricted portion is related to the net pension liability and for debt incurred by the City to acquire assets for the Huntsville City School System.
- Total revenues of the governmental activities increased \$16.1 million from 2015 to 2016, or 4.3 percent, and total expenses decreased \$14.8 million, or 3.8 percent.
- The City's business-type activities have a total net position of \$314.9 million, and \$17.9 million is unrestricted. Revenues of the business-type activities decreased \$497 thousand in 2016, or 1.0 percent, and their expenses increased \$775 thousand, or 1.8 percent.

From the Fund Financial Statements:

- As of September 30, 2016, the governmental funds reported a combined ending fund balance of \$224.2 million, an increase of \$60.9 million from the prior year, which included the following significant changes:
 - General Fund - \$10.4 million surplus.
 - The Special Revenue Fund – a \$1.6 million deficit.

- Capital Improvement Fund – a \$19.5 million surplus, because of new borrowings and unspent proceeds from current and prior years exceeding the current year capital projects and other activities planned.
- 2014 Capital Improvement Fund – a \$28.4 million surplus, due to continued collections on the new one percent sales and use tax levied in 2014, which will be spent in future years.
- Federal Building Authority (nonmajor special revenue fund) – a \$3.5 million surplus as the amounts received for the Gate 9 relocation project which ramped up in 2016 exceeded expenditures on the project to date.

More detailed information for each of the above is provided beginning on page 25.

- Of the \$224.1 million fund balance, \$186.6 million is restricted or has been allocated for certain purposes by the City Council, leaving a \$37.5 million balance (including \$23.6 million for General Fund contingencies).
- The General Fund has a fund balance of \$45.8 million, and \$37.8 million is available for any purpose.
- The net change in the principal amount of the City's debt associated with governmental activities increased \$40.1 million in 2016, representing \$125.3 million of new debt and \$85.2 million paid in principal or transferred to escrow agents for advance refundings on existing debt.

Using this Annual Report

This discussion and analysis is an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Reporting the City as a Whole

The *government-wide financial statements* consist of the Statement of Net Position and the Statement of Activities, and provide readers with a longer-term view of the City's finances. One of the most important questions asked about City finances is, "Is the City as a whole better or worse off as a result of the year's activities?" These statements report information in a way that helps answer this question. They include all assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by private-sector businesses – all revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents one measure of the City's financial health or financial position, by showing the difference between the City assets and deferred outflows of resources, and the City's liabilities and deferred inflows of resources, or net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, along with considering nonfinancial factors such changes in the property tax base or the condition of City assets used by the public.

The Statement of Activities shows how the City's net position changed during the most recent fiscal year.

In both of the above statements, we divide the City's activities into three components:

- Governmental Activities – Most of the City's basic service operations are reported here, including police, fire, public works, and the administrative departments. Taxes, business licenses and customer charges finance most of these activities.

- Business-Type Activities – The City charges fees to customers to cover most of the cost of certain activities, such as for sanitary sewer service and Von Braun Center events, and these activities are reported here.
- Component Units – The City includes three legally separate entities in this report, Huntsville Utilities, the Huntsville/Madison County Conventions & Visitors' Bureau and the Downtown Redevelopment Authority. Although legally separate, these “component units” are included because the City is financially accountable for them.

The government-wide financial statements can be found on pages 31 and 32 of this report.

Reporting the City's Funds

A “fund” is a set of related accounts that is used to help the City control and manage money for particular purposes. The City, like other state and local governments, uses “fund accounting” to show that it is meeting legal responsibilities for using certain revenue, or support other objectives of City management. Some funds are required to be established by State law (like state gasoline taxes) or debt agreements, and the City Council establishes all other funds (like the Capital Improvement Fund). The City has two kinds of funds that use different accounting methods:

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can be readily converted to cash. The governmental funds statements provide a detailed short-term view of the City's administrative and basic service operations, helping a reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's activities. Because the fund financial statements use a different accounting method than the government-wide statements described above, we provide an explanation of the differences at the bottom of the fund financial statements.

The first governmental fund financial statements appear starting on page 33.

- Proprietary Funds – When the City charges customers for the services it provides and intends for these charges to cover most of the cost of those services, these are generally reported in proprietary funds. In the City's case, all such activities are reported as enterprise funds, a type of proprietary fund. These fund financial statements report the same information as the government-wide statements for business-type activities.

The proprietary fund financial statements appear starting on page 38.

The City as Trustee

The City is trustee, or “fiduciary” for its retirees' post-retirement healthcare benefits. Because the assets in this trust arrangement can only be used to provide retiree benefits, and not to finance other City activities, the trust's activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position, appearing on pages 42 and 43. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49 through 94.

Other information

In addition to the financial statements and accompanying notes, this report also presents certain supplementary information. Because the City adopts an annual operating budget for certain funds, a comparison of budget to actual by activity (i.e. personnel, operating, capital and other) is provided for the applicable funds to demonstrate compliance with this budget. This information and the information on smaller governmental funds can be found beginning on page 123.

The City as a Whole

As noted earlier, net position may serve as a useful indicator of the City's financial position. The City's net position was \$756.6 million at the close of the most recent fiscal year, an increase of \$22.3 million. This was mainly due to an overall increase in revenues compared to the prior year with a reduction in overall expenditures due to more control over spending and monitoring of the budget.

It is important to note that this net position is largely restricted in some manner and not available to finance City activities. The most significant restriction is the \$1.2 billion invested in capital assets (e.g. land, buildings, streets, and bridges), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available as an economic resource as are other components of net position. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities. An additional \$96.2 million of the City's net position is subject to restrictions concerning its use, as required by state or federal law (not City Council restrictions).

After considering the restricted net position above, the remainder of net is position is *unrestricted, which in the City's case is negative*. This is because for the City's governmental activities, the unrestricted assets and deferred outflows of resources are \$597.4 million less than unrestricted liabilities.

The long-term debt detailed above was used to construct assets that are not owned by the City governmental activities, but the City's governmental activities are responsible for repayment of the debt. While assets are not currently on hand to pay these liabilities, the City expects to pay the debt from annually-recurring revenues established for that purpose. For example, the long-term debt issued for the Huntsville City Schools is expected to be repaid from the collection of a 6.5 mill property tax restricted for school purposes. The other liabilities detailed above must be paid from other revenues of future periods.

An overview of the City's net position and changes to net position is as follows:

Net Position:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 259,406,324	\$196,343,525	\$ 34,699,249	\$33,722,252	\$294,105,573	\$230,065,777
Capital assets	1,138,493,573	1,134,082,608	381,654,754	384,864,653	1,520,148,327	1,518,947,261
Total assets	1,397,899,897	1,330,426,133	416,354,003	418,586,905	1,814,253,900	1,749,013,038
Deferred outflows of resources	47,754,816	34,050,839	3,974,155	2,788,515	51,728,971	36,839,354
Long-term liabilities	963,957,751	886,803,100	101,360,139	113,483,147	1,065,317,890	1,000,286,247
Other liabilities	39,990,701	37,890,227	4,087,190	3,536,168	44,077,891	41,426,395
Total liabilities	1,003,948,452	924,693,327	105,447,329	117,019,315	1,109,395,781	1,041,712,642
Deferred inflows of resources	-	9,105,544	-	797,065	-	9,902,609
Net position:						
Net invest. in capital assets	942,884,115	797,217,611	296,962,340	286,013,940	1,239,846,455	1,083,231,551
Restricted	96,222,800	56,606,417	-	-	96,222,800	56,606,417
Unrestricted	(597,400,654)	(423,145,927)	17,918,489	17,545,100	(579,482,165)	(405,600,827)
Total net position	\$ 441,706,261	\$ 430,678,101	\$ 314,880,829	\$ 303,559,040	\$ 756,587,090	\$ 734,237,141

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The increase (decrease) for the various components of net position shown above is as follows:

Changes in Net Position:

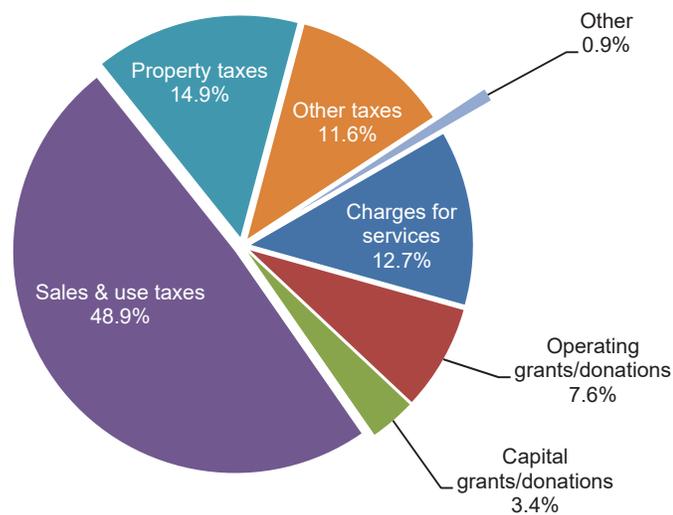
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 49,350,480	\$ 47,795,555	\$ 49,236,844	\$ 47,305,879	\$ 98,587,324	\$ 95,101,434
Operating grants & contrib.	28,466,937	24,437,539	-	-	28,466,937	24,437,539
Capital grants & contrib.	14,359,350	21,290,616	-	2,409,031	14,359,350	23,699,647
General revenues:						
Sales taxes	190,546,050	181,057,346	-	-	190,546,050	181,057,346
Property taxes	57,850,973	54,748,223	-	-	57,850,973	54,748,223
Other taxes	45,203,819	41,737,789	-	-	45,203,819	41,737,789
Interest on investments	704,590	450,481	43,358	63,140	747,948	513,621
Other	1,478,946	1,951,356	-	-	1,478,946	1,951,356
Gains (losses) on sales of assets	1,350,500	(304,271)	-	-	1,350,500	(304,271)
Total revenues	389,311,645	373,164,634	49,280,202	49,778,050	438,591,847	422,942,684
Expenses						
General government	34,361,989	29,989,299	-	-	34,361,989	29,989,299
Public safety	89,867,060	89,257,242	-	-	89,867,060	89,257,242
Public services	164,347,739	168,284,768	-	-	164,347,739	168,284,768
Urban development	22,412,512	43,242,563	-	-	22,412,512	43,242,563
Interest on long-term debt	29,852,643	26,224,071	-	-	29,852,643	26,224,071
Unallocated depreciation	32,372,585	31,002,001	-	-	32,372,585	31,002,001
Water pollution control	-	-	29,173,955	28,593,512	29,173,955	28,593,512
Other	-	-	13,853,415	13,659,090	13,853,415	13,659,090
Total expenses	373,214,528	387,999,944	43,027,370	42,252,602	416,241,898	430,252,546
Net change before transfers	16,097,117	(14,835,310)	6,252,832	7,525,448	22,349,949	(7,309,862)
Transfers	(5,068,957)	(2,726,833)	5,068,957	2,726,833	-	-
Change in net position	11,028,160	(17,562,143)	11,321,789	10,252,281	22,349,949	(7,309,862)
Net position, beginning	430,678,101	448,240,244	303,559,040	293,306,759	734,237,141	741,547,003
Net position, ending	\$ 441,706,261	\$ 430,678,101	\$ 314,880,829	\$ 303,559,040	\$ 756,587,090	\$ 734,237,141

Governmental Activities:

Total revenues from governmental activities were \$16.1 million more in 2016 compared to 2015, and the most significant changes were as follows:

<u>Charges for services</u>	
Building permits (+23.8%)	\$422,948
Privilege licenses (+3.5%)	710,482
Parking revenue (+8.6%)	191,592
Sanitation charges (+1.5%)	185,017
 <u>Capital grants and donations</u>	
Infrastructure donations in 2015 that did not repeat in 2016	(\$10,150,105)
 <u>Operating grants and donations</u>	
Contributions in from Schools	\$1,347,971
Public Library contributions	302,042
FTA Operating Grant Revenue	354,237
 <u>General revenues</u>	
Sales/use taxes (+5.3%)	\$9,488,704
Property taxes (+5.7)	3,102,750
12% liquor tax (+16.2%)	411,554
5% lodgings tax (+3.7%)	169,372
Utilities payments in lieu of taxes (+3.6%)	604,266
Gains on sales of assets – sales of cemetery lots in 2016 that did not occur in 2015	1,654,771

Revenues from governmental activities can be illustrated as follows:

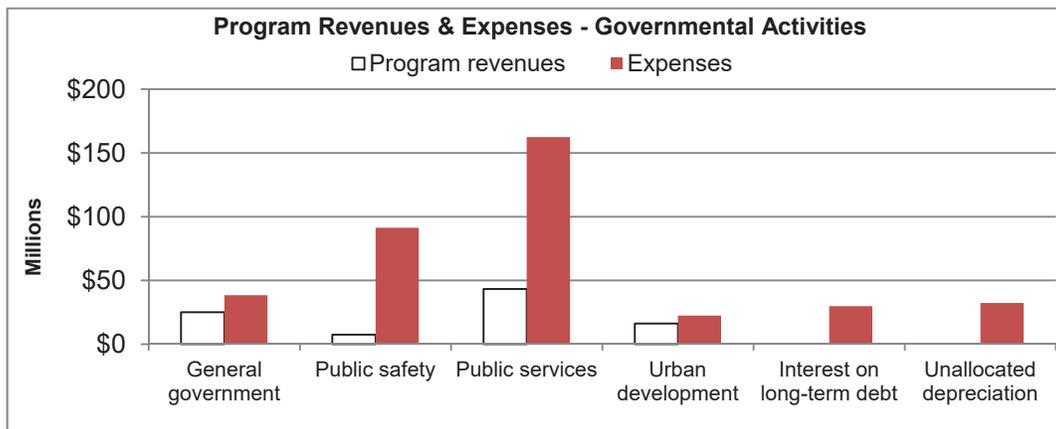


Expenses were \$14.8 million lower in 2016 with most functional expenses being comparable with the prior year. General Government activities had an increase of \$4.3 million over 2015 expenses and Urban Development having a decrease of \$20.8 million from 2015.

The General Government Activities take the largest hit for increases in overall expenditures such as pension liabilities and other items that benefit the government as a whole. As the overall change in net pension expense was \$3.0 million in the current year, the general government function carried much of this burden.

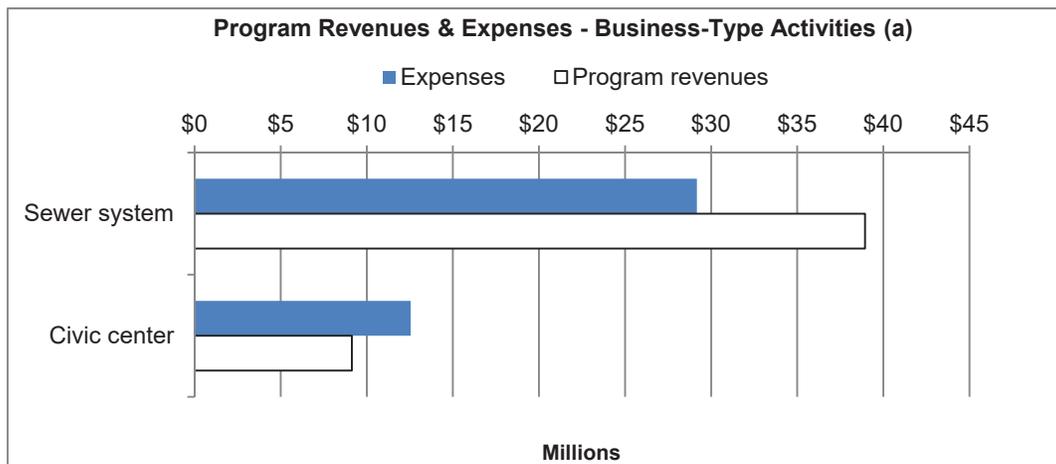
Urban Development activities expenses decreased \$20.8 million from 2015. This was primarily related to the prior year providing additional funds for large economic developments which promised to make huge impacts to the community starting with jobs. In the current year, the majority of the expenditures related to urban development were related to capital and therefore capitalized rather than expensed. This caused a large shift in the overall expenditures for this function and a decrease to a more normal level when compared to the prior year.

Revenues and expenses for the governmental activities can be illustrated as follows:



Business-Type Activities:

Total revenues decreased \$497 thousand, or 1.0%. Operating revenues actually increased \$1.4 million or 3.0%, but the amount of donated subdivision sewer assets and capital contributions for the Water Pollution Control Fund decreased a net of \$2 million. Expenses for all activities increased \$1.5 million, or 100%, with the main increases being in personnel and normal operating expenses of the Water Pollution Control Fund and the Von Braun Center.



(a) The Ice Complex is not comparatively significant for purposes of this chart.

The City's Funds

As noted earlier, the City uses fund accounting to show that it is meeting legal responsibilities for using certain revenue, or support other objectives of City management.

Governmental Funds

The focus of the City's governmental funds is to provide information about financial resources that can be spent in the near future to finance the City's activities. The combined fund balances of the City's governmental funds as of September 30, 2016, was \$224 million. This amount is available for spending but is subject to certain restrictions or limitations, as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form or for which there are obligations to keep the amounts intact.	\$3,483,253
Restricted – amounts that are restricted for specific purposes by federal or state law, or contractual obligations.	89,169,247
Committed - amounts that can only be used for specific purposes enumerated in City Council ordinances related to the levying or earmarking of specific revenue sources.	87,144,546
Assigned - amounts based on the City's intent to use them for certain purposes, including positive fund balances of the entities managed by City Council-appointed boards.	6,845,167
Unassigned - amounts that cannot be classified otherwise, including certain fund balances of the Board-managed entities and the 11.5% contingency reserve of the General Fund.	<u>37,523,212</u>
Total	<u>\$224,165,425</u>

More detail concerning the above fund balances may be found on page 78. The total fund balances of the governmental funds increased \$60.9 million in 2016, and the significant changes were as follows:

General Fund. The General Fund, as the City's primary operating fund, accounts for many diverse activities, and the 2016 highlights were:

- The budgeting process for the General Fund was much different in 2016 compared to 2015 in that many revenues collected for special purposes, such as capital improvements, schools, etc. that were previously captured within the General Fund were shifted to other funds such as the Capital Improvement Fund and the 2014 Capital Improvement fund. The biggest impact on the budget was a decrease in the sales tax revenues budgeted between years which decreased \$42.9 million within the General Fund due to these being budgeted in other funds as noted above. This, likewise, was offset by increases in the budgeted sales tax revenue in the capital improvement funds.
- The fund balance of the General Fund increased \$10.4 million in 2016, to \$45.8 million at year-end, which includes a \$37.7 million unassigned balance, although \$23.6 million of this amount is held for contingencies.
- The original revenue budget was \$205.4 million and expenditures were \$186.5 million, an \$18.9 million planned surplus. Significant changes were made to the budget totaling \$5.6 million (see page 27), so the final budget reflected a \$13.3 million surplus.

- Actual revenues were \$9.7 million more than the final revenue budget, and the significant deviations from the budget were as follows:

	Over (Under) Budget
Sales/use taxes – 2.8% more than budget	\$2,874,509
Other taxes – 7.56% more than budget	3,147,922
Licenses and permits – 3.46% more than budget	862,283
Revenue from money and property –45.94% more than budget	1,192,176
All other accounts - none individually significant	1,530,334
Total	\$9,607,224

- Actual expenditures were \$2.7 million less than the final budget, and the significant deviations from the budget were as follows:

	(Over) Under Budget
Finance department expenditures – amounts expected for the remaining components of the ERP system not fully implemented	\$802,626
Information Technology Services expenditures – lower expenditures for communication software and IT equipment than anticipated	866,347
Fire and Rescue expenditures – related to increase in personnel costs offset slightly by lower grant expenses	(708,425)
Police department expenditures – related to increase in personnel costs	(503,662)
General Service expenditures -lower service demands and less temporary labor costs	1,447,798
Public Transit expenditures – lower grant expenditures in the current year	1,076,218
All other – none individually significant	(270,650)
Total	\$2,710,252

Capital Improvement Fund – reported a \$19.5 million surplus, primarily because of the new 2016 warrants issued in the current year and taxes intended for capital use being specifically recorded within this fund in the current year rather than being transferred in to fund expenditures. A significant portion of this debt was for refunding of existing debt in order to take advantage of interest rate variances which will create a positive cash flow variance over the remaining terms of the debt used for refunding. Another portion of the debt issued was in accordance with planned capital spending in relation to the City’s overall capital plan. Generally, the fund will report an increase when new debt is issued is more than the spending of such in subsequent years.

2014 Capital Improvement Fund – reported a \$28.4 million surplus, due to continued collections of the one percent sales/taxes initiated in 2014. The amounts of these funds received in the current year exceed expenditures on allowable capital and economic development projects. The remaining funds and future collections will continue to support capital and economic development projects in future years.

Proprietary Funds

The focus of the City's enterprise funds is to provide the same type of information as found in the government-wide financial statements, but in more detail.

The net position of the enterprise funds increased \$11.3 million in 2016. The Water Pollution Control Fund net position increased \$9.8 million from operations; operating revenues increased \$1.3 million and operating expenses increased \$1.1 million. The overall change in net position is \$1.7 million less than 2015 primarily attributable to capital transfers from the governmental activities in the prior year which did not occur in the current year which were offset by lower interest expense on debt as the debt has matured and interest portions of payments have reduced. A significant amount of the unrestricted net position, including the 2016 surplus, is budgeted for ongoing system capital improvements.

The Von Braun Center Fund net position increased \$1.7 million. While operating revenues and liquor/lodging tax transfers from the General Fund more than cover operating expenses, depreciation expense of \$2.4 million is not covered by such, which is a continuing matter for future consideration (i.e. maintaining the condition of the Center's assets at acceptable levels). Given this reality, the City has often constructed improvements to Center's assets using other City resources.

General Fund Budgetary Highlights

Variances between General Fund budget and actual amounts is described on page 26, and the net differences between the original and final budget is summarized below. An amount shown in the "Net Change to Budget" column was an increase or (decrease) in the net budget.

	<u>Net Change to Budget</u>
Re-appropriation of ERP system project	\$1,220,732
Increase in amounts paid out from lodging tax collections	1,189,995
Increase for purchase of Fire truck	459,742
Increase for Special Appropriation to Sports Commission	120,000
Increase for Special Appropriation to Convention and Visitors Bureau	493,927
	<hr/>
Total change	<u>\$6,041,358</u>

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2016, totals \$1.5 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, curbs and gutters, streets and sidewalks, greenways, drainage and sewer systems. Total capital assets increased \$1.2 million in 2016 - \$59.4 million of net additions less \$58.2 million of depreciation.

The largest capital acquisitions during the year were as follows:

<u>Purchased by the City</u>	
WPC various sewer line rehabilitation	\$4,424,600
Leeman Ferry Property Acquisition	\$2,225,034
Dumptrucks for WPC (2)	331,250
100 acre tract of land on Chase Farm	999,743
Splashpad and Pavillion for Showers Center	858,831
Whole Foods Project	1,333,333
Progress on construction of Natatorium	11,041,834
Progress on downtown gateway construction	2,185,583
Greenbrier Parkway	6,764,661
Big Spring Park Project	1,536,816
Chase Farm Project	1,293,917
Church Street	1,428,829
Firefighter airpacks	1,438,023

A summary of the City's capital assets is as follows:

City of Huntsville's Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 94,250,825	\$ 90,960,839	\$ 7,785,116	\$ 7,785,116	\$ 102,035,941	\$ 98,745,955
Construction in process	68,856,278	36,778,891	258,912	192,809	69,115,190	36,971,700
Land improvements	19,945,901	20,109,619	-	-	19,945,901	20,109,619
Buildings and improvements	165,892,110	170,757,078	369,106,680	372,253,947	534,998,790	543,011,025
Infrastructure	763,956,012	792,816,466	-	-	763,956,012	792,816,466
Other	25,592,447	22,659,715	4,504,046	4,632,781	30,096,493	27,292,496
Total	\$ 1,138,493,573	\$ 1,134,082,608	\$ 381,654,754	\$ 384,864,653	\$ 1,520,148,327	\$ 1,518,947,261

Additional information on the City's capital assets can be found in Note 4B starting on page 64.

Long-term debt. As of September 30, 2016, the City had \$776.8 million of long-term debt outstanding. Of this amount, \$651.6 million is debt backed by the full faith and credit of the City, and \$125.2 million is comprised of revenue bonds and warrants secured solely by specific revenue sources (e.g. sewer system charges).

City of Huntsville's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation warrants	\$ 595,632,477	\$ 557,549,418	\$ 55,947,525	\$ 64,980,586	\$ 651,580,002	\$ 622,530,004
Revenue warrants	45,609,783	41,453,320	22,260,000	27,485,000	67,869,783	68,938,320
Lease revenue bonds	57,310,000	59,490,000	-	-	57,310,000	59,490,000
Total	\$ 698,552,260	\$ 658,492,738	\$ 78,207,525	\$ 92,465,586	\$ 776,759,785	\$ 750,958,324

In 2016, the City issued \$133.2 million of debt of which \$79.2 million was used to advance refund older debt issues to take advantage of costs savings over the life of new terms. The remaining \$54 million was used to fund new school construction and other various capital projects within the City. The City paid \$26.5 and \$2.2 million towards principal of general obligation and revenue warrants of governmental activities and \$8.7 million and \$5.2 million towards principal of general obligation and sewer revenue warrants of the business-type activities, respectively, in 2016.

The City's general obligation bond rating by Moody's Investors Service, Inc. and Standard & Poor's Corporation is Aaa and AAA, respectively.

Other than debt paid from proprietary fund revenue sources (e.g. sewer debt and revenue bonds), State of Alabama law limits the amount of general obligation debt cities can issue for purposes other than schools and drainage systems to twenty percent of the assessed value of real and personal property. As of September 30, 2016, the City's allocable debt outstanding was \$214.4 million less than the legal debt limit.

Additional information regarding the City's long-term debt can be found in Note 4E starting on page 68.

2017 Budget

The Mayor and City Council considered many factors when developing the fiscal year 2017 budget. The City's revenues were affected by the national recession in past years such that reductions in expenditures and capital projects were necessary. Although the City has recovered and is no longer considered in a recession, the more conservative revenue approach adopted during that time has carried over for the past few years. A 2017 General Fund recurring revenue budget of \$234.7 million was adopted, which is \$16.6 million, or 7.6% more than 2016 actual recurring revenues. Expenditures in the 2017 budget were balanced within revenues. As of May 31, 2017, revenues and expenditures are within budgetary goals.

Request for Information

This financial report is designed with a general overview of the City's finances and to demonstrate accountability for the money it receives from taxpayers, customers, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, P.O. Box 308, Huntsville, Alabama 35804, by calling (256) 427-5080, or by sending an email to HsvFinance@huntsvilleal.gov. This report and other City financial information is available on the City's website at www.huntsvilleal.gov/finance.

CITY OF HUNTSVILLE
STATEMENT OF NET POSITION
September 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash & investments, at cost	\$ 226,452,174	\$ 6,481,837	\$ 232,934,011	\$ 112,998,519
Receivables (net of allowances)	27,511,060	7,828,383	35,339,443	63,869,650
Due from governmental entities	6,625,898	-	6,625,898	-
Inventories	414,529	198,654	613,183	13,821,429
Prepaid items	311,933	134,272	446,205	171,337
Internal balances	(20,056,103)	20,056,103	-	-
Restricted assets:				
Cash & investments, at cost	18,146,833	-	18,146,833	81,347,482
Capital assets:				
Land, collections and construction in process	163,107,103	8,044,028	171,151,131	132,024,172
Other assets, net of accum. depreciation	975,386,470	373,610,726	1,348,997,196	486,022,500
Other assets:				
Regulatory asset - bond issuance costs	-	-	-	1,380,323
Total assets	1,397,899,897	416,354,003	1,814,253,900	891,635,412
DEFERRED OUTFLOWS OF RESOURCES				
Losses on debt refundings	22,275,607	1,730,444	24,006,051	190,860
Differences between expected and actual experience in relation to net pension liability valuation	-	-	-	1,448,149
Differences in projected and actual earnings on pension plan instruments	-	-	-	3,358,665
Pension contributions subsequent to measurement date	25,479,209	2,243,711	27,722,920	5,737,100
Total deferred outflows of resources	47,754,816	3,974,155	51,728,971	10,734,774
LIABILITIES				
Accounts payable	14,102,538	1,232,333	15,334,871	60,819,713
Accrued liabilities	16,818,035	1,040,456	17,858,491	9,037,096
Contract retainages	6,123,376	-	6,123,376	-
Due to governmental entities	704,244	-	704,244	-
Unearned revenue	642,409	1,814,401	2,456,810	11,223,335
Other	1,600,099	-	1,600,099	-
Liabilities payable from restricted assets:				
Other	-	-	-	2,293,046
Noncurrent liabilities				
Due within one year	34,387,496	9,434,610	43,822,106	8,900,000
Due in more than one year	929,570,255	91,925,529	1,021,495,784	273,829,700
Total liabilities	1,003,948,452	105,447,329	1,109,395,781	366,102,890
DEFERRED INFLOWS OF RESOURCES				
Pension plan investment earnings (losses)	-	-	-	76,437
Total deferred inflows of resources	-	-	-	76,437
NET POSITION				
Net investment in capital assets	942,884,115	296,962,340	1,239,846,455	451,344,013
Restricted for:				
Capital projects	67,412,312	-	67,412,312	248,703
City schools	3,501,285	-	3,501,285	-
Debt service	18,146,833	-	18,146,833	-
Other	7,162,370	-	7,162,370	54,688,116
Unrestricted	(597,400,654)	17,918,489	(579,482,165)	29,910,027
Total net position	\$ 441,706,261	\$ 314,880,829	\$ 756,587,090	\$ 536,190,859

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) & Changes in Net Position			Component Units
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
<i>Governmental activities</i>								
General government	\$ 34,361,989	\$ 22,777,167	\$ -	\$ 2,295,630	\$ (9,289,192)	\$ -	\$ (9,289,192)	\$ -
Public safety	89,867,060	4,531,621	1,701,455	1,312,407	(82,321,577)	-	(82,321,577)	-
Public services	164,347,739	18,821,416	24,392,480	138,838	(120,995,005)	-	(120,995,005)	-
Urban development	22,412,512	3,220,276	2,373,002	10,612,475	(6,206,759)	-	(6,206,759)	-
Interest on long-term debt	29,852,643	-	-	-	(29,852,643)	-	(29,852,643)	-
Unallocated depreciation	32,372,585	-	-	-	(32,372,585)	-	(32,372,585)	-
Total governmental activities	373,214,528	49,350,480	28,466,937	14,359,350	(281,037,761)	-	(281,037,761)	-
<i>Business-type activities</i>								
Water pollution control	29,173,955	38,940,571	-	-	-	9,766,616	9,766,616	-
Civic center	12,542,916	9,133,213	-	-	-	(3,409,703)	(3,409,703)	-
Ice complex	1,310,499	1,163,060	-	-	-	(147,439)	(147,439)	-
Total business-type activities	43,027,370	49,236,844	-	-	-	6,209,474	6,209,474	-
Total primary government	\$ 416,241,898	\$ 98,587,324	\$ 28,466,937	\$ 14,359,350	(281,037,761)	6,209,474	(274,828,287)	0
Component Units								
All	\$ 553,980,256	\$ 561,165,691	\$ -	\$ 4,007,357	-	-	-	11,192,792
Total component units	\$ 553,980,256	\$ 561,165,691	\$ -	\$ 4,007,357	-	-	-	11,192,792
General Revenues								
Sales & use taxes					190,546,050	-	190,546,050	-
Property taxes					57,850,973	-	57,850,973	-
Other taxes					45,203,819	-	45,203,819	552,264
Interest on investments					704,590	43,358	747,948	732,389
Other					1,478,946	-	1,478,946	2,251,248
Gain (loss) on sales of assets					1,350,500	-	1,350,500	169,158
Transfers					(5,068,957)	5,068,957	-	-
Total general revenues & transfers					292,065,921	5,112,315	297,178,236	3,705,059
Change in net position					11,028,160	11,321,789	22,349,949	14,897,851
Net position, beginning					430,678,101	303,559,040	734,237,141	521,293,008
Net position, ending					\$ 441,706,261	\$ 314,880,829	\$ 756,587,090	\$ 536,190,859

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2016**

	General Fund	Debt Service	The Special Revenue	Capital Improvements	2014 Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash & investments, at cost	\$ 73,593,523	\$ 5,006	\$ 6,847,733	\$ 56,664,767	\$ 74,280,734	\$ 15,060,411	\$ 226,452,174
Receivables (net of allowances)							
Accounts	16,884,551	-	749,971	4,107,858	3,295,026	591,981	25,629,387
Notes	-	-	-	-	-	1,819,717	1,819,717
Accrued interest	-	-	-	-	-	61,956	61,956
Due from other funds	33,509,588	452,764	-	41,022,313	17,920,636	10,042	92,915,343
Due from governmental entities	1,295,492	-	-	4,830,689	-	499,717	6,625,898
Restricted assets:							
Cash & investments, at cost	-	-	9,265,534	8,881,299	-	-	18,146,833
Inventories	344,814	-	-	-	-	69,715	414,529
Prepaid items	200,797	-	-	-	-	111,136	311,933
Total assets	\$ 125,828,765	\$ 457,770	\$ 16,863,238	\$ 115,506,926	\$ 95,496,396	\$ 18,224,675	\$ 372,377,770
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 5,601,376	\$ -	\$ 1,339,311	3,955,823	\$ 2,390,072	\$ 815,956	\$ 14,102,538
Accrued liabilities	5,946,942	-	-	-	-	463,548	6,410,490
Contract retainages	4,842,968	-	98,236	983,520	198,652	-	6,123,376
Due to other funds	60,255,687	-	8,512,928	17,920,636	25,495,360	786,835	112,971,446
Due to governmental entities	704,244	-	-	-	-	-	704,244
Unearned revenue	600,292	-	-	-	-	155,995	756,287
Other	1,600,099	-	-	-	-	-	1,600,099
Payable from restricted assets:							
Due to other funds	-	-	-	-	-	-	-
Total liabilities	79,551,608	-	9,950,475	22,859,979	28,084,084	2,222,334	142,668,480
Deferred inflows of resources							
Unavailable revenue	447,703	-	-	4,830,689	-	265,473	5,543,865
Fund balance							
Nonspendable	545,611	-	-	-	-	2,937,642	3,483,253
Restricted	249,607	-	6,912,763	8,881,299	67,412,312	5,713,266	89,169,247
Committed	6,295,708	-	-	78,934,959	-	1,913,879	87,144,546
Assigned	1,000,000	457,770	-	-	-	5,387,397	6,845,167
Unassigned	37,738,528	-	-	-	-	(215,316)	37,523,212
Total fund balance	45,829,454	457,770	6,912,763	87,816,258	67,412,312	15,736,868	224,165,425
Total liabilities, deferred inflows of resources, and fund balance	\$ 125,828,765	\$ 457,770	\$ 16,863,238	\$ 115,506,926	\$ 95,496,396	\$ 18,224,675	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.	1,138,493,573
Losses on the refunding of governmental activities debt are reported as deferred outflows in the government-wide statements, but do not represent financial resource and are therefore not reported in the funds.	22,275,607
Certain receivables are reported as assets in the government-wide statements. These receivables are not available to pay current period expenditures in the funds, and are therefore not reported as revenue but as deferred inflows in the funds.	5,657,744
Long-term debt is not due and payable in the current period and are therefore not reported in the funds:	
Bonds and warrants payable, face value	\$ (715,823,891)
Plus issuance premiums to be amortized as interest expense	(52,864,445)
	(768,688,336)
The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable financial resources and, therefore, are not reported in the funds	(151,716,237)
Other long-term liabilities are not due and payable in the current period and are therefore not reported in the funds:	
Accrued interest payable	(10,927,546)
Compensated absences	(17,553,969)
Net position of governmental activities	\$ 441,706,261

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2016**

	General Fund	Debt Service	The Special Revenue	Capital Improvements	2014 Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUE							
Sales & use taxes	\$ 102,111,909	\$ -	\$ -	\$ 48,938,824	\$ 39,679,247	\$ -	\$ 190,729,980
Property taxes	16,916,289	-	40,934,684	-	-	-	57,850,973
Other taxes	41,623,322	-	3,842,131	-	-	-	45,465,453
Licenses & permits	24,901,908	-	-	-	-	-	24,901,908
Fines & forfeitures	3,663,213	-	457,506	-	-	346,156	4,466,875
Revenues from money & property	2,595,230	903	8,093	299,457	27,761	1,987,870	4,919,314
Charges for services	17,333,314	-	-	-	-	-	17,333,314
Intergovernmental	7,371,962	16,881,875	-	4,010,186	35,000	4,021,663	32,320,686
Gifts & donations	974,007	-	-	13,623	-	5,919,776	6,907,406
Other revenues	586,977	-	-	257,775	-	423,738	1,268,490
Total revenues	218,078,131	16,882,778	45,242,414	53,519,865	39,742,008	12,699,203	386,164,399
EXPENDITURES							
Current							
General government	29,720,015	-	392	1,651,897	150	-	31,372,454
Public safety	88,987,487	-	476,263	869,081	-	-	90,332,831
Public services	56,721,818	-	4,486,016	49,099,809	-	11,611,393	121,919,036
Urban development	12,704,859	-	-	1,220,976	-	4,402,890	18,328,725
Debt service							
Principal	-	26,477,088	-	-	-	2,180,000	28,657,088
Interest	-	23,114,027	208,307	-	-	2,845,526	26,167,860
Fiscal charges	-	711	-	-	-	-	711
Debt issuance costs	-	-	-	723,615	-	-	723,615
Capital projects construction and outlay	-	-	-	27,972,355	8,805,210	-	36,777,565
Intergovernmental assistance	4,372,264	-	21,649,857	21,611,634	-	1,476,524	49,110,279
Total expenditures	192,506,443	49,591,826	26,820,835	103,149,367	8,805,360	22,516,333	403,390,164
Excess (deficiency) of revenues over expenditures	25,571,688	(32,709,048)	18,421,579	(49,629,502)	30,936,648	(9,817,130)	(17,225,765)
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	-	-	47,726	121,128,063	-	-	121,175,789
Premium on debt issue	-	-	-	27,065,510	-	-	27,065,510
Transfer to refunding escrow agent	-	-	-	(65,074,549)	-	-	(65,074,549)
Transfers in	-	33,161,121	1,403,899	-	-	13,489,886	48,054,906
Transfers (out)	(15,159,347)	-	(21,430,295)	(13,977,719)	(2,527,954)	(28,548)	(53,123,863)
Total other financing sources (uses)	(15,159,347)	33,161,121	(19,978,670)	69,141,305	(2,527,954)	13,461,338	78,097,793
Net change in fund balance	10,412,341	452,073	(1,557,091)	19,511,803	28,408,694	3,644,208	60,872,028
Fund balance, beginning	35,417,113	5,697	8,469,854	68,304,455	39,003,618	12,092,660	163,293,397
Fund balance, ending	\$ 45,829,454	\$ 457,770	\$ 6,912,763	\$ 87,816,258	\$ 67,412,312	\$ 15,736,868	\$ 224,165,425

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds \$60,872,028

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	49,217,061	
Depreciation expense	<u>(45,388,347)</u>	3,828,714

In the Statement of Activities, the value of capital assets contributed to the government are reported as revenue from capital contributions, but these are not reported as revenue in the governmental funds. 582,251

The proceeds from the issuance of long-term debt provides current financial resources to the governmental funds, and the repayment of long-term debt is an expenditure, which are reported above. In the government-wide statements, however, issuing debt increases long-term liabilities and repayment of debt reduces long-term liabilities in the Statement of Net Position. Also, the premium received is amortized as a reduction in interest expense over time in the Statement of Activities. The differences are as follows:

Long-term debt issued or incurred	(125,284,525)	
Premiums received on long-term debt issued	(27,065,510)	
Principal repayments	28,657,088	
Amortization of premium as interest expense	<u>4,983,981</u>	(118,708,966)

Amounts paid to refund old debt consumes current financial resources and are reported as an expenditure in the governmental funds. In the government-wide statements, however, the difference between the carrying value of the refunded debt and new debt is reported as a deferred inflow or outflow in the Statement of Net Position, and amortized as interest expense over time in the Statement of Activities. The differences are as follows:

Transfers to escrow agent on refunded debt	65,074,549	
Amortization of refunding gain/loss as interest expense	<u>(2,085,334)</u>	62,989,215

For governmental funds, certain revenues have been earned, but because they are not received within a defined period of time after year-end, they are not considered available to finance the expenditures of the year ended. These revenues are not included in governmental fund revenues but are included in revenue of the governmental activities in the Statement of Activities. 2,564,991

Certain expenses reported in the Statement of Activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds:

Change in accrued interest	(2,474,694)	
Change in compensated absences liability	4,421,000	
Change in net pension liability	<u>(3,046,379)</u>	(1,100,073)

Change In Net Position Of Governmental Activities \$11,028,160

**CITY OF HUNTSVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET & ACTUAL
For the Year Ended September 30, 2016**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$154,302,800	\$154,302,800	\$160,651,520	\$6,348,720
Licenses and permits	24,038,350	24,039,625	24,901,908	862,283
Fines and forfeitures	3,786,900	3,786,900	3,663,213	(123,687)
Revenues from money and property	1,247,100	1,403,054	2,595,230	1,192,176
Charges for services	16,580,250	16,580,250	17,333,314	753,064
Intergovernmental	5,011,466	6,832,749	7,371,962	539,213
Gifts and donations	0	919,846	974,007	54,161
Other revenues	476,504	605,683	586,977	(18,706)
Total revenues	205,443,370	208,470,907	218,078,131	9,607,224
EXPENDITURES				
Current				
General government	25,843,982	28,015,569	29,720,015	(1,704,446)
Public safety	85,247,533	88,437,613	88,987,487	(549,874)
Public services	58,392,398	61,110,975	56,721,818	4,389,157
Urban development	13,023,635	13,141,384	12,704,859	436,525
Capital projects construction	0	0	0	0
Intergovernmental assistance	4,026,500	4,511,154	4,372,264	138,890
Total expenditures	186,534,048	195,216,695	192,506,443	2,710,252
Excess of revenues over expenditures	18,909,322	13,254,212	25,571,688	12,317,476
OTHER FINANCING SOURCES (USES)				
Transfers out	(25,069,703)	(25,087,977)	(15,159,347)	9,928,630
Total other financing sources (uses)	(15,696,237)	(15,700,472)	(15,159,347)	541,125
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	3,213,085	(2,446,260)	10,412,341	12,858,601
Fund balance, beginning	35,417,113	35,417,113	35,417,113	0
Fund balance, ending	\$38,630,198	\$32,970,853	\$45,829,454	\$12,858,601

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE
THE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET & ACTUAL
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and payments in lieu of taxes	\$43,386,165	\$43,386,165	\$44,776,815	\$1,390,650
Fines and forfeitures	0	84,714	457,506	372,792
Revenues from money and property	0	0	8,093	8,093
Total revenues	43,386,165	43,470,879	45,242,414	1,771,535
EXPENDITURES				
Current				
General government	0	0	392	(392)
Public safety	0	0	476,263	(476,263)
Public services	4,405,000	5,887,977	4,486,015	1,401,962
Debt service	0	0	208,307	(208,307)
Intergovernmental assistance	17,500,000	17,500,000	21,649,857	(4,149,857)
Total expenditures	21,905,000	23,387,977	26,820,834	(3,432,857)
Excess of revenues over expenditures	21,481,165	20,082,902	18,421,580	(1,661,322)
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	0	383,040	47,726	(335,314)
Transfers in	0	0	1,403,899	1,403,899
Transfers (out)	(20,610,913)	(20,594,817)	(21,430,295)	(835,478)
Total other financing sources (uses)	(20,610,913)	(20,211,777)	(19,978,670)	233,107
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	870,252	(128,875)	(1,557,090)	(1,428,215)
Fund balance, beginning	8,469,854	8,469,854	8,469,854	0
Fund balance, ending	\$9,340,106	\$8,340,979	\$6,912,764	(\$1,428,215)

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 September 30, 2016**

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
ASSETS				
Current assets				
Cash & investments, at cost	\$797,498	\$5,663,209	\$21,130	\$6,481,837
Receivables (net of allowance)				
Accounts	6,862,006	947,521	18,856	7,828,383
Due from other funds	20,056,103	-	-	20,056,103
Inventories, at cost	-	193,950	4,704	198,654
Prepaid items	-	125,662	8,610	134,272
Total current assets	<u>27,715,607</u>	<u>6,930,342</u>	<u>53,300</u>	<u>34,699,249</u>
Noncurrent assets				
Capital assets:				
Land	4,558,419	3,226,697	-	7,785,116
Buildings	208,688,060	78,284,915	4,344,530	291,317,505
Improvements other than buildings	307,633,942	14,959,595	-	322,593,537
Furniture & equipment	10,977,185	4,016,636	844,255	15,838,076
Construction work in progress	-	258,912	-	258,912
Less accumulated depreciation	(222,309,417)	(30,521,330)	(3,307,645)	(256,138,392)
Total noncurrent assets	<u>309,548,189</u>	<u>70,225,425</u>	<u>1,881,140</u>	<u>381,654,754</u>
Total assets	<u>337,263,796</u>	<u>77,155,767</u>	<u>1,934,440</u>	<u>416,354,003</u>
DEFERRED OUTFLOWS OF RESOURCES				
Losses on debt refundings	1,730,444	-	-	1,730,444
Pension contributions subsequent to measurement date	1,434,626	809,085	-	2,243,711
Total deferred outflows of resources	<u>3,165,070</u>	<u>809,085</u>	<u>-</u>	<u>3,974,155</u>
LIABILITIES				
Current liabilities				
Accounts payable	769,918	419,239	43,176	1,232,333
Accrued liabilities	661,384	332,758	46,314	1,040,456
Compensated absences	73,700	418,009	-	491,709
General obligations warrants payable - current	3,517,901	-	-	3,517,901
Revenue warrants payable - current	5,425,000	-	-	5,425,000
Unearned revenue	-	1,809,268	5,133	1,814,401
Total current liabilities	<u>10,447,903</u>	<u>2,979,274</u>	<u>94,623</u>	<u>13,521,800</u>
Noncurrent liabilities				
General obligation warrants payable (net of unamortized premium)	58,914,513	-	-	58,914,513
Revenue warrants payable	16,835,000	-	-	16,835,000
Net pension obligation liability	9,977,124	5,535,592	-	15,512,716
Compensated absences	663,300	-	-	663,300
Total noncurrent liabilities	<u>86,389,937</u>	<u>5,535,592</u>	<u>-</u>	<u>91,925,529</u>
Total liabilities	<u>96,837,840</u>	<u>8,514,866</u>	<u>94,623</u>	<u>105,447,329</u>
DEFERRED INFLOWS OF RESOURCES				
Pension plan investment earnings (losses)	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	224,855,775	70,225,425	1,881,140	296,962,340
Restricted for capital projects	-	-	-	-
Memo Accounts	-	-	-	-
Unrestricted	18,735,251	(775,439)	(41,323)	17,918,489
Total net position	<u>\$243,591,026</u>	<u>\$69,449,986</u>	<u>\$1,839,817</u>	<u>\$314,880,829</u>

(1) The Municipal IcePlex Fund is the only nonmajor proprietary fund

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
 For the Year Ended September 30, 2016**

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
Operating revenue				
Charges for services	\$ 38,940,571	\$ 9,133,213	\$ 1,163,060	\$ 49,236,844
Total operating revenue	38,940,571	9,133,213	1,163,060	49,236,844
Operating expenses				
Personnel, operations & maintenance	13,697,812	8,810,813	916,089	23,424,714
Utilities	2,270,515	1,368,128	218,595	3,857,238
Depreciation and amortization	10,264,808	2,357,517	176,673	12,798,998
Total operating expenses	26,233,135	12,536,458	1,311,357	40,080,950
Operating income (loss)	12,707,436	(3,403,245)	(148,297)	9,155,894
Nonoperating revenue (expenses)				
Interest income	797	42,561	-	43,358
Interest expense	(2,875,324)	-	(1,142)	(2,876,466)
Debt Issuance	(78,606)	-	-	(78,606)
Gain on disposal of assets	-	-	2,000	2,000
Miscellaneous revenue (expense)	13,110	(6,458)	-	6,652
Total nonoperating revenue (expenses)	(2,940,023)	36,103	858	(2,903,062)
Income before contributions, transfers & special items	9,767,413	(3,367,142)	(147,439)	6,252,832
Capital contributions	-	-	-	-
Intergovernmental grants-capital	-	-	-	-
Transfers in	-	5,068,957	-	5,068,957
Transfers (out)	-	-	-	-
Change in net position	9,767,413	1,701,815	(147,439)	11,321,789
Total net position, beginning	233,823,613	67,748,171	1,987,256	303,559,040
Total net position, ending	\$ 243,591,026	\$ 69,449,986	\$ 1,839,817	\$ 314,880,829

(1) The Municipal IcePlex Fund is the only nonmajor proprietary fund

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Year Ended September 30, 2016**

Business-Type Activities -- Enterprise Funds				
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
Operating activities				
Receipts from customers and users	\$ 34,996,172	\$ 10,929,783	\$ 1,139,023	\$ 47,064,978
Payments to suppliers	(14,794,705)	(7,568,804)	(899,276)	(23,262,785)
Payments to employees	(1,047,842)	(3,591,284)	(611,042)	(5,250,168)
Receipts (payments) from interfund services provided		-	-	-
Other	13,110	-	41,227	54,337
Net cash provided (used) by operating activities	19,166,735	(230,305)	(330,068)	18,606,362
Noncapital financing activities				
Transfers in	-	5,068,957	-	5,068,957
Transfers (out)	(8,829,492)	(6,458)	-	(8,835,950)
Net cash provided (used) by noncapital financing activities	(8,829,492)	5,062,499	-	(3,766,993)
Capital and related financing activities				
Acquisition and construction of capital assets	(6,165,666)	(3,370,786)	(52,647)	(9,589,099)
Temporary advance for capital fundraising		-	-	-
SRF loan fund drawdowns		-	-	-
Interfund transfers for capital projects		-	-	-
Intergovernmental grants-capital		-	-	-
Proceeds from equipment loan		-	8,830	8,830
Proceeds from issuing warrants, net	12,088,093	-	-	12,088,093
Principal payments on notes and warrants	(26,324,998)	-	-	(26,324,998)
Payments on note payable		-	(229)	(229)
Interest paid on notes and warrants	(2,875,322)	-	-	(2,875,322)
Net cash provided (used) by capital and related financing activities	(23,277,893)	(3,370,786)	(44,046)	(26,692,725)
Investing activities				
Interest received	797	42,561	629	43,987
Net cash provided (used) by investing activities	797	42,561	629	43,987
Net increase (decrease) in cash and cash equivalents	(12,939,853)	1,503,969	(373,485)	(11,809,369)
Cash and cash equivalents, beginning	13,737,351	4,159,240	394,615	18,291,206
Cash and cash equivalents, ending	\$ 797,498	\$ 5,663,209	\$ 21,130	\$ 6,481,837

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Year Ended September 30, 2016**

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
Operating income (loss)	\$ 12,707,436	\$ (3,403,245)	\$ (148,297)	\$ 9,155,894
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	10,264,808	2,357,517	176,673	12,798,998
Miscellaneous items	13,110	717	-	13,827
Pension expense	-	106,876	-	106,876
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:				
Change in assets and liabilities:				
Receivables	(3,944,399)	31,312	1,119	(3,911,968)
Accounts payable	172,722	(23,674)	(353,905)	(204,857)
Contract retainages	(21,070)	-	-	(21,070)
Prepaid items	-	(65,319)	(5,277)	(70,596)
Inventory	-	24,535	438	24,973
Accrued liabilities	(60,271)	173,445	3,861	117,035
Unearned revenue	-	567,531	(4,680)	562,851
Net pension liability	34,399	-	-	34,399
Net cash provided (used) by operating activities	\$ 19,166,735	\$ (230,305)	\$ (330,068)	\$ 18,606,362

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2016**

	<u>Post-Retirement Benefits Trust</u>
ASSETS	
Cash & cash equivalents	\$ 169,379
Receivables:	
Contributions	1,469,420
Interest & dividends	56,333
Investments, at fair value:	
U.S. Treasury & agency obligations	1,375,275
Corporate bonds	4,172,625
Corporate stocks	2,672,026
Mortgage-Backed securities	1,687,242
Other investments	148,936
	<hr/>
Total assets	<u>\$ 11,751,236</u>
 LIABILITIES	
Accounts payable	<hr/> 41,374
Total liabilities	<hr/> 41,374
 NET POSITION	
Held in trust for other postemployment benefits	<u><u>\$11,709,862</u></u>

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2016

	<u>Post-Retirement Benefits Trust</u>
ADDITIONS	
Contributions:	
Employer	\$ 2,500,000
Plan members	<u>1,407,872</u>
Total contributions	<u>3,907,872</u>
Investment earnings	709,612
Less investment expenses	-
Net investment earnings	<u>709,612</u>
Total additions	<u>4,617,484</u>
DEDUCTIONS	
Benefits	<u>3,482,032</u>
Total deductions	<u>3,482,032</u>
Change in net position	1,135,452
Net position, beginning	<u>10,574,410</u>
Net position, ending	<u>\$ 11,709,862</u>

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET & ACTUAL
For the Year Ended September 30, 2016**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$154,302,800	\$154,302,800	\$160,651,520	\$6,348,720
Licenses and permits	24,038,350	24,039,625	24,901,908	862,283
Fines and forfeitures	3,786,900	3,786,900	3,663,213	(123,687)
Revenues from money and property	1,247,100	1,403,054	2,595,230	1,192,176
Charges for services	16,580,250	16,580,250	17,333,314	753,064
Intergovernmental	5,011,466	6,832,749	7,371,962	539,213
Gifts and donations	0	919,846	974,007	54,161
Other revenues	476,504	605,683	586,977	(18,706)
Total revenues	205,443,370	208,470,907	218,078,131	9,607,224
EXPENDITURES				
Current				
General government	25,843,982	28,015,569	29,720,015	(1,704,446)
Public safety	85,247,533	88,437,613	88,987,487	(549,874)
Public services	58,392,398	61,110,975	56,721,818	4,389,157
Urban development	13,023,635	13,141,384	12,704,859	436,525
Capital projects construction	0	0	0	0
Intergovernmental assistance	4,026,500	4,511,154	4,372,264	138,890
Total expenditures	186,534,048	195,216,695	192,506,443	2,710,252
Excess of revenues over expenditures	18,909,322	13,254,212	25,571,688	12,317,476
OTHER FINANCING SOURCES (USES)				
Transfers out	(25,069,703)	(25,087,977)	(15,159,347)	9,928,630
Total other financing sources (uses)	(15,696,237)	(15,700,472)	(15,159,347)	541,125
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	3,213,085	(2,446,260)	10,412,341	12,858,601
Fund balance, beginning	35,417,113	35,417,113	35,417,113	0
Fund balance, ending	\$38,630,198	\$32,970,853	\$45,829,454	\$12,858,601

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE
THE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET & ACTUAL
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and payments in lieu of taxes	\$4,386,165	\$4,386,165	\$44,515,182	\$40,129,017
Fines and forfeitures	0	84,714	457,506	372,792
Revenues from money and property	0	0	8,092	8,092
Total revenues	4,386,165	4,470,879	44,980,780	40,509,901
EXPENDITURES				
Current				
General government	0	548	392	156
Public safety	0	0	476,263	(476,263)
Public services	2,906,000	2,981,039	4,486,015	(1,504,976)
Debt service	0	122,965	208,307	(85,342)
Intergovernmental assistance	7,000,000	9,012,561	21,388,223	(12,375,662)
Total expenditures	9,906,000	12,117,113	26,559,200	(14,442,087)
Excess of revenues over expenditures	(5,519,835)	(7,646,234)	18,421,580	26,067,814
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	0	0	47,726	47,726
Transfers in	956,000	956,000	1,403,898	447,898
Transfers (out)	(28,338,410)	(34,155,259)	(21,430,295)	12,724,964
Total other financing sources (uses)	(27,382,410)	(33,199,259)	(19,978,671)	13,220,588
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(32,902,245)	(40,845,493)	(1,557,091)	39,288,402
Fund balance, beginning	8,464,854	8,464,854	8,464,854	0
Fund balance, ending	(\$24,437,391)	(\$32,380,639)	\$6,907,763	\$39,288,402

The accompanying notes are an integral part of this statement.

COMBINING STATEMENTS

**CITY OF HUNTSVILLE
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
September 30, 2016**

	Business-Type Activities			Governmental Activities		Total
	Huntsville Utilities			HMC CVB	DRA	
	Electric	Water	Gas			
ASSETS						
Cash & investments, at cost	\$ 43,023,944	\$ 46,002,571	\$ 23,151,400	\$ 817,379	\$ 3,225	\$ 112,998,519
Receivables (net of allowances)	53,749,312	8,477,264	1,642,994	80	-	63,869,650
Due from governmental entities	-	-	-	-	-	-
Inventories	7,195,105	1,805,383	4,815,251	5,690	-	13,821,429
Prepaid items	73,665	29,397	26,108	42,167	-	171,337
Restricted assets						
Cash & investments, at cost	36,568,941	35,733,184	9,045,357	-	-	81,347,482
Capital assets						
Land and construction in process	28,456,938	92,733,658	10,833,576	-	-	132,024,172
Other assets, net of accum. depreciation	220,264,773	164,554,139	100,892,931	310,657	-	486,022,500
Other assets:						
Regulatory asset - bond issuance costs	239,755	1,140,568	-	-	-	1,380,323
Total assets	389,572,433	350,476,164	150,407,617	1,175,973	3,225	891,635,412
DEFERRED OUTFLOWS OF RESOURCES						
Losses on debt refundings	190,860	-	-	-	-	190,860
Differences between expected and actual experience in relation to net pension liability valuation	908,082	164,986	375,081	-	-	1,448,149
Differences in projected and actual earnings on pension plan instruments	1,057,377	549,778	1,676,032	75,478	-	3,358,665
Pension contributions subsequent to measurement date	1,947,313	983,774	2,746,903	59,110	-	5,737,100
Total deferred outflows of resources	4,103,632	1,698,538	4,798,016	134,588	-	10,734,774
LIABILITIES						
Accounts payable	48,520,124	10,302,848	1,892,489	104,252	-	60,819,713
Accrued liabilities	4,682,254	1,955,156	2,287,183	112,503	-	9,037,096
Customer deposits	8,676,290	824,224	1,722,821	-	-	11,223,335
Liabilities payable from restricted assets:						
Other	-	2,293,046	-	-	-	2,293,046
Noncurrent liabilities						
Due within one year	2,620,000	6,280,000	-	-	-	8,900,000
Due in more than one year	89,382,713	144,104,525	40,096,650	245,812	-	273,829,700
Total liabilities	153,881,381	165,759,799	45,999,143	462,567	-	366,102,890
DEFERRED INFLOWS OF RESOURCES						
Pension plan investment earnings (losses)	-	-	-	76,437	-	76,437
Total deferred inflows of resources	-	-	-	76,437	-	76,437
NET POSITION						
Net investment in capital assets	216,084,660	123,222,189	111,726,507	310,657	-	451,344,013
Restricted for:						
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	248,703	-	248,703
Other	7,161,186	36,557,408	10,768,178	201,344	-	54,688,116
Unrestricted	16,548,838	26,635,306	(13,288,195)	10,853	3,225	29,910,027
Total net position	\$239,794,684	\$186,414,903	\$109,206,490	\$771,557	\$3,225	\$536,190,859

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016**

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) & Changes in Net Position					
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Business-Type Activities			Governmental Activities		Total
					Huntsville Utilities			HMC CVB	DRA	
				Electric	Water	Gas				
Component Units										
Huntsville Utilities Electric System	\$ 480,042,533	\$ 480,400,839			\$ 358,306	\$ -	\$ -	\$ -	\$ -	\$ 358,306
Huntsville Utilities Water System	29,259,944	43,137,362	3,457,316		-	17,334,734		-	-	17,334,734
Huntsville Utilities Gas System	41,955,777	37,621,759	550,041		-	-	(3,783,977)	-	-	(3,783,977)
HMC CVB	2,722,002	5,731			-	-	-	(2,716,271)	-	(2,716,271)
DRA	-				-	-	-	-	-	-
Total component units	\$ 553,980,256	\$ 561,165,691	\$ -	\$ 4,007,357	358,306	17,334,734	(3,783,977)	(2,716,271)	-	11,192,792
General Revenues										
Other taxes								552,264		552,264
Interest on investments					432,978	228,628	70,345	437	1	732,389
Gain on the sale of capital assets					101,210	21,375	46,573	-		169,158
Capital Contributions					-	-	-			-
Transfers In (Out)					-	-	-			-
Other					-	-	-	2,251,248		2,251,248
Total general revenues & transfers					534,188	250,003	116,918	2,803,949	1	3,705,059
Change in net position					892,494	17,584,737	(3,667,059)	87,678	1	14,897,851
Net position, beginning					238,902,190	168,830,166	112,873,549	683,879	3,224	521,293,008
Net position, ending					\$ 239,794,684	\$ 186,414,903	\$ 109,206,490	\$ 771,557	\$ 3,225	\$ 536,190,859

The accompanying notes are an integral part of this statement.

**City of Huntsville
Notes To The Financial Statements
September 30, 2016**

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting principles of the City conform to accounting principles generally accepted in the United States of America applicable to governmental entities. The Governmental Accounting Standards Board ("GASB") is the standards-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described herein.

A. Reporting Entity

The City of Huntsville, Alabama (the "City") was incorporated December 9, 1811 under an act of the Mississippi Territorial Legislature and is operated under a Mayor-Council form of government. These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each component unit presented has a September 30 year end.

Blended Component Unit

Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government:

- **Public Building Authority** - The Public Building Authority (Authority) of the City of Huntsville was organized for the sole purpose of constructing a public safety and municipal court facility, including the city/county jail, for lease to and use by the City. The Authority is governed by a three-member board which is appointed by the City Council. The Authority is reported as a Special Revenue fund type.

Discretely Presented Component Units

Each discretely presented component unit is reported in a separate column in a combining statement in the basic financial statements with the total of all discretely presented component units reported in the government-wide financial statements, to emphasize that they are legally separate from the City:

- **Huntsville Utilities** - The Huntsville Utilities (Utilities) provides utility services to residents of the City. The Utilities is governed by three legally separate boards which are appointed by the City Council: the Huntsville Electric Utility Board, the Huntsville Water Utility Board, and the Huntsville Natural Gas Utility Board. All significant Board actions require substantive approval by the City Council, and the City is secondarily liable for the outstanding debt of the Utilities. The financial statements related to the three boards have been stated separately. The Utility Systems are presented as Proprietary Fund types.
- **Huntsville/Madison County Convention and Visitors Bureau (HMC CVB)** - The HMC CVB provides advertising and promotional activities to help promote tourism and economic development in the Huntsville/Madison County area. The HMC CVB is governed by a seven-member board. Four members are appointed by the City government and three appointed by the County government. The City is obligated to provide significant financial assistance to the HMC CVB in the form of liquor and lodging tax receipts collected by the City. The HMC CVB is presented as a Governmental Fund type.
- **Downtown Redevelopment Authority (DRA)** - The DRA was created by Act of the Alabama Legislature to revitalize and restore the City's downtown area. The DRA is governed by a nine-member board appointed by the City Council. All DRA projects require substantive approval by the City Council. The DRA is presented as a Governmental Fund type.

Complete financial statements for each of the individual component units may be obtained at the administrative offices of the entities.

Huntsville Utilities
112 Spragins Street
Huntsville, Alabama 35801

Public Building Authority
4th Floor Municipal Building
308 Fountain Circle
Huntsville, Alabama 35801

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Huntsville/Madison County
Convention and Visitors Bureau
500 Church Street
Huntsville, Alabama 35801

Downtown Redevelopment Authority
4th Floor Municipal Building
308 Fountain Circle
Huntsville, Alabama 35801

B. Accounting Standards

The City's financial statements are prepared in accordance with standards promulgated by the GASB. The status of the City's adoption of recently-issued GASB standards is as follows:

Pronouncements Effective for the 2016 Financial Statements:

The City adopted GASB No.72, Fair Value Measurement and Application, in 2016. This statement provides guidance for applying fair value to certain investments and the disclosures related to all financial measurements. Required disclosures include the level of fair value hierarchy and techniques used to value the investments. The statement is intended to improve comparability among financial statements of government entities as the more detailed guidance allows for a consistent presentation of fair value.

The City adopted GASB No.73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, Amendments for Certain Provisions of GASB Statements 67 and 68, in 2016. This statement sets requirements for defined benefit and contribution pensions that are not within the scope of Statement No. 68. The Statement broadens Statement No. 68 to pension assets not administered by a trust and also clarifies certain provisions for Statement No. 67 and 68 which will improve comparability of disclosed pension information between contributing entities. The implementation of this statement did not have a significant impact on the City's financial statements.

The City adopted GASB No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments in 2016. This statement identifies the hierarchy of generally accepted accounting principles within the context of the current governmental financial reporting environment and required retrospective application. The implementation of this statement did not have a significant impact on the City's financial statements.

Pronouncements issued, but not yet effective, which will be adopted by the City in future years:

The City plans to adopt GASB No.74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, in the period beginning after June 15, 2016, fiscal 2017. This statement will improve the usefulness of other postemployment benefit information included in the financial statements and replaces Statement No. 43. It includes requirements for supplemental information and notes to the financial statements. The statement also sets specific requirements for the measurement of the Net OPEB liability.

The City plans to adopt GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in the period beginning after June 15, 2017, fiscal 2018. This statement will make financial information more useful for decision making as it requires recognition of the entire OPEB liability and more in depth measure of OPEB expense. New disclosure and supplemental information requirements will also improve the financial reporting surrounding OPEB.

The City plans to adopt GASB No 77, Tax Abatement Disclosures, in the period beginning after December 15, 2015, fiscal 2017. This statement improves financial reporting by providing users essential information regarding tax abatements by requiring more detailed information about the abatements and organizing the information in a consistent and comprehensive manner.

The City plans to adopt GASB No 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plan, in the period beginning after December 15, 2015, fiscal 2017. This statement amends the scope of Statement No. 68 to exclude certain pensions provided to state or local government employees if it includes benefits to non state or local government beneficiaries. It also includes new disclosure requirements.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City plans to adopt GASB No 80, Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14, in the period beginning after June 15, 2016, fiscal 2017. The statement amends blending requirements to include a component unit incorporated as a not-for-profit corporation and the primary government is the sole corporate member.

The City plans to adopt GASB No 81, Irrevocable Split-Interest Agreements, required for fiscal periods beginning after December 15, 2016, fiscal 2018. This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The City plans to adopt GASB No 82, Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73, required for fiscal periods beginning after June 15, 2016, except for certain provisions effective for fiscal periods beginning after June 15, 2017, in fiscal 2017 and 2018. This Statement improves financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues.

The City plans to adopt GASB No 83, Certain Asset Retirement Obligation, in the period beginning after June 15, 2018, fiscal 2019. The Statement will enhance comparability of financial statements among governments by providing uniform criteria to measure and recognize certain asset retirement obligations.

The City plans to adopt GASB No 84, Fiduciary Activities, in period beginning after December 15, 2018, fiscal 2020. The Statement establishes criteria for identifying fiduciary activities of all state and local governments and will enhance comparability of financial statements through this added criteria and clarity of whether and how business-type activities should report fiduciary activities.

Management is in the process of determining the effects that the adoption of these statements will have on the City's basic financial statements.

C. Government-wide and Fund Financial Statements

Financial information of the City, the primary government, and the Utilities, the HMC CVB and the DRA, the City's component units, is presented as follows:

- *Management's discussion and analysis* introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- *Basic Financial Statements*: Government-wide financial statements consist of a Statement of Net Position and a Statement of Activities.

These statements report all of the non-fiduciary activities of the City and its component units. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges from services and are usually intended by management to be financially self-sustaining.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues, including all taxes and other items, are presented as general revenues.

- *Fund financial statements* consist of a series of statements focusing on information about the City's major governmental and enterprise funds. Separate financial statements are presented for the governmental, proprietary and fiduciary funds.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Property taxes (if levied), other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, identical to the government-wide financial statements.

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.
- The *Debt Service Fund* of the City accounts for the servicing of most long-term debt not being financed by Proprietary Funds. Sources of funds for the servicing of the debt include property taxes restricted for debt service through the 6½ Mill property tax accounted for in the Special Revenue Fund, and a portion of sales taxes transferred from the General Fund to the Capital Improvement Fund.
- The *Special Revenue Fund* of the City accounts for revenue sources that are legally restricted to expenditures for specific purposes according to state or federal law, which are primarily property taxes and state gasoline taxes. This fund does not include federal and state grant revenues that pertain to the operating activities of various city departments and are accounted for in the General Fund.
- The *Capital Improvements Fund* of the City accounts for the cost of constructing a variety of public works projects and related debt service, and the cost of various City departments' capital spending and maintenance activities. Financing is provided by general obligation debt, a transfer from the General Fund of approximately eighteen percent of annual sales taxes, and interest revenue.
- The 2014 *Capital Improvements Fund* of the City accounts for the cost of constructing various road projects and related debt service, and the cost of economic development projects. Financing is provided by a one-cent sales and use tax levied March 1, 2014.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major enterprise funds:

- The *Water Pollution Control Fund* accounts for sanitary sewer services provided to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service.
- The *Von Braun Center Fund* accounts for the operation and maintenance of a City-owned civic auditorium and arts center that derives its revenues primarily from rents and fees charged for use of the facilities.

Additionally, the City reports the following fund type, which group some of the funds described above:

Governmental Funds:

- The *Special Revenue Funds*, a fund type to be distinguished from, but which includes The Special Revenue Fund described above, account for revenue sources that are legally restricted to expenditures for specific purposes and generally pertain to the operating activities of various City departments (including City activities managed by separate boards) and the Public Building Authority. Such funds are established when required by statute, charter provision, local ordinance, or executive decision to finance particular functions or activities.
- The *Capital Projects Funds* account for the acquisition of capital assets or construction of major capital projects not being financed by Proprietary Funds.

Proprietary Funds:

- *Enterprise Funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Fiduciary Funds:

- *The Post-Retirement Benefits Trust Fund* accounts for the activities of the City's post-retirement medical benefits plan, which accumulates resources for post-employment benefit payments to qualified employees.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expense generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Pollution Control and Von Braun Center enterprise funds are charges to customers for services. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value except for money market investments which include short-term, highly liquid debt instruments which are reported at cost or amortized cost. Any differences between the market value and cost of investments, other than short-term money market investments, are reflected in investment income.

The Utilities considers all highly liquid temporary cash investments with low interest rate risk to be cash equivalents. Cash purchases and sales of these investments generally are part of the Utilities' cash management activities rather than part of its operating, investing and financing activities, and details of these transactions are not reported in the statement of cash flows. Special funds are provided for under trust indentures and are not considered cash equivalents. All special funds are considered investments for purposes of classifications in the statement of cash flows.

Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Amounts receivable from federal, state, county, and local governments are classified as "due from other governmental entities." No individually significant amounts were due from any single entity as of September 30, 2016.

Noncurrent portions of long-term receivables due to Governmental Funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of Governmental Fund type revenues represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term loans receivable are offset by fund balance reserve accounts.

Property taxes are assessed on October 1 and levied on the subsequent October 1 for the fiscal year beginning on the levy date, at which time a lien is attached. These taxes are due and payable on October 1 (levy date) and delinquent after December 31 in each year (except with respect to motor vehicles, which have varying due dates), after which a penalty and interest are required to be charged. If real property taxes are not paid by the June 15 following the due date, a tax sale is required to be held. Revenue is recognized in the year when the taxes are levied and collected. The taxes are collected by the Madison County tax collector and remitted to the City net of a collection fee ranging from 1 to 5 percent for the different taxes.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors for costs applicable to future accounting periods are recorded as expenditures when consumed and as prepaid items in both government-wide and fund financial statements.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restricted Assets

Cash and investments that must be used for restricted purposes, which generally refers to amounts that will be spent beyond the next year are reported as “Restricted Assets” in the government-wide statements of net position and fund financial statements balance sheets. Receivables associated with long-term capital spending are similarly reported. Also, some restricted cash and investments are held by one fund but will be expended in other fund, which creates a interfund payable/receivable. These amounts are reported as “Restricted Assets” and “Liabilities Payable from Restricted Assets” in the affected fund financial statements – the government-wide statements do not report these amounts as interfund transactions are eliminated in those statements.

Capital Assets

Capital assets include property, plant, equipment, infrastructure (like roads, bridges, sidewalks, and similar items) and intangible (like computer software and easements) assets. They are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, and are defined by the City as having an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year, and that are either (1) tangible in nature or (2) intangible in nature, that is lacking physical substance and being nonfinancial. These assets are recorded at historical cost or estimated historical cost if purchased or constructed, and donated capital assets are recorded at estimated acquisition value at the date of donation.

Whenever possible, intangible capital assets are grouped and reported in the same manner as related tangible assets, e.g. computer software is reported with “equipment” and property easements are reported with “infrastructure.” Only significant intangible assets that cannot be grouped in this manner are reported separately, but there were not any such assets as of September 30, 2016.

The cost 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. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed.

Property, plant and equipment of the component units are generally recorded using the same policy as the City.

Depreciation of all exhaustible capital assets except infrastructure is charged as an expense against their operations or functions whereas the infrastructure depreciation is unallocated. The amortization of intangible assets having definite useful lives is reported as depreciation against the operation/function to which the intangible asset relates, or with infrastructure depreciation. Capital assets of the primary government and the component units are depreciated using the straight-line method, generally over the following estimated useful lives:

Buildings	25-50 years
Sidewalks, streets, and bridges	50 years
Traffic signals	10-20 years
Utility plants in service	40-50 years
Sewer improvements:	
Pumping stations	50 years
Outfall lines	50 years
Land improvements	25 years
Surface lots	10 years
Furniture and equipment	5-12 years
Greenways	15 years
Drainage systems	50 years

Regulatory Assets

The Utilities reports unamortized debt issuance costs applicable to future periods, which customer charges will fund, as regulatory assets.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences

All full-time employees of the City accumulate vacation (annual leave), compensatory time, holiday and sick leave during the calendar year. On January 1 of each year vacation hours in excess of 260 are forfeited. Employees are encouraged to use all compensatory time as soon as possible after it is earned. Compensatory time accumulated through December 31 each year is forfeited if not used by June 30 of the following year. Sick leave is accumulated with no year-end forfeiture; holiday leave accumulated in each calendar must be used by June 30 of the following year or is forfeited. Upon termination, an employee will be paid a maximum of 260 hours vacation, 160 hours compensatory time and 240 hours holiday.

Accumulated hours in excess of the aforementioned limits and all accumulated sick leave is forfeited. However, if termination is due to retirement, the employee will be paid for 50% of accumulated sick leave. Accumulated vacation and holiday and the estimated amount of sick leave payable upon retirement is considered to be and is accrued as a current or long-term liability, depending on the period in which the payable leave is expected to be used.

The compensated absences policy of the Utilities is substantially the same as stated above except the maximum accumulated vacation is 280 hours and if termination is due to retirement, the employee will be paid 25% of accumulated sick leave.

Deferred Outflows/Inflows of Resources

The City has deferred outflows and deferred inflows of resources. Deferred outflows of resources are a consumption of assets by the City that is applicable to a future reporting period and consists of the unamortized amounts for losses on debt refundings and certain pension related amounts. Deferred inflows of resources are an acquisition of assets by the City that is applicable to a future reporting period and consist of deferred revenue.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund 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. Debt premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds and warrants payable are reported net of the applicable premium or discount. Debt issuance costs are expensed in the year incurred.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Restrictions of Net Position and Fund Balances

The use of certain assets is restricted based on debt covenants, grantors, contributors, or federal and state laws. The amount of these assets is reported as restricted net position and restricted fund balances in the basic financial statements, and these restrictions consist of the following: (1) resources held by the City or on deposit with paying agents for the repayment of long-term debt pursuant to debt covenants and state law are "restricted for debt service," (2) the unexpended portion of debt proceeds that are restricted for use in construction are "restricted for capital projects", (3) property taxes collected by the City restricted for public school purposes are "restricted for city schools", and (4) resources restricted for specific purposes pursuant to state and federal law are "restricted for other." None of the City's restricted net position is restricted by enabling legislation, but rather by state law or contractual obligations.

When expenditures are incurred to which restricted or unrestricted amounts may be applied, the City's policy is to use restricted net position first.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of net position invested in capital assets of the governmental activities in the government-wide Statement of Net Position:

A portion of the net position reported in the Statement of Net Position is reported as net investment in capital assets (e.g. land, buildings, streets, and bridges) because these assets are not available for future spending. These assets are reported net of debt used to acquire those assets, as follows:

Governmental activities capital assets, net	\$1,138,493,573
Less debt outstanding expended for capital assets	<u>(195,609,458)</u>
Net position invested in capital assets	<u><u>\$942,884,115</u></u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The following section describes the budgeted and non-budgeted funds:

Annually-Budgeted Governmental Funds

- General Fund
- Debt Service Fund
- The Special Revenue Fund
- 2014 Capital Improvements Fund
- Capital Projects Funds

Governmental Funds Not Annually-Budgeted

- Community Development Fund
- Community Development Rehabilitation Loan Fund
- Public Library Fund
- Burritt Museum Fund
- Alabama Constitution Village Fund
- Art Museum Fund
- Public Building Authority Fund
- Huntsville Tennis Center Fund
- Federal Building Authority Fund
- Perpetual Care Fund

The Public Library Fund, Burritt Museum Fund, Art Museum Fund, Huntsville Tennis Center, Alabama Constitution Village Fund, and Federal Building Authority Fund are managed by separate boards appointed by City Council, but are not separate legal entities, and are independent of the City's budgeting process. The Public Building Authority Fund is a blended component unit of the City which is managed by a separate board appointed by the City Council and is independent of the City's budgeting process. The Community Development Fund and the Community Development Rehabilitation Loan Fund adopt project-length budgets as prescribed by grantor provisions.

The City follows these procedures in establishing the budgetary data reflected in the financial statements of the annually - budgeted funds:

1. Around May 1, instructions and budget documents are distributed to departments and a revenue estimate for the following fiscal year is prepared.
2. Between June 1 and September 1 the following steps occur:
 Departments return copies of completed budget request forms to the Finance Department.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

The Mayor and budget staff begin individual departmental reviews and prepare recommended changes to departmental budgets.

The Mayor submits recommended departmental changes to individual departments affected with a copy submitted to the City Council Finance Committee.

Departments incorporate recommended budget changes and update budget schedules.

The Mayor's recommended budget is finalized for submission to the City Council.

3. Between September 1 and September 30 these final steps occur:

The Mayor presents the proposed budget to the City Council.

The City Council takes final action for approval of the operating budget by the beginning date of the fiscal year. The annual budget is prepared by fund, department, division, activity, and object. For the General Fund and other funds that include operating City departments, the Mayor, or appointed City staff, is authorized to make budget transfers by object within the activity categories of each department: personnel, operating and capital outlay. For annually-budgeted Special Revenue Funds, the Mayor, or appointed City staff, is authorized to make budget transfers within the fund. Transfers of appropriations between activity categories of operating departments or between funds and special appropriations require approval of the City Council. The legal level of budgetary control is by activity for General Fund departments and by fund for annually-budgeted Special Revenue Funds. Budget amendments were made and approved by City Council for annually-budgeted funds during the year which were not significant relative to the total budget. The original and final/amended budget amounts are reflected in these financial statements.

Encumbrance accounting is employed in Governmental Funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end lapse, and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. As such, encumbrances at year-end are reported as designations of fund balances.

B. Excess of Expenditures Over Appropriations

The following funds incurred expenditures in excess of appropriations of the following amounts for the year ended September 30, 2016:

General Fund	
Current Expenditures:	
<i>General Government:</i>	
Administration – personnel	\$2,573,263
Clerk-Treasurer – personnel	49,842
Finance – personnel	30,197
Fleet Management – personnel	202,722
General Expenses – personnel	290,148
General Expenses – operating	105,210
Legal – personnel	87,206
Legal – operating	555,338
<i>Public Safety:</i>	
Animal Services – operating	45,900
Emergency Management – personnel	21,263
Fire and Rescue – personnel	1,135,606
Fire and Rescue – operating	58,100
Municipal Court – personnel	28,554
Municipal Court – operating	28,956
Police – personnel	540,217
Police – personnel	540,217
<i>Urban Development:</i>	
Planning - personnel	17,761
Traffic engineering – personnel	49,217

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Special Revenue Fund

Current Expenditures (as reported in subfunds):

<i>Public Safety</i>	
Seizure subfund- operating	431,763
<i>Public Services</i>	
6.5 Mill School Tax subfund – capital	381,875
7 Cent Gas tax subfund – operating	175,835
<i>Intergovernmental Assistance</i>	
Tif 2 subfund – operating	69
Tif 5 subfund – debt service	134,584
Tif 5 subfund – capital	133,109
Tif 6 subfund – operating	3,714,741

The General Fund expenditures in excess of budget were largely due to expenditures occurring late in the fiscal year, some of which were not completely known until the fiscal year had ended and the budget could not be amended. In total, the City exceeded its overall general fund budgeted excess of revenues over expenditures. This overall positive budget variance provided the source of funds to cover the excesses noted above. The excess expenditures in the other funds were provided by either revenues or available fund balance in the funds.

C. Deficit Fund Equity

As of September 30, 2016, Art Museum Fund had a deficit fund balance of \$89,030, which is expected to be funded by future revenues or transfers from the General Fund.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The following information is provided to give an indication of the steps the City takes to protect its cash deposits and the level of risk assumed for certain investments. For purposes of this Note 4A, the City and its discretely-presented component units are collectively referred to as “City entities.” As of September 30, 2016, the City had the following cash and investments:

	Primary Government	Discretely- Presented Component Units	Post-Retirement Benefits Trust Fiduciary Fund
Cash on hand and in banks	\$106,921,991	\$99,894,820	\$ 169,379
Investments:			
Money market mutual funds (cash equivalents)	127,723,734	85,316,860	-
U.S. Treasury obligations	15,430,734	7,383,963	1,375,275
Corporate bonds	-	-	4,172,625
Corporate stocks	-	-	2,672,026
Mortgage-Backed securities	-	-	1,687,242
Other	1,004,386	1,750,358	148,936
Total investments	144,158,854	94,451,181	10,056,104
Total	\$251,080,845	\$194,346,001	\$10,225,483

Cash and investment policies

State law limits the kinds of investments that Alabama municipalities can make to: (1) accounts and certificates of deposits with banks or saving associations that are qualified public depositories; (2) direct obligations of the U.S. Department of the Treasury and certain federal agencies (collectively referred in this note as “USTO”); (3) certain qualified obligations of any state and their agencies; (4) common trust funds, collective investment funds maintained by qualified institutions, or any registered mutual funds, all of which must hold a prescribed amount of obligations meeting the requirements of 1 – 3 above; and (5) for post-employment benefit trusts, a broad investment portfolio is permitted, including government and corporate bonds, and corporate stocks.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

City investment policy, which is established by ordinance, requires and permits the same investments as required by state law. City policy limits deposits in financial institutions to no more than fifty percent in a single institution, and the City was in compliance with this requirement at September 30, 2016.

Interest rate risk

The City entities manage their exposure to declines in fair values of investments due to market interest rate changes by limiting the maturity of their directly-held investments to less than one year, or by only purchasing obligations that it intends to hold to maturity. Directly-held investments having a maturity of more than one year are only purchased in connection with long-term construction projects, longer-term General Fund cash reserves, or long-term post-retirement benefit obligations, for which the risk of having to liquidate the investments prior to maturity and realize losses in fair value, are minimized. Generally, City entities limit their investments in mutual funds to those for which the underlying obligations have a weighted-average maturity of 180 days or less.

The maturities of all investments except those held by the Post-Retirement Benefits Trust are categorized as follows:

	Primary Government	Discretely- Presented Component Units
Less than one year	127,723,734	\$40,594,157
One to five years	16,435,120	49,798,854
Greater than five years	-	4,058,170
Total	\$144,158,854	\$94,451,181

The Post-Retirement Benefits Trust manages interest rate risk over a longer-term, seeking to maximize return. The maturities of this fund's debt securities are categorized as follows:

	Par Value	% of Total
Less than five years	\$3,591,000	51.3%
Five to ten years	1,292,835	18.5%
Ten to twenty years	621,882	8.9%
Twenty to thirty years	1,492,197	21.3%
Total	\$6,997,914	100.0%

Credit risk

As described above, state and City law limit the kind of investments that City entities can make. All of the investments of the City entities were limited to directly-owned USTO or money market mutual funds that primarily hold USTO.

For the Post-Retirement Benefits Trust, the credit quality of all debt securities including USTO, were as follows:

	Fair Value	% of Total
Aaa (USTO included here)	\$1,524,211	20.6%
Aa1	148,517	2.0%
Aa2	258,806	3.5%
Aa3	295,074	4.0%
A1	592,068	8.0%
A2	626,563	8.5%
A3	957,428	13.0%
Baa1	703,294	9.5%
Baa2	443,355	6.0%
Other(a)	1,834,762	24.9%
Total	\$7,384,078	100.0%

(a) Ratings are not available, primarily for investments in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation mortgage pools.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Concentration of credit risk

Other than its investment in USTO or USTO mutual funds, the City entities and the Post-Retirement Benefits Trust did not have any single investment (debt and equity investments) that had a value in excess of five percent of the their respective total investments.

Custodial credit risk

The City requires all bank deposits, which includes USTO money market funds held by banks, be insured by federal depository insurance or the Security for Alabama Funds Enhancement, or SAFE Program, which was the case for all bank deposits as of September 30, 2016, except for minor cash deposits and cash on hand. The SAFE Program is administered by the State Treasurer according to State of Alabama statute, and any bank or financial institution in the State of Alabama accepting deposits of public funds is required to insure those funds by pledging eligible collateral to the State Treasurer for the SAFE collateral pool. The entire pool stands behind each deposit. Eligible collateral are those securities currently designated as acceptable collateral for state deposits as defined by State law. Also, the deposits with banks complied with state and City investment policies, except that regarding the City's fifty-percent limitation on deposits with any one institution, at numerous times during the year, the City was not in compliance with this requirement. The public funds deposit policies of local financial institutions has changed in the last several years, making compliance with the fifty-percent policy more difficult to administer on a daily basis, but City financial managers make all reasonable efforts to substantively comply with the policy. Deposits that exceed the requirement have only been made in the largest financial institutions.

All of the City entities' direct investments in U.S. Treasury obligations were held by bank trust departments as agents of the City entities and in the respective entity's name. The USTO investments of the General Fund are held by a bank trust department as agent of the City in the City's name. All of the investments of the Post-Retirement Benefits Trust are held by bank trust departments as agent of the Trust in the Trust's name.

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

Fair value measurements of the primary governments' investments are as follows at September 30, 2016:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. treasuries	\$ 15,430,734	\$ 15,430,734	\$ -	\$ -
Total debt securities	15,430,734	15,430,734	-	-
Equity securities:				
Financial services industry	127,723,734	127,723,734	-	-
Total equity securities	127,723,734	127,723,734	-	-
Total investments	\$143,154,468	\$143,154,468	\$ -	\$ -

Remaining investments for the primary government are composed of certificates of deposit which are not subject to reporting within the fair value hierarchy above.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Fair value measurements of the discretely presented component units' investments are as follows at September 30, 2016:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. treasuries	\$ 7,383,963	\$ 7,383,963	\$ -	\$ -
Total debt securities	7,383,963	7,383,963	-	-
Equity securities:				
Financial services industry	85,316,860	85,316,860	-	-
Total equity securities	85,316,860	85,316,860	-	-
Total investments	\$ 92,700,823	\$ 92,700,823	\$ -	\$ -

Remaining investments for the discretely presented component units are composed of certificates of deposit which are not subject to reporting within the fair value hierarchy above.

Fair value measurements of the post-retirement benefits trust fiduciary fund's investments are as follows at September 30, 2016:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. treasuries	\$ 1,375,275	\$ 1,375,275	\$ -	\$ -
Corporate Bonds	4,172,625	4,172,625		
Mortgage-backed securities:				
Commercial	1,097,273	-	1,097,273	
Residential	589,969	-	589,969	
Other	148,936	148,936		
Total debt securities	7,384,078	5,696,836	1,687,242	-
Equity securities:				
Financial Services Industry	614,533	614,533	-	-
Basic Materials	424,950	424,950	-	-
Technology	399,023	399,023	-	-
Industrial Goods	347,235	347,235	-	-
Consumer Goods	288,401	288,401	-	-
Healthcare	209,051	209,051	-	-
Services	208,943	208,943	-	-
Utilities	179,890	179,890	-	-
Total equity securities	2,672,026	2,672,026	-	-
Total investments	\$ 10,056,104	\$ 8,368,862	\$ 1,687,242	\$ -

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

B. Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions/ Transfers-in	Deletions/ Transfers-out	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$90,960,839	\$3,289,986	\$ -	\$94,250,825
Construction in progress	36,778,891	33,410,059	(1,332,672)	68,856,278
Total capital assets, not being depreciated	127,739,730	36,700,045	(1,332,672)	163,107,103
Capital assets, being depreciated:				
Land improvements	44,030,515	728,428	-	44,758,943
Buildings and improvements	257,837,248	1,149,590	-	258,986,838
Furniture, equipment and other	100,806,502	9,041,790	(2,409,934)	107,438,358
Infrastructure	1,721,111,833	3,512,131	-	1,724,623,964
Total capital assets, being depreciated	2,123,786,098	14,431,939	(2,409,934)	2,135,808,103
Less accumulated depreciation for:				
Land improvements	(23,920,896)	(892,146)	-	(24,813,042)
Buildings and improvements	(87,080,170)	(6,014,558)	-	(93,094,728)
Furniture, equipment and other	(78,146,787)	(6,109,058)	2,409,934	(81,845,911)
Infrastructure	(928,295,367)	(32,372,585)	-	(960,667,952)
Total accumulated depreciation	(1,117,443,220)	(45,388,347)	2,409,934	(1,160,421,633)
Total capital assets, being depreciated, net	1,006,342,878	(30,956,408)	-	975,386,470
Governmental activities capital assets, net	<u>\$1,134,082,608</u>	<u>\$5,743,637</u>	<u>(\$1,332,675)</u>	<u>\$1,138,493,573</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$7,785,116	\$ -	\$ -	\$7,785,116
Construction in progress	192,809	167,014	(100,911)	258,912
Total capital assets, not being depreciated	7,977,925	167,014	(100,911)	8,044,028
Capital assets, being depreciated:				
Buildings and improvements	605,377,620	8,533,422	-	613,911,042
Furniture, equipment and other	14,871,502	989,574	(23,000)	15,838,076
Total capital assets, being depreciated	620,249,122	9,522,996	(23,000)	629,749,118
Less accumulated depreciation for:				
Buildings and improvements	(233,123,673)	(11,680,690)	-	(244,804,363)
Furniture, equipment and other	(10,238,721)	(1,118,308)	23,000	(11,334,030)
Total accumulated depreciation	(243,362,394)	(12,798,998)	23,000	(256,138,392)
Total capital assets, being depreciated, net	376,886,728	(3,276,002)	-	373,610,726
Business-type activities capital assets, net	<u>\$384,864,653</u>	<u>(\$3,108,988)</u>	<u>(\$100,911)</u>	<u>\$381,654,754</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

For the year ended September 30, 2016, depreciation expense and transfers-in of the primary government were as follows:

<u>Governmental activities:</u>	
General government	\$706,748
Public Safety	3,021,159
Public Services	8,838,369
Urban development	449,486
Total depreciation expense charged to functions/programs	<u>13,015,762</u>
Depreciation for infrastructure assets not allocated to the functions	<u>32,372,585</u>
Total depreciation – governmental activities	<u>\$45,388,347</u>
 <u>Business-type activities:</u>	
Water Pollution Control Fund	\$10,264,808
Von Braun Center Fund	2,357,517
Municipal Iceplex Fund	<u>176,673</u>
Total depreciation expense – business-type activities	<u>\$12,798,998</u>

Activity for the discretely presented component unit, Utilities, for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions/ Transfers-in	Deletions/ Transfers-out	Ending Balance
Utilities-Electric System:				
Capital assets, not being depreciated:				
Land	\$4,759,767	\$-	\$-	\$4,759,767
Construction in progress	11,061,289	18,873,478	(6,237,596)	23,697,171
Total capital assets, not being depreciated	<u>15,821,056</u>	<u>18,873,478</u>	<u>(6,237,596)</u>	<u>28,456,938</u>
Capital assets, being depreciated:				
Buildings and improvements	483,245,816	12,451,154	(1,576,655)	449,120,315
Furniture, equipment and other	47,571,956	4,829,606	(998,463)	51,403,099
Total capital assets, being depreciated	<u>485,817,773</u>	<u>17,280,760</u>	<u>(2,575,118)</u>	<u>500,523,414</u>
Less accumulated depreciation	<u>(262,274,640)</u>	<u>(20,559,119)</u>	<u>2,575,118</u>	<u>(280,258,641)</u>
Total capital assets, being depreciated, net	<u>223,543,133</u>	<u>(3,278,359)</u>	<u>-</u>	<u>220,264,773</u>
Electric System capital assets, net	<u>\$239,364,188</u>	<u>\$15,595,119</u>	<u>(\$6,237,596)</u>	<u>\$248,721,711</u>
 Utilities-Water System:				
Capital assets, not being depreciated:				
Land	\$1,845,971	\$-	\$-	\$1,845,971
Construction in progress	40,096,660	59,871,907	(9,080,880)	90,887,687
Total capital assets, not being depreciated	<u>41,942,631</u>	<u>59,871,907</u>	<u>(9,080,880)</u>	<u>92,733,658</u>
Capital assets, being depreciated:				
Buildings and improvements	263,700,338	14,150,039	(639,554)	277,210,822
Furniture, equipment and other	13,529,172	780,516	(164,347)	14,145,342
Total capital assets, being depreciated	<u>277,229,510</u>	<u>14,930,555</u>	<u>(803,901)</u>	<u>291,356,164</u>
Less accumulated depreciation	<u>(119,500,314)</u>	<u>(8,105,612)</u>	<u>803,901</u>	<u>(126,802,025)</u>
Total capital assets, being depreciated, net	<u>157,729,196</u>	<u>6,824,943</u>	<u>-</u>	<u>164,554,139</u>
Water System capital assets, net	<u>\$199,671,827</u>	<u>\$66,696,850</u>	<u>(\$9,080,880)</u>	<u>\$257,287,797</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Utilities-Gas System:

Capital assets, not being depreciated:

Land	\$1,803,038	\$-	\$-	\$1,803,038
Construction in progress	5,615,017	7,403,964	(3,988,443)	9,030,538
Total capital assets, not being depreciated	<u>7,418,055</u>	<u>7,403,964</u>	<u>(3,988,443)</u>	<u>10,833,576</u>

Capital assets, being depreciated:

Buildings and improvements	147,408,741	7,771,117	(315,279)	154,864,579
Furniture, equipment and other	12,868,572	1,159,223	(434,612)	13,593,183

Total capital assets, being depreciated	160,277,313	8,930,340	(749,891)	168,457,762
Less accumulated depreciation	(63,062,331)	(5,252,391)	749,891	(67,564,831)
Total capital assets, being depreciated, net	<u>97,214,982</u>	<u>3,677,949</u>	<u>-</u>	<u>100,892,931</u>

Gas System capital assets, net	<u>\$104,633,037</u>	<u>\$11,081,913</u>	<u>(3,988,443)</u>	<u>\$111,726,507</u>
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Activity for the discretely presented component unit, the HMC CVB, for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions/ Transfers-in	Deletions/ Transfers-out	Ending Balance
Capital assets, being depreciated:				
Furniture, equipment and other	\$842,442	\$40,592	\$0	\$883,034
Less accumulated depreciation	(534,612)	(37,765)	0	(572,377)
Total capital assets, being depreciated, net	<u>307,830</u>	<u>2,827</u>	<u>0</u>	<u>310,657</u>
Governmental activities capital assets, net	<u>\$307,830</u>	<u>\$2,827</u>	<u>\$0</u>	<u>\$310,657</u>

The discretely presented component unit, DRA, does not have any capital assets as of September 30, 2016.

C. Interfund Receivables, Payables and Transfers

The amounts receivable and payable between the various funds as of September 30, 2016, were as follows:

Payable Fund	Receivable Fund	Amount	Total
<u>Governmental Funds</u>			
General	Capital Improvement Fund	\$39,736,778	
	Debt Service Fund	452,764	
	Water Pollution Control Fund	20,056,103	
	Nonmajor Governmental	<u>10,042</u>	\$60,255,687
Capital Improvement Fund	2014 Capital Improvement Fund		17,920,636
The Special Revenue Fund	Capital Improvement Fund	\$1,285,535	
	General Fund	<u>7,227,393</u>	8,512,928
2014 Capital Improvement	General		25,495,360
Nonmajor governmental fund	General		<u>786,835</u>
	Total Governmental Funds		<u>112,971,446</u>
Total			<u>\$112,971,446</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

The amounts transferred among the various funds for the year ended September 30, 2016, were as follows:

Transferred From	Transferred To	Amount	Total
<u>Governmental Funds</u>			
General	The Special Revenue	\$839,840	
	Von Braun Center Enterprise	2,747,156	
	Debt Service	3,609,866	
	Public Building Authority (a)	899,001	
	Nonmajor Governmental	7,063,484	\$15,159,347
The Special Revenue	Debt Service	17,303,770	
	Public Building Authority (a)	4,126,525	21,430,295
Capital Improvements	The Special Revenue	564,059	
	Debt Service	9,719,531	
	Von Braun Center Enterprise	2,321,801	
	Nonmajor Governmental	1,372,328	13,977,719
2014 Capital Improvements Fund	Debt Service		2,527,954
Nonmajor Governmental	Nonmajor Governmental		28,548
	Total Governmental Funds		\$53,123,863

(a) The Public Building Authority Fund is a nonmajor governmental fund, but is shown separately here.

In general, permanent transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money and (2) move resources appropriated for debt service to the debt service fund as debt service payments become due. The receivable/payable balances result from the time lag between the dates that transactions are recorded in the accounting system and actual payments between the funds are made. In addition to permanent transfers, temporary transfers are made for cash management purposes, which are reflected in the receivable/payable balances.

Capital assets that are transferred between governmental and business-type activities are reported differently in the government-wide and fund financial statements, thus the net transfer amounts reported in each may not be the same. In the government-wide Statement of Activities, all transfers are reported in the same manner and will offset. Any difference resulting from such transfers are explained in the reconciliation appearing in the Statement of Revenue, Expenditures and Changes in Fund Balance for governmental funds.

D. Leases

Operating Leases. The City leases buildings under non-cancelable operating leases, for which the total costs were approximately \$487,810 in 2016. The future minimum lease payments by fiscal year are as follows:

2017	427,697
2018	369,451
2019	312,876
2020	65,959
Total	\$1,175,983

Capital Leases. The City is not a party to any capital leases as of September 30, 2016.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt

General Obligation Warrants

The City issues general obligation ("G.O.") warrants, which are a direct obligations and pledges of the full faith and credit of the City, for the following purposes:

- a. For the acquisition and construction of major capital facilities and equipment.
- b. For the construction of school facilities, on behalf of the Huntsville Board of Education.
- c. To refund (refinance) other G.O. warrants.
- d. To refund (refinance) sewer revenue warrants, which, although G.O. debt, are paid with revenues generated by the sewer system revenues, for in the Water Pollution Control Enterprise Fund, a business-type activity of the City.
- e. For the construction of public improvements in the tax increment financing districts ("TIFs") of the City (see below).

Lease Revenue Bonds

The Public Building Authority, a blended component unit of the City, issued bonds for the construction and expansion of a public safety and municipal court facility, including the city jail, now operated as the Huntsville-Madison County Jail (see "Joint Jail Annual Commitment" in Note 5B). Repayment of the bonds is secured solely by annual lease payments the City is required to make to the Authority. Pursuant to the trust indentures under which the bonds were issued, the Authority has deposited a surety bond having a value equal to the highest annual debt service on the bonds, in lieu of maintaining cash in the debt service reserves. The Authority was in compliance with bond covenants at year-end. The bonds do not constitute a direct obligation and pledge of the full faith and credit of the City.

Sewer Revenue Warrants

The Alabama Water Pollution Control Authority permits local governments to participate in a State Revolving Loan Fund ("SRF") program, whereby the Authority issues debt ("Authority Bonds") for the purpose of making loans to participating local governments to upgrade water and sewer treatment facilities and distribution systems. The repayment of such Authority Bonds is evidenced by securities issued by the participating governments. Pursuant to the SRF program, the City has issued several series of sewer revenue warrants ("SRF warrants") since 1995. The SRF warrants are secured solely by a pledge of sewer system revenues, which are accounted for in the Water Pollution Control Enterprise Fund, a business-type activity of the City, and the City has covenanted that the revenues will be maintained at the levels required by the terms of the SRF warrants. The SRF warrants do not constitute a direct obligation and pledge of the full faith and credit of the City.

Tax Increment Financing Districts Debt – General Obligation Warrants

As described above, the City has issued various series of G.O. warrants for the construction of public improvements within the City's TIF areas. The City intends to repay the warrants from the proceeds of tax increment revenues accounted for in The Special Revenue Fund, but the G.O. warrants are not secured by such revenues or any other pledge.

Tax Increment Financing District 5 Debt – Taxable Revenue Warrants

Beginning in 2010, the City issued taxable revenue warrants for the construction of public improvements in the City's TIF District No. 5, an Enhanced Use Lease area within the U.S. Army's Redstone Arsenal ("EUL Warrants"). The EUL Warrants are issued on a private placement basis and structured as drawdown obligations, which permits drawdowns at the City's request to finance certain construction costs. The EUL Warrants are issued pursuant to an agreement ("EUL Agreement") with a private entity for the development of an office park within TIF 5. Under the EUL Agreement, the City may issue EUL Warrants in two or more series up to an aggregate maximum principal amount of not to exceed \$76 million. On March 1 of each year, the accrued and unpaid interest on each note is added to the principal balance.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

The amounts associated with each series as of September 30, 2016, were as follows:

Series	Maximum Principal Amount	Note Principal Balance	Compounded Accrued Interest	Total Note Balance
2010-A	\$10,000,000	\$2,816,194	\$2,404,493	\$5,220,687
2010-B	20,000,000	20,000,000	10,519,206	30,519,206
2012-A	3,000,000	2,997,386	1,271,434	4,268,820
2012-B	3,000,000	2,766,423	946,611	3,713,034
2013-A	1,500,000	1,500,000	388,036	1,888,036
Total	<u>\$37,500,000</u>	<u>\$30,080,003</u>	<u>\$15,529,780</u>	<u>\$45,609,783</u>

Repayment of the EUL Warrants is secured by a pledge of the TIF 5 tax revenue, which is reported in The Special Revenue Fund. Also, the EUL Agreement requires the City to redeem the outstanding balance, plus accrued interest, of any EUL Warrant, to the extent that TIF 5 tax revenue is sufficient as defined by a formula in the EUL Agreement. Generally, the minimum required redemption is \$5 million. When an EUL Warrant redemption is required, the City intends to issue refunding taxable debt obligations, most likely general obligations of the City.

The EUL Warrants do not constitute a direct obligation and pledge of the full faith and credit of the City.

Source of Repayment of Long-Term Debt

Repayment of the City's long-term debt is generally provided for as follows:

Type of Debt	Paid From	Resources Provided By
<u>Governmental Activities:</u>		
G.O. warrants - major capital facilities	Debt Service Fund	The Special Revenue Fund, General Fund and Capital Improvements Fund
G.O. warrants - school facilities	Debt Service Fund	The Special Revenue Fund (6.5 Mill School Tax revenue)
G.O. warrants – TIFs	Debt Service Fund	The Special Revenue Fund (TIF tax revenues)
EUL Revenue Warrants – TIF 5	Debt Service Fund	The Special Revenue Fund (TIF 5 tax revenue)
Lease revenue bonds	Public Building Authority Fund	The Special Revenue Fund (6.5 Mill Tax revenue), General Fund and Capital Improvements Fund
<u>Business-Type Activities:</u>		
G.O. warrants (sewer) and SRF sewer revenue warrants	Water Pollution Control Fund	Water Pollution Control Fund

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Utility Revenue Warrants - Huntsville Utilities Component Unit

The City has issued on behalf of the Huntsville Electric System, City of Huntsville Water System and City of Huntsville Gas System, discrete component units, various series of utility revenue warrants, for the purpose of constructing additions to the capital facilities of such systems, and for refunding other revenue warrants. Repayment of these warrants is secured by net revenues of the respective systems, after deducting certain operating costs. Pursuant to trust indentures effective for the utility revenue warrants, the systems are also required to maintain debt service reserve accounts for a portion of the outstanding principal. The systems were in compliance with the reserve requirements at year-end. These warrants do not constitute direct obligations and pledges of the full faith and credit of the City.

Advance and Current Refundings

The City has issued refunding warrants to provide for the current and advance refunding of other debt. For advance-refunded warrants, the City uses the refunding warrant proceeds to purchase U.S. Government State and Local Government Series securities that are placed in an irrevocable trust for the purpose of funding debt service requirements of the refunded warrants. As a result, the refunded warrants are considered to be defeased and the liability has been removed from the governmental activities column of the Statement of Net Position. Any resulting economic gain or loss is deferred and amortized over the lesser of the remaining life of the refunded or refunding warrants.

In June 2016, the City issued the 2016-C General Obligation Warrants and the 2016-D General Obligation for the face amounts of \$36,030,000 and \$31,550,000 respectively with interest rates ranging from 3.00% to 5.00% for advanced partial refundings of the 2007A General Obligation Warrants, 2009A General Obligation Warrants, 2009B General Obligation Warrants, the 2011A General Obligation Warrants, and the 2011B General Obligation Warrants which had interest rates ranging from 4.00% to 5.00%. \$42,320,633 and 36,927,672 of the net proceeds of the 2016-C and 2016-D warrants (which included premiums of \$6,599,155 and \$5,652,785, respectively, and payments of \$234,484 and \$236,878, respectively for underwriting and issuance cost) were deposited in an irrevocable trust with an escrow agent to provide funds for future debt service payments on the refunded bonds. As a result, the refunded portion of the Warrants noted above are considered defeased and the liability for the refunded portion of these bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$4,703,961. This difference is reported in the accompanying financial statements as deferred outflow of resources and is recognized as a component of interest expense over the remaining life of the refunded debt.

The City completed the advance refunding to reduce its debt service payments over the next 14 years by \$7,580,493 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$6,785,385.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Advance refunding transactions for prior years for which the refunded warrants are still outstanding on September 30, 2016, were as follows (in thousands):

Fiscal Year	Refunding Warrants		Refunded Warrants			Debt Service Diff. (a)	Economic Gain (Loss)
	Series	Face Amount	Series	Refunded Amount	Outstanding Balance		
PRIMARY GOVERNMENT							
<u>Governmental Activities:</u>							
2014	2014A	\$22,060	2007A	\$21,456	\$21,456	\$2,006	(\$2,046)
2014	2014A	\$11,865	2009A	\$12,262	\$12,262	\$971	(\$1,106)
2014	2014B	\$19,345	2007 PBA	\$17,335	\$17,335	\$1,919	(\$1,869)
2014	2014C	\$27,045	2009B	\$26,900	\$26,900	\$1,663	(\$4,473)
<u>Business-Type Activities:</u>							
2010	2010A	\$10,280	2002D	\$10,295	\$10,295	\$563	(\$2,004)
2014	2014A	\$7,830	2007A	\$8,439	\$8,439	\$704	(\$838)
2014	2014A	\$5,355	2009A	\$5,538	\$5,538	\$444	(\$433)

(a) includes debt service savings and savings realized up-front in cash in the refunding transaction.

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt

The amount of debt outstanding at September 30, 2016, and information related to it was as follows:

Series	Face Amount	Dated	Final Maturity	Interest Rates (%)	Principal Maturities (thousands)	Ending Balance	Amount Due Within One Year
PRIMARY GOVERNMENT							
<u>Governmental Activities</u>							
G.O. Warrants (non-sewer portion)							
2007A	31,967,145	05/01/07	10/01/28	4.0 - 5.0	325 - 1,825	843,988	843,988
2009A	66,838,000	03/04/09	09/01/29	2.75 - 5.0	2,077 - 7,312	8,164,225	3,663,111
2009B	71,745,000	03/04/09	09/01/29	2.25 - 5.0	2,560 - 4,735	5,860,000	3,300,000
2010A	74,300,000	09/14/10	03/01/37	3.0 - 5.0	980 - 6,315	39,805,000	3,805,000
2010B (a)	50,895,000	09/14/10	09/01/30	.61 - 5.06	365 - 1,940	41,025,000	2,615,000
2010C (a)	7,520,000	09/14/10	09/01/32	5.0	0 - 3,855	7,520,000	-
2010D (b)	11,695,000	09/14/10	09/01/27	.61 - 4.35	570 - 905	8,185,000	620,000
2011A	45,190,000	11/22/11	03/01/31	2.0 - 5.0	1,590 - 3,135	19,191,201	2,210,000
2011B	50,275,000	11/22/11	05/01/33	2.0 - 5.0	1,965 - 4,020	28,955,000	2,025,000
2012A	41,660,000	05/03/12	11/01/25	2.0 - 5.0	765 - 4,500	37,655,000	3,400,000
2013A	6,450,000	05/23/13	06/01/23	1.6	395 - 870	5,555,000	605,000
2013B	14,580,000	05/23/13	06/01/37	3.5 - 4.0	850 - 1,260	14,580,000	-
2013C	77,050,000	09/03/14	11/01/33	2.0 - 5.0	865 - 6,570	75,855,000	705,000
2013D	24,970,000	09/03/14	11/01/33	2.0 - 5.0	890 - 1,850	23,175,000	920,000
2013E	6,460,000	09/03/14	01/01/23	2.4	625 - 815	5,185,000	670,000
2014A	40,925,000	09/03/14	08/01/37	3.0 - 5.0	940 - 3,995	39,710,000	1,155,000
2014B	19,345,000	09/03/14	11/01/33	2.0 - 5.0	1,101 - 1,725	19,205,000	140,000
2014C	27,045,000	09/03/14	09/01/29	2.0 - 5.0	2,775 - 4,215	26,995,000	20,000
2015A	61,390,000	06/30/15	05/01/35	5.0	1,985 - 4,630	59,035,000	1,985,000
2015B (b)	8,185,000	05/04/15	05/01/25	.66 - 4.19	175 - 3,765	8,085,000	175,000
2016A	35,725,000	06/14/16	05/01/36	1.5 - 5.0	645 - 3,010	35,725,000	645,000
2016B	29,890,000	06/14/16	05/01/36	5.0	0 - 3,365	29,890,000	-
2016C	23,963,063	06/14/16	05/01/29	3.0 - 5.0	40 - 6,555	23,963,063	165,000
2016D	31,550,000	06/14/16	05/01/30	3.0 - 5.0	15 - 6,685	31,550,000	165,000
	<u>859,613,208</u>					<u>595,632,477</u>	<u>29,832,099</u>
Private Placement Taxable Revenue Warrants(d)							
2010A EUL	10,000,000	07/26/10	07/26/40	9.95	n.a.	5,220,687	0
2010B EUL	20,000,000	10/28/10	07/26/40	9.95	n.a.	30,519,206	0
2012A EUL	3,000,000	01/26/12	07/26/40	9.95	n.a.	4,268,820	0
2012B EUL	3,000,000	05/24/12	07/26/40	9.95	n.a.	3,713,034	0
2013A EUL	1,500,000	02/28/13	07/26/40	9.95	n.a.	1,888,036	0
	<u>37,500,000</u>					<u>45,609,783</u>	<u>0</u>
Lease Revenue Bonds - Public Building Authority							
2007(e)	86,415,000	9/18/07	10/01/36	4.0 - 5.0	1,625 - 5,700	57,310,000	2,280,000
	<u>86,415,000</u>					<u>57,310,000</u>	<u>2,180,000</u>
Total governmental activities	<u>\$983,528,208</u>					<u>\$698,552,260</u>	<u>\$32,112,099</u>

(continued)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt - Continued

Series	Face Amount	Dated	Final Maturity	Interest Rates (%)	Principal Maturities (thousands)	Ending Balance	Amount Due Within One Year
<u>Business-Type activities</u>							
G.O. Warrants - sewer system							
2007A	17,122,855	5/1/07	5/15/14	4.0 - 5.0	325 – 725	791,012	791,012
2009A	13,132,000	3/4/10	9/1/29	2.75 - 5.0	412 – 980	1,240,777	556,889
2010B (a)	11,595,000	9/14/10	9/1/30	.61 - 5.06	0 – 800	9,380,000	8,810,000
2011A	17,230,000	11/22/11	3/1/31	2.0 - 5.0	555 - 1,305	7,068,799	625,000
2012A	14,645,000	5/3/12	11/1/27	2.0 - 5.0	330 - 1,395	12,215,000	915,000
2014A	13,185,000	09/03/14	08/01/29	2.0 - 5.0	625 - 2,025	13,185,000	0
2016C	12,066,937	6/14/16	05/01/29	3.0 - 5.0	0 - 2,025	12,066,937	0
	<u>116,211,792</u>					<u>55,947,525</u>	<u>3,517,901</u>
Sewer Revenue Warrants - State Revolving Loan Fund							
1996	22,380,000	1/26/96	8/15/17	3.18	775 - 1,550	1,550,000	1,550,000
2010A (c)	17,435,000	1/27/98	8/15/20	2.61	595 - 1,215	4,950,000	915,000
2010B (c)	16,760,000	12/1/98	8/15/20	2.57	590 - 1,145	4,600,000	1,085,000
2010C (c)	15,180,000	12/22/99	8/15/21	2.57	515 - 1,070	4,350,000	1,030,000
2010D (c)	13,045,000	12/14/00	8/15/22	3.00	440 – 920	5,010,000	755,000
2012	2,130,000	11/1/11	8/15/32	2.90	80 – 140	1,800,000	90,000
	<u>86,930,000</u>					<u>22,260,000</u>	<u>5,425,000</u>
Total business-type activities	<u>203,141,792</u>					<u>78,207,525</u>	<u>8,942,901</u>
Total Primary Government	<u>1,186,670,000</u>					<u>776,759,785</u>	<u>37,599,989</u>

- (a) Series 2010B and 2010C general obligation warrants are taxable Build America Bonds and Recovery Zone Economic Development Bonds, respectively, under the Internal Revenue Code.
- (b) Series 2010D and 2015B warrants are taxable general obligation warrants.
- (c) The 2010 series of State Revolving Loan Fund warrants are refunding warrants issued for the sole purpose of reducing the interest rate on the various refunded warrants. The original issue data is for the original, now refunded warrants.
- (d) The EUL warrants are taxable revenue warrants, structured as drawdown obligations not to exceed a maximum amount. The face amount shown is the maximum amount available under the warrant, while the balance shown is what is outstanding under each warrant, plus accrued interest added to the note balance. In the Changes in Long-Term Liabilities table below, the additions shown pertaining to these warrants was the amount actually drawn during the year and accrued interest added to the note balance, not the face value.
- (e) The balance reported for the 2007 Lease Revenue Bonds is after the principal payment due on October 1st of the next fiscal year, since such amount was transferred to the principal & interest fund for the obligation prior to that date.

(continued)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt - Continued

COMPONENT UNIT - HUNTSVILLE UTILITIES

Business-Type Activities

Electric System Revenue Warrants

2007	\$13,195,000	12/01/07	12/01/19	4.0	705 - 2,110	6,085,000	1,945,000
2012	28,285,000	12/21/11	12/01/32	2.0 - 4.02	1,789 - 2,405	24,010,000	675,000
	<u>41,480,000</u>					<u>30,095,000</u>	<u>2,620,000</u>

Water System Revenue Warrants

2008	43,660,000	05/01/08	11/01/34	2.7 - 5.0	700 - 2,885	27,115,000	2,615,000
2013SRF	180,000	02/14/13	08/15/33	2.75	5 - 10	165,000	5,000
2015	92,810,000	11/01/16	11/01/36	3.0 - 5.0	3,175 - 6,910	92,810,000	3,660,000
	<u>136,650,000</u>					<u>120,090,000</u>	<u>6,280,000</u>

Total Component

Units	<u>\$178,130,000</u>					<u>\$150,185,000</u>	<u>\$8,900,000</u>
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Future Debt Service

The City's future debt service requirements on its outstanding warrants and bonds as of September 30, 2016 are shown below. There is \$9,265,534 and \$8,881,299 available in The Special Revenue Fund and the Capital Improvements Fund, respectively, to service general obligation debt.

All interest amounts in the below tables are reported before reduction for the interest subsidy payments expected from the Internal Revenue Service on the Build America Bonds and Recovery Zone Economic Development Bonds outstanding as described above.

PRIMARY GOVERNMENT

<u>Governmental activities:</u>	G.O. Warrants		Lease Rev. Bonds	
	Principal	Interest	Principal	Interest
2017	29,776,838	28,067,923	2,280,000	2,758,325
2018	30,882,432	27,628,622	2,385,000	2,644,325
2019	31,156,728	25,637,740	1,625,000	2,548,925
2020	32,760,435	24,321,824	1,710,000	2,467,675
2021	32,646,603	23,031,189	1,790,000	2,382,175
2022-2026	170,562,559	83,931,775	10,355,000	10,575,225
2027-2031	158,316,882	43,439,983	14,570,000	7,589,450
2032-2036	103,045,000	12,501,698	22,595,000	3,599,763
2037-2041	4,790,000	688,598	-	-
2042-2046	1,695,000	181,180	-	-
Total governmental activities	<u>\$595,632,477</u>	<u>\$269,430,532</u>	<u>\$57,310,000</u>	<u>\$34,565,863</u>

(continued)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Future Debt Service - Continued

<u>Business-type activities:</u>	G.O. Warrants		Revenue Warrants	
	Principal	Interest	Principal	Interest
2017	3,573,162	2,413,792	5,425,000	585,950
2018	3,407,568	2,175,455	4,025,000	436,938
2019	4,488,272	1,944,034	4,175,000	333,368
2020	3,669,566	1,804,063	4,335,000	225,932
2021	4,073,397	1,672,780	2,055,000	114,377
2022-2026	23,060,612	3,703,055	1,470,000	184,095
2027-2031	13,674,949	691,783	635,000	76,560
2032-2036	-	-	140,000	4,060
Total business-type activities	<u>55,947,526</u>	<u>14,404,961</u>	<u>22,260,000</u>	<u>1,961,280</u>

Total Primary Government (a)

\$731,150,003 \$320,362,636

COMPONENT UNITS

<u>Business-Type Activities - Huntsville Utilities</u>	Electric Rev. Warrants		Water Rev. Warrants	
	Principal	Interest	Principal	Interest
2017	2,620,000	1,319,350	6,280,000	5,387,744
2018	2,735,000	1,215,625	5,935,000	5,150,888
2019	2,840,000	1,104,125	6,050,000	4,899,013
2020	1,560,000	1,016,125	4,190,000	4,675,513
2021	1,625,000	944,300	4,385,000	4,477,863
2022-2026	7,845,000	3,505,250	24,970,000	19,335,066
2027-2031	8,840,000	1,504,075	31,870,000	12,442,065
2032-2036	2,030,000	40,600	36,410,000	4,319,626
Total	<u>\$30,095,000</u>	<u>\$10,649,450</u>	<u>\$120,090,000</u>	<u>\$60,687,778</u>

(a) does not include the EUL Warrants as of September 30, 2016, for which, in the absence of significant TIF 5 tax revenue upon which repayment of the warrants and accrued interest depends, the future debt service obligations of the City are not determinable.

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

PRIMARY GOVERNMENT	Beginning Balance	Additions(a)	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General obligation warrants	\$557,549,418	\$121,128,063	(\$83,045,004)	\$595,632,477	\$29,832,099
EUL revenue warrants	41,453,321	4,156,462	-	45,609,783	-
Lease revenue bonds	59,490,000	-	(2,180,000)	57,310,000	2,280,000
Subtotal	658,492,739	125,284,525	(85,225,004)	698,552,260	32,112,099
Issue discounts & premiums	52,864,445	27,065,510	(9,793,879)	70,136,076	
Total warrant, bonds, & notes	711,357,184	152,350,035	(95,018,883)	768,688,336	32,112,099
Compensated absences	21,974,969	9,122,372	(13,543,372)	17,553,969	1,755,397
Claims & judgments	520,000	803,331	(803,331)	520,000	520,000
Net pension liability	152,950,947	37,800,939	(13,556,440)	177,195,446	
Governmental activities long-term liabilities	\$886,803,100	\$200,076,677	(\$122,922,026)	\$963,957,751	\$34,387,496

The City's General Fund is generally responsible for liquidating the liability for compensated absences and claims and judgments, since most of the activities affecting that liability occur within General Fund departments.

Business-Type Activities:

General obligation warrants	\$64,980,586	\$12,066,937	(\$21,099,998)	\$55,947,525	\$3,517,901
Sewer revenue warrants	27,485,000	-	(5,225,000)	22,260,000	5,425,000
Subtotal	92,465,586	12,066,937	(26,324,998)	78,207,525	8,942,901
Issue discounts & premiums	6,385,127	2,198,825	(2,099,062)	6,484,890	
Total warrants	98,850,713	14,265,762	(28,424,059)	84,692,415	8,742,901
Compensated absences	1,243,699	414,552	(503,242)	1,155,009	491,709
Net pension liability	13,388,735	3,322,673	(1,198,692)	15,512,716	
Business-type activities long-term liabilities	\$114,440,827	\$18,002,986	(\$30,125,994)	\$101,360,139	\$9,434,610

(a) Additions for the EUL revenue warrants include principal draws and accrued interest added to the note balances.

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Changes in Long-Term Liabilities – Continued

COMPONENT UNITS - HUNTSVILLE UTILITIES (All Business-Type Activities)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Electric System</u>					
Revenue warrants	\$32,625,000	\$ -	(\$2,530,000)	\$30,095,000	\$2,620,000
Issue discounts & premiums	2,499,070	-	(173,389)	2,325,681	
Total warrants	35,124,070	-	(2,703,389)	32,420,681	2,620,000
Noncurrent customer deposits	38,222,577	6,228,276	(6,336,808)	38,084,045	-
Total Electric System long-term liabilities	\$73,346,647	\$ 6,228,276	(\$9,040,197)	\$70,504,726	\$2,620,000
<u>Water System</u>					
Revenue warrants	\$122,585,000	\$ -	(\$2,440,000)	\$120,090,000	\$6,280,000
Issue discounts & premiums	13,506,091	-	(682,958)	12,823,133	
Total warrants	136,091,091	-	(3,122,958)	132,913,133	6,280,000
Noncurrent customer deposits	5,137,020	827,954	(721,567)	5,243,407	0
Total Water System long-term liabilities	\$141,228,111	\$ 827,954	(\$3,844,525)	\$138,156,540	\$6,280,000
<u>Gas System</u>					
Noncurrent customer deposits	\$ 10,518,169	\$ 1,745,850	(1,495,842)	10,768,177	0
Total Gas System long-term liabilities	\$ 10,518,169	\$ 1,745,850	(\$1,495,842)	\$10,768,177	\$0

Derivative Financial Instruments

The City was not a party to any derivative financial instruments as of September 30, 2016, or during the year then ended.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

F. Fund Balance Classifications

As described in NOTE 1.E., under the heading “Restrictions of Net Position and Fund Balances,” some of the City’s fund balances are restricted by state or federal law, or by contractual obligations. In the fund financial statements, fund balances that are not restricted are classified based on the extent to which the City is bound to honor constraints on how certain resources can be spent, as described below.

Nonspendable - amounts that cannot be spent because they are not in spendable form or for which there are obligations to keep the amounts intact:

Not in spendable form:	
Inventories, prepaid expenses and long-term receivables	\$3,091,179
Spendable:	
Endowment funds required by donors to remain intact (Public Library)	392,074
Total	<u>\$3,483,253</u>

Committed - amounts that can only be used for specific purposes enumerated in City Council ordinances related to the levying or earmarking of specific revenue sources. The City Council is the City’s highest level of decision-making authority, and its actions require a simple majority vote to commit and un-commit City resources:

Liquor and 6% lodging taxes committed for tourism development	\$4,532,079
1% lodging tax committed for recreation projects	1,763,629
Unexpended revenues of the Capital Improvement Fund committed for capital improvements	78,934,959
Unexpended revenues of the Cummings Research Park Fund committed for research park development	1,913,879
Total	<u>\$87,144,546</u>

Assigned - amounts based on the City’s intent to use them for purposes declared by City Council by adopted resolutions, and all such resolutions require subsequent appropriation by the City Council prior to incurring expenditures. This classification also includes the positive fund balances of the entities managed by City Council-appointed boards (Public Library, Burritt Museum, Art Museum, Huntsville Tennis Center, and Alabama Constitution Village):

General Fund appropriations subsequent to year-end	1,000,000
Debt Service fund	457,770
Long-term care of city cemeteries	2,685,453
Board-managed activities	2,701,944
Total	<u>\$6,845,167</u>

Unassigned - amounts that cannot be classified otherwise, including any deficit fund balances of the Board-managed entities. The City Council has a policy ordinance to set aside 11.5 percent of the General Fund recurring revenue budget for contingencies, but this policy does not constitute a revenue stabilization policy nor does it include formal provisions for the use or subsequent restoration of this fund balance:

City contingency reserve of the General Fund	\$23,625,988
Unassigned balance of the General Fund	14,113,540
Balances of the board-managed entities	(215,316)
Total	<u>\$37,523,212</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Usage Policy

When expenditures are incurred to which more than one classification of fund balance may be applied, the City’s policy is apply fund balances in the following order: committed, assigned, and unassigned.

G. Sales and Use Tax Revenue Earmarking

Certain City sales and use taxes levied prior to March 1, 2016, which are General Fund revenues, are earmarked by City Council ordinance, as follows:

- 18.0 percent is paid to the Capital Improvement Capital Projects Fund.
- 14.7 percent is paid to the Huntsville City Board of Education.

These do not represent restrictions on the fund balance of the City at September 30, 2016, but represent designations of future revenue which will be considered in determining budget appropriations for future years.

Effective March 1, 2014, the City levied an additional one percent general rate sales and use tax. This revenue is reported in the 2014 Capital Improvements Fund, and is earmarked within that fund for road improvements and economic development projects.

H. Tax Equivalents

The Utilities, component units of the City, are required to pay to the City a tax equivalent which is determined by applying the current property tax rates to the Utilities’ net plant in service at the end of the preceding year. The amount of tax equivalents paid to the City by the Utilities during 2016 was \$11,437,077 by the Electric System, \$2,108,995 by the Natural Gas System, and \$2,452,565 by the Water System. These amounts are reported as payments in lieu of taxes in the General Fund of the City and as operating expenses in the financial statements of the Utilities.

NOTE 5 – OTHER INFORMATION

A. Segment Information - Enterprise Funds

The only enterprise fund for which the City is required to present segment information is the Water Pollution Control Enterprise Fund, the information for which is shown in the basic financial statements.

B. Contingent Liabilities and Commitments

Litigation. The City is a defendant in a number of claims and lawsuits. The outcome of these matters is uncertain as of the date of this report. The City Attorney estimates the total liability with respect to these claims and lawsuits that is not covered by insurance will not exceed \$520,000, \$520,000 of which is estimated to be currently payable and has been accrued as a liability in the City’s General Fund at September 30, 2016. These amounts plus all other estimated claims and lawsuits are summarized as follows:

Description	Reported In:	
	General Fund Financial Statements	Government-Wide Statement of Net Position
Filed claims and lawsuits, general	\$520,000	\$520,000
Estimated unfiled claims and lawsuits	-	-
Total	\$520,000	\$520,000

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION– CONTINUED

In addition to the above, the City entered into a settlement agreement for a claim filed under the Americans With Disabilities Act. The City has provided for the cost of the capital improvements required under the agreement in its long-term plans totaling \$500,000 annually, and will be reported as incurred when the capital improvements are made.

The Utilities are parties to a number of legal actions arising in the ordinary course of the business. In management's opinion, the Utilities have adequate legal defenses and/or insurance coverage for each of these actions and does not believe that they will materially affect the Utilities' operations or financial position.

Grants. The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other government units. Except as described next, as of September 30, 2016, significant amounts of grant expenditures have not been audited by the grantor agencies but the City believes that future disallowed expenditures related to the unaudited grant programs, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

HUD Grant Review. During 2011 the Office of Inspector General ("OIG") of the U.S. Department of Housing and Urban Development ("HUD") conducted an audit review of the City's Community Development Department's ("CDD") HOME Investment Partnerships ("HOME") and Community Development Block Grant ("CDBG") programs. The stated objectives of the OIG audit were to determine whether CDD's commitment to use HOME and CDBG funds for the acquisition and rehabilitation of an apartment complex in the City known as "Mirabeau" was an eligible activity, and whether CDD had adequate controls and procedures to ensure appropriate accountability and administration of that project in accordance with HUD's policies and guidelines.

On August 19, 2011, OIG issued a draft audit report (the "Draft OIG Report") under which OIG provided, among other things, preliminary findings to the effect that CDD lacked adequate controls and procedures to ensure appropriate accountability for, and administration of, the Mirabeau apartment project in accordance with HUD policies and guidelines. The Draft OIG Report also contained preliminary recommendations that the City (i) repay approximately \$7.0 to \$7.6 million in CDBG, Urban Development Action Grant ("UDAG"), HOME, and Community Housing Development Organizations ("CHDO") funds and loans, (ii) inspect the Mirabeau project to identify deficiencies and require owners to correct the same, (iii) review all City participation agreements to ensure compliance with applicable HUD requirements, and (iv) prepare a cost allocation plan and provide it to HUD for review.

In 2014, OIG conducted its final exit interview, and on May 29, 2014, OIG issued its final determinations, which included some, but not all, of the City's response on each issue. The OIG final determination is a recommendation to HUD that the City reimburse HUD for \$3.4 million in what OIG termed "ineligible" or "unsupported." On June 24, 2014, the Birmingham HUD Field Office ("Birmingham HUD") issued a letter to the City concurring with the OIG recommendation. Birmingham HUD gave the City 45 days to respond. The City responded to Birmingham HUD denying some of the reimbursement claims and seeking a meeting with HUD to reconcile any differences regarding the amount of reimbursement and to conclude these issues. To date, the City has not heard any response from HUD regarding such a meeting or finalizing the reimbursement issues. The city will continue to try and work with HUD to resolve these issues.

Also, HUD conducted a separate review to determine whether the City is complying with the applicable requirements of Section 504 of the Rehabilitation Act of 1973, as amended ("Section 504"), Section 109 of the Housing and Community Development Act of 1974, as amended, Section 3 of the Housing and Urban Development Act of 1974, as amended ("Section 3"), and Title VI of the Civil Rights Act of 1964, as amended, with regard to programs and activities funded through the CDBG, HOME and Neighborhood Stabilization Program grants. HUD issued some preliminary determinations, portions of which the City challenged. In the summer of 2012, the City received a formal Determination of Noncompliance with the mandate of Section 504. The City has continued its discussions with HUD regarding the same. In December of 2013, HUD followed up its Determination of Noncompliance with a proposed Voluntary Compliance Agreement ("VCA") that it would like to enter with the City on Section 504 and Section 3 issues. There are no fines, penalties or requests for reimbursement in the proposed VCA. The City has responded to the proposed VCA and is continuing to work with HUD on this matter.

The City has been working, and intends to continue working, with OIG and HUD on these matters. The amounts that may ultimately be payable to HUD cannot be determined as of May 31, 2017, and the financial statements as of September 30, 2016, do not include a liability related to this matter.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION– CONTINUED

Huntsville Utilities Gas Purchase Commitments. The Gas System has entered into a purchase contract with Tennessee Energy Acquisition Corporation to establish the purchase price for natural gas. The contracts allow the Gas System to lock in certain volumes of gas to be purchased and prices for that gas. Under the contract, the Gas System has committed to purchase 790,750 MMBtus through 2016 and 1,572,500 MMBtus per year through December 2026 at index less fifty-six cents.

Huntsville Utilities Electric Purchase Commitments. Under its wholesale power agreement, the Electric System is committed to purchase its electric power and energy requirement from the Tennessee Valley Authority. The rates for such purchases are subject to review periodically.

Encumbrances. The City had outstanding purchase orders related to operating needs and contractual commitments as of September 30, 2016, which represent an encumbrance on resources at year-end, the most significant of which were as follows:

General Fund	\$1,188,466
2014 Capital Improvement Fund	2,129,855
Capital Improvement Fund	<u>5,030,712</u>
Total	<u>\$27,978,572</u>

These encumbrances are already included in the classifications of net position and fund balances in the financial statements as of September 30, 2016.

Joint Jail Annual Commitment. The City and Madison County Commission are parties to an Intergovernmental Jail Agreement (Agreement) by which they agreed to combine and consolidate jail facilities. The City, acting through the Public Building Authority, expanded the existing City jail so that City and County inmates could be housed in a single facility. The County operates the facility known as the Huntsville-Madison County Jail, and pays the cost of such operations.

Under the Agreement, the City must provide \$2.1 million to the County each year until 2040, to assist in the cost of jail operations. The City may also have to pay additional amounts based on City inmate capacity during a particular year.

Joint Jail Construction Costs. As described above, the City constructed the expansion to the former city jail now operated as the Huntsville-Madison County Jail. In 2006 significant architectural, engineering design, and structural problems were discovered in the construction of the expansion, which cost a significant amount to remedy. The remediation cost and cost to complete was \$50 million more than originally planned for the \$30 million project. The City sued the architect, the structural engineer, the former general contractor, and a number of subcontractors to recover damages, hoping to recover a portion of the additional cost. The contractor counter-sued the City for damages relating to its termination by the City. The matter is presently in mediation, with partial settlements having been effected among some of the parties. While the final outcome is uncertain, the City's exposure to additional costs has been limited to a maximum of \$200,000. It is unlikely the City will recover additional sums of money in the form of damages from remaining defendants, although the possibility exists for the City to recover a nominal amount of money and its outcome is uncertain as of May 31, 2017, and the financial statements do not include a liability with respect to this matter.

State of Alabama Road Funding Agreement. In early 2014, the City executed an agreement with the Alabama Department of Transportation under which the City and State each committed to provide \$125 million toward the cost of improving certain roadways in the City, most of which are state highways and will be constructed by the State. The City became obligated to provide its share of such commitment to the State as follows: \$50 million in September 2015, and \$25 million in September 2016, 2017 and 2018, less the cost of certain roads being constructed by the City under the agreement. The City increased its sales and use tax by one percent on March 1, 2014, to provide the funding for this commitment.

Huntsville City Schools Commitment. In 2014, the City executed an agreement with the Huntsville Board of Education under which the City is purchasing two school facilities for a total cost of about \$8.5 million, less the \$6 million of cost of a road funded by the City. The City expects to pay the \$2.5 million balance to the Board in 2017 when the City takes ownership of the facilities.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION– CONTINUED

C. Related Organizations

The following organizations are legally separate entities which the City appoints a voting majority of the governing board but has no financial relationship or obligations to the entities and has no control or influence over the entities' operations.

Huntsville Housing Authority

The Huntsville Housing Authority is a legally separate organization which is governed by a five member board appointed by the City Council. The City has no ability to influence the operations of the Authority nor has any financial relationship or obligations related to the Authority.

Solid Waste Disposal Authority

The Solid Waste Disposal Authority is a legally separate organization which is governed by a five member board appointed by the City. The City has no ability to influence the operations of the Authority nor has any financial obligations related to the Authority. The City is obligated to use the Authority for its waste disposal through a contract with the Authority. However, this is considered to be an exchange transaction between two entities and is not considered a manifestation of a financial benefit or burden relationship between the entities. Fees paid to the Authority by the City in 2016 were \$3.3 million. The City was also indebted to the Authority in the amount of \$255,000 for waste disposal fees as of September 30, 2016.

Health Care Authority

The Health Care Authority is a legally separate organization which manages a local public hospital. The Authority is governed by a five member board appointed by the City Council. The City has no ability to influence the operations of the Authority nor has any financial relationship or obligations related to the Authority.

D. Jointly Governed Organizations

The following organizations are separate legal entities which are jointly governed by the City and Madison County in which neither government appoints a voting majority of the Board. The organizations were created for the benefit of city and county residents and generally receive financial assistance from both governments.

Huntsville-Madison County Marina and Port Authority

The Marina and Port Authority is a separate legal entity governed by a five member board to operate the marina and port facilities on the Tennessee River. The City and Madison County each appoint two of the members with one member jointly appointed. The City is partially responsible for funding the deficits of the Authority but did not appropriate funds or provide financial assistance to the Authority during 2016.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION– CONTINUED

Huntsville-Madison County Railroad Authority

The Railroad Authority is a separate legal entity governed by a five member board to operate rail service to certain industry concerns in Madison County. The City and Madison County each appoint two of the members with one member jointly appointed. The City is partially responsible for funding deficits of the Authority but does not provide the Authority an annual appropriation.

Huntsville-Madison County Airport Authority

The Airport Authority is a separate legal entity governed by a five member board to operate the Huntsville International Airport. The City and Madison County each appoint two of the members with one member jointly appointed. The City is not responsible for funding any deficits of the Authority and does not provide an annual appropriation to the Authority.

Madison County Communications District

The District is a separate legal entity governed by a seven member board to operate the Enhanced 911 Emergency Communication System for Huntsville and Madison County. The City and Madison County each appoint three of the members with one member jointly appointed. The City is not responsible for funding any deficits of the District and does not provide an annual appropriation to the District.

E. Pension Plans

Plan Description

The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION– CONTINUED

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 876 local participating employers. These participating employers include 294 cities, 65 counties, and 517 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2015, the City's membership consisted of:

Retirees and beneficiaries currently receiving benefits	1,122
Vested Inactive Members	32
Non-vested Inactive Members	124
Active Members	2,180
Post-DROP Retired Members Still in Active Service	18
Total	<u><u>3,476</u></u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION– CONTINUED

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2016, the City's active employee contribution rate was 5.39% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 13.53% of covered employee payroll.

City's contractually required contribution rate for the year ended September 30, 2016 was 13.53% of pensionable pay for Tier 1 employees, and 11.05% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$14,755,132 for the year ended September 30, 2016.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

Total Pension Liability	Expected	Actual
as of September 30, 2014 (a)	\$ 511,015,751	\$513,195,097
Entry Age Normal Cost for		
October 1, 2014-September 30, 2015 (b)	8,901,384	8,901,384
Actual Benefit Payments and Refunds for		
October 1, 2014-September 30, 2015 (c)	<u>(33,193,884)</u>	<u>(33,193,884)</u>
Total Pension Liability		
as of September 30, 2015		
[(a) x (1.08)] + (b) – [(c) x (1.04)]	<u>\$ 526,276,755</u>	<u>\$528,630,449</u>
(e) Difference between Expected and Actual Experience Loss		\$ 2,353,694

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION– CONTINUED

Actuarial assumptions

The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% - 7.25%
Investment rate of return*	8.00%

*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION– CONTINUED

Discount rate

The discount rate used to measure the total pension liability was the long term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan members. 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 Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at 9/30/2014	\$511,015,750	\$344,676,067	\$166,339,683
Changes for the year:			
Service cost	8,901,384	-	8,901,384
Interest	39,553,505	-	39,553,505
Differences between expected and actual experience	2,353,694	-	2,353,694
Contributions--employer	-	14,520,862	(14,520,862)
Contributions--employee	-	5,966,695	(5,966,695)
Net investment income	-	4,013,420	(4,013,420)
Benefit payments, including refunds of employee contributions	(33,193,884)	(33,193,884)	-
Administrative expense	0	-	-
Transfers Among Employers	0	(60,873)	60,873
Net changes	17,614,699	(8,753,780)	26,368,479
Balances at 9/30/2015	\$ 528,630,449	\$ 335,922,287	\$ 192,708,162

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION– CONTINUED

Benefits provided-Continued

Changes in Net Pension Liability

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

The following table presents the City's net pension liability calculated using the discount rate of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increases (9.00%)
City's net pension liability	\$251,125,834	\$192,708,162	\$143,139,175

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor's report dated October 17, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2016, the City recognized pension expense of \$18,018,944. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,954,763	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	11,013,026	-
Employer contributions subsequent to the measurement date	14,755,132	-
Total	\$27,722,921	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2017	\$2,533,274
2018	2,533,274
2019	2,533,274
2020	5,008,928
2021	359,039
Thereafter	-

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION– CONTINUED

Component Units

The Huntsville Utilities Systems and the Huntsville/Madison County Convention and Visitors Bureau also participate in ERS. Therefore, the benefits provided, actuarial assumptions not specific to each entity, and other operations of the plan are identical to those described above. Items specific to each discretely presented component unit have been detailed further below.

The Electric System's contractually required contribution rate for the year ended September 30, 2016 was 16.02% of pensionable pay for Tier 1 employees, and 17.52% of pensionable pay for Tier 2 employees. The Natural Gas System's contractually required contribution rate for the year ended September 30, 2016 was 10.86% of pensionable pay for Tier 1 employees, and 10.37% of pensionable pay for Tier 2 employees. The Water System's contractually required contribution rate for the year ended September 30, 2016 was 14.68% of pensionable pay for Tier 1 employees, and 13.18% of pensionable pay for Tier 2 employees. The Bureau's contractually required contribution rate for the year ended September 30, 2016 was 6.94% of pensionable pay for Tier 1 employees, and 4.99% of pensionable pay for Tier 2 employees.

These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Huntsville Utilities System were \$5,677,993 for the year ended September 30, 2016. Total employer contributions to the pension plan from the Bureau were \$59,110 for the year ended September 30, 2016.

Net Pension Liability

The System's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

	Electric	Gas	Water
Total Pension Liability as of September 30, 2014 (a)	\$59,892,450	\$77,880,193	\$28,829,248
Entry Age Normal Cost for October 1, 2014-September 30, 2015 (b)	711,294	1,573,503	402,811
Actual Benefit Payments and Refunds for October 1, 2014-September 30, 2015 (c)	(3,814,789)	(3,799,232)	(1,573,407)
Total Pension Liability as of September 30, 2015 [(a) x (1.08)] + (b) – [(c) x (1.04)]	\$61,427,759	\$81,732,910	\$29,902,056

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION– CONTINUED

The Bureau's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

Total Pension Liability as of September 30, 2014 (a)	\$ 2,372,077
Entry Age Normal Cost for October 1, 2014-September 30, 2015 (b)	61,732
Actual Benefit Payments and Refunds for October 1, 2014-September 30, 2015 (c)	(68,967)
Total Pension Liability as of September 30, 2015 [(a) x (1.08)] + (b) – [(c) x (1.04)]	\$ 2,551,849

Changes in Net Pension Liability

Electric System

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at 9/30/2014	\$59,892,450	\$33,313,237	\$26,579,213
Changes for the year:			
Service cost	711,294	-	711,294
Interest	4,638,804	-	4,638,804
Differences between expected and actual experience	-	-	1,097,266
Contributions--employer	1,097,266	1,891,153	(1,891,153)
Contributions--employee	-	548,691	(548,691)
Net investment income	-	387,215	(387,215)
Benefit payments, including refunds of employee contributions	(3,814,789)	(3,814,789)	-
Transfers Among Employers	-	25,241	(25,241)
Net changes	2,632,575	(962,489)	35,95,064
Balances at 9/30/2015	\$ 62,525,025	\$ 32,350,748	\$ 30,174,277

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION– CONTINUED

Natural Gas System

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at 9/30/2014	\$77,880,193	\$50,541,053	\$27,339,140
Changes for the year:			
Service cost	1,573,503	-	1,573,503
Interest	6,078,446	-	6,078,446
Differences between expected and actual experience	435,578	-	435,578
Contributions--employer	-	2,552,653	(2,552,653)
Contributions--employee	-	1,215,689	(1,215,689)
Net investment income	-	599,470	(599,470)
Benefit payments, including refunds of employee contributions	(3,799,232)	(3,799,232)	-
Transfers Among Employers	-	7,562	7,562
Net changes	4,288,295	576,142	3,712,153
Balances at 9/30/2015	\$ 82,168,488	\$ 51,117,195	\$ 31,051,293

Water System

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at 9/30/2014	\$28,829,248	\$16,719,454	\$206,662
Changes for the year:			
Service cost	402,811	-	402,811
Interest	2,243,404	-	2,243,404
Differences between expected and actual experience	194,984	-	194,984
Contributions—employer	-	884,789	(884,789)
Contributions—employee	-	334,737	(334,737)
Net investment income	-	199,105	(199,105)
Benefit payments, including refunds of employee contributions	(1,573,407)	(1,573,407)	-
Transfers Among Employers	-	480,153	(480,153)
Net changes	1,267,792	325,377	942,415
Balances at 9/30/2015	\$ 30,097,040	\$ 17,044,831	\$ 13,052,209

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION– CONTINUED

The Bureau

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at 9/30/2014	\$2,456,205	\$2,249,543	\$206,662
Changes for the year:			
Service cost	61,732	-	61,732
Interest	193,738	-	193,738
Differences between expected and actual experience	(90,859)	-	(90,859)
Contributions--employer	-	53,130	(53,130)
Contributions--employee	-	45,468	(45,468)
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	(68,967)	(68,967)	-
Administrative expense	-	-	-
Transfers Among Employers	-	-	-
Net changes	95,654	56,494	39,150
Balances at 9/30/2015	\$ 2,551,849	\$ 2,306,037	\$ 245,812

Benefits provided-Continued

Changes in Net Pension Liability

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

The following table presents the Huntsville Utilities System's net pension liability calculated using the discount rate of 8%, as well as what the Bureau's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increases (9.00%)
Electric's net pension liability	\$37,289,367	\$30,174,277	\$24,154,160
Gas's net pension liability	\$41,562,944	\$31,051,293	\$22,257,911
Water's net pension liability	\$16,527,799	\$13,052,209	\$10,108,464

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION– CONTINUED

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

For the year ended September 30, 2016, the System recognized the following pension expense:

	Electric System	Natural Gas System	Water System
Recognized pension expense	\$2,558,480	\$2,775,995	\$625,740

At September 30, 2016, the System reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

<u>Electric System</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 908,082	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,057,377	-
Employer contributions subsequent to the measurement date	1,947,313	-
Total	<u>\$ 3,912,772</u>	<u>\$ -</u>

<u>Natural Gas System</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 375,081	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,676,032	-
Employer contributions subsequent to the measurement date	2,746,906	-
Total	<u>\$ 4,798,019</u>	<u>\$ -</u>

<u>Water System</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 164,986	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	549,778	-
Employer contributions subsequent to the measurement date	983,774	-
Total	<u>\$ 1,698,538</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended September 30:	Electric System	Natural Gas System	Water System
2017	\$ 393,385	\$ 389,648	\$ 137,024
2018	393,385	389,648	137,024
2019	393,387	389,650	137,024
2020	633,956	749,074	258,700
2021	151,346	60,497	29,998
Thereafter	-	72,596	14,996

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION– CONTINUED

Benefits provided-Continued

Changes in Net Pension Liability

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

The following table presents the Bureau’s net pension liability calculated using the discount rate of 8%, as well as what the Bureau’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increases (9.00%)
Bureau's net pension liability	\$485,364	\$245,812	\$42,360

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

For the year ended September 30, 2016, the City recognized pension expense of \$32,080. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 76,437
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	75,478	-
Employer contributions subsequent to the measurement date	59,110	-
Total	\$ 134,588	\$ 76,437

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended September 30:		
2017	\$	451
2018		451
2019		452
2020		16,436
2021		(14,422)
Thereafter		(4,327)

F. Post-Retirement Medical Plans

The City and Huntsville Utilities Systems provide other post-retirement benefits (“OPEB”) to retired employees, primarily medical benefits. Assets are accumulated on an ongoing basis to pay the cost of future benefits, and the City and Utilities are accumulating these assets in restricted trusts established exclusively for this purpose, to which retiree and employer contributions are made and from which benefit payments are made.

Information contained in this note for the Utilities is what is available from their separately-issued financial statements.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION– CONTINUED

Plan Descriptions. The City plan, established in 1989, provides benefits similar to those provided under the City's medical plan for active employees, a self-insured plan under which retirees and active employees are combined. All employees eligible for retirement may make a one-time election to participate upon retirement. Coverage is provided for the electing retiree and chosen dependents until the retiree is 65 years of age. Under the Utilities' plan, all employees meeting retirement eligibility requirements and having at least twenty years of service are eligible to participate, and continues after age 65.

Funding Policies. City retirees pay about 30% of the annually-established benefit premium rate (active employees pay fifteen percent). The City and Utilities must contribute the cost of benefits at a rate that is based on an actuarial valuation prepared in accordance with certain parameters. In 2014, the City's rate was about 3.7% of annual covered payroll and the Utilities' was about 5.5%.

Annual OPEB Cost. For 2016, the City's and Utilities annual benefit costs were equal to the required contribution, determined by actuarial valuations as of September 30, 2014, and is summarized as follows:

Schedule of Annual OPEB Cost (latest available)

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
City	2015	3,565,158	100%	0
	2014	3,565,158	100%	0
	2013	3,565,158	100%	0
Huntsville Utilities	2015	1,737,361	100%	0
	2014	1,737,361	100%	0
	2013	1,682,686	100%	0

Funded Status and Funding Progress. The funded status of the OPEB plans as of September 30 2014, is shown in the schedule below, which also presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress for the Plans (latest available)

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Proj. Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City	9/30/14	\$9,210,662	\$58,997,918	\$49,787,256	15.61%	101,710,815	49.0%
	9/30/12	\$6,083,605	\$49,663,792	\$43,580,187	12.25%	\$96,797,111	45.0%
	9/30/10	\$1,973,041	\$53,107,681	\$51,134,640	3.72%	\$91,530,319	55.9%
Utilities (combined)	9/30/14	7,031,343	31,268,397	24,237,054	22.49%	37,591,987	64.5%
	9/30/13	5,676,120	28,835,898	23,156,778	19.70%	35,227,751	65.7%
	9/30/12	5,264,905	24,769,164	19,504,259	21.30%	37,293,743	52.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION– CONTINUED

The City's actuarial valuation as of September 30, 2014, was based on: (a) the projected unit credit method actuarial cost method, (b) a 4.5% investment rate of return and 3.25% inflation rate, (c) an 8.5% medical cost trend rate graded to 5.0% over 6 years, (d) a 60.0% participation rate by retirees and 55.0% participation rate by spouses of participating retirees, (e) retirement rates consistent with the City's pension plan actuarial valuation, and (f) a 30-year amortization period of the actuarial liability as a level percentage of projected payroll on an open basis.

The Utilities' actuarial valuation as of September 30, 2014, was based on: (a) the projected unit credit method actuarial cost method, (b) a 6.25% investment rate of return and 3.25% inflation rate, (c) a 8.5% medical cost trend rate graded to 5.0% over 6 years, (d) retirement rates consistent with the Utilities' pension plan actuarial valuation, and (e) a 30-year amortization period of the actuarial liability as a level percentage of projected payroll on an open basis.

Financial Reporting. City plan assets are accounted for in the Post-Retirement Benefits Trust Fiduciary Fund, for which a separate financial report is not published.

G. Risk Financing Programs

The City has elected to retain risk related to the employees' health insurance, workers' compensation insurance and legal claims and judgments against the City. The City does maintain insurance coverage for health insurance claims in excess of \$200,000 per claim/medical event and for workers' compensation claims in excess of \$500,000 per occurrence. For legal claims and lawsuits, the State of Alabama prescribes maximum limits of liability for local government units. These limits are presently \$100,000 for bodily injury or death for one person in any single occurrence and \$300,000 for two or more persons in a single occurrence. The limit for property damage is \$100,000 per single occurrence. Anticipated insurance claims are estimated using historical data and actuarial studies. Anticipated legal claims are estimated by the City's legal counsel. All legal claims estimated to be currently payable during the fiscal year, although possibly reported to the City after September 30, 2016, have been accrued as a liability in the General Fund as of September 30, 2016. Insurance claims have been accrued as a liability in the General Fund. Insurance and legal expenditures are allocated within various departments of the General Fund and to other funds of the City based on payroll and other experience factors. No changes in insurance coverage occurred compared to the previous year nor has the City experienced any insurance settlements in excess of insurance coverage over the past three years.

Changes in the balances of claims liabilities (net of anticipated insurance coverage) for the fiscal year ended September 30, 2016 were as follows:

	<u>Employees' Health Care</u>		<u>Workers' Compensation</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Unpaid claims, beginning of year	\$1,448,000	\$1,187,000	\$3,168,760	\$3,500,878
Incurred claims	19,383,194	14,064,649	1,657,016	1,365,685
Less claim payments	(19,054,194)	(13,804,549)	(1,657,016)	(1,697,803)
Unpaid claims, end of year (a)	<u>\$1,777,000</u>	<u>\$1,448,000</u>	<u>\$3,168,760</u>	<u>\$3,168,760</u>
	<u>Legal Claims</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Unpaid claims, beginning of year	\$520,000	\$520,000	\$5,136,760	\$5,208,778
Incurred claims	803,331	686,699	21,843,541	16,117,033
Less claim payments	(803,331)	(686,699)	(21,514,541)	(16,189,051)
Unpaid claims, end of year (a)	<u>\$520,000</u>	<u>\$520,000</u>	<u>\$5,465,760</u>	<u>\$5,136,760</u>

(a) Total unpaid claims are reported in the government-wide Statement of Net Position.

The Electric, Water and Gas systems of the Utilities are also self-insured for general liability, health insurance and workers' compensation insurance. Reinsurance has been purchased to limit the exposure to catastrophic loss for health insurance and workers' compensation insurance claims.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2016

NOTE 5 – OTHER INFORMATION – CONTINUED

H. Subsequent Events

The City has evaluated subsequent events through May 31, 2017, the date on which the financial statements were available for issue.

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REQUIRED SUPPLEMENTARY PENSION
INFORMATION

CITY OF HUNTSVILLE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEMS OF ALABAMA
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30*

	City of Huntsville	
	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 8,901,384	\$ 8,706,017
Interest	39,553,505	38,201,665
Changes in benefit terms	-	-
Differences between actual & expected experience	2,353,694	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(33,193,884)	(26,825,501)
Net change in total pension liability	17,614,699	20,082,181
Total pension liability-beginning	511,015,750	490,933,569
Total pension liability-ending (a)	<u>528,630,449</u>	<u>511,015,750</u>
Plan fiduciary net position		
Contribution-employer	14,520,862	14,884,651
Contribution-employee	5,966,695	5,993,271
Net investment income	4,013,420	37,204,039
Benefit payments, including refunds of employee contributions	(33,193,884)	(26,825,501)
Transfers among employees	(60,873)	247,147
Administrative expense	-	-
Net change in plan fiduciary net position-beginning	(8,753,780)	31,503,607
Plan fiduciary net position-beginning	344,676,067	313,172,459
Plan fiduciary net position-ending (b)	<u>\$ 335,922,287</u>	<u>\$ 344,676,066</u>
Net pension liability (asset)- ending (a)-(b)	192,708,162	166,339,684
Plan fiduciary net position as a percentage of total pension liability	63.55%	67.45%
Covered- employee payroll	106,742,155	101,710,815
Net pension liability (asset) as a percentage of covered-employee payroll	180.54%	163.54%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, since 2014 was the year of implementation, subsequent years' information will be added in subsequent years until a full 10-year trend is compiled.*

**CITY OF HUNTSVILLE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEMS OF ALABAMA
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30***

	City of Huntsville	
	2016	2015
Actuarially determined contribution	\$ 14,755,132	\$ 14,565,070
Contributions in relation to the actuarially determined contribution	\$ 14,755,132	\$ 14,565,070
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 106,742,155	\$ 101,710,815
Contributions as a percentage of covered-employee payroll	13.82%	14.32%

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2016 were based on September 30, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization method	30 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is only presented for those years for which information is available.*

CITY OF HUNTSVILLE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEMS OF ALABAMA
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30*

	COMPONENT UNITS			
	Huntsville Utilities		HMC CVB	
	2015	2014	2015	2014
Total pension liability				
Service cost	\$ 2,687,608	\$ 2,623,427	\$ 61,732	\$ 61,421
Interest	12,960,654	12,461,295	193,738	180,039
Changes in benefit terms	-	-	-	-
Differences between actual & expected experience	1,727,828	-	(90,859)	-
Changes of assumptions	-	-	-	-
Benefit payments, including refunds of employee contributions	(9,187,428)	(8,498,045)	(68,967)	(71,475)
Net change in total pension liability	8,188,662	6,586,677	95,644	169,985
Total pension liability-beginning	166,601,891	160,015,214	2,456,205	2,286,220
Total pension liability-ending (a)	<u>174,790,553</u>	<u>166,601,891</u>	<u>2,551,849</u>	<u>2,456,205</u>
Plan fiduciary net position				
Contribution-employer	5,328,595	5,279,569	53,130	51,960
Contribution-employee	2,099,117	1,971,180	45,468	41,586
Net investment income	1,185,790	10,845,840	26,863	239,814
Benefit payments, including refunds of employee contributions	(9,187,428)	(8,498,045)	-	-
Transfers among employees	512,956	(234,344)	(68,967)	(71,475)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position-beginning	(60,970)	9,364,200	56,494	261,885
Plan fiduciary net position-beginning	100,573,744	91,209,544	2,249,543	1,987,658
Plan fiduciary net position-ending (b)	<u>\$ 100,512,774</u>	<u>\$ 100,573,744</u>	<u>\$ 2,306,037</u>	<u>\$ 2,249,543</u>
Net pension liability (asset)- ending (a)-(b)	74,277,779	66,028,147	245,812	206,662
Plan fiduciary net position as a percentage of total pension liability	57.50%	60.37%	90.37%	91.59%
Covered- employee payroll	41,276,876	38,635,798	662,763	689,599
Net pension liability (asset) as a percentage of covered- employee payroll	179.95%	170.90%	37.09%	29.97%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, since 2014 was the year of implementation, subsequent years' information will be added in subsequent years until a full 10-year trend is compiled.*

**CITY OF HUNTSVILLE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEMS OF ALABAMA
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30***

COMPONENT UNITS

	<u>Huntsville Utilities</u>		<u>HMC CVB</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 5,677,990	\$ 5,264,518	\$ 50,470	\$ 50,470
Contributions in relation to the actuarially determined contribution	<u>5,677,990</u>	<u>5,264,518</u>	<u>50,470</u>	<u>50,470</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 44,375,168	\$ 41,077,004	\$ 9,655,596	\$ 9,655,596
Contributions as a percentage of covered-employee payroll	12.80%	12.82%	0.52%	0.52%

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2016 were based on September 30, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization method	29 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

SUPPLEMENTARY INFORMATION

**CITY OF HUNTSVILLE
GENERAL FUND
BALANCE SHEET
September 30, 2016**

ASSETS

Cash & investments, at cost	\$ 73,593,523
Receivables (net of allowances)	16,884,551
Due from other funds	33,509,588
Due from other governmental entities	1,295,492
Inventories	344,814
Prepaid items	200,797

Total assets \$ 125,828,765

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCE**

Liabilities

Accounts payable	\$ 5,601,376
Accrued liabilities	5,946,942
Contract retainages	4,842,968
Due to other funds	60,255,687
Due to other governmental entities	704,244
Unearned revenue	600,292
Other	1,600,099

Total liabilities 79,551,608

Deferred inflows of resources

Deferred revenue	<u>447,703</u>
------------------	----------------

Total deferred inflows of resources 447,703

Fund balance

Nonspendable	-
Restricted	-
Committed	-
Assigned	1,000,000
Unassigned	44,829,454

Total fund balance 45,829,454

**Total liabilities, deferred inflows of resources
and fund balance**

\$ 125,828,765

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2016**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Taxes and payments in lieu of taxes	\$ 154,302,800	\$ 154,302,800	\$ 160,651,520	\$ 6,348,720
Licenses and permits	24,038,350	24,039,625	24,901,908	862,283
Fines and forfeitures	3,786,900	3,786,900	3,663,213	(123,687)
Revenues from money and property	1,247,100	1,403,054	2,595,230	1,192,176
Charges for services	16,580,250	16,580,250	17,333,314	753,064
Intergovernmental	5,011,466	6,832,749	7,371,962	539,213
Gifts and donations	-	919,846	974,007	54,161
Other revenues	476,504	605,683	586,977	(18,706)
Total revenues	205,443,370	208,470,907	218,078,131	9,607,224
EXPENDITURES				
Current				
General government	25,843,982	28,015,569	29,720,015	(1,704,446)
Public safety	85,247,533	88,437,613	88,987,487	(549,874)
Public services	58,392,398	61,110,975	56,721,818	4,389,157
Urban development	13,023,635	13,141,384	12,704,859	436,525
Debt service	-	-	-	-
Capital projects construction	-	-	-	-
Intergovernmental assistance	4,026,500	4,511,154	4,372,264	138,890
Total expenditures	186,534,048	195,216,695	192,506,443	2,710,252
Excess of revenues over expenditures	18,909,322	13,254,212	25,571,688	12,317,476
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Premium on debt issue	-	-	-	-
Capital lease proceeds	-	-	-	-
Transfers in	9,373,466	9,387,505	-	(9,387,505)
Transfers out	(25,069,703)	(25,087,977)	(15,159,347)	9,928,630
Total other financing sources (uses)	(15,696,237)	(15,700,472)	(15,159,347)	541,125
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	3,213,085	(2,446,260)	10,412,341	12,858,601
Fund balance, beginning	35,417,113	35,417,113	35,417,113	-
Fund balance, ending	\$38,630,198	\$32,970,853	\$45,829,454	\$12,858,601

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2016**

Page 1 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes				
Sales and use	\$ 99,237,400	\$ 99,237,400	\$ 102,111,909	\$ 2,874,509
Ad valorem	16,590,000	16,590,000	16,916,289	326,289
Other	38,475,400	38,475,400	41,623,322	3,147,922
Total	154,302,800	154,302,800	160,651,520	6,348,720
Licenses and permits				
Privilege	20,738,080	20,738,080	20,959,166	221,086
Building permits	1,727,000	1,727,000	2,199,908	472,908
Other	1,573,270	1,574,545	1,742,834	168,289
Total	24,038,350	24,039,625	24,901,908	862,283
Fines and forfeitures	3,786,900	3,786,900	3,663,213	(123,687)
Revenues from money and property				
Interest	328,300	328,255	153,020	(175,235)
Recreational receipts	650,800	659,970	652,986	(6,984)
Other	268,000	414,829	1,789,224	1,374,395
Total	1,247,100	1,403,054	2,595,230	1,192,176
Charges for current services				
Sanitation charges	11,970,000	11,970,000	12,270,382	300,382
Parking revenue	2,300,150	2,300,150	2,416,352	116,202
Other	2,310,100	2,310,100	2,646,580	336,480
Total	16,580,250	16,580,250	17,333,314	753,064
Intergovernmental	5,011,466	6,832,749	7,371,962	539,213
Gifts and donations	-	919,846	974,007	54,161
Other revenues	476,504	605,683	586,977	(18,706)
TOTAL REVENUES	205,443,370	208,470,907	218,078,131	9,607,224

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current Expenditures				
<u>General Government</u>				
Administration				
Personnel	1,215,446	1,215,446	3,788,709	(2,573,263)
Operating	185,340	185,475	184,774	701
Capital	-	-	-	-
Total	1,400,786	1,400,921	3,973,483	(2,572,562)
City Council				
Personnel	305,996	305,996	305,792	204
Operating	147,000	147,000	125,107	21,893
Capital	1,000	1,000	-	1,000
Total	453,996	453,996	430,899	23,097
Clerk-Treasurer				
Personnel	1,401,636	1,401,636	1,451,478	(49,842)
Operating	258,600	258,600	201,126	57,474
Capital	3,500	4,500	490	4,010
Total	1,663,736	1,664,736	1,653,094	11,642
Finance				
Personnel	2,489,430	2,489,430	2,692,152	(202,722)
Operating	590,767	745,093	342,024	403,069
Capital	5,000	1,225,440	623,161	602,279
Total	3,085,197	4,459,963	3,657,337	802,626
Fleet Management				
Personnel	3,167,710	3,167,710	3,197,907	(30,197)
Operating	415,571	452,322	392,111	60,211
Capital	25,700	25,700	17,886	7,814
Total	3,608,981	3,645,732	3,607,904	37,828
General expenses				
Personnel	1,722,000	1,722,000	2,012,148	(290,148)
Operating	1,332,500	1,332,500	1,437,710	(105,210)
Capital	-	-	-	-
Total	3,054,500	3,054,500	3,449,858	(395,358)

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Human Resources				
Personnel	928,618	907,218	860,013	47,205
Operating	1,763,761	1,785,161	1,673,779	111,382
Capital	500	500	-	500
Total	2,692,879	2,692,879	2,533,792	159,087
Information Technology Services				
Personnel	3,575,434	3,575,434	3,526,886	48,548
Operating	2,341,618	2,591,250	2,185,647	405,603
Capital	614,519	1,123,822	711,626	412,196
Total	6,531,571	7,290,506	6,424,159	866,347
Legal				
Personnel	1,763,486	1,763,486	1,850,692	(87,206)
Operating	1,572,000	1,572,000	2,127,338	(555,338)
Capital	16,850	16,850	11,459	5,391
Total	3,352,336	3,352,336	3,989,489	(637,153)
Special appropriations	-	-	-	-
Total general government	25,843,982	28,015,569	29,720,015	(1,704,446)
<u>Public Safety</u>				
Animal Services				
Personnel	1,717,314	1,717,314	1,632,451	84,863
Operating	340,700	436,799	482,699	(45,900)
Capital	1,500	1,500	-	1,500
Total	2,059,514	2,155,613	2,115,150	40,463
Emergency Management				
Personnel	725,258	725,258	746,521	(21,263)
Operating	48,470	292,857	183,137	109,720
Capital	600	3,800	-	3,800
Total	774,328	1,021,915	929,658	92,257
Fire and Rescue				
Personnel	31,330,276	31,330,276	32,465,882	(1,135,606)
Operating	2,415,277	2,646,591	2,704,691	(58,100)
Capital	1,944,340	2,501,622	2,016,341	485,281
Total	35,689,893	36,478,489	37,186,914	(708,425)

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2016**

Page 4 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Municipal court				
Personnel	3,117,878	3,117,878	3,146,432	(28,554)
Operating	168,000	168,000	196,956	(28,956)
Capital	40,000	102,000	734	101,266
Total	3,325,878	3,387,878	3,344,122	43,756
Police				
Personnel	39,883,501	40,403,248	40,943,465	(540,217)
Operating	3,392,059	4,747,953	4,230,791	517,162
Capital	32,000	152,157	147,027	5,130
Total	43,307,560	45,303,358	45,321,283	(17,925)
Special appropriations	90,360	90,360	90,360	-
Total public safety	85,247,533	88,437,613	88,987,487	(549,874)
<u>Public Services</u>				
Cemetery				
Personnel	677,312	677,312	654,439	22,873
Operating	303,750	330,368	326,579	3,789
Capital	-	150	-	150
Total	981,062	1,007,830	981,018	26,812
General Services				
Personnel	3,254,720	3,254,720	3,104,407	150,313
Operating	6,238,364	6,248,777	5,914,139	334,638
Capital	30,000	1,027,208	64,361	962,847
Total	9,523,084	10,530,705	9,082,907	1,447,798
Landscape Management				
Personnel	7,366,777	7,366,777	7,219,817	146,960
Operating	3,510,490	3,545,108	3,204,503	340,605
Capital	-	-	-	-
Total	10,877,267	10,911,885	10,424,320	487,565

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Parking				
Personnel	1,325,026	1,325,026	1,185,923	139,103
Operating	517,177	523,615	368,798	154,817
Capital	7,700	6,252	-	6,252
Total	1,849,903	1,854,893	1,554,721	300,172
Parks & Recreation				
Personnel	5,862,380	5,862,380	5,821,108	41,272
Operating	610,655	696,699	531,236	165,463
Capital	1,600	75,577	4,774	70,803
Total	6,474,635	6,634,656	6,357,118	277,538
Public Transit				
Personnel	3,071,976	3,071,976	3,003,247	68,729
Operating	1,104,084	1,118,525	826,038	292,487
Capital	827,000	907,546	192,544	715,002
Total	5,003,060	5,098,047	4,021,829	1,076,218
Public Works				
Personnel	12,749,734	12,749,734	12,719,975	29,759
Operating	6,336,200	6,371,780	6,323,306	48,474
Capital	9,722	43,711	35,066	8,645
Total	19,095,656	19,165,225	19,078,347	86,878
Special appropriations	4,587,731	5,907,734	5,221,558	686,176
Total public services	58,392,398	61,110,975	56,721,818	4,389,157
<u>Urban Development</u>				
Engineering				
Personnel	2,954,320	2,954,320	2,910,242	44,078
Operating	83,800	84,213	61,951	22,262
Capital	1,700	1,700	1,478	222
Total	3,039,820	3,040,233	2,973,671	66,562
Inspection				
Personnel	2,142,931	2,142,931	2,093,473	49,458
Operating	122,094	194,605	64,154	130,451
Capital	11,000	11,000	590	10,410
Total	2,276,025	2,348,536	2,158,217	190,319

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Natural Resources				
Personnel	655,652	655,652	610,200	45,452
Operating	41,800	41,800	28,463	13,337
Capital	25,000	25,000	19,983	5,017
Total	722,452	722,452	658,646	63,806
Planning				
Personnel	3,344,810	3,344,810	3,362,571	(17,761)
Operating	270,100	311,441	207,572	103,869
Capital	24,000	22,000	10,360	11,640
Total	3,638,910	3,678,251	3,580,503	97,748
Traffic Engineering				
Personnel	2,388,848	2,388,848	2,438,065	(49,217)
Operating	399,700	412,784	345,479	67,305
Capital	7,600	-	-	-
Total	2,796,148	2,801,632	2,783,544	18,088
Special appropriations	550,280	550,280	550,278	2
Total urban development	13,023,635	13,141,384	12,704,859	436,525
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issue costs	-	-	-	-
Total	-	-	-	-
Capital Projects Construction	-	-	-	-
Intergovernmental Assistance				
Huntsville Board of Education	43,000	76,000	43,000	33,000
Madison County Commission	2,648,800	3,100,454	3,013,978	86,476
Madison County Health Department	1,334,700	1,334,700	1,315,286	19,414
Total	4,026,500	4,511,154	4,372,264	138,890
TOTAL EXPENDITURES	186,534,048	195,216,695	192,506,443	2,710,252

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of revenues over expenditures	18,909,322	13,254,212	25,571,688	12,317,476
OTHER FINANCING SOURCES (USES)				
Transfers in	9,373,466	9,387,505	-	(9,387,505)
Transfers out	(25,069,703)	(25,087,977)	(15,159,347)	9,928,630
Total other financing sources (uses)	(15,696,237)	(15,700,472)	(15,159,347)	541,125
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	3,213,085	(2,446,260)	10,412,341	12,858,601
Fund balance, beginning	35,417,113	35,417,113	35,417,113	-
Fund balance, ending	\$ 38,630,198	\$ 32,970,853	\$ 45,829,454	\$ 12,858,601

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF SPECIAL APPROPRIATIONS - BUDGET AND ACTUAL
For the Year Ended September 30, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Safety				
Huntsville Community Watch Association	\$ 21,510	\$ 21,510	\$ 21,510	\$ -
Huntsville/Madison County Rescue Squad, Inc.	4,320	4,320	4,320	-
Partnership for Drug Free Community	64,530	64,530	64,530	-
	<u>90,360</u>	<u>90,360</u>	<u>90,360</u>	<u>-</u>
Public Services				
Arts Council, Inc.	238,600	238,600	238,600	-
Boys & Girls Club, Inc.	43,830	43,830	43,830	-
Community Action Agency	87,750	87,750	87,750	-
First Stop, Inc.	108,830	108,830	108,830	-
Harris Home for Children	26,280	26,280	26,280	-
Heals, Inc.	21,960	21,960	21,960	-
Hudson Alpha Information is Power Initiative	-	30,000	30,000	-
Human Relations Commission	-	900	900	-
Huntsville Beautification Committee	-	4,410	4,410	-
Huntsville Child Care Center, Inc.	13,140	13,140	13,140	-
Huntsville Hospital	150,000	150,000	150,000	-
Huntsville Jaycees	2,160	2,160	2,160	-
Huntsville Sports Commission, Inc.	252,280	649,380	384,316	265,064
Huntsville Symphony Orchestra	49,510	49,510	49,510	-
Huntsville/Madison County Botanical Gardens, Inc.	214,380	214,380	214,668	(288)
Huntsville/Madison County Convention & Vis. Bureau	1,727,841	2,615,434	2,236,247	379,187
Huntsville/Madison County Senior Center, Inc.	390,000	390,000	390,000	-
International Services Council of Huntsville/Madison Co.	26,280	26,280	26,280	-
Legal Services of Alabama, Inc.	17,550	17,550	17,550	-
LIFT Housing, Inc.	11,210	11,210	11,210	-
Madison County Mental Retardation Board, Inc.	35,100	35,100	35,100	-
Mental Health Board, Inc. (Mental Health Center)	813,380	813,380	813,380	-
Science Center/Sci Quest	200,000	200,000	174,000	26,000
Second Mile Development, Inc.	21,960	21,960	21,960	-
U.S. Space & Rocket Center Foundation, inc.	75,000	75,000	58,787	16,213
United Cerebral Palsy of Huntsville/Madison County, Inc.	30,690	30,690	30,690	-
Weeden House Museum	30,000	30,000	30,000	-
	<u>4,587,731</u>	<u>5,907,734</u>	<u>5,221,558</u>	<u>686,176</u>
Urban Development				
Business Tech. Development Center, Inc. ("BizTech")	87,750	87,750	87,750	-
Chamber of Commerce of Huntsville/Madison County	250,000	250,000	250,000	-
Downtown Huntsville, Inc.	90,000	90,000	90,000	-
North Alabama African-American Chamber of Commerce	21,960	21,960	21,960	-
North Alabama Coalition for the Homeless, Inc.	40,000	40,000	39,998	2
The Land Trust of Huntsville and North Alabama, Inc.	60,570	60,570	60,570	-
	<u>550,280</u>	<u>550,280</u>	<u>550,278</u>	<u>2</u>
	<u>\$ 5,228,371</u>	<u>\$ 6,548,374</u>	<u>\$ 5,862,196</u>	<u>\$ 686,178</u>

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OTHER GOVERNMENTAL FUNDS

The City maintains these governmental funds that are considered nonmajor funds.

2014 Capital Improvements Special Revenue Fund - to account for the cost of constructing various road projects and related debt service, and the cost of economic development projects. Financing is provided by a one-cent sales and use tax levied March 1, 2014.

Community Development Special Revenue Fund - to account for the development of viable urban communities, including decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. Financing is provided by federal community development grants under Title I of the Housing and Community Development Act of 1974, as amended. Such grants provide for payment of the City's Community Development program costs and may be used only for that purpose.

Community Development Rehabilitation Loan Special Revenue Fund - to account for the financing of the rehabilitation of privately owned properties as part of the City's Community Development program. Financing is provided by federal community development grants under Title I of the Housing and Community Development Act of 1974, as amended and grants under the HUD Home Program. Such grants provide for payment of the City's Community Development program costs and may be used only for that purpose.

Public Building Authority Special Revenue Fund – prior to 2011, the fund accounted for the construction and expansion of public safety facilities. After 2010, the fund accounts for the payment of debt service related to construction of the facilities. Financing is provided by governmental funds of the City.

Public Library Special Revenue Fund - to account for the operation of the public library. Most of its financing is received from the General Fund and other governmental entities.

Burritt Museum Special Revenue Fund - to account for the operations of a museum in the City. Financing is provided by the General Fund of the City.

Alabama Constitution Village Special Revenue Fund - to account for the operations of historical tourist attractions in the City. Financing for the construction of the facilities was provided by federal EDA grants and operating financing is provided by admission fees and the General Fund of the City.

Art Museum Special Revenue Fund - to account for the operation of the City of Huntsville Museum of Art. Financing is provided by the General Fund of the City and private sources.

Huntsville Tennis Center Special Revenue Fund - to account for the operations of a City-constructed tennis center in the City. Financing is provided by the General Fund of the City and user fees.

Federal Building Authority Special Revenue Fund - to account for the economic development activities related to federal programs, financed primarily through state grant assistance.

Perpetual Care Fund - to account for the collection of cemetery revenues earmarked by local ordinance for the long-term care of the City-owned cemeteries.

Cummings Research Park Capital Projects Fund - to account for land sales, purchases and development costs of a research park in the City.

Industrial Park Capital Projects Fund - to account for land sales, purchases and development costs of various industrial parks within the City.

**CITY OF HUNTSVILLE
NONMAJOR GOVERNMENTAL FUNDS (by fund type)
COMBINING BALANCE SHEET
September 30, 2016**

	Special Revenue Funds											Capital Projects Fund	Total Nonmajor Governmental Funds
	Community Development	Community Development Rehabilitation	Public Building Authority	Public Library	Burritt Museum	Alabama Constitution Village	Art Museum	Huntsville Tennis Center	Federal Building Authority	Perpetual Care	Cummings Research Park		
ASSETS													
Cash & investments, at cost	\$ 962,742	\$ 572,749	\$ 16	\$ 3,687,727	\$ 3,378	\$ 204,234	\$ 49,055	\$ 290,062	\$ 4,279,106	\$ 2,688,265	\$ 2,323,077	\$ 15,060,411	
Receivables (net of allowances)													
Accounts	-	-	-	9,924	10,000	545,000	27,057	-	-	-	-	591,981	
Notes	690,582	1,129,135	-	-	-	-	-	-	-	-	-	1,819,717	
Accrued interest	61,956	-	-	-	-	-	-	-	-	-	-	61,956	
Due from other funds	-	2,202	-	-	7,840	-	-	-	-	-	-	10,042	
Due from governmental entities	232,935	211,282	-	-	-	-	55,500	-	-	-	-	499,717	
Inventories	-	-	-	-	-	43,622	20,051	6,042	-	-	-	69,715	
Prepaid items	4,901	-	-	-	-	-	106,235	-	-	-	-	111,136	
Total assets	\$1,953,116	\$1,915,368	\$16	\$3,697,651	\$21,218	\$792,856	\$257,898	\$296,104	\$4,279,106	\$2,688,265	\$2,323,077	\$18,224,675	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE													
Liabilities													
Accounts payable	\$ 202,032	\$ 217,041	\$ -	\$ 55,712	\$ 303	\$ -	\$ 133,805	\$ 713	\$ -	\$ -	\$ 206,350	\$ 815,956	
Accrued liabilities	-	-	-	395,302	-	-	66,156	2,090	-	-	-	463,548	
Due to other funds	319,402	93,956	-	-	-	177,817	-	-	-	2,812	192,848	786,835	
Unearned revenue	-	-	-	9,028	-	-	146,967	-	-	-	-	155,995	
Total liabilities	521,434	310,997	-	460,042	303	177,817	346,928	2,803	-	2,812	399,198	2,222,334	
Deferred inflows of resources													
Unavailable revenue	232,935	22,538	-	-	-	-	-	-	-	-	10,000	265,473	
Total deferred inflows of resources	232,935	22,538	-	-	-	-	-	-	-	-	10,000	265,473	
Fund balances													
Nonspendable	695,483	1,129,135	-	392,074	-	588,622	126,286	6,042	-	-	-	2,937,642	
Restricted	503,264	452,698	16	478,182	-	-	-	-	4,279,106	-	-	5,713,266	
Committed	-	-	-	-	-	-	-	-	-	-	1,913,879	1,913,879	
Assigned	-	-	-	2,367,353	20,915	26,417	-	287,259	-	2,685,453	-	5,387,397	
Unassigned	-	-	-	-	-	-	(215,316)	-	-	-	-	(215,316)	
Total fund balance (deficit)	1,198,747	1,581,833	16	3,237,609	20,915	615,039	(89,030)	293,301	4,279,106	2,685,453	1,913,879	15,736,868	
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,953,116	\$ 1,915,368	\$ 16	\$ 3,697,651	\$ 21,218	\$ 792,856	\$ 257,898	\$ 296,104	\$ 4,279,106	\$ 2,688,265	\$ 2,323,077	\$ 18,224,675	

CITY OF HUNTSVILLE
NONMAJOR GOVERNMENTAL FUNDS (by fund type)
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2016

	Special Revenue Funds								Capital Projects Funds			Total Nonmajor Governmental Funds	
	Community Development	Community Development Rehabilitation	Public Building Authority	Public Library	Burritt Museum	Alabama Constitution Village	Art Museum	Huntsville Tennis Center	Federal Building Authority	Perpetual Care	Cummings Research Park		Industrial Park
REVENUE													
Taxes and payments in lieu of taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines & forfeitures	-	366	-	345,790	-	-	-	-	-	-	-	-	346,156
Revenues from money & property	93,201	10,575	6	136,620	14,667	840,466	389,705	483,336	389	1,421	17,484	-	1,987,870
Intergovernmental	1,716,266	578,046	-	1,534,651	-	70,000	122,700	-	-	-	-	-	4,021,663
Gifts & donations	-	-	-	83,496	468,521	185,584	1,155,508	-	4,026,667	-	-	-	5,919,776
Other revenues	-	344,078	-	78,395	-	-	-	1,265	-	-	-	-	423,738
Total revenues	1,809,467	933,065	6	2,178,952	483,188	1,096,050	1,667,913	484,601	4,027,056	1,421	17,484	-	12,699,203
EXPENDITURES													
Current													
General government	-	-	-	-	-	0	-	-	-	-	-	-	-
Public services	-	-	-	5,910,930	910,995	1,778,345	2,304,315	703,996	-	2,812	-	-	11,611,393
Urban development	3,076,986	916,556	-	-	-	-	-	-	-	-	409,348	-	4,402,890
Debt service													
Principal	-	-	2,180,000	-	-	-	-	-	-	-	-	-	2,180,000
Interest	-	-	2,845,526	-	-	-	-	-	-	-	-	-	2,845,526
Capital projects construction	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental assistance	-	-	-	-	-	-	-	-	1,476,524	-	-	-	1,476,524
Total expenditures	3,076,986	916,556	5,025,526	5,910,930	910,995	1,778,345	2,304,315	703,996	1,476,524	2,812	409,348	-	22,516,333
Excess (deficiency) of revenues over expenditures	(1,267,519)	16,509	(5,025,520)	(3,731,978)	(427,807)	(682,295)	(636,402)	(219,395)	2,550,532	(1,391)	(391,864)	-	(9,817,130)
OTHER FINANCING SOURCES (USES)													
Transfers in	1,378,548	222,328	5,025,526	3,850,000	444,895	664,814	708,375	195,400	1,000,000	-	-	-	13,489,886
Transfers (out)	-	(28,548)	-	-	-	-	-	-	-	-	-	-	(28,548)
Total other financing sources (uses)	1,378,548	193,780	5,025,526	3,850,000	444,895	664,814	708,375	195,400	1,000,000	-	-	-	13,461,338
Net change in fund balance	111,029	210,289	6	118,022	17,088	(17,481)	71,973	(23,995)	3,550,532	(1,391)	(391,864)	-	3,644,208
Fund balance (deficit), beginning	1,087,718	1,371,544	10	3,119,587	3,827	632,520	(161,003)	317,296	728,574	2,686,844	2,305,743	-	12,092,660
Fund balance (deficit), ending	\$ 1,198,747	\$ 1,581,833	\$ 16	\$ 3,237,609	\$ 20,915	\$ 615,039	\$ (89,030)	\$ 293,301	\$ 4,279,106	\$ 2,685,453	\$ 1,913,879	\$ -	\$ 15,736,868

**CITY OF HUNTSVILLE
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2016**

Page 1 of 6

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
4/5 Cent Gas Tax Fund				
Revenues				
Taxes and payments in lieu of taxes	\$1,345,000	\$1,345,000	1,389,779	\$44,779
Revenues from money and property	0	0	3,163	3,163
Total	1,345,000	1,345,000	1,392,942	47,942
Expenditures				
Operating	1,345,000	1,345,000	1,250,504	94,496
Total	1,345,000	1,345,000	1,250,504	94,496
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	0	142,438	142,438
Fund balance, beginning	219,328	219,328	219,328	0
Fund balance, ending	\$219,328	\$219,328	\$361,766	\$142,438
6.5 Mill Tax Fund				
Revenues				
Taxes and payments in lieu of taxes	\$16,590,000	\$16,590,000	\$16,915,947	\$325,947
Revenues from money and property	0	0	0	0
Total	16,590,000	16,590,000	16,915,947	325,947
Expenditures				
Operating	0	0	0	0
Total	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	16,590,000	16,590,000	16,915,947	325,947
Other financing sources (uses)				
Transfer to refunding escrow agent	0	0	0	0
Transfers in(out)	(16,590,000)	(16,590,000)	(16,590,000)	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	0	325,947	325,947
Fund balance, beginning	(269,721)	(269,721)	(269,721)	0
Fund balance, ending	(\$269,721)	(\$269,721)	\$56,226	\$325,947

**CITY OF HUNTSVILLE
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2016**

Page 2 of 6

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
6.5 Mill School Tax Fund				
Revenues				
Taxes and payments in lieu of taxes	\$17,397,000	\$17,397,000	\$18,117,623	\$720,623
Revenues from money and property	0	0	82	82
Total	17,397,000	17,397,000	18,117,705	720,705
Expenditures				
Capital	17,500,000	17,500,000	17,881,875	(381,875)
Total	17,500,000	17,500,000	17,881,875	(381,875)
Excess (Deficiency) of Revenues Over Expenditures	(103,000)	(103,000)	235,830	338,830
Other financing sources (uses)				
Long-term debt issued				0
Transfer to debt escrow agent				0
Transfers in(out)	(657,617)	(657,617)	0	657,617
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(760,617)	(760,617)	235,830	996,447
Fund balance, beginning	3,527,089	3,527,089	3,527,089	0
Fund balance, ending	\$2,766,472	\$2,766,472	\$3,762,919	\$996,447
7 Cent Gas Tax Fund				
Revenues				
Taxes and payments in lieu of taxes	\$2,026,000	\$2,026,000	2,190,717	\$164,717
Revenues from money and property	0	0	2,866	2,866
Total	2,026,000	2,026,000	2,193,583	167,583
Expenditures				
Operating	3,060,000	3,060,000	3,235,835	(175,835)
Total	3,060,000	3,060,000	3,235,835	(175,835)
Excess (Deficiency) of Revenues Over Expenditures	(1,034,000)	(1,034,000)	(1,042,252)	(8,252)
Other financing sources (uses)				
Transfers in(out)	1,034,000	1,034,000	839,840	194,160
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	0	(202,412)	185,908
Fund balance, beginning	193,205	193,205	193,205	0
Fund balance, ending	\$193,205	\$193,205	(\$9,207)	\$185,908

**CITY OF HUNTSVILLE
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2016**

Page 3 of 6

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Seizure Fund				
Revenues				
Fines and forfeitures	\$0	\$84,714	457,506	\$372,792
Revenues from money and property	0	0	0	0
Total	0	84,714	457,506	372,792
Expenditures				
Operating	0	773,823	476,263	297,560
Total	0	773,823	476,263	297,560
Excess (Deficiency) of Revenues Over Expenditures	0	(689,109)	(18,757)	670,352
Other financing sources (uses)				
Transfers in(out)	0	0	0	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	(689,109)	(18,757)	670,352
Fund balance, beginning	692,328	692,328	692,328	0
Fund balance, ending	\$692,328	\$3,219	\$673,571	\$670,352
TIF 2 Fund				
Revenues				
Taxes and payments in lieu of taxes	\$992,202	\$992,202	\$992,202	\$0
Revenues from money and property	0	0	(41)	(41)
Total	992,202	992,202	992,161	(41)
Expenditures				
Operating	0	0	69	(69)
Total	0	0	69	(69)
Excess (Deficiency) of Revenues Over Expenditures	992,202	992,202	992,092	28
Other financing sources (uses)				
Transfers in(out)	(1,008,217)	(992,121)	(992,121)	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(16,015)	81	(29)	28
Fund balance, beginning	15,988	15,988	15,988	0
Fund balance, ending	(\$27)	\$16,069	\$15,959	\$28

**CITY OF HUNTSVILLE
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2016**

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
TIF 3A Fund				
Revenues				
Taxes and payments in lieu of taxes	\$3,000,268	\$3,000,268	\$3,000,268	\$0
Revenues from money and property	0	0	0	0
Total	3,000,268	3,000,268	3,000,268	0
Expenditures				
Operating	0	0	0	0
Total	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	3,000,268	3,000,268	3,000,268	0
Other financing sources (uses)				
Transfers in(out)	(1,322,091)	(1,322,091)	(1,322,091)	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,678,177	1,678,177	1,678,177	0
Fund balance, beginning	3,659,422	3,659,422	3,659,422	0
Fund balance, ending	\$5,337,599	\$5,337,599	\$5,337,599	\$0
TIF 4 Fund				
Revenues				
Taxes and payments in lieu of taxes	\$1,490,772	\$1,490,772	\$1,490,772	\$0
Revenues from money and property	0	0	1,510	1,510
Total	1,490,772	1,490,772	1,492,282	1,510
Expenditures				
Operating	0	0	0	0
Total	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	1,490,772	1,490,772	1,492,282	1,510
Other financing sources (uses)				
Transfers in(out)	(1,595,788)	(1,595,788)	(1,490,824)	104,964
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(105,016)	(105,016)	1,458	106,474
Fund balance, beginning	105,482	105,482	105,482	0
Fund balance, ending	\$466	\$466	\$106,940	\$106,474

**CITY OF HUNTSVILLE
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2016**

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City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
TIF 5 Fund				
Revenues				
Taxes and payments in lieu of taxes	\$544,923	\$544,923	\$679,506	\$134,583
Revenues from money and property	0	0	513	513
Total	544,923	544,923	680,019	135,096
Expenditures				
Operating	0	709,702	53,241	656,461
Debt Service	73,723	73,723	208,307	(134,584)
Total	73,723	783,425	261,548	521,877
Excess (Deficiency) of Revenues Over Expenditures	471,200	(238,502)	418,471	656,973
Other financing sources (uses)				
Transfers in(out)	(471,200)	(471,200)	(471,200)	0
Long-term debt issued	0	383,040	47,726	(335,314)
Debt Issuance Cost	0	0	0	0
Transfers in(out)				0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	(326,662)	(5,003)	321,659
Fund balance, beginning	326,733	326,733	326,733	0
Fund balance, ending	\$326,733	\$71	\$321,730	\$321,659
TIF 6 Fund				
Revenues				
Taxes and payments in lieu of taxes	\$0	\$0	\$0	\$0
Revenues from money and property	0	0	0	0
Total	0	0	0	0
Expenditures				
Operating	0	6,000,000	3,714,741	2,285,259
Total	0	6,000,000	3,714,741	2,285,259
Excess (Deficiency) of Revenues Over Expenditures	0	(6,000,000)	(3,714,741)	2,285,259
Other financing sources (uses)				
Transfers in(out)				0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	(6,000,000)	(3,714,741)	2,285,259
Fund balance, beginning	0	0	0	0
Fund balance, ending	\$0	(\$6,000,000)	(\$3,714,741)	\$2,285,259

**CITY OF HUNTSVILLE
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2016**

Page 6 of 6

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Grand Total - The Special Revenue Fund				
Revenues				
Taxes and payments in lieu of taxes	\$43,386,165	\$43,386,165	\$44,776,815	\$1,390,650
Fines and forfeitures	0	84,714	457,506	372,792
Revenues from money and property	0	0	8,093	8,093
Total	43,386,165	43,470,879	45,242,414	1,771,535
Expenditures				
Operating	4,405,000	5,888,525	8,730,653	(2,842,128)
Capital	17,500,000	17,500,000	17,881,875	(381,875)
Debt service	0	0	208,307	(208,307)
Total	21,905,000	23,388,525	26,820,835	(3,432,310)
Excess (Deficiency) of Revenues Over Expenditures	21,481,165	20,082,354	18,421,579	(1,660,775)
Other financing sources (uses)				
Long-term debt issued	0	383,040	47,726	(335,314)
Transfer to refunding escrow agent	0	0	1,403,899	1,403,899
Transfers in(out)	(20,610,913)	(20,594,817)	(21,430,295)	(835,478)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	870,252	(129,423)	(1,557,091)	(1,427,668)
Fund balance, beginning	8,469,854	8,469,854	8,469,854	0
Fund balance, ending	\$9,340,106	\$8,340,431	\$6,912,763	(\$1,427,668)

**CITY OF HUNTSVILLE
OTHER GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2016**

	2014 Capital Improvments			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$38,149,000	\$38,149,000	\$39,679,247	\$1,530,247
Revenues from money and property	0	0	27,761	\$27,761
Intergovernmental	0	35,000	35,000	0
Total revenues	38,149,000	38,184,000	39,742,008	1,558,008
EXPENDITURES				
General Government	0	0	150	(150)
Capital	44,100,000	67,397,758	8,805,210	58,592,548
Total expenditures	44,100,000	67,397,758	8,805,360	58,592,398
Excess of revenues over expenditures	(5,951,000)	(29,213,758)	30,936,648	60,150,406
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	0	0	0	0
Premium on debt issue	0	0	0	0
Transfer to debt escrow agent	0	0	0	0
Transfers in	0	0	0	0
Transfers out	(2,945,531)	(2,945,531)	(2,527,954)	417,577
Total other financing sources (uses)	(2,945,531)	(2,945,531)	(2,527,954)	417,577
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(8,896,531)	(32,159,289)	28,408,694	60,567,983
Fund balance, beginning	39,003,618	39,003,618	39,003,618	0
Prior period adjustment	0	0	0	0
Fund balance, ending	\$30,107,087	\$6,844,329	\$67,412,312	\$60,567,983

**CITY OF HUNTSVILLE
OTHER GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2016**

Page 2 of 3

	Capital Improvements			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$48,017,600	\$48,017,600	\$48,938,824	\$921,224
Revenues from money and property	\$225,000	\$225,000	\$299,457	74,457
Intergovernmental	0	29,681,570	4,010,186	(25,671,384)
Gifts and donations	0	413,623	13,623	(400,000)
Other revenues	0	287,616	257,775	(29,841)
Total revenues	48,242,600	78,625,409	53,519,865	(25,105,544)
EXPENDITURES				
Capital	16,900,333	121,435,898	102,425,752	19,010,146
Debt service	0	0	723,615	(723,615)
Total expenditures	16,900,333	121,435,898	103,149,367	18,286,531
Excess of revenues over expenditures	31,342,267	(42,810,489)	(49,629,502)	(6,819,013)
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	3,000,000	1,740,000	121,128,063	(119,388,063)
Premium on debt issue	0	65,000	27,065,510	27,000,510
Transfer to debt escrow agent	0	0	(65,074,549)	(65,074,549)
Transfers in	0	0	0	0
Transfers out	(35,747,050)	(37,448,506)	(13,977,719)	23,470,787
Total other financing sources (uses)	(32,747,050)	(35,643,506)	69,141,305	104,784,811
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(1,404,783)	(78,453,995)	19,511,803	97,965,798
Fund balance, beginning	68,304,455	68,304,455	68,304,455	0
Prior period adjustment	0	0	0	0
Fund balance, ending	\$66,899,672	(\$10,149,540)	\$87,816,258	\$97,965,798

**CITY OF HUNTSVILLE
OTHER GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2016**

Cummings Research Park Capital Projects Fund				
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from money and property	\$0	\$0	\$17,484	\$17,484
Intergovernmental	0	0	0	0
Gifts and donations	0	0	0	0
Total revenues	0	0	17,484	17,484
EXPENDITURES				
Capital	0	634,061	409,348	224,713
Total expenditures	0	634,061	409,348	224,713
Excess of revenues over expenditures	0	(634,061)	(391,864)	242,197
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	0	0	0	0
Transfers in	0	0	0	0
Transfers out	0	(195,000)	0	195,000
Total other financing sources (uses)	0	(195,000)	0	195,000
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	(829,061)	(391,864)	437,197
Fund balance, beginning	2,305,743	2,305,743	2,305,743	0
Fund balance, ending	\$2,305,743	\$1,476,682	\$1,913,879	\$437,197

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STATISTICAL SECTION

STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statement, note disclosures, and required supplementary information says about the government's overall financial health.

Subsection	Page
Financial Trends - These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. Included are government-wide summaries of net position, and revenue, expenses, and fund balances of governmental funds and their revenue and expenditures.	131
Revenue Capacity - These schedules contain information to help the reader assess the government's most significant local revenue sources – sales and property taxes. Included are a 10-year tax revenue summary, property values and tax collections, and principal taxpayers.	136
Debt Capacity - These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	141
Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	146
Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	148

**CITY OF HUNTSVILLE
NET POSITION BY COMPONENT**

	2016	2015	2014	2013 (b)	2012 (b)	2011 (b)	2010 (a)	2009 (a)	2008	2007
Governmental activities										
Net investment in capital assets	\$942,884,115	\$797,217,611	\$833,092,652	\$831,725,887	\$809,527,915	\$806,901,120	\$802,221,037	\$845,268,444	\$677,876,604	\$676,752,598
Restricted	96,222,800	56,606,417	36,683,825	53,102,659	92,060,940	69,827,306	59,953,224	49,434,712	58,692,417	64,781,469
Unrestricted	(597,400,654)	(423,145,927)	(262,498,673)	(180,968,702)	(191,382,729)	(134,886,509)	(115,487,088)	(119,390,646)	(49,782,330)	(59,903,462)
Total net position	\$441,706,261	\$430,678,101	\$607,277,804	\$703,859,844	\$710,206,126	\$741,841,917	\$746,687,173	\$775,312,510	\$686,786,691	\$681,630,605
Business-type activities										
Net investment in capital assets	\$296,962,340	\$286,013,940	\$274,288,062	\$266,661,604	\$261,861,356	\$257,197,485	\$229,307,244	\$205,036,558	\$133,673,199	\$132,100,127
Restricted	0	0	554,023	6,858,123	14,820,632	9,998,784	10,802,923	12,046,366	0	0
Unrestricted	17,918,489	17,545,100	33,425,775	23,590,425	11,684,296	13,797,524	21,960,699	22,147,903	28,086,038	20,183,620
Total net position	\$314,880,829	\$303,559,040	\$308,267,860	\$297,110,152	\$288,366,284	\$280,993,793	\$262,070,866	\$239,230,827	\$161,759,237	\$152,283,747
Primary government										
Net investment in capital assets	\$1,239,846,455	\$1,083,231,551	\$1,107,380,714	\$1,098,387,491	\$1,071,389,271	\$1,064,098,605	\$1,031,528,281	\$1,050,305,002	\$811,549,803	\$808,852,725
Restricted	96,222,800	56,606,417	37,237,848	59,960,782	106,881,572	79,826,090	70,756,147	61,481,078	58,692,417	64,781,469
Unrestricted	(579,482,165)	(405,600,827)	(229,072,898)	(157,378,277)	(179,698,433)	(121,088,985)	(93,526,389)	(97,242,743)	(21,696,292)	(39,719,842)
Total primary government net position	\$756,587,090	\$734,237,141	\$915,545,664	\$1,000,969,996	\$998,572,410	\$1,022,835,710	\$1,008,758,039	\$1,014,543,337	\$848,545,928	\$833,914,352

Source: Comprehensive annual financial reports

(a) Includes the effect of a prior period adjustment made in 2011 and 2010 related to capital asset additions. Note that the invested in capital assets figure has not been restated prior to 2009.

(b) Includes the effect of restatements and prior period adjustments made in 2013 related to capital asset additions and debt issuance costs. Note that no figures related to these adjustments have been restated prior to 2011. Also, the term "net position" is used beginning in 2013, rather than "net assets" in prior years.

**CITY OF HUNTSVILLE
CHANGES IN NET POSITION**

	2016	2015	2014	2013 (c)	2012 (c)	2011 (c)	2010 (a)	2009 (a)	2008	2007
Expenses										
Governmental activities:										
General government	\$34,361,989	\$29,989,299	\$29,153,904	\$26,715,719	\$26,733,928	\$24,420,239	\$22,148,340	\$28,684,548	\$24,413,094	\$21,850,177
Public safety	89,867,060	89,257,242	88,372,786	85,724,764	83,352,893	82,143,685	82,875,148	78,799,511	76,952,205	68,430,602
Public services	164,347,739	168,284,768	237,413,535	128,811,922	137,948,724	108,810,956	109,197,353	163,161,869	99,059,863	92,368,138
Urban development	22,412,512	43,242,563	36,683,268	28,867,478	39,156,948	38,663,677	26,455,675	18,492,051	24,467,222	24,078,509
Intergovernmental assistance (a)	0	0	0	0	0	0	0	0	0	0
Interest on long-term debt	29,852,643	26,224,071	26,658,311	25,455,799	25,462,843	22,976,363	20,727,443	21,534,346	22,416,453	22,140,985
Unallocated depreciation	32,372,585	31,002,001	30,740,478	30,455,028	29,882,021	29,467,360	29,328,626	28,549,209	26,015,619	25,728,773
Total governmental activities expenses	373,214,528	387,999,944	449,022,282	326,030,710	342,537,357	306,482,280	290,732,585	339,221,534	273,324,456	254,597,184
Business-type activities:										
Water pollution control	29,173,955	28,593,512	27,244,801	27,720,695	30,318,335	31,138,113	27,061,582	26,875,881	26,765,661	23,399,766
Civic Center	12,542,916	12,043,936	11,842,331	10,961,440	11,128,503	10,125,697	9,728,536	9,966,778	9,690,975	9,357,380
Ice Complex	1,310,499	1,615,154	1,581,104	1,482,712	1,395,951	1,207,208	1,056,821	1,047,050	1,107,937	1,182,323
Total business-type activities expenses	43,027,370	42,252,602	40,668,236	40,164,847	42,842,789	42,471,018	37,846,939	37,889,709	37,564,573	33,939,469
Total primary government expenses	416,241,898	430,252,546	489,690,518	366,195,557	385,380,146	348,953,298	328,579,524	377,111,243	310,889,029	288,536,653
Program Revenues										
Governmental activities:										
Charges for services:										
General government	22,777,167	22,052,325	22,021,774	21,925,264	20,777,576	20,090,489	19,546,315	18,777,070	18,976,662	18,425,046
Public Safety	4,531,621	4,681,849	4,642,898	4,116,642	3,920,660	4,042,948	4,206,968	4,051,824	3,671,778	3,415,790
Public Services	18,821,416	18,328,708	17,988,274	18,388,361	18,116,407	18,024,375	16,467,291	16,758,939	16,610,479	15,757,762
Urban Development	3,220,276	2,732,673	3,093,173	3,307,178	2,492,147	2,632,710	2,979,979	3,688,251	4,381,380	5,991,224
Operating grants and contributions	28,466,937	24,437,539	26,850,683	21,199,994	12,395,570	10,087,125	9,607,076	5,534,331	6,041,500	7,634,443
Capital grants and contributions	14,359,350	21,290,616	21,349,944	23,956,342	24,501,646	23,279,382	11,477,997	35,454,871	8,916,135	11,735,527
Total governmental activities program revenues	92,176,767	93,523,710	95,946,746	92,893,781	82,204,006	78,157,029	64,285,626	84,265,286	58,597,934	62,959,792
Business-type activities:										
Charges for services:										
Water pollution control	38,940,571	37,680,083	36,032,232	35,792,089	36,141,264	37,321,532	33,518,016	32,905,736	33,149,416	33,370,745
Civic Center	9,133,213	8,202,625	8,358,106	7,361,245	7,212,347	6,839,392	6,514,808	7,146,456	7,085,111	6,685,865
Ice Complex	1,163,060	1,423,171	1,518,105	1,414,996	1,405,130	1,089,071	1,002,102	917,173	967,984	927,874
Operating grants and contributions	0	0	0	0	0	0	0	0	0	0
Capital grants and contributions	0	2,409,031	3,525,530	1,341,687	2,980,046	2,147,144	1,787,827	5,293,814	2,361,822	0
Total business-type activities program revenues	49,236,844	49,714,910	49,433,973	45,910,017	47,738,787	47,397,139	42,822,753	46,263,179	43,564,333	40,984,484
Total primary government program revenues	141,413,611	143,238,620	145,380,719	138,803,798	129,942,793	125,554,168	107,108,379	130,528,465	102,162,267	103,944,276
Net(expense)revenue										
Governmental activities	(281,037,761)	(294,476,234)	(353,075,536)	(233,136,929)	(260,333,351)	(228,325,251)	(226,446,959)	(254,956,248)	(214,726,522)	(191,637,392)
Business-type activities	6,209,474	7,462,308	8,765,737	5,745,170	4,895,998	4,926,121	4,975,814	8,373,470	5,999,760	7,045,015
Total primary government net expenses	(274,828,287)	(287,013,926)	(344,309,799)	(227,391,759)	(255,437,353)	(223,399,130)	(221,471,145)	(246,582,778)	(208,726,762)	(184,592,377)

**CITY OF HUNTSVILLE
CHANGES IN NET POSITION**

	2016	2015	2014	2013 (c)	2012 (c)	2011 (c)	2010 (a)	2009 (a)	2008	2007
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales & use taxes	190,546,050	181,057,346	159,401,801	135,099,924	132,772,011	127,235,936	123,934,078	122,161,198	127,565,012	125,723,726
Property taxes	57,850,973	54,748,223	54,253,368	53,241,717	54,699,340	58,861,760	57,285,006	54,078,571	50,210,471	43,153,397
Other taxes	45,203,819	41,737,789	41,039,618	39,075,002	39,691,873	39,795,730	39,451,787	38,537,905	37,537,970	37,319,663
Interest on Investments	704,590	450,481	672,898	775,306	1,124,316	969,805	798,035	1,116,673	6,150,108	7,979,874
Other	1,478,946	1,951,356	1,180,504	1,305,543	944,235	1,172,264	20,071,808	3,899,387	2,724,336	5,479,430
Gains (losses) on sales of assets	1,350,500	(304,271)	2,263,811	205,554	1,893,432	232,794	1,142,410	3,897,397	1,010,961	2,295,338
Extraordinary impairment loss	0	0	0	0	0	0	(27,067,437)	0	0	0
Transfers	(5,068,957)	(2,726,833)	(2,318,504)	(2,912,399)	(2,427,647)	(14,909,852)	(17,794,065)	(3,406,942)	(5,316,250)	(3,026,808)
Total governmental activities	292,065,921	276,914,091	256,493,496	226,790,647	228,697,560	213,358,437	197,821,622	220,284,189	219,882,608	218,924,620
Business-type activities										
Interest on Investments	43,358	63,140	73,467	86,299	48,846	44,439	70,160	102,738	404,992	547,624
Gains (losses) on sales of assets	0	0	0	0	0	0	0	30,000	0	0
Transfers	5,068,957	2,726,833	2,318,504	2,912,399	2,427,647	14,909,852	17,794,065	3,406,942	3,070,738	3,026,808
Total business-type activities	5,112,315	2,789,973	2,391,971	2,998,698	2,476,493	14,954,291	17,864,225	3,539,680	3,475,730	3,574,432
Total primary government	297,178,236	279,704,064	258,885,467	229,789,345	231,174,053	228,312,728	215,685,847	223,823,869	223,358,338	222,499,052
<u>Change in Net Position</u>										
Governmental activities	11,028,160	(17,562,143)	(96,582,040)	(6,346,282)	(31,635,791)	(14,966,814)	(28,625,337)	(34,672,059)	5,156,086	27,287,228
Business-type activities	11,321,789	10,252,281	11,157,708	8,743,868	7,372,491	19,880,412	22,840,039	11,913,150	9,475,490	10,619,447
Total primary government	\$22,349,949	(\$7,309,862)	(\$85,424,332)	\$2,397,586	(\$24,263,300)	\$4,913,598	(\$5,785,298)	(\$22,758,909)	\$14,631,576	\$37,906,675

Source: Comprehensive annual financial reports.

(a) Includes the effect of prior period adjustments made in 2011 and 2010 related to capital asset additions. Note that no figures related to these adjustments have been restated prior to 2009.

(b) Intergovernmental assistance is primarily provided to the Huntsville Board of Education, either direct payments or in the construction of school facilities that are assets of the Board. Financing for such assistance is provided by recurring property taxes or tax increment financing districts property taxes. This expense is included in other function expenses beginning in 2006.

(c) Includes the effect of restatements and prior period adjustments made in 2013 related to capital asset additions and debt issuance costs. Note that no figures related to these adjustments have been restated prior to 2011. Also, the term "net position" is used beginning in 2013, rather than "net assets" in prior years.

**CITY OF HUNTSVILLE
FUND BALANCES OF GOVERNMENTAL FUNDS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Nonspendable	545,611	330,661	295,347	103,136	100,429	156,555	-	-	-	-
Restricted	249,607	459,360	494,593	336,926	244,449	211,399	-	-	-	-
Committed	6,295,708	3,978,387	2,384,910	622,963	417,977	2,940,666	-	-	-	-
Assigned	1,000,000	4,634,414	6,333,577	8,331,843	6,869,250	5,757,645	-	-	-	-
Unassigned	37,738,528	26,014,291	31,082,957	30,630,183	31,151,798	29,227,404	-	-	-	-
Reserved	-	-	-	-	-	-	452,658	2,268,657	2,535,938	10,642,444
Unreserved	-	-	-	-	-	-	37,387,163	41,623,212	53,444,399	59,095,252
Total general fund	45,829,454	35,417,113	40,591,384	40,025,051	38,783,903	38,293,669	37,839,821	43,891,869	55,980,337	69,737,696
All other governmental funds										
Nonspendable	2,937,642	2,957,461	1,934,453	1,257,751	1,230,972	992,765	-	-	-	-
Restricted	88,919,640	87,154,198	76,162,879	76,162,879	124,922,741	73,184,953	-	-	-	-
Committed	80,848,838	32,691,643	30,615,652	30,615,652	37,375,254	42,403,656	-	-	-	-
Assigned	5,845,167	5,309,942	6,032,259	5,898,703	5,216,839	4,259,078	-	-	-	-
Unassigned	(215,316)	(236,961)	(362,755)	(236,855)	(1,102,991)	(182,686)	-	-	-	-
Reserved	-	-	-	-	-	-	55,597,074	76,818,638	63,566,881	54,246,282
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Debt Service fund	-	-	-	-	-	-	3,449,602	3,412,682	3,232,744	3,350,116
Special revenue funds	-	-	-	-	-	-	(2,149,120)	(1,644,735)	1,351,011	31,720,227
Permanent funds	-	-	-	-	-	-	1,264,302	1,246,187	1,225,666	1,177,400
Capital project funds	-	-	-	-	-	-	88,159,398	28,143,542	38,361,839	57,887,452
Total all other governmental funds	178,335,971	127,876,283	114,382,488	113,698,130	167,642,815	120,657,766	146,321,256	107,976,314	107,738,141	148,381,477
Total fund balance	224,165,425	163,293,396	\$154,973,872	\$153,723,181	\$206,426,718	\$158,951,435	\$184,161,077	\$151,868,183	\$163,718,478	\$218,119,173

Source: Comprehensive annual financial reports.

**CITY OF HUNTSVILLE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues											
Sales and Use Tax	\$190,729,980	\$181,057,346	\$159,781,025	\$135,057,237	\$132,503,675	\$126,470,618	\$123,934,078	\$122,161,198	\$127,565,012	\$125,723,726	\$114,580,803
Property Tax	57,850,973	54,748,223	54,253,368	53,241,717	54,699,340	58,861,760	57,285,006	54,078,571	50,210,471	43,153,397	40,235,507
Other taxes	45,465,453	41,977,292	41,090,211	39,075,002	39,691,873	39,795,730	39,451,787	38,537,905	37,537,970	37,319,663	35,633,301
Licenses and permits	24,901,908	23,679,897	23,819,364	23,850,640	22,033,292	21,389,753	21,739,746	22,216,726	23,054,259	24,131,627	20,192,700
Fines and forfeitures	4,466,875	3,754,603	3,473,013	3,129,923	3,240,931	3,485,908	3,730,949	3,909,186	3,535,338	3,333,458	3,416,351
Revenues from money and property	4,919,314	4,744,704	6,461,335	4,511,397	6,211,960	4,470,530	5,694,484	9,375,326	9,866,155	14,137,444	16,507,127
Charges for services	17,333,314	16,947,087	16,549,021	16,215,457	15,071,641	14,849,097	13,355,299	13,352,783	13,265,357	12,772,475	12,256,065
Intergovernmental	32,320,686	29,747,386	27,987,674	30,395,247	21,380,475	18,328,789	18,848,842	18,311,488	14,838,735	20,075,214	12,145,124
Gifts and donations	6,907,406	2,922,892	3,275,381	5,817,108	3,911,580	6,440,919	9,105,851	1,982,596	2,147,148	1,783,533	1,414,325
Other revenues	1,268,490	1,831,703	2,486,427	1,450,476	2,122,359	1,663,967	4,029,865	1,669,735	2,948,574	1,862,393	2,073,152
Total Revenues	386,164,399	361,411,133	339,176,819	312,744,204	300,867,126	295,757,071	297,175,907	285,595,514	284,969,019	284,292,930	258,454,455
Expenditures											
General government	31,372,454	29,170,852	28,227,710	26,200,191	28,697,542	23,065,197	23,540,359	27,076,571	19,954,377	20,526,138	18,457,838
Public safety	90,332,831	83,826,858	82,331,558	80,070,974	80,502,982	76,605,943	77,047,963	73,422,216	74,106,520	68,560,726	60,234,292
Public services	121,919,036	128,975,662	74,322,641	72,239,663	77,422,057	67,250,778	70,201,183	71,145,870	73,786,496	75,449,975	66,626,701
Urban development	18,328,725	18,806,466	27,725,654	17,562,142	16,288,150	20,107,047	16,476,084	16,663,058	17,334,448	20,923,861	16,929,088
Debt service											
Principal	28,657,088	43,323,319	34,054,729	50,829,052	32,412,110	32,242,118	35,498,028	107,287,240	28,125,603	27,712,653	25,445,585
Interest	26,167,860	24,800,838	24,753,072	23,912,271	23,527,397	22,400,482	22,828,178	23,859,727	20,713,975	20,788,626	20,288,933
Fiscal charges	711	2,149	849	17,087	15,804	21,546	13,304	11,449	53,471	52,789	73,236
Debt issuance costs	723,615	621,319	1,414,594	249,956	1,246,871	6,500	1,148,689	1,116,280	0	1,935,175	778,962
Capital projects construction and outlay	36,777,565	55,563,121	28,117,331	29,658,555	20,600,429	23,300,805	32,578,946	39,807,540	61,960,481	31,786,986	31,152,674
Intergovernmental assistance	49,110,279	44,913,309	165,783,884	63,366,078	83,144,550	54,835,373	43,747,892	90,864,329	30,688,444	26,564,854	22,857,303
Total expenditures	403,390,164	430,003,893	466,732,022	364,105,969	363,857,892	319,835,789	323,080,626	451,254,280	326,723,815	294,301,783	262,844,612
Excess of revenues over (under) expenditures	(17,225,765)	(68,592,760)	(127,555,203)	(51,361,765)	(62,990,766)	(24,078,718)	(25,904,719)	(165,658,766)	(41,754,796)	(10,008,853)	(4,390,157)
Other financing sources(uses)											
Long-term debt issued	121,175,789	69,718,637	196,870,969	27,770,132	151,704,893	13,778,928	145,244,100	147,538,000	0	129,135,000	68,070,000
Premium on debt issue	27,065,510	9,925,229	24,816,375	311,879	17,425,336	0	7,106,178	9,662,918	0	2,491,409	3,030,036
Payment to escrow agent	(65,074,549)	0	(95,982,662)	(20,988,033)	(56,303,167)	0	(76,308,888)	0	0	(56,168,927)	0
Capital lease proceeds	0	0	0	0	0	0	0	0	0	0	232,957
Transfers in	48,054,906	79,797,073	79,517,324	91,546,692	90,282,567	89,431,120	92,329,571	160,826,423	86,590,155	87,250,263	92,454,496
Transfers (out)	(53,123,863)	(82,590,783)	(82,037,527)	(94,361,027)	(92,643,580)	(104,340,972)	(110,173,348)	(164,218,870)	(99,236,054)	(90,283,102)	(95,207,873)
Total other financing sources(uses)	78,097,793	76,850,156	123,184,479	4,279,643	110,466,049	(1,130,924)	58,197,613	153,808,471	(12,645,899)	72,424,643	68,579,616
Net change in fund balances	\$60,872,028	\$8,257,396	(\$4,370,724)	(\$47,082,122)	\$47,475,283	(\$25,209,642)	\$32,292,894	(\$11,850,295)	(\$54,400,695)	\$62,415,790	\$64,189,459
Debt service as a percentage of noncapital expenditures	21.2%	26.4%	28.3%	38.3%	28.2%	29.2%	31.8%	70.2%	26.4%	27.2%	28.7%

Source: Comprehensive annual financial reports.

**CITY OF HUNTSVILLE
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**

Fiscal Year	Sales and Use Tax	Property Tax	City Leasing	City Liquor	City Lodging	City Gasoline	City Wine	City Tobacco	State Gasoline	Huntsville Utilities P.I.L.O.T.	T.V.A. P.I.L.O.T.	State Beverage	State Tobacco	All Other	Total
2007	\$125,723,726	\$43,153,397	\$2,970,016	\$1,831,422	\$5,351,353	\$1,067,227	\$160,878	\$1,387,160	\$3,202,542	\$14,266,958	\$3,070,588	\$1,754,201	\$317,580	\$1,939,738	\$206,196,786
2008	\$127,565,012	\$50,210,471	\$2,945,100	\$2,077,439	\$5,924,004	\$1,072,348	\$166,983	\$1,354,237	\$3,109,810	\$14,648,826	\$3,080,532	\$1,788,958	\$306,172	\$1,063,561	\$215,313,453
2009	\$122,161,198	\$54,078,571	\$2,724,440	\$2,238,761	\$5,691,836	\$1,059,697	\$158,869	\$1,345,472	\$3,113,969	\$15,544,289	\$3,061,800	\$1,763,041	\$298,603	\$1,537,129	\$214,777,675
2010	\$123,934,078	\$57,285,006	\$2,709,184	\$2,385,303	\$5,806,607	\$1,082,108	\$158,953	\$1,384,660	\$3,171,632	\$16,654,708	\$2,874,444	\$1,751,714	\$286,959	\$1,185,515	\$220,670,871
2011	\$126,470,618	\$58,861,760	\$2,868,384	\$2,337,309	\$6,144,514	\$1,074,319	\$178,512	\$1,342,972	\$3,146,176	\$16,387,516	\$3,195,236	\$1,631,263	\$318,969	\$1,170,559	\$225,128,108
2012	\$132,503,675	\$54,699,340	\$2,996,122	\$2,445,579	\$6,129,998	\$1,188,538	\$179,981	\$1,236,213	\$3,304,230	\$15,531,412	\$3,328,060	\$1,724,802	\$263,188	\$1,363,750	\$226,894,888
2013	\$135,057,237	\$53,241,717	\$2,719,021	\$2,369,026	\$6,191,970	\$1,202,412	\$178,378	\$1,183,813	\$3,254,180	\$15,765,419	\$3,072,492	\$1,604,197	\$230,914	\$1,303,180	\$227,373,956
2014	\$159,781,025	\$54,253,368	\$2,631,568	\$2,522,257	\$7,303,150	\$1,265,771	\$180,806	\$1,229,518	\$3,275,006	\$16,222,522	\$2,908,572	\$1,649,427	\$144,987	\$1,756,627	\$255,124,604
2015	\$181,057,346	\$54,748,223	\$2,916,496	\$2,568,934	\$7,560,909	\$1,235,379	\$197,135	\$1,186,489	\$3,378,791	\$16,647,075	\$2,881,380	\$1,674,900	\$223,136	\$1,321,669	\$277,597,862
2016	\$190,729,980	\$57,850,973	\$3,442,511	\$2,980,488	\$7,844,415	\$1,311,216	\$200,302	\$1,250,042	\$3,522,306	\$17,251,340	\$3,375,449	\$1,784,091	\$329,958	\$2,173,335	\$294,046,406

Source: Comprehensive annual financial reports

**CITY OF HUNTSVILLE
SALES & PROPERTY TAX RATES**

SALES TAX

Fiscal Year		City	County	State	Total
2006		3.5%	0.5%	4.0%	8.0%
2007		3.5%	0.5%	4.0%	8.0%
2008		3.5%	0.5%	4.0%	8.0%
2009		3.5%	0.5%	4.0%	8.0%
2010		3.5%	0.5%	4.0%	8.0%
2011		3.5%	0.5%	4.0%	8.0%
2012		3.5%	0.5%	4.0%	8.0%
2013		3.5%	0.5%	4.0%	8.0%
2014	(1.0% increase 3/1/14)	4.5%	0.5%	4.0%	9.0%
2015		4.5%	0.5%	4.0%	9.0%
2016		4.5%	0.5%	4.0%	9.0%

Note: Above data is the tax rate inside the City limits within Madison County.

PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS

(Per \$1000 of Assessed Value)

Fiscal Year	City of Huntsville				Total	County School District	County	State	Total
	General Fund	School Funds	City Debt Service Funds						
2006	6.5	22.0	6.5		35.0	5.5	11.0	6.5	58.0
2007	6.5	22.0	6.5		35.0	5.5	11.0	6.5	58.0
2008	6.5	22.0	6.5		35.0	5.5	11.0	6.5	58.0
2009	6.5	22.0	6.5		35.0	5.5	11.0	6.5	58.0
2010	6.5	22.0	6.5		35.0	5.5	11.0	6.5	58.0
2011	6.5	22.0	6.5		35.0	5.5	11.0	6.5	58.0
2012	6.5	22.0	6.5		35.0	5.5	11.0	6.5	58.0
2013	6.5	22.0	6.5		35.0	5.5	11.0	6.5	58.0
2014	6.5	22.0	6.5		35.0	5.5	11.0	6.5	58.0
2015	6.5	22.0	6.5		35.0	5.5	11.0	6.5	58.0
2016	6.5	22.0	6.5		35.0	5.5	11.0	6.5	58.0

Note: Does not include Limestone County property located within the City limits as it is currently not a significant value.

**CITY OF HUNTSVILLE
PROPERTY TAX LEVIES AND COLLECTIONS**

	Total Tax Levy	Total Tax Collections (a)	Percent of Total Tax Collections to Tax Levy
2005-2006	\$140,488,139	\$138,268,426	98.4%
2006-2007	\$149,465,737	\$148,620,312	99.4%
2007-2008	\$168,234,235	\$166,393,544	98.9%
2008-2009	\$179,688,391	\$179,104,699	99.7%
2009-2010	\$188,576,265	\$187,648,619	99.5%
2010-2011	\$190,572,100	\$190,108,734	99.8%
2011-2012	\$190,241,294	\$190,022,859	99.9%
2012-2013	\$194,614,998	\$194,498,556	99.9%
2013-2014	\$197,403,885	\$197,526,366	100.1%
2014-2015	\$199,883,714	\$199,969,065	100.0%
2015-2016	\$199,358,750	\$199,854,209	100.2%

(a) Taxes are levied on October 1 and are payable by December 31, at which time they become delinquent and result in a tax sale to enforce collection. The Tax Collector does not provide the years in which the taxes are collected, but because of the collection policy, most are collected within the year of the levy. Collections are net of refunds.

Source: Madison County Tax Collectors office, for entire Madison County collections. Does not include Limestone County property located within the City limits as it is currently not a significant value.

**CITY OF HUNTSVILLE
PROPERTY TAXES
ESTIMATED ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (thousands)**

Assessment Date October 1,	Real and Personal Property						Penalties Assessed	Exempt Assessed	Class 4		Total Assessed	Total Actual	Assessed Value To Total Estimated Actual Value
	Class 1		Class 2		Class 3				Assessed	Actual			
2005	\$33,832	\$112,774	\$1,628,923	\$8,144,616	\$631,620	\$6,316,200	\$4,184	(\$526,903)	\$204,144	\$1,360,960	\$1,975,800	\$15,934,550	12.4%
2006	\$33,146	\$110,488	\$1,814,243	\$9,071,215	\$697,207	\$6,972,072	\$5,601	(\$557,311)	\$214,374	\$1,426,160	\$2,207,260	\$17,579,935	12.6%
2007	\$33,626	\$112,086	\$1,921,701	\$9,608,503	\$744,423	\$7,444,226	\$6,751	(\$591,001)	\$221,997	\$1,479,980	\$2,337,497	\$18,644,795	12.5%
2008	\$33,417	\$111,391	\$1,980,302	\$9,901,509	\$786,525	\$7,865,245	\$5,106	(\$562,663)	\$227,114	\$1,514,093	\$2,469,801	\$19,392,238	12.7%
2009	\$30,191	\$100,637	\$1,981,468	\$9,907,339	\$811,896	\$8,118,963	\$3,496	(\$560,668)	\$206,932	\$1,379,547	\$2,473,315	\$19,506,486	12.7%
2010	\$26,732	\$89,106	\$1,916,313	\$9,581,567	\$839,571	\$8,395,710	\$2,095	(\$517,010)	\$224,336	\$1,495,573	\$2,492,037	\$19,561,956	12.7%
2011	\$27,581	\$91,937	\$1,948,313	\$9,741,566	\$863,786	\$8,637,862	\$1,830	(\$507,132)	\$241,516	\$1,610,107	\$2,575,894	\$20,081,472	12.8%
2012	\$28,591	\$95,302	\$1,955,237	\$9,776,187	\$878,514	\$8,785,143	\$2,334	(\$484,267)	\$256,731	\$1,711,543	\$2,637,140	\$20,368,175	12.9%
2013	\$26,818	\$89,393	\$1,977,673	\$9,888,366	\$878,858	\$8,788,580	\$3,031	(\$478,909)	\$260,691	\$1,737,940	\$2,668,162	\$20,504,279	13.0%
2014	\$26,915	\$89,717	\$2,067,967	\$10,339,835	\$891,333	\$8,913,330	\$3,076	(\$480,953)	\$269,328	\$1,795,520	\$2,777,666	\$21,138,402	13.1%
2015	\$21,257	\$70,856	\$2,136,708	\$10,683,539	\$902,236	\$9,022,358	\$3,373	(\$501,001)	\$293,012	\$1,953,413	\$2,855,585	\$21,730,166	13.1%

Assessment Date Note:
Property is initially assessed on October 1 each year for the taxes to be levied on the following October 1. Adjustments are made after the assessment until the next August, when the assessments are finalized for the upcoming October levy. Therefore, the assessed value figures above will result in tax collections beginning one year later. For example, the assessment in 2012 above was levied on October 1, 2012, and collected during the City's 2014 fiscal year.

Valuation Note:
The above figures are those reported by the Madison County Tax Assessor on the abstract for the city district tax, which is the basis for collection of the 6.5 mill general fund and 6.5 mill special revenue fund tax. Property located within the City limits in Limestone County is not included as this is currently not a significant value.

Class and Assessment % Note:
Class 1 - All property of utilities used in their business - 30%
Class 2 - All property not otherwise classified - 20%
Class 3 - All agricultural, forest and single family, owner-occupied residential property, and historic property - 10%
Class 4 - Private passenger automobiles and pickup trucks -15%

Tax Rate Note:
For purposes of the property tax base figures above, the direct rate that applies to these bases is 6.5 mills of tax on the assessed value (i.e. 0.65%).

**CITY OF HUNTSVILLE
PRINCIPAL TAXPAYERS - SALES & PROPERTY TAXES**

SALES & USE TAXES	Top 100 Taxpayers (approximate)	Total Tax	% of Total Tax
2006	\$61,600,652	\$114,580,803	53.8%
2007	\$67,513,282	\$125,723,726	53.7%
2008	\$67,540,596	\$127,565,012	52.9%
2009	\$65,039,625	\$122,161,198	53.2%
2010	\$68,513,620	\$123,934,078	55.3%
2011	\$68,060,713	\$126,470,618	53.8%
2012	\$73,600,757	\$132,503,675	55.5%
2013	\$74,582,224	\$135,057,237	55.2%
2014	\$85,343,403	\$159,781,025	53.4%
2015	\$98,998,235	\$181,057,346	54.7%
2016			

Source: City Finance Department. City and state law do not permit the disclosure of tax information for specific taxpayers, and city policy restricts disclosures on fewer than the top 100 taxpayers. Collections from the largest City taxpayers are not concentrated in particular industries or products, but generally pertain to sales of a diverse variety of consumer goods.

Note: Information prior to 2006 is not available.

PROPERTY TAXES	2016			2007		
	City Assessed Valuation	Rank	Percentage of Total Assessed Value	City Assessed Valuation	Rank	Percentage of Total Assessed Value
Toyota Motor Manufacturing Alabama	\$123,140,060	1	4.3%	\$35,792,640	1	1.6%
Huntsville NYL LLC	\$26,218,420	2	0.9%			
Generics International US Inc	\$23,895,480	3	0.8%			
ADTRAN Inc	\$23,638,400	4	0.8%			
BASF Catalysts LLC	\$22,573,260	5	0.8%	\$9,836,380	4	0.4%
IMI Huntsville LLC	\$20,416,960	6	0.7%			
Dynetics Inc	\$19,557,980	7	0.7%			
Bell South Telecommunications Inc	\$15,452,400	8	0.5%	\$26,608,500	2	1.2%
Crestwood Healthcare LP	\$12,512,060	9	0.4%			0.0%
Kennametal Inc	\$9,768,100	10	0.3%			0.0%
Colonial Realty LP				\$18,954,280	3	0.9%
Sanmina SCI Technology				\$9,072,760	5	0.4%
Redstone Federal Credit Union				\$9,071,760	6	0.4%
Inland Southeast Hsv LLC				\$8,833,080	7	0.4%
Parkway Place Limited				\$8,819,820	8	0.4%
Madison Square Assco LTD				\$8,224,540	9	0.4%
Kohler Co				\$7,608,900	10	0.3%
Top 10 subtotal	\$297,173,120		10.4%	\$142,822,660		6.5%
Other taxpayers	\$2,558,411,440		89.6%	\$2,064,437,340		93.5%
Totals	\$2,855,584,560		100.0%	\$2,207,260,000		100.0%

CITY OF HUNTSVILLE
RATIOS OF OUTSTANDING DEBT BY TYPE

(amounts expressed in thousands, except per capita amounts)

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Per Capita	Debt as % of Personal Income
	General Obligation Warrants	Revenue Warrants	PBA Lease Revenue Bonds	Capital Leases	Sewer System General Obligation Warrants	Sewer System Revenue Warrants	Capital Leases			
2006	\$392,235	\$0	\$54,798	\$1,865	\$45,581	\$64,245	\$106	\$558,830	\$3,282	4.59%
2007	\$409,609	\$0	\$87,607	\$1,323	\$52,038	\$75,980	\$29	\$626,586	\$3,618	4.78%
2008	\$373,868	\$0	\$87,568	\$763	\$55,293	\$76,560	\$4	\$594,056	\$3,396	4.26%
2009	\$423,606	\$0	\$87,108	\$234	\$64,763	\$71,800	\$0	\$647,511	\$3,621	4.31%
2010	\$469,181	\$834	\$86,628	\$120	\$72,658	\$66,865	\$0	\$696,286	\$3,876	4.50%
2011	\$434,877	\$14,613	\$86,133	\$64	\$66,719	\$61,745	\$0	\$664,151	\$3,688	4.11%
2012	\$503,719	\$29,193	\$85,619	\$0	\$95,968	\$42,065	\$0	\$756,564	\$4,135	4.43%
2013	\$452,459	\$35,933	\$83,759	\$0	\$88,120	\$37,380	\$0	\$697,651	\$3,731	3.89%
2014	\$568,664	\$45,206	\$62,697	\$0	\$80,799	\$32,525	\$0	\$789,891	\$4,198	4.33%
2015	\$496,159	\$41,453	\$59,490	\$0	\$64,980	\$27,485	\$0	\$689,567	\$3,664	3.63%
2016	\$664,687	\$45,610	\$58,392	\$0	\$62,432	\$22,260	\$0	\$853,381	\$4,478	4.35%

Source: Comprehensive annual financial reports.

See the Schedule of Demographic and Economic Statistics for median family income and population data.

Note: Outstanding debt includes face value and unamortized original issue premium/discounts

CITY OF HUNTSVILLE
RATIOS OF GENERAL OBLIGATION DEBT OUTSTANDING
(amounts expressed in thousands)

Fiscal Year	General Obligation Warrants	Sewer System General Obligation Warrants	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2006	\$392,235	\$45,581	\$437,816	2.5%	\$2,572
2007	\$409,609	\$52,038	\$461,647	2.5%	\$2,666
2008	\$373,868	\$55,293	\$429,161	2.2%	\$2,400
2009	\$423,606	\$64,763	\$488,369	2.5%	\$2,718
2010	\$469,181	\$72,658	\$541,839	2.8%	\$3,008
2011	\$434,877	\$66,719	\$501,596	2.5%	\$2,742
2012	\$503,719	\$95,968	\$599,687	2.9%	\$3,263
2013	\$452,459	\$88,120	\$540,579	2.6%	\$2,902
2014	\$568,664	\$80,799	\$649,463	3.1%	\$3,452
2015	\$496,159	\$64,980	\$561,139	2.6%	\$2,981
2016	\$664,687	\$62,432	\$727,119	3.3%	\$3,815

Source: Comprehensive annual financial reports.

See the Schedule of Demographic and Economic Statistics for population data.

See the Schedule of Estimated Assessed and Estimated Actual Value of Taxable Property

Note: Outstanding debt includes face value and unamortized original issue premium/discounts

**CITY OF HUNTSVILLE
LEGAL DEBT MARGIN INFORMATION**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt limit	570,442,400	554,918,000	533,026,200	526,961,200	514,812,800	498,407,400	494,663,000	493,960,200	467,499,200	441,452,000
Total net debt applicable to limit	356,079,457	276,811,706	294,217,898	267,510,207	276,293,944	258,004,189	292,953,851	248,535,628	236,541,190	269,238,480
Legal debt margin	214,362,943	278,106,294	238,808,302	259,450,993	238,518,856	240,403,211	201,709,149	245,424,572	230,958,010	172,213,520
Total net debt applicable to limit as a percentage of debt limit	62.4%	49.9%	55.2%	50.8%	53.7%	51.8%	59.2%	50.3%	50.6%	61.0%

**Legal Debt Margin Calculation
for Current Fiscal Year**

Assessed value of real and personal property, October 1, 2015 (a)		<u>\$2,852,212,000</u>
Debt limit - 20 percent of total assessed value		570,442,400
All outstanding debt of the City	<u>\$776,759,790</u>	
Less those portions not chargeable to the debt limit:		
Lease revenue bonds of the Public Building Authority	57,310,000	
Debt payable from other revenues:		
General obligation sewer warrants	55,947,523	
Sewer revenue warrants	22,260,000	
Private placement revenue warrants	45,609,783	
Warrants issued for schools	<u>237,873,392</u>	
Total not chargeable	<u>419,000,698</u>	
Total debt chargeable to debt limit	357,759,092	
Less assets available for debt service	<u>1,679,635</u>	<u>356,079,457</u>
Legal debt margin		<u><u>\$214,362,943</u></u>

(a) does not include penalty assessments that are not includable in this calculation.

Note: The above data is determined in accordance with governmental accounting standards and may differ from the methods used when determining the data under Alabama law for municipalities. Parties interested in this data in connection with City debt obligations should rely on official statements and other information issued by the City specifically in regard to those matters.

CITY OF HUNTSVILLE
RATIOS OF GENERAL OBLIGATION DEBT OUTSTANDING
(amounts expressed in thousands)

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Source: Comprehensive annual financial reports.

See the Schedule of Demographic and Economic Statistics for population data.

See the Schedule of Estimated Assessed and Estimated Actual Value of Taxable Property

Note: Outstanding debt includes face value and unamortized original issue premium/discounts

**CITY OF HUNTSVILLE
REVENUE WARRANT COVERAGE
WATER POLLUTION CONTROL FUND WARRANTS (a)**

Fiscal Year	Gross Revenues (b)	Direct Operating Expenses (c)	Net Revenue Available for Debt Service	Debt Service Requirements(a)			Coverage
				Principal(d)	Interest	Total	
2006	\$30,633,229	\$10,869,617	\$19,763,612	\$6,935,000	\$4,768,338	\$11,703,338	1.69
2007	\$33,893,278	\$12,813,710	\$21,079,568	\$7,790,000	\$4,852,048	\$12,642,048	1.67
2008	\$33,515,315	\$15,632,820	\$17,882,495	\$8,430,000	\$5,487,061	\$13,917,061	1.28
2009	\$32,975,967	\$12,788,101	\$20,187,866	\$9,193,100	\$5,493,372	\$14,686,472	1.37
2010	\$33,556,946	\$12,799,431	\$20,757,515	\$10,008,646	\$5,208,679	\$15,217,325	1.36
2011	\$37,332,443	\$17,532,204	\$19,800,239	\$10,508,858	\$4,692,755	\$15,201,613	1.30
2012	\$36,153,998	\$16,246,846	\$19,907,152	\$11,661,625	\$4,610,899	\$16,272,524	1.22
2013	\$35,835,744	\$13,149,771	\$22,685,973	\$11,700,948	\$4,720,969	\$16,421,917	1.38
2014	\$36,056,556	\$13,439,347	\$22,617,209	\$12,725,271	\$4,389,828	\$17,115,099	1.32
2015	\$37,697,985	\$15,046,587	\$22,651,398	\$13,441,815	\$4,013,909	\$17,455,724	1.30
2016	\$38,940,571	\$15,968,327	\$22,972,244	\$13,967,912	\$3,367,046	\$17,334,958	1.33

(a) Debt service for general obligation warrants issued for sewer purposes, and revenue warrants.

(b) Gross revenues available for debt service include customer charges and interest income.

(c) Direct operating expenses excluding depreciation and amortization.

(d) Does not include principal amount of refunded debt.

**CITY OF HUNTSVILLE
DEMOGRAPHIC AND ECONOMIC STATISTICS**

Fiscal Year	Population (a)	Total Personal Income (b)	Per Capita Personal Income (b)	Unemployment Rate (c)
2005	170,251	\$12,174,073	\$32,949	3.0%
2006	173,189	\$13,114,483	\$34,689	2.8%
2007	174,938	\$13,951,201	\$36,084	2.6%
2008	178,819	\$15,010,000	\$37,938	3.7%
2009	179,653	\$15,476,000	\$38,090	7.2%
2010	180,105	\$16,148,000	\$38,523	7.4%
2011	182,956	\$17,073,000	\$40,126	7.6%
2012	183,772	\$17,916,554	\$41,595	6.7%
2013	186,254	\$18,256,805	\$41,899	5.5%
2014	188,142	\$18,992,753	\$42,939	5.7%
2015	188,226	\$18,992,753	\$44,068	5.5%
2016	190,582	\$19,599,508	\$44,068	5.5%

(a) The data is based on the most recent Federal Census, as updated for annual increases in households.

(b) The personal income amounts are for the Huntsville Metropolitan Statistical Area, which consists of Madison and Limestone counties. The population of the MSA is much higher than the City population figures above. The source of the data is the Bureau of Economic Analysis.

(c) The unemployment rate data is for Madison County. The source of the data is the LMI Division of the Alabama Department of Labor.

**CITY OF HUNTSVILLE
PRINCIPAL EMPLOYERS**

Employers	2016			2007		
	Number of Employees	Rank	Percentage of Total Labor Force	Number of Employees	Rank	Percentage of Total Labor Force
US Army/Redstone Arsenal	20,300	1	9.5%	14,601	1	7.2%
Huntsville Hospital System	6,341	2	3.0%	5,126	2	2.5%
NASA/Marshall Space Flight Center	4,615	3	2.2%	2,555	5	1.3%
The Boeing Co	2,750	4	1.3%	2,700	4	1.3%
SAIC(Science Applications Internation Corp)	2,277	5	1.1%	1,716	8	0.8%
Camber Corporation	2,125	6	1.0%			
ADTRAN, INC	1,549	7	0.7%	1,700	9	0.8%
Technicolor / CINRAM, INC	1,450	8	0.7%			
PAR	1,350	9	0.6%			
Intergraph Corporation	1,325	10	0.6%	2,450	7	1.2%
CINRAM, INC.				2,861	3	1.4%
Sanmina-SCI Corporation				2,500	6	1.2%
Siemens VDA Automotive				1,700	10	0.8%
Total Employees of 10 Principal Employers	44,082		20.7%	37,909		18.5%
Employees of Other Employers	169,122		79.3%	165,285		81.5%
Total Civilian Labor Force	213,204		100.0%	203,194		100.0%

Source:
Chamber of Commerce Huntsville/Madison County
North Alabama Development Association
Alabama Department of Labor

Note:
This employment data represents persons employed in Huntsville/Madison County in nonagricultural wage and salary occupations and does not include the local government employers.

**CITY OF HUNTSVILLE
CITY GOVERNMENT EMPLOYEES BY FUNCTION**

Function	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government											
Administration	14	12	13	12	12	13	15	15	11	16	15
City Council	8	8	8	10	10	10	10	10	10	10	10
Clerk-Treasurer	18	18	18	18	18	18	18	18	18	18	20
Finance	35	33	31	33	33	33	31	31	31	28	28
Human Resources	13	13	13	13	13	13	13	13	13	11	11
I.T.S.	48	48	48	47	47	47	46	46	47	42	40
Legal	16	16	16	16	16	16	16	16	17	17	16
Total	152	148	147	149	149	150	149	149	147	142	140
Public Safety											
Animal Services	31	31	28	28	28	28	28	28	28	27	27
EMA	9	9	9	9	9	9	9	9	9	8	8
Fire and Rescue	408	396	395	395	400	387	377	377	354	343	340
Municipal Court	48	48	48	48	47	46	48	48	48	46	46
Police	642	632	632	628	628	628	629	613	615	603	596
Total	1,138	1,116	1,112	1,108	1,112	1,098	1,091	1,075	1,054	1,027	1,017
Public Services											
Cemetery	12	12	24	24	23	23	24	24	24	22	22
General Services	52	53	64	63	81	83	90	90	86	79	79
Projects Management	0	0	0	0	0	0	0	0	9	7	7
Fleet Services	49	46	47	47	47	49	52	35	34	33	33
Parks & Recreation	197	191	185	185	182	181	180	172	172	172	172
Landscape Management	143	133	132	232	232	190	229	229	225	255	253
Parking	52	54	54	54	54	54	55	55	55	55	55
Public Transportation	77	75	73	73	67	68	68	68	68	43	43
Public Works	237	246	245	246	258	256	287	268	272	287	284
Water Pollution Control	127	125	124	124	123	123	123	123	120	115	113
Total	946	935	948	1,048	1,067	1,027	1,108	1,064	1,065	1,068	1,061
Urban Development											
Community Development	44	44	44	44	44	40	40	40	40	42	42
Engineering	46	46	45	45	45	45	47	48	49	49	70
Inspection	29	29	29	28	28	28	28	28	28	30	28
Natural Resources	7	7	7	7	7	7	7	7	7	7	7
Planning	45	45	47	46	47	45	43	43	43	39	36
Traffic Engineering	39	39	39	39	39	38	33	34	31	29	0
Total	210	210	211	209	210	203	198	200	198	196	183
Total for all departments	2,446	2,409	2,418	2,514	2,538	2,478	2,546	2,488	2,464	2,433	2,401

Source: City of Huntsville Annual Budget

**CITY OF HUNTSVILLE
OPERATING INDICATORS AND CAPITAL ASSET STATISTICS BY FUNCTION**

Function	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public Safety											
Fire and Rescue											
Number of fire stations	19	19	18	17	17	16	16	16	16	16	16
Fire insurance rating	1	3/9	3/9	3/9	3/9	3/9	4/9	4/9	3/9	3	3
Number of calls answered	18,723	17,021	16,587	15,036	14,418	14,749	21,279	20,689	21,442	23,472	22,675
Inspections	5,387	5,715	4,829	5,464	4,928	4,540	5,438	5,250	5,375	4,500	3,900
Police											
Number of police stations	4	4	4	4	4	4	4	4	4	4	4
Physical arrests	12,390	12,371	13,040	12,499	11,253	11,849	15,045	14,179	13,625	14,020	13,148
Parking violations	10,029	10,469	10,535	9,674	11,870	11,645	13,472	13,586	16,587	15,392	9,631
Traffic violations	34,455	39,908	44,256	33,488	31,508	33,280	43,906	42,173	37,932	31,554	37,792
Public Services											
Recreation Services											
Admissions to Aquatic Facilities	81,218	100,011	99,180	101,992	101,091	87,582	88,058	87,009	99,440	88,194	78,546
Participants in Community Center programs	4,548	5,480	3,521	2,477	2,986	2,989	3,030	3,780	2,881	4,724	5,272
Participants in Youth Athletic programs	5,418	5,836	5,883	5,730	6,062	6,438	6,573	6,771	6,709	7,246	7,829
Participants in Adult Athletic programs	1,245	1,954	3,084	3,853	6,442	5,897	6,263	6,282	6,684	4,678	4,357
Number of parks	64	64	63	62	62	62	63	63	63	63	60
Baseball fields	48	48	48	48	50	49	57	57	57	57	57
Softball fields	48	48	48	48	42	41	41	41	41	41	41
Soccer fields & Multi-purpose fields	41	41	41	41	59	58	50	50	50	50	50
Football fields	2	2	2	2	2	2	4	4	4	4	4
Golf courses	1	1	1	1	1	1	1	1	1	1	1
Tennis courts	56	56	56	55	66	53	66	66	65	65	59
Recreation centers	12	12	13	13	13	13	12	11	11	11	11
Enclosed swimming pools	3	3	3	3	3	3	3	3	3	3	3
Public Works											
Streets (Beginning 2011 - Lane Miles)	3,280	3,244	3,200	3,170	3,151	3,048	3,423	2,960	2,684	2,684	2,654
Street lights	22,938	22,535	22,410	22,169	21,923	21,890	21,820	21,720	20,631	20,631	19,762
Signalized street intersections	377	369	366	359	356	350	350	310	300	300	288
Controlled intersections	11,698	11,648	11,620	11,553	11,540	11,500	11,250	11,000	10,850	10,850	10,606
Major storm sewers (miles)	1,027	1,013	998	975	951	892	892	892	892	892	785
Potholes repaired	14,567	13,012	7,312	9,408	8,638	10,804	13,662	13,264	5,528	8,275	9,925
Sanitation											
Refuse collected (tons/day)	269	286	267	266	258	240	236	232	229	227	222
Trash collected (tons/day)	113	165	174	167	174	197	157	171	167	158	175
Water Pollution Control											
Avg daily sewage treatment(M gallon/day)	35.15	36.59	33.19	40.64	37.03	41.04	34.11	27.10	22.71	21.92	23.57
Sanitary sewers (miles)	1,450	1,430	1,420	1,365	1,365	1,290	1,290	1,260	1,260	1,260	1,200
Utilities											
New connections	1,497	1,312	850	889	1,107	752	648	191	228	359	357
Water main breaks	114	95	79	85	64	74	115	45	93	55	73
Average daily consumption (000 gallons)	45,582	40,518	38,406	37,364	41,347	40,216	41,508	37,674	42,010	46,124	41,098
Water meters in use	94,501	92,919	91,513	90,802	89,280	88,195	85,437	84,882	83,653	77,504	77,504

Sources:

Various city departments

Notes:

* data is not available

In 2005 an EMS response program was started in the Fire Department

COMPLIANCE SECTION

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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

The Honorable Mayor and Members of the City Council
City of Huntsville, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Huntsville, Alabama, ("the City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 31, 2017. Our report includes reference to other auditors who audited the financial statements of the City of Huntsville Electric, Natural Gas, and Water Systems (Huntsville Utilities), and the Huntsville/Madison County Convention and Visitors Bureau, which are component units of the City, and the financial statements of the Public Library Special Revenue Fund, the Huntsville Museum of Art - Board Special Revenue Fund, and the Municipal IcePlex Enterprise Fund. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 16-01 that we consider to be material weaknesses.

Compliance and Other Matters

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

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs as 16-01. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Warren Averett, LLC

Huntsville, Alabama
May 31, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Mayor and Members
of the City Council
City of Huntsville, Alabama

Report on Compliance for Each Major Federal Program

We have audited the City of Huntsville, Alabama's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2016. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above.

In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 31, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

The purpose of this report on internal control is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Huntsville, Alabama
May 31, 2017

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

Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant or Pass-Through Grantor's Number	Grant Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grant	14.218	B-15-MC-01-0005 B-16-MC-01-0005	\$ 828,585 455,682
Home Investment Partnerships Program	14.239	M-11-MC-010201 M-12-MC-010201 M-14-MC-010201 M-15-MC-010201	9,713 177,707 318,863 241,851
Passed Through Huntsville Housing Authority:			
Public and Indian Housing	14.850	N/A	103,126
Passed Through Alabama Department of Economic and Community Affairs:			
Emergency Solutions Grant Program	14.231	SESG-HESG-14- 009 SESG-HESG-15- 008	186,596 79,174 <hr/> 2,401,297
<u>U.S. Department of the Interior</u>			
Passed Through Alabama Historical Commission:			
National Alliance of Preservation Commission Forum 2016	15.904	AL-16-020	660 <hr/> 660
<u>U.S. Department of Justice</u>			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0088	153,353 <hr/> 153,353

See accompanying notes to Schedule.

**CITY OF HUNTSVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant or Pass-Through Grantor's Number	Grant Expenditures
<u>U.S. Department of Transportation</u>			
Direct Programs:			
Federal Transit Formula Grant	20.507	AL-90-X233	1,839,621
		AL-90-X217	17,793
Passed Through Northeast Alabama Traffic Safety Office:			
High Visibility Alcohol Enforcement	20.616	16-HD-M5-004	70,067
402 STEP	20.600	16-SP-PT-004	65,429
Safety Belt Grant (Click it or Ticket)	20.616	16-H7-M2-004	6,323
Passed Through Alabama Department of Transportation:			
Highway Planning and Construction	20.205	PL45M100062939 DE-AL105	347,471 <u>36,286</u>
			2,382,990
<u>U.S. Environmental Protection Agency</u>			
Direct Programs:			
Survey, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	PM-00D28615-0	75,555
Air Pollution Control Program Support	66.001	A-004-00415-0	<u>270,930</u>
			346,485

See accompanying notes to Schedule.

**CITY OF HUNTSVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant or Pass-Through Grantor's Number	Grant Expenditures
<u>Department of Health and Human Services / Centers for Disease Control and Prevention</u>			
Direct Programs:			
Public Health Emergency Preparedness	93.069	CEP-32-PV6-16	9,987
			9,987
<u>Office of National Drug Control</u>			
Passed Through Alabama Department of Public Safety:			
High Intensity Drug Trafficking Area Grant	95.001	G15GC00002A G16GC00002A	103,000 171,933
			274,933
<u>U.S. Department of Homeland Security/Federal Emergency Management Agency</u>			
Direct Programs:			
Assistance to Firefighters Grant	97.044	EMW-2014-FO- 06585	1,312,220
Passed Through Alabama Department of Homeland Security:			
State Homeland Security Grant Program	97.067	4FIL 5ICL 4ICL 5FIL 4LEL	89,224 3,195 2,043 21,030 5,168

See accompanying notes to Schedule.

**CITY OF HUNTSVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant or Pass-Through Grantor's Number	Grant Expenditures
Passed Through Alabama Emergency Management Agency:			
Emergency Management Performance Grant	97.042	16EMF 16EMS	101,599 12,000
Hazard Mitigation Program Grant	97.039	HMPG DR1971- 0633	<u>17,228</u>
			<u>1,563,707</u>
Total Federal Awards			<u>\$ 7,133,412</u>

See accompanying notes to Schedule.

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

Note 1 – Entity Definition

For the purposes of this schedule, the entity is defined as the City of Huntsville; therefore, this schedule does not include the grant activities of the City's component units described in the notes to the basic financial statements or the grant activities of entities included in the primary government that are audited by other auditors.

Note 2 - Basis of Presentation

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Since the schedule presents only a select portion of the operations of the City of Huntsville, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 3 – Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Decatur under programs of the federal government for the year ended September 30, 2016. Expenditures reported on the schedule are reported on the modified accrual basis of accounting. The City of Decatur did not elect to utilize the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 – Payments to Subrecipients

The City passes certain federal awards received from Federal Agencies and State Pass-through agencies to not-for-profit agencies (subrecipients). The City reports expenditures of Federal awards to subrecipients when paid in cash.

Payments to subrecipients under the Community Development Block Grant totaled \$357,046 under this award for the year ended September 30, 2016.

Payments to subrecipients under the Home Investment Partnerships Program totaled \$525,380 under this award for the year ended September 30, 2016.

Payments to subrecipients under the Emergency Solutions Grant Program totaled \$265,770 under this award for the year ended September 30, 2016.

**CITY OF HUNTSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? yes No
 Significant deficiency(ies) identified that are not
 considered to be material weaknesses? yes No

Noncompliance material to financial statements
 noted? yes No

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? yes No
 Significant deficiency(ies) identified that are not
 considered to be material weaknesses? yes No

Type of auditor's report issued on compliance
 for major programs: Unmodified

Any audit findings disclosed that are required to
 Be reported in accordance with the Uniform
 Guidance? yes No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Formula Grant
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish
 between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? Yes No

**CITY OF HUNTSVILLE, ALABAMA
SCHEDULE OF FINDING AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section II - Financial Statement Findings

16-01 Preparation of Timely Bank Reconciliations

Criteria/Specific Requirement: Bank reconciliations should be prepared in a timely manner after each month end.

Condition: During inquiry and substantive procedures performed to gather understanding of internal controls in place, it was noted that bank reconciliations had not been prepared on an ongoing basis throughout the year since the inception of the new accounting software.

Effect: Adjustments were made to the general ledger subsequent to the periods to which they occurred in relation to items noted during preparation of the bank reconciliations.

Cause: Complication of the new accounting system and shifting of responsibilities in relation to changes in upper management within the year.

Recommendation: Ensure duties for bank reconciliation preparation and review are properly assigned and that these are incorporated into a monthly close procedure checklist.

Management's Response: Assignment of bank reconciliation preparation has been made and clearly identified. Further review of the bank reconciliation process has been implemented to ensure these are prepared monthly and reviewed in a timely manner.

**CITY OF HUNTSVILLE, ALABAMA
SCHEDULE OF FINDING AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section III - Federal Award Findings and Questioned Costs

None Noted

**CITY OF HUNTSVILLE, ALABAMA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Financial Statement Findings

15-01 Restatement of Prior Period Net Position

Criteria/Specific Requirement: Donated property should be recorded at its net fair value as determined at receipt of such property.

Condition: The 2015 financial statements included a restatement of prior period net position resulting from a correction in the underlying data from Geographic Information Systems in the Planning Department. It was determined that calculation of property associated with the donation of subdivisions in the 2014 year mistakenly included additional property not included in the donated subdivisions. This was discovered subsequent to the 2014 year-end and the issuance of 2014 financial statements and corrected through a prior period adjustment in 2015. The additional asset value within the 2014 financial statements resulted in an overstatement of capital assets and the portion of net assets attributable to investments in capital assets net of related debt in the governmental activities of the government wide Statement of Net Assets which was considered material in nature when taken in the aggregate.

Effect: The additional asset value within the 2014 financial statements resulted in an overstatement of capital assets and the portion of net position attributable to net investment in capital assets in the governmental activities of the government-wide Statement of Net Assets which is considered material in nature when taken in the aggregate.

Cause: Miscalculation of the scope of property donated by developers at the completion of subdivisions.

Recommendation: Re-evaluation of the approval and recording process of donated property by individuals other than those preparing the calculations to ensure that amounts included agree to those referenced within related Council acceptance of such property.

Management's Response: Management reviewed the process to determine additional review and control procedures necessary to ensure that property included within capital asset records agree to the specifications and locations of land donated to the City and made necessary corrections to this process to mitigate the risk of reoccurrence of this issue.

**CITY OF HUNTSVILLE, ALABAMA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Federal Award Findings and Questioned Costs

None Noted