

CITY OF HUNTSVILLE, ALABAMA



HUNTSVILLE

Tommy Battle
Mayor

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2015

**Fiscal Year Ended
September 30, 2015**

**Prepared by
Finance Department**

City of Huntsville

Comprehensive Annual Financial Report

SEPTEMBER 30, 2015

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INTRODUCTORY SECTION

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HUNTSVILLE

Tommy Battle
Mayor

April 14, 2016

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, 2015, is hereby presented to you. This report has been prepared to summarize the financial results of the City's operations in 2015, 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. Beason & Nalley, Inc., 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. 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. 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.

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 the 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 37 through 38, 99 through 107, and 112 through 120.

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 continued to strengthen through 2015. 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 were announced from 2013 to early 2016, due largely to incentives by the City and its valuable State and local government partners:

- i 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.
- i Remington Outdoor Company purchased a facility and opened a new advanced manufacturing plant in Huntsville that employs 2,000 workers in 2015.
- i 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.
- i 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.
- i 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.
- i 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.

- i 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.

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. 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 2015, 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 2015 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, 2014. 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 Certificate of Achievement is valid for a period of one year only. Management believes that this report conforms to GFOA's requirements and is submitting it for consideration of another award.

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



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, 2014

Executive Director/CEO

CITY OF HUNTSVILLE
ELECTED OFFICIALS
September 30, 2014

MAYOR

Honorable Tommy Battle

TERM OF OFFICE

November 2012 – 2016

CITY COUNCIL MEMBERS

District 1 - Richard Showers

Term Expires 2016

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 2016

FINANCIAL SECTION



Independent Auditor's 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, 2015, 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, the Von Braun Center Enterprise Fund, and the Municipal IcePlex Enterprise Fund. Those financial statements represent 99.9% of the total assets, and 100% of the revenues of the discretely presented component units; 8.6% of the total assets and 4.7% of the revenues of the special revenue funds; and 21.5% of the total assets and 18.3% 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.

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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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Notes 1b and 5l, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, as well as Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, as of October 1, 2014. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

As also described in Note 5l to the financial statements, the City has recorded prior period adjustments which affected the beginning net assets of the Governmental and Business-Type Activities and the Water Pollution Control Fund, a major proprietary fund.

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 budgetary comparison information, on pages 37 through 38, 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 April 14, 2016, 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.

A handwritten signature in black ink that reads "Deason Nalley, CMAA". The signature is written in a cursive style.

Huntsville, Alabama

April 14, 2016



HUNTSVILLE

Tommy Battle
Mayor

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, 2015. 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:

- i The *government-wide financial statements* provide a broad overview of the City's finances, in a manner similar to private-sector businesses.
- i 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:

- i The City's net position was \$734.2 million at the close of fiscal year 2015, a decrease of \$181.3 million from 2014 – the majority of which is related to the implementation of GASB Statement Nos. 68 and 71, which reduced beginning net position of governmental activities by \$149.8 million and beginning net position of business-type activities by \$13.1 million. The net position of the governmental activities decreased an additional \$17.4 million and the net position of the business-type activities increased \$10.3 million.
- i The unrestricted net position of the governmental activities are negative \$423 million, which means the City must meet its ongoing obligations to citizens and creditors from future revenues (see table on page 20).
- i Total revenues of the governmental activities increased \$18.4 million from 2014 to 2015, or 5.2 percent, and total expenses decreased \$61.1 million, or 13.6 percent.
- i The City's business-type activities have a total net position of \$303.6 million, and \$17.5 million is unrestricted. Revenues of the business-type activities increased \$280 thousand in 2015, or 0.6 percent, and their expenses increased \$1.6 million, or 3.9 percent.

From the Fund Financial Statements:

- i As of September 30, 2015, the governmental funds reported a combined ending fund balance of \$163.3 million, an increase of \$8.3 million from the prior year, which included the following significant changes:
 - o General Fund - \$5.2 million deficit.

- The Special Revenue Fund – a \$1.9 million surplus.
- Capital Improvement Fund – a \$3.1 million deficit, because of spending money received or borrowed in excess of new borrowings and unspent proceeds from prior years on capital and other activities a planned
- 2014 Capital Improvement Fund – a \$17.9 million surplus, due to a full year of collections on the new one percent sales and use tax levied in 2014, which will be spent in future years.
- Cummings Research Park Fund – a \$3.1 million deficit, due to fulfillments of construction commitments from the prior year related to Redstone and the Parkside Town Center

More detailed information for each of the above is provided beginning on page 24.

- i Of the \$163 million fund balance, \$137.5 million is restricted or has been allocated for certain purposes by the City Council, leaving a \$25.7 million balance (including \$27.7 million for General Fund contingencies).
- i The General Fund has a fund balance of \$35.4 million, and \$3.2 million is available for any purpose.
- i The net change in the principal amount of the City's debt associated with governmental activities increased \$30.5 million in 2015, representing \$73.8 million of new debt and \$43.3 million paid in principal.

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:

- i 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.

- i 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.
- i 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 32 and 33 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:

- i 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 on pages 34 to 38.

- i 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 on pages 39 through 42.

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 43 and 44. 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 99.

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 \$734.4 million at the close of the most recent fiscal year, a decrease of \$181.2 million. In 2015, net position decreased from ongoing activity by \$7.2 million, and from restatement of prior period net position of \$174 million, which was primarily attributable to the implementation of GASB Statement Nos. 68 and 71. The decrease in net position from ongoing activity was a dramatic increase from 2014 as the City had a significant amount of expenses related to Huntsville City Schools that were higher in 2014 and did not repeat in 2015.

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 \$1.1 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 \$39.4 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 \$423 million less than unrestricted liabilities. This figure is further analyzed as follows:

Unrestricted liabilities arising from governmental activities:	
Long-term debt incurred for non-City governmental activities:	
Huntsville City Schools	(\$252,863,810)
Von Braun Center	(23,005,787)
Other	(60,704,036)
Other liabilities:	
Accrued interest	(8,452,851)
Compensated absences	(21,974,969)
Net pension liability	(152,950,947)
Accrued claims and judgments, long-term	0
Total	<u>(519,952,400)</u>
Unrestricted assets available	96,806,473
Unrestricted net position	<u>(\$423,145,927)</u>

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:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Net Position:						
Current and other assets	\$196,343,525	\$189,229,005	\$33,722,252	\$37,536,660	\$230,065,777	\$226,765,665
Capital assets	1,134,082,068	1,133,612,737	384,864,653	387,058,930	1,518,947,261	1,520,671,667
Total assets	1,330,426,133	1,322,841,742	418,586,905	424,595,590	1,749,013,038	1,747,437,332
Deferred outflows of resources	34,050,839	22,950,725	2,788,515	2,163,749	36,839,354	25,114,474
Long-term liabilities	886,803,100	698,685,356	113,483,147	114,440,827	1,000,286,247	813,126,183
Other liabilities	37,890,227	39,829,307	3,536,168	4,050,652	41,426,395	43,879,959
Total liabilities	924,693,327	738,514,663	117,019,315	118,491,479	1,041,712,642	857,006,142
Deferred inflows of resources	9,105,544	0	797,065	0	9,902,609	0
Net position:						
Net invest. in capital assets	797,217,611	833,092,652	286,013,940	274,288,062	1,083,231,551	1,107,380,714
Restricted	56,606,417	36,683,825	0	554,023	56,606,417	37,237,848
Unrestricted	(423,145,927)	(262,498,673)	17,545,100	33,425,775	(405,600,827)	(229,072,898)
Total net position	\$430,678,101	\$607,277,804	\$303,559,040	\$308,267,860	\$734,237,141	\$915,545,664

Changes in Net Position:

Revenues

Program revenues:						
Charges for services	\$47,795,555	\$47,746,119	\$47,305,879	\$45,908,443	\$95,101,434	\$93,654,562
Operating grants & contrib.	24,437,539	26,850,683	0	0	24,437,539	26,850,683
Capital grants & contrib.	21,290,616	21,349,944	2,409,031	3,525,530	23,699,647	24,875,474
General revenues:						
Sales taxes	181,057,346	159,401,801	0	0	181,057,346	159,401,801
Property taxes	54,748,223	54,253,368	0	0	54,748,223	54,253,368
Other taxes	41,737,789	41,039,618	0	0	41,737,789	41,039,618
Interest on investments	450,481	672,898	63,140	73,467	513,621	746,365
Other	1,951,356	1,180,504	0	0	1,951,356	1,180,504
Gains (losses) on sales of assets	(304,271)	2,263,811	0	0	(304,271)	2,263,811
Total revenues	373,164,634	354,758,746	49,788,050	49,507,440	422,942,684	404,266,186

Expenses

General government	29,989,299	29,153,904	0	0	29,989,299	29,153,904
Public safety	89,257,242	88,372,786	0	0	89,257,242	88,372,786
Public services	168,284,768	237,413,535	0	0	168,284,768	237,413,535
Urban development	43,242,563	36,683,268	0	0	43,242,563	36,683,268
Interest on long-term debt	26,224,071	26,658,311	0	0	26,224,071	26,658,311
Unallocated depreciation	31,002,001	30,740,478	0	0	31,002,001	30,740,478
Water pollution control	0	0	28,593,512	27,244,801	28,593,512	27,244,801
Other	0	0	13,659,090	13,423,435	13,659,090	13,423,435
Total expenses	387,999,944	449,022,282	42,252,602	40,668,236	430,252,546	489,690,518
Net change before transfers	(14,835,310)	(94,263,536)	7,525,448	8,839,204	(7,309,862)	(85,424,332)
Transfers	(2,726,833)	(2,318,504)	2,726,833	2,318,504	0	0
Change in net position	(17,562,143)	(96,582,040)	11,157,708	11,157,708	(7,309,862)	(85,424,332)
Net position, begin., restated	448,240,244	703,859,844	293,306,759	297,110,152	741,547,003	1,000,969,996
Net position, ending	\$430,678,101	\$607,277,804	\$303,559,040	\$308,267,860	\$734,237,141	\$915,545,664

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

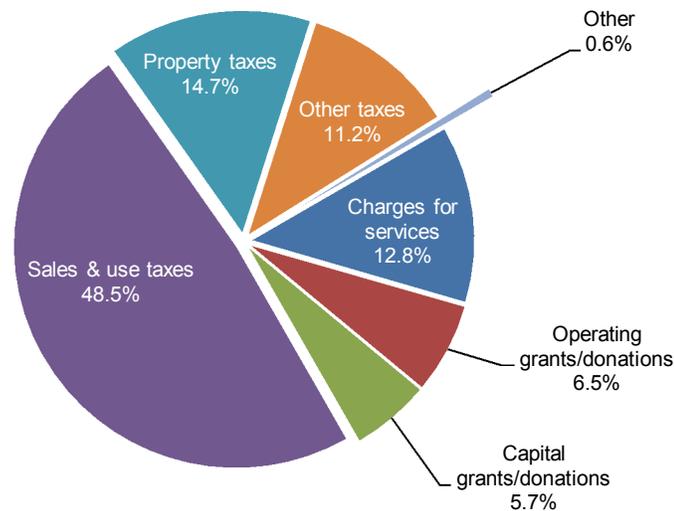
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Change in Net Position by Component:						
<u>Invested in capital assets</u>						
Net additions of capital assets	\$54,542,531	\$45,628,545	\$12,326,106	\$14,039,880	\$66,868,637	\$59,668,425
Depreciation of capital assets	(43,801,579)	(44,345,281)	(12,669,267)	(12,370,090)	(56,470,846)	(56,715,371)
Change in capital-related debt	(37,344,912)	83,501	13,920,155	7,059,999	(23,424,757)	7,143,500
Prior period adjustment	(9,271,081)		(1,851,116)		(11,122,197)	
Change in SRF drawdowns	0	0	0	(1,103,331)	0	(1,103,331)
	(35,875,041)	1,366,765	11,725,878	7,626,458	(24,149,163)	8,993,223
<u>Other restrictions</u>						
Capital projects	17,142,727	(9,643,201)	(554,023)	(6,304,100)	16,588,704	(15,947,301)
Debt service	1,074,450	(7,673,297)	0	0	1,074,450	(7,673,297)
City schools	343,970	1,954,514	0	0	343,970	1,954,514
Other restrictions	1,361,445	(1,056,850)	0	0	1,361,445	(1,056,850)
	19,922,592	(16,418,834)	(554,023)	(6,304,100)	19,368,569	(22,722,934)
<u>Unrestricted</u>						
General Fund	35,233	(21,151)	0	0	35,233	(21,151)
The Special Revenue Fund	(1,881,606)	0	0	0	(1,881,606)	0
Capital Improvement Fund	5,446,372	(879,207)	0	0	5,446,372	(879,207)
2014 Capital Imp. Fund	(17,920,636)		0	0	(17,920,636)	0
Cummings Res. Park Fund	2,915,981	1,528,072	0	0	2,915,981	1,528,072
Water Pollution Control Fund	0	0	554,023	8,672,134	554,023	8,672,134
Restatement for GASB 68/71	(149,766,479)	0	(13,109,980)	0	(162,876,459)	0
Change in non-capital related liabilities	12,215,891	(89,617,900)	0	0	12,215,891	(89,617,900)
Change in deferred outflows	(2,586,466)	6,060,173	(573,306)	824,984	(3,159,772)	6,885,157
Change in deferred inflows	(9,105,544)		(797,065)		(9,902,609)	
Other	0	1,400,042	(1,954,347)	338,232	(1,954,347)	1,738,274
	(160,647,254)	(81,529,971)	(15,880,675)	9,835,350	(176,527,929)	(71,694,621)
Change in net position	(\$176,599,703)	(\$96,582,040)	(\$4,708,820)	\$11,157,708	(\$181,308,523)	(\$85,424,332)

Governmental Activities:

Total revenues from governmental activities were \$42.1 million more in 2015 compared to 2014, and the most significant changes were as follows:

<u>Charges for services</u>	
Building permits (-10.2%)	(201,085)
Privilege licenses (+4.5%)	775,769
Municipal Court fines (+8.5%)	125,537
Cemetery receipts (+106.2%)	208,348
Sanitation charges (+1.4%)	161,490
<u>Capital grants and donations</u>	
Intergovernmental capital grants	2,663,688
FTA grant for facility	(696,884)
<u>Operating grants and donations</u>	
FEMA grant for 2011 tornado damage cleanup	(1,215,990)
HUD Grants for Urban Development	(298,073)
Perpetual care donation – one time receipt in FY14	(1,386,600)
<u>General revenues</u>	
Sales/use taxes (+13.6%)	21,655,545
Property taxes (+1.0%)	494,855
1% lodgings tax (+6.3%)	54,133
5% lodgings tax (+3.3%)	144,894
Utilities Water payments (+12.6%)	237,255
Sale of property for park expansion	900,000
Gains on sales of assets – sales of Cummings Research Park lot in FY14	(2,049,765)

Revenues from governmental activities can be illustrated as follows:

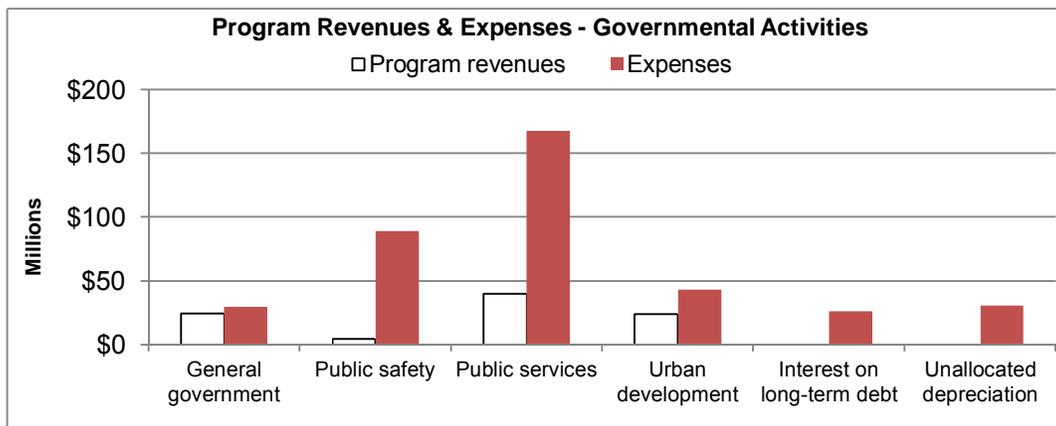


Expenses were \$61 million lower in 2015 with most functional expenses being comparable with the prior year. General Government activities had a slight increase of \$835 thousand, which amounted to a 2.9% increase over 2014 expenses. Public Safety activities remained fairly constant overall, with an increase of \$884 thousand, which was an overall increase of only 1% over 2014 Public Safety expenses.

The most significant changes in the current year were within the Public Services and Urban Development activities. Public Services activities expenses decreased \$69 million or 29.2% from the prior year. This was mainly due the fact that the City transferred \$104 million in debt proceeds to the Huntsville City Schools in the prior year. This was a one-time transaction that did not reoccur in the current year, greatly decreasing the overall expenditures in this activity. This was primarily offset by a \$48 million transfer of funds to the Alabama Department of Transportation (ALDOT) in relation to a commitment made in the prior year for improving roadways in the City. The transfer to ALDOT was funded by additional debt proceeds from the 2015 A warrants issued in the current year.

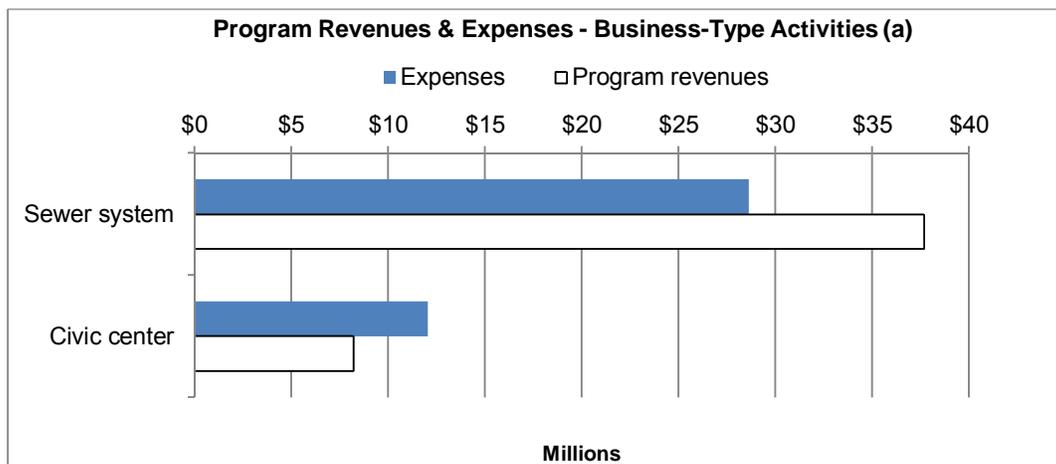
Urban Development activities expenses increased \$6.5 million, or 17.9% over 2014. This was primarily related to additional funds provided for large economic developments which promise to make huge impacts to the community starting with jobs.

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



Business-Type Activities:

Total revenues increased \$274 thousand, or 0.6%. Operating revenues actually increased \$1.4 million or 3.0%, but the amount of donated subdivision sewer assets and capital grants for the Water Pollution Control Fund decreased a net of \$1.1 million. Expenses for all activities increased \$1.5 million, or 3.7%, 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, 2015, was \$163 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.	\$3,228,122
Restricted – amounts that are restricted for specific purposes by federal or state law, or contractual obligations.	87,613,558
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.	36,670,030
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.	9,944,356
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.	25,777,330
Total	\$163,233,396

More detail concerning the above fund balances may be found on page 79. The total fund balances of the governmental funds increased \$8.3 million in 2015, 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 2015 highlights were:

- i The fund balance of the General Fund decreased \$5.2 million in 2015, to \$35.4 million at year-end, which includes a \$26 million unassigned balance, although \$27.8 million of this amount is held for contingencies.
- i The original revenue budget was \$245.7 million and expenditures were \$241.9 million, a \$3.8 million planned surplus. Significant changes were made to the budget totaling \$8.7 million (see page 27), so the final budget reflected a \$5 million deficit. The changes, in total, were supported by available fund balance from the prior year, and mostly consisted of re-establishing the budgets for unfinished capital expenditures from 2014, or for new capital items.
- i Actual revenues were \$1.9 million more than the final revenue budget, and the significant deviations from the budget were as follows:

	Over (Under)
	Budget
Sales/use taxes – 3.3% higher than 2014 and 7.3% more than budget	\$1,038,504
Fines/forfeitures – 8.1% higher than 2014 and 16% more than budget	489,303
Sanitation charges – 1.4% higher than 2014 and 1% more than budget	128,365
All other accounts - none individually significant	194,275
Total	(\$1,850,447)

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- i Actual expenditures were \$2.8 million more than the final budget, and the significant deviations from the budget were as follows:

	(Over) Under Budget
Finance department capital expenditures – amounts expected for the remaining components of the ERP system not fully implemented	\$1,220,404
General Personnel expenses - reflecting increased in insurance costs across the City	(4,877,107)
Information Technology Services Capital - for communication software	250,336
Emergency management operating expenses – based on timing of related grants and operating needs	(222,570)
Fire and Rescue personnel, operating and capital costs	(545,453)
Police personnel costs – related to grant funding for officers	(503,662)
Landscape outside contract costs -lower service demands and less temporary labor costs	275,088
Parks and Recreation personnel and operating	266,170
Madison County Commission appropriations	375,000

Capital Improvement Fund – reported a \$17.9 million surplus, primarily because of spending of debt proceeds from the issuance of the 2015A Warrants in the current year along with remaining unspent proceeds from previous outstanding issues which outweighed the amount of new debt proceeds from the 2015A and amounts received as intergovernmental assistance received on projects primarily related to the Alabama Department of Transportation. 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 \$17.9 million surplus, due to a full year of collections of the new one percent sales/taxes in 2015. 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.

Cummings Research Park Fund – reported a \$3.1 million deficit, due to fulfillment of Redstone and Parkside Town Center commitments made during the prior year.

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 decreased \$4.7 million in 2015. Net position was increased \$10.2 million in 2015 from normal operations. However, overall net position was decreased due to a prior period adjustment of \$14.9 million related to the implementation of GASB Statement Nos. 68 and 71. The Water Pollution Control Fund and Von Braun Center Fund net position were decreased due to implementation of GASB Statements Nos. 68 and 71 by \$10.3 and \$4.6, respectively in 2015. The Water Pollution Control Fund net position increased \$11.4 million from operations; operating revenues increased \$1.6 million and operating expenses increased \$1.9 million. A significant amount of the unrestricted net position, including the 2015 surplus, is budgeted for ongoing system capital improvements.

The Von Braun Center Fund net position decreased \$3,796,073. 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

Variations between General Fund budget and actual amounts is described on page 25, 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	\$1,726,662
Re-appropriation of cemetery capital project	2,334,467
Increase for outside legal costs	400,000
Decrease in ITS operations for allocation to various departments	(752,842)
Increase in various departments from allocation previously reported in ITS operations	752,842
Increase for purchase of FTA capital expenditures mostly funded by grant funds	1,380,229
Increase for one-time Early Works supplemental transfer	200,000
Total change	\$6,041,358

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2015, 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 \$500 thousand in 2015 - \$44.3 million of net additions less \$43.8 million of depreciation.

The largest capital acquisitions during the year were as follows:

<u>Purchased by the City</u>	
WPC various sewer line rehabilitation	\$9,864,606
Land for WPC on West Governors Drive	556,091
Eldorado National EX Rider II Low Floor Buses (6)	2,090,654
Lots for Parkside Town Center	3,991,368
Downtown Gateway Road	2,682,129
Governors West improvements	1,702,906
Bob Wallace Ave/ Merchants Walk improvements	485,281
Jefferson Street Streetscapes	566,868
Wayfinder Signage Project	315,634
EMA Warning Siren Control System	549,228
<u>Donated to the City</u>	
Donated subdivision infrastructure	10,732,356
Total	\$31,737,121

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	
	2015	2014	2015	2014	2015	2014
Land	\$90,960,839	\$85,575,016	\$7,785,116	\$7,229,025	\$98,745,955	\$92,804,041
Construction in process	36,778,891	20,105,820	192,809	197,315	36,971,700	20,303,135
Land improvements	20,109,619	20,658,846	0	0	20,109,619	20,658,846
Buildings and improvements	170,757,078	171,084,142	372,253,947	375,410,964	543,011,025	546,495,106
Infrastructure	792,816,466	812,747,786	0	0	792,816,466	812,747,786
Other	22,659,715	23,441,127	4,632,781	4,221,626	27,292,496	27,662,753
Total	\$1,134,082,608	\$1,133,612,737	\$384,864,653	\$387,058,930	\$1,518,947,261	\$1,520,671,667

Additional information on the City's capital assets can be found in Note 4B on pages 65 through 68.

Long-term debt. As of September 30, 2014, the City had \$750.9 million of long-term debt outstanding. Of this amount, \$622.5 million is debt backed by the full faith and credit of the City, and \$128.4 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	
	2015	2014	2015	2014	2015	2014
General obligation warrants	\$557,549,418	\$521,252,603	\$64,980,586	\$73,382,397	\$622,530,004	\$594,635,000
Revenue warrants	41,453,320	45,206,622	27,485,000	32,525,000	68,938,320	77,731,622
Lease revenue bonds	59,490,000	61,575,000	0	0	59,490,000	61,575,000
Total	\$658,492,738	\$628,034,225	\$92,465,586	\$105,907,397	\$750,958,324	\$733,941,622

In 2015, the City issued \$61.4 million of debt to pay the costs of roadway, park and recreation improvements, bridge improvements, public safety improvements and various other capital within the City. The primary use of the funds was to fund its annual commitment to the Alabama Department of Transportation for their improvements to roadways within the City. The City also issued \$8.2 million taxable obligation warrants in order to redeem a significant portion of EUL warrants issued under the 2010-A issue. The City paid \$33.3 and \$2.1 million towards principal of general obligation and revenue warrants of governmental activities and \$8.4 million and \$5 million towards principal of general obligation and sewer revenue warrants of the business-type activities, respectively, in 2015.

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, 2015, the City's allocable debt outstanding was \$278.1 million less than the legal debt limit.

Additional information regarding the City's long-term debt can be found in Note 4E on pages 70 through 78.

2016 Budget

The Mayor and City Council considered many factors when developing the fiscal year 2016 budget. Huntsville's revenues were affected during the national recession such that reductions in expenditures and capital projects were necessary, and a more conservative revenue approach has been adopted. A 2015 General Fund recurring revenue budget of \$258.9 million was adopted, which is \$13.2 million, or 5.38% more than 2015 actual recurring revenues. Expenditures in the 2015 budget were balanced within revenues. As of April 13, 2016, 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.

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BASIC FINANCIAL STATEMENTS

**CITY OF HUNTSVILLE
STATEMENT OF NET POSITION
September 30, 2015**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash & investments, at cost	\$153,614,801	\$18,291,206	\$171,906,007	\$115,811,200
Receivables (net of allowances)	22,159,153	3,917,132	26,076,285	54,750,933
Due from governmental entities	7,120,653	0	7,120,653	0
Inventories	206,170	223,627	429,797	13,906,634
Prepaid items	300,841	63,676	364,517	79,572
Internal balances	(11,226,611)	11,226,611	0	0
Restricted assets:				
Cash & investments, at cost	24,168,518	0	24,168,518	147,485,007
Capital assets:				
Land, collections and construction in process	127,739,730	7,977,925	135,717,655	65,181,742
Other assets, net of accum. depreciation	1,006,342,878	376,886,728	1,383,229,606	478,795,140
Other assets:				
Regulatory asset - bond issuance costs	0	0	0	1,515,287
Total assets	1,330,426,133	418,586,905	1,749,013,038	877,525,515
DEFERRED OUTFLOWS OF RESOURCES				
Losses on debt refundings	20,664,206	1,611,078	22,275,284	222,669
Pension contributions subsequent to measurement date	13,386,633	1,177,437	14,564,070	5,383,805
Total deferred outflows of resources	34,050,839	2,788,515	36,839,354	5,606,474
LIABILITIES				
Accounts payable	10,875,979	1,429,679	12,305,658	54,716,134
Accrued liabilities	16,063,399	833,869	16,897,268	11,241,287
Contract retainages	6,570,604	21,070	6,591,674	0
Due to governmental entities	456,051	0	456,051	0
Unearned revenue	2,675,119	1,251,550	3,926,669	6,265,462
Other	1,769,075	0	1,769,075	0
Liabilities payable from restricted assets:				
Other	0	0	0	1,596,379
Noncurrent liabilities				
Due within one year	30,854,578	14,456,511	45,311,089	5,025,000
Due in more than one year	855,428,522	99,026,636	954,455,158	280,037,275
Total liabilities	924,693,327	117,019,315	1,041,712,642	358,881,537
DEFERRED INFLOWS OF RESOURCES				
Pension plan investment earnings (losses)	9,105,544	797,065	9,902,609	2,950,609
Total deferred inflows of resources	9,105,544	797,065	9,902,609	2,950,609
NET POSITION				
Net investment in capital assets	797,217,611	286,013,940	1,083,231,551	372,680,628
Restricted for:				
Capital projects	42,225,244	0	42,225,244	7,320,826
City schools	3,259,280	0	3,259,280	0
Debt service	3,778,991	0	3,778,991	95,335,359
Other	7,342,902	0	7,342,902	149,510
Unrestricted	(423,145,927)	17,545,100	(405,600,827)	45,813,520
Total net position	\$430,678,101	\$303,559,040	\$734,237,141	\$521,299,843

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Functions/Programs	Program Revenue			Net Revenue (Expense) & Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	
Primary Government							
Governmental activities							
General government	\$29,989,299	\$22,052,325	\$1,202,453	\$1,524,347	(\$5,210,174)	\$0	\$0
Public safety	89,257,242	4,681,849	0	94,044	(84,481,349)	0	0
Public services	168,284,768	18,328,708	21,414,023	86,058	(128,455,979)	0	0
Urban development	43,242,563	2,732,673	1,821,063	19,586,167	(19,102,660)	0	0
Interest on long-term debt	26,224,071	0	0	0	(26,224,071)	0	0
Unallocated depreciation	31,002,001	0	0	0	(31,002,001)	0	0
Total governmental activities	387,999,944	47,795,555	24,437,539	21,290,616	(294,476,234)	0	(294,476,234)
Business-type activities							
Water pollution control	28,593,512	37,680,083	0	2,409,031	0	11,495,602	0
Civic center	12,043,936	8,202,625	0	0	0	(3,841,311)	0
Ice complex	1,615,154	1,423,171	0	0	0	(191,983)	0
Total business-type activities	42,252,602	47,305,879	0	2,409,031	0	7,462,308	0
Total primary government	\$430,252,546	\$95,101,434	\$24,437,539	\$23,699,647	(294,476,234)	7,462,308	(287,013,926)
Component Units							
All	\$573,940,092	\$577,441,367	\$10,000	\$4,663,194	0	0	8,174,469
Total component units	\$573,940,092	\$577,441,367	\$10,000	\$4,663,194	0	0	8,174,469
General Revenues							
Sales & use taxes					181,057,346	0	181,057,346
Property taxes					54,748,223	0	54,748,223
Other taxes					41,737,789	0	41,737,789
Interest on investments					450,481	63,140	513,621
Other					1,951,356	0	1,951,356
Gain (loss) on sales of assets					(304,271)	0	(304,271)
Transfers					(2,726,833)	2,726,833	0
Total general revenues & transfers					276,914,091	2,789,973	279,704,064
Change in net position					(17,562,143)	10,252,281	(7,309,862)
Net position, beginning, restated					448,240,244	293,306,759	741,547,003
Net position, ending					\$430,678,101	\$303,559,040	\$734,237,141

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2015**

	General Fund	Debt Service	The Special Revenue	Capital Improvements	2014 Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash & investments, at cost	\$80,501,394	\$5,820	\$2,787,996	\$21,863,723	\$37,820,977	\$10,634,891	\$153,614,801
Receivables (net of allowances)							
Accounts	15,592,677	0	728,608	750	3,317,347	612,778	20,252,160
Notes	0	0	0	0	0	1,845,037	1,845,037
Accrued interest	0	0	0	0	0	61,956	61,956
Due from other funds	1,523,712	0	3,747,469	31,320,094	2,992,860	0	39,584,135
Due from governmental entities	2,389,729	0	0	4,205,577	0	525,347	7,120,653
Restricted assets:							
Cash & investments, at cost	0	0	3,780,892	20,387,626	0	0	24,168,518
Inventories	141,405	0	0	0	0	64,765	206,170
Prepaid items	189,256	0	0	0	0	111,585	300,841
Total assets	\$100,338,173	\$5,820	\$11,044,965	\$77,777,770	\$44,131,184	\$13,856,359	\$247,154,271
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Liabilities							
Accounts payable	\$3,982,747	\$123	\$634	\$6,233,051	\$108,803	\$550,621	\$10,875,979
Accrued liabilities	7,125,871	0	0	0	0	484,677	7,610,548
Contract retainages	5,800,323	0	0	770,281	0	0	6,570,604
Due to other funds	42,982,736	0	2,574,477	0	5,018,763	234,770	50,810,746
Due to governmental entities	456,051	0	0	0	0	0	456,051
Unearned revenue	227,813	0	0	0	0	252,233	480,046
Other	1,769,075	0	0	0	0	0	1,769,075
Payable from restricted assets:							
Due to other funds	0	0	0	0	0	0	0
Total liabilities	62,344,616	123	2,575,111	7,003,332	5,127,566	1,522,301	78,573,049
Deferred inflows of resources							
Deferred revenue	2,576,444	0	0	2,469,983	0	241,399	5,287,826
Fund balance							
Nonspendable	330,661	0	0	0	0	2,957,461	3,288,122
Restricted	459,360	0	8,469,854	37,918,554	39,003,618	1,762,172	87,613,558
Committed	3,978,387	0	0	30,385,901	0	2,305,742	36,670,030
Assigned	4,634,414	5,697	0	0	0	5,304,245	9,944,356
Unassigned	26,014,291	0	0	0	0	(236,961)	25,777,330
Total fund balance	35,417,113	5,697	8,469,854	68,304,455	39,003,618	12,092,659	163,293,396
Total liabilities, deferred inflows of resources, and fund balance	\$100,338,173	\$5,820	\$11,044,965	\$77,777,770	\$44,131,184	\$13,856,359	

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.	1,134,082,608
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.	20,664,206
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.	3,092,753
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	(\$658,492,739)
Plus issuance premiums to be amortized as interest expense	(52,864,445)
	(711,357,184)
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	(148,669,858)
Other long-term liabilities are not due and payable in the current period and are therefore not reported in the funds:	
Accrued interest payable	(8,452,851)
Claims and judgments	0
Compensated absences	(21,974,969)
Net position of governmental activities	\$430,678,101

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, 2015**

	General Fund	Debt Service	The Special Revenue	Capital Improvements	2014 Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUE							
Sales & use taxes	\$143,169,504	\$0	\$0	\$0	\$37,887,842	\$0	\$181,057,346
Property taxes	16,286,176	0	38,462,047	0	0	0	54,748,223
Other taxes	38,378,288	0	3,437,782	161,222	0	0	41,977,292
Licenses & permits	23,679,897	0	0	0	0	0	23,679,897
Fines & forfeitures	3,021,408	0	397,702	0	0	335,493	3,754,603
Revenues from money & property	1,227,022	190	5,476	1,187,493	122,925	2,201,598	4,744,704
Charges for services	16,947,087	0	0	0	0	0	16,947,087
Intergovernmental	3,278,967	15,533,905	0	6,233,009	0	4,701,505	29,747,386
Gifts & donations	104,167	0	0	582,085	0	2,236,640	2,922,892
Other revenues	1,436,186	0	0	108,804	0	286,713	1,831,703
Total revenues	247,528,702	15,534,095	42,303,007	8,272,613	38,010,767	9,761,949	361,411,133
EXPENDITURES							
Current							
General government	29,167,768	0	399	2,163	239	283	29,170,852
Public safety	83,305,797	0	128,848	392,213	0	0	83,826,858
Public services	60,247,468	0	2,978,366	54,109,688	0	11,640,140	128,975,662
Urban development	12,823,650	0	0	1,488,224	0	4,494,592	18,806,466
Debt service							
Principal	0	33,278,185	7,960,134	0	0	2,085,000	43,323,319
Interest	0	21,130,766	720,297	0	0	2,949,775	24,800,838
Fiscal charges	0	2,149	0	0	0	0	2,149
Debt issuance costs	0	0	0	621,319	0	0	621,319
Capital projects construction and outlay	0	0	0	33,363,742	20,089,892	2,109,487	55,563,121
Intergovernmental assistance	24,957,226	0	16,592,174	2,232,139	0	1,131,770	44,913,309
Total expenditures	210,501,909	54,411,100	28,380,218	92,209,488	20,090,131	24,411,047	430,003,893
Excess (deficiency) of revenues over expenditures	37,026,793	(38,877,005)	13,922,789	(83,936,875)	17,920,636	(14,649,098)	(68,592,760)
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	0	0	8,328,637	61,390,000	0	0	69,718,637
Premium on debt issue	0	0	0	9,925,229	0	0	9,925,229
Transfer to refunding escrow agent	0	0	0	0	0	0	0
Transfers in	208,226	38,875,046	2,006,000	25,288,986	0	13,436,430	79,814,688
Transfers (out)	(42,409,290)	0	(22,375,820)	(15,785,632)	0	(1,975,528)	(82,546,270)
Total other financing sources (uses)	(42,201,064)	38,875,046	(12,041,183)	80,818,583	0	11,460,902	76,912,284
Net change in fund balance	(5,174,271)	(1,959)	1,881,606	(3,118,292)	17,920,636	(3,188,196)	8,319,524
Fund balance, beginning	40,591,384	7,656	6,588,248	71,422,747	21,082,982	15,280,855	154,973,872
Fund balance, ending	\$35,417,113	\$5,697	\$8,469,854	\$68,304,455	\$39,003,618	\$12,092,659	\$163,293,396

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, 2015**

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

Net change in fund balances - total governmental funds		\$8,319,524
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	\$42,622,888	
Depreciation expense	<u>(43,766,000)</u>	(1,143,112)
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.		10,778,023
In the Statement of Activities, only the gain(loss) on the disposal of capital assets are reported, but in the governmental funds, the proceeds from the disposals are reported. Thus, the difference is the carrying value of the disposed assets.		101,293
Governmental funds report transfers of current financial resources to other funds as an expenditure, and only report transfers in of current financial resources as revenue. In the Statement of Activities for governmental activities, however, transfers of capital assets (net of related debt) from and to business-type activities are recorded as revenue and expenditures, respectively. This amount is the net amount of transfers of capital assets (net of related debt) to/from governmental activities to/from business-type activities, which is included in transfers in the Statement of Activities.		4,749
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	(73,781,833)	
Premiums received on long-term debt issued	(9,925,229)	
Principal repayments	43,323,319	
Amortization of premium as interest expense	<u>5,592,915</u>	(34,790,828)
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	0	
Amortization of refunding gain/loss as interest expense	<u>(2,286,519)</u>	(2,286,519)
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.		1,400,509
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	(666,433)	
Change in compensated absences liability	(375,969)	
Change in net pension liability	<u>1,096,620</u>	54,218
Change In Net Position Of Governmental Activities		<u><u>(\$17,562,143)</u></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, 2015**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$196,480,000	\$196,480,000	\$197,833,968	\$1,353,968
Licenses and permits	24,169,200	24,169,200	23,679,897	(489,303)
Fines and forfeitures	2,605,500	2,605,500	3,021,408	415,908
Revenues from money and property	967,566	967,566	1,227,022	259,456
Charges for services	16,468,840	16,468,840	16,947,087	478,247
Intergovernmental	3,661,540	3,661,540	3,278,967	(382,573)
Gifts and donations	0	0	104,167	104,167
Other revenues	1,325,609	1,325,609	1,436,186	110,577
Total revenues	245,678,255	245,678,255	247,528,702	1,850,447
EXPENDITURES				
Current				
General government	24,594,049	26,515,592	29,167,768	(2,652,176)
Public safety	81,688,642	83,864,352	83,305,797	558,555
Public services	54,500,048	59,030,914	60,247,468	(1,216,554)
Urban development	12,977,426	13,093,566	12,823,650	269,916
Capital projects construction	0	0	0	0
Intergovernmental assistance	25,231,800	25,231,800	24,957,226	274,574
Total expenditures	198,991,965	207,736,224	210,501,909	(2,765,685)
Excess of revenues over expenditures	46,686,290	37,942,031	37,026,793	(915,238)
OTHER FINANCING SOURCES (USES)				
Transfers out	(42,917,779)	(42,917,779)	(42,409,290)	508,489
Total other financing sources (uses)	(42,917,779)	(42,917,779)	(42,201,064)	716,715
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	3,768,511	(4,975,748)	(5,174,271)	(198,523)
Fund balance, beginning	40,591,384	40,591,384	40,591,384	0
Fund balance, ending	\$44,359,895	\$35,615,636	\$35,417,113	(\$198,523)

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, 2015**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and payments in lieu of taxes	\$42,628,054	\$42,628,054	\$41,899,829	(\$728,225)
Fines and forfeitures	0	0	397,702	397,702
Revenues from money and property	288,900	288,900	5,476	(283,424)
Total revenues	42,916,954	42,916,954	42,303,007	(613,947)
EXPENDITURES				
Current				
General government	0	0	399	(399)
Public safety	0	0	128,848	(128,848)
Public services	2,906,000	2,958,091	2,978,366	(20,275)
Debt service	0	0	8,680,431	(8,680,431)
Intergovernmental assistance	16,944,924	17,741,713	16,592,174	1,149,539
Total expenditures	19,850,924	20,699,804	28,380,218	(7,680,414)
Excess of revenues over expenditures	23,066,030	22,217,150	13,922,789	(8,294,361)
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	0	0	8,328,637	8,328,637
Transfer to refunding escrow agent	0	0	0	0
Transfers in	0	0	2,006,000	2,006,000
Transfers (out)	(20,729,914)	(20,484,929)	(22,375,820)	(1,890,891)
Total other financing sources (uses)	(20,729,914)	(20,484,929)	(12,041,183)	8,443,746
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	2,336,116	1,732,221	1,881,606	149,385
Fund balance, beginning	6,588,248	6,588,248	6,588,248	0
Fund balance, ending	\$8,924,364	\$8,320,469	\$8,469,854	\$149,385

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 September 30, 2015**

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
ASSETS				
Current assets				
Cash & investments, at cost	\$13,737,351	\$4,159,240	\$394,615	\$18,291,206
Receivables (net of allowance)				
Accounts	2,917,607	979,550	19,975	3,917,132
Due from other funds	11,226,611	0	0	11,226,611
Inventories, at cost	0	218,485	5,142	223,627
Prepaid items	0	60,343	3,333	63,676
Total current assets	27,881,569	5,417,618	423,065	33,722,252
Noncurrent assets				
Restricted assets:				
Due from other funds	0	0	0	0
Capital assets:				
Land	4,558,419	3,226,697	0	7,785,116
Buildings	207,557,822	78,284,915	4,344,530	290,187,267
Improvements other than buildings	303,209,342	11,981,011	0	315,190,353
Furniture & equipment	10,366,358	3,690,537	814,607	14,871,502
Construction work in progress	0	192,809	0	192,809
Less accumulated depreciation	(212,044,609)	(28,163,813)	(3,153,972)	(243,362,394)
Total noncurrent assets	313,647,332	69,212,156	2,005,165	384,864,653
Total assets	341,528,901	74,629,774	2,428,230	418,586,905
DEFERRED OUTFLOWS OF RESOURCES				
Losses on debt refundings	1,611,078	0	0	1,611,078
Pension contributions subsequent to measurement date	735,981	441,456	0	1,177,437
Total deferred outflows of resources	2,347,059	441,456	0	2,788,515
LIABILITIES				
Current liabilities				
Accounts payable	597,196	442,913	389,570	1,429,679
Accrued liabilities	619,655	172,623	41,591	833,869
Contract retainages	21,070	0	0	21,070
Compensated absences	83,900	404,699	0	488,599
General obligations warrants payable - current	8,742,912	0	0	8,742,912
Revenue warrants payable - current	5,225,000	0	0	5,225,000
Unearned revenue	0	1,241,737	9,813	1,251,550
Total current liabilities	15,289,733	2,261,972	440,974	17,992,679
Noncurrent liabilities				
General obligation warrants payable (net of unamortized premium)	62,622,801	0	0	62,622,801
Revenue warrants payable	22,260,000	0	0	22,260,000
Net pension obligation liability	8,612,018	4,776,717	0	13,388,735
Compensated absences	755,100	0	0	755,100
Total noncurrent liabilities	94,249,919	4,776,717	0	99,026,636
Total liabilities	109,539,652	7,038,689	440,974	117,019,315
DEFERRED INFLOWS OF RESOURCES				
Pension plan investment earnings (losses)	512,695	284,370	0	797,065
Total deferred inflows of resources	512,695	284,370	0	797,065
NET POSITION				
Net investment in capital assets	214,796,619	69,212,156	2,005,165	286,013,940
Restricted for capital projects	0	0	0	0
Unrestricted	19,026,994	(1,463,985)	(17,909)	17,545,100
Total net position	\$233,823,613	\$67,748,171	\$1,987,256	\$303,559,040

(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, 2015**

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
Operating revenue				
Charges for services	\$37,680,083	\$8,202,625	\$1,423,171	\$47,305,879
Total operating revenue	37,680,083	8,202,625	1,423,171	47,305,879
Operating expenses				
Personnel, operations & maintenance	13,163,117	8,313,112	1,198,118	22,674,347
Utilities	1,839,488	1,370,542	216,984	3,427,014
Depreciation and amortization	10,134,398	2,360,282	174,586	12,669,266
Total operating expenses	25,137,003	12,043,936	1,589,688	38,770,627
Operating income (loss)	12,543,080	(3,841,311)	(166,517)	8,535,252
Nonoperating revenue (expenses)				
Interest income	17,902	45,238	0	63,140
Interest expense	(3,459,798)	0	(25,466)	(3,485,264)
Miscellaneous revenue (expense)	3,289	0	0	3,289
Total nonoperating revenue (expenses)	(3,438,607)	45,238	(25,466)	(3,418,835)
Income before contributions, transfers & special items	9,104,473	(3,796,073)	(191,983)	5,116,417
Capital contributions	2,026,739	0	0	2,026,739
Intergovernmental grants-capital	382,292	0	0	382,292
Transfers in	0	2,806,581	0	2,806,581
Transfers (out)	(79,748)	0	0	(79,748)
Change in net position	11,433,756	(989,492)	(191,983)	10,252,281
Total net position, beginning	232,673,693	73,414,928	2,179,239	308,267,860
Prior period adjustment	(10,283,836)	(4,677,265)	0	(14,961,101)
Total net position, ending	\$233,823,613	\$67,748,171	\$1,987,256	\$303,559,040

(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, 2015**

Page 1 of 2

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
Operating activities				
Receipts from customers and users	\$37,923,955	\$9,523,492	\$1,270,219	\$48,717,666
Payments to suppliers	(11,972,405)	(7,206,857)	(389,204)	(19,568,466)
Payments to employees	(3,935,645)	(3,586,608)	(663,453)	(8,185,706)
Receipts (payments) from interfund services provided	7,864,036	0	0	7,864,036
Other	3,289	(78,278)	0	(74,989)
Net cash provided (used) by operating activities	29,883,230	(1,348,251)	217,562	28,752,541
Noncapital financing activities				
Transfers in	0	2,806,581	0	2,806,581
Transfers (out)	(79,748)	0	0	(79,748)
Net cash provided (used) by noncapital financing activities	(79,748)	2,806,581	0	2,726,833
Capital and related financing activities				
Acquisition and construction of capital assets	(9,605,611)	(639,072)	(54,689)	(10,299,372)
Temporary advance for capital fundraising	0	0	0	0
SRF loan fund drawdowns	0	0	0	0
Interfund transfers for capital projects	0	0	0	0
Intergovernmental grants-capital	1,134,798	0	0	1,134,798
Proceeds from issuing warrants, net	0	0	0	0
Principal payments on notes and warrants	(13,441,811)	0	0	(13,441,811)
Interest paid on notes and warrants	(3,879,119)	0	0	(3,879,119)
Net cash provided (used) by capital and related financing activities	(25,791,743)	(639,072)	(54,689)	(26,485,504)
Investing activities				
Interest received	17,902	45,238	0	63,140
Net cash provided (used) by investing activities	17,902	45,238	0	63,140
Net increase (decrease) in cash and cash equivalents	4,029,641	864,496	162,873	5,057,010
Cash and cash equivalents, beginning	9,707,710	3,294,744	231,742	13,234,196
Cash and cash equivalents, ending	\$13,737,351	\$4,159,240	\$394,615	\$18,291,206

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, 2015**

	Business-Type Activities -- Enterprise Funds			Totals
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	
Operating income (loss)	\$12,543,080	(\$3,841,311)	(\$166,517)	\$8,535,252
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	10,134,398	2,360,282	174,586	12,669,266
Miscellaneous items	3,289	8,502	0	11,791
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:				
Change in assets and liabilities:				
Receivables	243,872	(244,046)	235,418	235,244
Accounts payable	(895,968)	(19,440)	357,207	(558,201)
Contract retainages	(69,495)	0	0	(69,495)
Prepaid items	0	1,684	15,247	16,931
Inventory	0	0	3,108	3,108
Due to (from) other funds	7,864,036	0	0	7,864,036
Accrued liabilities	60,018	(28,930)	12,349	43,437
Unearned revenue	0	449,383	(413,836)	35,547
Other items	0	(34,375)	0	(34,375)
Net cash provided (used) by operating activities	\$29,883,230	(\$1,348,251)	\$217,562	\$28,752,541

Supplemental information

Noncash activities

Capital assets donated from private developers	\$2,026,739	\$0	\$0	\$2,026,739
Transfer out of net capital assets	\$79,748	\$0	\$0	\$79,748

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

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2015

	<u>Post-Retirement Benefits Trust</u>
ASSETS	
Cash & cash equivalents	\$499,559
Receivables:	
Contributions	1,047,140
Interest & dividends	54,016
Investments, at fair value:	
U.S. Treasury & agency obligations	1,768,953
Corporate bonds	3,269,116
Corporate stocks	2,262,830
Mortgage-Backed securities	1,100,395
Other investments	<u>626,382</u>
Total assets	<u>10,628,391</u>
 LIABILITIES	
Accounts payable	<u>53,981</u>
Total liabilities	<u>53,981</u>
 NET POSITION	
Held in trust for other postemployment benefits	<u><u>\$10,574,410</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, 2014

	<u>Post-Retirement Benefits Trust</u>
ADDITIONS	
Contributions:	
Employer	\$3,743,400
Plan members	1,249,244
Total contributions	<u>4,992,644</u>
Investment earnings	44,069
Less investment expenses	<u>0</u>
Net investment earnings	<u>44,069</u>
Total additions	<u>5,036,713</u>
DEDUCTIONS	
Benefits	<u>3,672,965</u>
Total deductions	<u>3,672,965</u>
Change in net position	1,363,748
Net position, beginning	<u>9,210,662</u>
Net position, ending	<u><u>\$10,574,410</u></u>

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, 2015**

	Business-Type Activities				Governmental Activities			Total
	Electric	Huntsville Utilities		Gas	HMC CVB	DRA		
		Water	Utilities					
ASSETS								
Cash & investments, at cost	\$51,683,035	\$29,826,764	\$33,581,247	\$716,930	\$3,224	\$115,811,200		
Receivables (net of allowances)	46,050,552	6,856,418	1,843,963	0	0	54,750,933		
Due from governmental entities	0	0	0	0	0	0		
Inventories	6,648,802	1,838,212	5,413,533	6,087	0	13,906,634		
Prepaid items	17,111	7,027	6,417	49,017	0	79,572		
Restricted assets								
Cash & investments, at cost	39,029,238	99,650,737	8,805,032	0	0	147,485,007		
Capital assets								
Land and construction in process	15,821,056	41,942,631	7,418,055	0	0	65,181,742		
Other assets, net of accum. depreciation	223,543,132	157,729,196	97,214,982	307,830	0	478,795,140		
Other assets:								
Regulatory asset - bond issuance costs	310,136	1,205,151	0	0	0	1,515,287		
Total assets	383,103,062	339,056,136	154,283,229	1,079,864	3,224	877,525,515		
DEFERRED OUTFLOWS OF RESOURCES								
Losses on debt refundings	222,669	0	0	0	0	222,669		
Pension contributions subsequent to measurement date	1,890,601	884,645	2,552,653	55,906	0	5,383,805		
Total deferred outflows of resources	2,113,270	884,645	2,552,653	55,906	0	5,606,474		
LIABILITIES								
Accounts payable	39,761,422	12,679,153	2,207,283	68,276	0	54,716,134		
Accrued liabilities	5,176,939	3,490,629	2,460,701	113,018	0	11,241,287		
Customer deposits	6,265,462	0	0	0	0	6,265,462		
Liabilities payable from restricted assets:								
Other	487,642	1,108,737	0	0	0	1,596,379		
Noncurrent liabilities								
Due within one year	2,530,000	2,495,000	0	0	0	5,025,000		
Due in more than one year	91,130,399	150,842,905	37,857,309	206,662	0	280,037,275		
Total liabilities	145,351,864	170,616,424	42,525,293	387,956	0	358,881,537		
DEFERRED INFLOWS OF RESOURCES								
Pension plan investment earnings (losses)	962,278	486,698	1,437,698	63,935	0	2,950,609		
Total deferred inflows of resources	962,278	486,698	1,437,698	63,935	0	2,950,609		
NET POSITION								
Net investment in capital assets	204,062,611	63,677,150	104,633,037	307,830	0	372,680,628		
Restricted for:								
Debt service	0	95,335,359	0	0	0	95,335,359		
Capital projects	7,072,123	0	0	248,703	0	7,320,826		
Other	0	0	0	149,510	0	149,510		
Unrestricted	27,767,456	9,825,150	8,239,854	(22,164)	3,224	45,813,520		
Total net position	\$238,902,190	\$168,837,659	\$112,872,891	\$683,879	\$3,224	\$521,299,843		

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, 2015

Functions/Programs	Program Revenue			Net Revenue (Expense) & Changes in Net Position									
	Expenses	Charges for Services	Operating Grants & Contributions	Business-Type Activities			Governmental Activities						
				Capital Grants & Contributions	Electric	Water	Gas	HMC CVB	DRA	Total			
Component Units													
Huntsville Utilities Electric System	\$493,668,092	\$491,778,059	\$0	\$0	(\$1,890,033)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$1,890,033)
Huntsville Utilities Water System	31,614,250	38,497,809	0	3,765,603	0	10,649,162	0	0	0	0	0	0	10,649,162
Huntsville Utilities Gas System	46,103,731	47,160,819	0	897,591	0	1,954,679	0	0	0	0	0	0	1,954,679
HMC CVB	2,554,019	4,680	10,000	0	0	0	0	0	(2,539,339)	0	0	0	(2,539,339)
DRA	0	0	0	0	0	0	0	0	0	0	0	0	0
Total component units	\$573,940,092	\$577,441,367	\$10,000	\$4,663,194	(1,890,033)	10,649,162	1,954,679	0	(2,539,339)	0	0	0	8,174,469
General Revenues													
Other taxes				\$0	\$0	\$0	\$0	\$0	\$528,696	\$0	\$0	\$0	\$528,696
Interest on investments				206,964	37,334	166,057	384	0	0	0	0	0	410,739
Gain on the sale of capital assets				90,717	38,855	32,680	0	0	0	0	0	0	162,252
Other				0	0	0	0	0	1,939,563	0	0	0	1,939,563
Total general revenues & transfers				297,681	76,189	198,737	2,468,643	0	2,468,643	0	0	0	3,041,250
Change in net position				(1,592,352)	10,725,351	2,153,416	(70,696)	0	(70,696)	0	0	0	11,215,719
Net position, beginning, restated				265,993,589	169,516,099	137,342,739	1,001,177	3,224	1,001,177	3,224	0	0	573,856,828
Prior period adjustment - GASB 68 and 71				(25,499,047)	(11,403,791)	(26,623,264)	(246,602)	0	(246,602)	0	0	0	(63,772,704)
Net position, ending				\$238,902,190	\$168,837,659	\$112,872,891	\$683,879	\$3,224	\$683,879	\$3,224	0	0	\$521,299,843

The accompanying notes are an integral part of this statement.

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**City of Huntsville
Notes To The Financial Statements
September 30, 2015**

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

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:

- i **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:

- i **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.
- i **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.
- i **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, 2015

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:

Statement No.	Name	Description	Adoption Year	Effect on Financial Statements
68	Accounting and Financial Reporting for Pensions	Change in the measurement and reporting of pension-related costs.	2015	Statements are restated and now include net pension obligations along with related deferred inflows of resources and deferred outflows of resources related differences in actual earnings from projected and timing of contributions in relation to valuation (see detail of restatement in Note 5H)
69	Government Combinations and Disposals of Government Operations	Change in reporting disposals of certain operations	2015	None
70	Accounting and Financial Reporting for Nonexchange Financial Guarantees	Change in account and reporting of guarantees to outside organizations	2014	None
71	Pension Contributions Made Subsequent to the Measurement Date	Further clarification of effect of pension contributions subsequent to the measurement date required for GASB 68 and its effect on beginning net position	2015	Statements are restated and now include recognition of changes in accruals and deferred outflows related to contributions made after valuation date (see detail of restatement in Note 5H)
72	Fair Value Measurement and Application	Determination of fair value of certain assets and liabilities	2016	Not determined
74	Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans	Requires supplemental information and further disclosures related to the OPEB liability	2017	Not determined
75	Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions	Recognition of the full OPEB liability and a more in-depth measure of OPEB expense	2018	Not determined
76	The Hierarchy of Generally Accepted Accounting Principles	Identifies the hierarchy of GAAP within the current governmental reporting environment	2016	Not determined
77	Tax Abatement Disclosures	More detailed information about tax abatements	2017	Not determined
80	Blending Requirements for Certain Component Units	Amends blending requirements to include not-for-profit corporations where primary government is the sole corporate member	2017	Not determined

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

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:

- i *Management's discussion and analysis* introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- i *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.

- i *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.

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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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:

- i 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.
- i 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.
- i 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.
- i 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.
- i 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.

The City reports the following major enterprise funds:

- i 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.
- i 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:

- i 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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- i 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:

- i *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:

- i *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.

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

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, 2015.

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, 2015

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 fair market 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, 2015.

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, 2015

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. 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, 2015

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	\$1,134,082,608
Less debt outstanding expended for capital assets	(336,864,997)
Net position invested in capital assets	\$797,217,611

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

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

Governmental Funds Not Annually-Budgeted

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

The Public Library Fund, Burritt Museum Fund, Art Museum Fund, Huntsville Tennis Center [A1], 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, 2015

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, 2015:

General Fund	
[A2]Current Expenditures:	
<i>General Government:</i>	
Administration – personnel	\$15,753
Administration – capital	8,482
Clerk-Treasurer – personnel	28,482
Finance – personnel	5,749
Fleet Management – personnel	57,042
General Expenses – personnel	4,877,107
Human Resources – personnel	38,126
Legal – operating	848
<i>Public Safety:</i>	
Fire and Rescue – personnel	244,037
Fire and Rescue – operating	762,931
<i>Public Services:</i>	
Cemetery - operating	62,850
General Services – personnel	45,227
General Services – capital	5,970
Landscape Management – personnel	71,433
Public Transit – personnel	49,496
Public Works – personnel	210,996
<i>Urban Development:</i>	
Inspection – personnel	37,804
Planning – personnel	14,986

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

Special Appropriations – board of education 100,426

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Special Revenue Fund

Current Expenditures:

<i>Public Safety</i>	
Seizure subfund- operating	128,848
<i>Public Services</i>	
6.5 Mill School Tax subfund – capital	133,905
7 Cent Gas tax subfund – operating	72,673
<i>Intergovernmental Assistance</i>	
Tif 2 subfund – operating	46
Tif 4 subfund – operating	37

Capital Improvements Special Revenue Fund

Current Expenditures:

<i>Public Services</i>	
<i>Capital Improvements – debt service</i>	31,011

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. There were expenditures known to less than budgeted by more than these excesses, which provided the source of those funds. 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, 2015, Art Museum Fund had a deficit fund balance of \$161,003, which is expected to be funded by future revenues or transfers from the General Fund.^[A3]

D. Continuing Disclosure Matters^[A4]

The City must comply with a variety of covenants and continuing disclosure requirements pertaining to its outstanding debt obligations. With respect to its continuing disclosure requirements, the City has disclosed the following in an official statement respecting City general obligation warrants issued prior to year-end:

Ratings Changes. Certain warrants issued by the City and bonds issued by the Public Building Authority of the City of Huntsville ("PBA") (for which the City is an obligated person) during prior years are insured by various bond insurance companies. The ratings on those bond insurance companies have been downgraded at various times over the past five years. Information about the downgrades was publicly reported. The City did not file a notice under the Rule with respect to each such downgrade.

On May 1, 2010, Moody's Investors Service ("Moody's") recalibrated its US municipal ratings from the municipal scale to the global scale. As a result of such recalibration, (i) the underlying ratings assigned by Moody's to the City's general obligation indebtedness changed from "Aa1" to "Aaa", (ii) the underlying ratings assigned by Moody's to the PBA bonds changed from "Aa2" to "Aa1", and (iii) the underlying ratings on certain limited obligation revenue warrants issued by the City payable from its gas system ("Gas System Warrants"), its water system ("Water System Warrants") and its electric system ("Electric System Warrants") and, together with the Gas System Warrants and Water System Warrants, the "Utility Warrants"), changed as follows:

	Previous Rating	May 1, 2010 Rating Change
Gas System Warrants	"A1"	"Aa2"
Water System Warrants	"Aa2"	"Aa1"
Electric System Warrants	"Aa2"	"Aa1"

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

On April 5, 2010, Standard & Poor's Corporation ("S&P") changed its underlying rating on the Series 2007 PBA Bonds from "Aa2" to "Aa1". On February 10, 2010, S&P changed its underlying ratings on the City's Water System Warrants from "AA+" to "AAA" and on the City's Gas System Warrants from "AA-" to "AA".

Information about the rating changes made by Moody's and S&P described above was publicly reported. The City did not file a material event notice on Electronic Municipal Market Access ("EMMA") system regarding such changes with respect to its general obligation warrants and the PBA bonds until August 1, 2014, and did not file a material event notice on EMMA regarding such changes with respect to the Utility Warrants until August 4, 2014, which such dates are each more than 10 business days after such changes.

Annual Reports. The City did not file its required annual report for the fiscal year ended September 30, 2009, until April 30, 2010, which was approximately one month beyond the deadline imposed under the City's then outstanding continuing disclosure agreements, and did not file its required annual report for the fiscal year ended September 30, 2011, until April 2, 2012, which was the first business day following the date such report was required to be filed. Additionally, the City did not link the annual reports filed on EMMA for the fiscal years ended September 30, 2009, September 30, 2010, September 30, 2011 and September 30, 2012 to any of its general obligation warrants issued during the 2002 calendar year, and did not link its annual reports filed for each of the last five years on EMMA to the Series 2007 Bonds. The City did not file the September 30, 2015 report upon the initial filing deadline of March 31, 2016, but posted notice of this violation on EMMA and corrected this through filing of this annual report on April 14, 2016.

The annual reports required to be filed by the City under its continuing disclosure agreements respecting the Utility Warrants for the fiscal years ended September 30, 2009, and September 30, 2010, were not posted on EMMA until April 12, 2011.

On November 26, 2014, the City made a submission (the "MCDC Submission") to the U.S. Securities & Exchange Commission pursuant to the Commission's Municipal Compliance Disclosure Cooperative Initiative, for not reporting in an official statement concerning a series of Electric System Warrants the approximately 1 year delay in filing on EMMA the annual report respecting the Utility Warrants for the fiscal year ended September 30, 2009, as described above. The City has not received a response from the SEC to the MCDC Submission[A5].

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

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, 2015, 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	\$85,785,995	\$120,287,660	\$0
Investments:			
Money market mutual funds (cash equivalents)	95,226,948	137,304,689	499,559
U.S. Treasury obligations	15,061,582	0	1,768,953
Repurchase agreements	0	2,705,428	0
Corporate bonds	0	0	3,269,116
Corporate stocks	0	0	2,262,830
Mortgage-Backed securities	0	0	1,100,395
Other	0	2,998,430	626,382
Total investments	<u>110,288,530</u>	<u>143,008,547</u>	<u>9,527,235</u>
Total	<u>\$196,074,525</u>	<u>\$263,296,207</u>	<u>\$9,527,235</u>

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 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, 2015.

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 six months	\$95,199,639	\$48,502,511
Six months to one year	0	27,864,507
One to three years	9,013,611	37,109,244
Greater than three years	6,015,280	29,532,285
Total	<u>\$110,228,530</u>	<u>\$143,008,547</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

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:

	<u>Par Value</u>	<u>% of Total</u>
Less than five years	\$3,398,000	52.4%
Five to ten years	982,146	15.2%
Ten to twenty years	528,902	8.2%
Twenty to thirty years	1,571,674	24.2%
Total	<u>\$6,480,722</u>	<u>100.0%</u>

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:

	<u>Fair Value</u>	<u>% of Total</u>
Aaa (USTO included here)	\$2,038,811	30.1%
Aa1	137,451	2.0%
Aa2	68,000	1.0%
Aa3	270,813	4.0%
A1	411,423	6.1%
A2	478,633	7.1%
A3	681,693	10.1%
Baa1	746,112	11.0%
Baa2	335,295	5.0%
Other(a)	1,596,615	23.6%
Total	<u>\$6,764,846</u>	<u>100.0%</u>

(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, 2015

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, 2015, 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 Utilities' \$2.7 million investment in a repurchase agreement is collateralized by UTSO, but the underlying securities are held by the investment's counterparty, not in the name of the Utilities. 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.

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

B. Capital Assets^[A6]

An adjustment was made to the beginning balances of the capital assets of the governmental and business activities, to correct errors in the amounts reported as of September 30, 2014. Significant assets donated to the City in prior years had not been properly identified and recorded in the financial statements, along with certain reclassifications and other corrections, and a prior period adjustment was made to the capital asset accounts is as follows:

	2014 Balance, as originally reported	Prior Period Adjustment	2014 Balance, As adjusted
<u>Governmental activities:</u>			
Capital assets, not being depreciated:			
Land	\$85,575,016	(\$974,802)	\$84,600,214
Construction in progress	20,105,820	0	20,105,820
Total capital assets, not being depreciated	<u>105,680,836</u>	<u>(974,802)</u>	<u>104,706,034</u>
Capital assets, being depreciated:			
Land improvements	43,164,202	0	43,164,202
Buildings and improvements	252,552,800	0	252,552,800
Furniture, equipment and other	98,204,040	0	98,204,040
Infrastructure	1,710,955,054	(9,211,119)	1,701,743,935
Total capital assets, being depreciated	<u>2,104,876,096</u>	<u>(9,211,119)</u>	<u>2,095,664,977</u>
Less accumulated depreciation for:			
Land improvements	(22,505,356)	0	(22,505,356)
Buildings and improvements	(81,468,658)	0	(81,468,658)
Furniture, equipment and other	(74,762,913)	0	(74,762,913)
Infrastructure	(898,207,268)	914,840	(897,292,428)
Total accumulated depreciation	<u>(1,076,944,195)</u>	<u>1,575,492</u>	<u>(1,076,029,355)</u>
Total capital assets, being depreciated, net	<u>1,027,931,901</u>	<u>(8,296,279)</u>	<u>1,019,635,622</u>
Governmental activities capital assets, net	<u>\$1,133,612,737</u>	<u>(\$9,271,081)</u>	<u>1,124,341,656</u>
<u>Business-type activities:</u>			
Capital assets, not being depreciated:			
Land	\$7,229,025	\$0	\$7,229,025
Construction in progress	197,315	0	197,315
Total capital assets, not being depreciated	<u>7,426,340</u>	<u>0</u>	<u>7,426,340</u>
Capital assets, being depreciated:			
Buildings and improvements	597,089,215	(2,055,653)	595,033,562
Furniture, equipment and other	13,985,777	0	13,985,777
Total capital assets, being depreciated	<u>611,074,992</u>	<u>(2,055,653)</u>	<u>609,019,339</u>
Less accumulated depreciation for:			
Buildings and improvements	(221,678,251)	204,537	(221,473,714)
Furniture, equipment and other	(9,764,151)	0	(9,764,151)
Total accumulated depreciation	<u>(231,442,402)</u>	<u>204,537</u>	<u>(231,237,865)</u>
Total capital assets, being depreciated, net	<u>379,632,590</u>	<u>(1,851,116)</u>	<u>377,781,474</u>
Business-type activities capital assets, net	<u>\$387,058,930</u>	<u>(\$1,851,116)</u>	<u>\$385,207,814</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

Capital asset activity for the year ended September 30, 2015, was as follows[A7]:

	Beginning Balance	Additions/ Transfers-in	Deletions/ Transfers-out	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$84,600,214	\$6,360,625	\$0	\$90,960,839
Construction in progress	20,105,820	23,049,605	(6,376,534)	36,778,891
Total capital assets, not being depreciated	104,706,034	29,410,230	(6,376,534)	127,739,730
Capital assets, being depreciated:				
Land improvements	43,164,202	866,313	0	44,030,515
Buildings and improvements	252,552,800	5,284,448	0	257,837,248
Furniture, equipment and other	98,204,040	5,556,396	(2,953,934)	100,806,502
Infrastructure	1,701,743,935	19,367,898	0	1,721,111,833
Total capital assets, being depreciated	2,095,664,977	31,075,055	(2,953,934)	2,123,786,098
Less accumulated depreciation for:				
Land improvements	(22,505,356)	(1,415,540)	0	(23,920,896)
Buildings and improvements	(81,468,658)	(5,611,512)	0	(87,080,170)
Furniture, equipment and other	(74,762,913)	(5,771,588)	2,387,714	(78,146,787)
Infrastructure	(897,292,428)	(31,002,939)	0	(928,295,367)
Total accumulated depreciation	(1,076,029,355)	(43,801,579)	2,387,714	(1,117,443,220)
Total capital assets, being depreciated, net	1,019,635,622	(12,726,524)	(566,220)	1,006,342,878
Governmental activities capital assets, net	<u>\$1,124,341,656</u>	<u>\$16,683,706</u>	<u>(\$6,942,754)</u>	<u>\$1,134,082,608</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$7,229,025	\$556,091	\$0	\$7,785,116
Construction in progress	197,315	100,912	(105,418)	192,809
Total capital assets, not being depreciated	7,426,340	657,003	(105,418)	7,977,925
Capital assets, being depreciated:				
Buildings and improvements	595,033,562	10,344,058	0	605,377,620
Furniture, equipment and other	13,985,777	1,439,652	(553,927)	14,871,502
Total capital assets, being depreciated	609,019,339	11,783,710	(553,927)	620,249,122
Less accumulated depreciation for:				
Buildings and improvements	(221,473,714)	(11,649,959)	0	(233,123,673)
Furniture, equipment and other	(9,764,151)	(1,019,308)	544,738	(10,238,721)
Total accumulated depreciation	(231,237,865)	(12,669,267)	544,738	(243,362,394)
Total capital assets, being depreciated, net	377,781,474	(885,557)	(9,189)	376,886,728
Business-type activities capital assets, net	<u>\$385,207,814</u>	<u>(\$228,554)</u>	<u>(\$114,607)</u>	<u>\$384,864,653</u>

In 2015, management determined that estimates used in valuing land rights for donated subdivisions in the prior year had mistakenly caused overstatements of these amounts. Therefore, the beginning balances of capital assets and accumulated depreciation have been restated as noted above. See further details on effect on beginning net position along with other restatements in Note 5H.

	Governmental Activities Land	Governmental Activities Infrastructure	Governmental Activities Accumulated Depreciation- Infrastructure	Business-Type Activities Building & Improvements	Business-Type Activities A/D - Building & Improvements
Beginning balance, a previously stated	\$85,575,016	\$1,710,955,054	\$(898,207,268)	\$597,089,215	(\$221,678,251)
Prior period adjustment	(974,802)	(9,211,119)	914,840	(2,055,653)	204,537
Beginning balance, as restated	<u>\$84,600,214</u>	<u>\$1,701,743,935</u>	<u>\$(897,292,428)</u>	<u>\$595,033,562</u>	<u>(\$221,473,714)</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

For the year ended September 30, 2015, depreciation expense and transfers-in of the primary government were as follows: [A8]

<u>Governmental activities:</u>	
General government	\$610,749
Public Safety	4,057,208
Public Services	7,531,251
Urban development	565,130
Total depreciation expense charged to functions/programs	<u>12,764,338</u>
Depreciation for infrastructure assets not allocated to the functions	<u>31,002,001</u>
Total depreciation expense	43,766,339
Transfers-in from business-type activities	<u>35,240</u>
Total depreciation and transfers-in – governmental activities	<u>\$43,801,579</u>
 <u>Business-type activities:</u>	
Water Pollution Control Fund	\$10,134,398
Von Braun Center Fund	2,360,282
Municipal Iceplex Fund	174,586
Total depreciation expense	<u>12,669,266</u>
Transfers-in from governmental-type activities	<u>0</u>
Total depreciation expense – business-type activities	<u>\$12,669,266</u>

Activity for the discretely presented component unit, Utilities, for the year ended September 30, 2015, 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	\$0	\$0	\$4,759,767
Construction in progress	3,599,284	9,836,426	(2,374,421)	11,061,289
Total capital assets, not being depreciated	<u>8,359,051</u>	<u>9,836,426</u>	<u>(2,374,421)</u>	<u>15,821,056</u>
Capital assets, being depreciated:				
Buildings and improvements	431,893,042	8,328,226	(1,975,452)	438,245,816
Furniture, equipment and other	45,950,276	2,374,726	(753,047)	47,571,956
Total capital assets, being depreciated	<u>477,743,318</u>	<u>10,702,952</u>	<u>(2,728,499)</u>	<u>485,817,773</u>
Less accumulated depreciation	<u>(245,076,908)</u>	<u>(19,926,230)</u>	<u>2,728,499</u>	<u>(262,274,640)</u>
Total capital assets, being depreciated, net	<u>232,666,410</u>	<u>(9,223,278)</u>	<u>0</u>	<u>223,543,133</u>
Electric System capital assets, net	<u>\$241,125,461</u>	<u>\$613,148</u>	<u>(\$2,374,421)</u>	<u>\$239,364,188</u>
 Utilities-Water System:				
Capital assets, not being depreciated:				
Land	\$1,746,193	\$99,778	\$0	\$1,845,971
Construction in progress	8,559,911	33,166,729	(1,629,980)	40,096,660
Total capital assets, not being depreciated	<u>10,306,104</u>	<u>33,266,507</u>	<u>(1,629,980)</u>	<u>41,942,631</u>
Capital assets, being depreciated:				
Buildings and improvements	259,157,977	4,876,848	(334,487)	263,700,338
Furniture, equipment and other	13,357,795	350,664	(179,287)	13,529,172
Total capital assets, being depreciated	<u>272,515,772</u>	<u>5,227,512</u>	<u>(513,774)</u>	<u>277,229,510</u>
Less accumulated depreciation	<u>(112,268,472)</u>	<u>(7,745,616)</u>	<u>513,774</u>	<u>(119,500,314)</u>
Total capital assets, being depreciated, net	<u>160,247,300</u>	<u>(2,518,104)</u>	<u>0</u>	<u>157,729,196</u>
Water System capital assets, net	<u>\$170,553,404</u>	<u>\$30,748,403</u>	<u>(\$1,629,980)</u>	<u>\$199,671,827</u>

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

Utilities-Gas System:

Capital assets, not being depreciated:

Land	\$1,803,038	\$0	\$0	\$1,803,038
Construction in progress	5,214,566	4,064,749	(3,664,298)	5,615,017
Total capital assets, not being depreciated	<u>7,017,604</u>	<u>4,064,749</u>	<u>(3,664,298)</u>	<u>7,418,055</u>

Capital assets, being depreciated:

Buildings and improvements	140,578,615	6,899,845	(69,719)	147,408,741
Furniture, equipment and other	12,396,518	609,839	(137,785)	12,868,572

Total capital assets, being depreciated	152,975,133	7,509,684	(207,504)	160,277,313
Less accumulated depreciation	(58,320,832)	(4,949,003)	207,504	(63,062,331)
Total capital assets, being depreciated, net	<u>94,654,301</u>	<u>2,560,681</u>	<u>0</u>	<u>97,214,982</u>

Gas System capital assets, net	<u>\$101,671,905</u>	<u>\$6,625,430</u>	<u>(3,664,298)</u>	<u>\$104,633,037</u>
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Activity for the discretely presented component unit, the HMC CVB, for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions/ Transfers-in	Deletions/ Transfers-out	Ending Balance
Capital assets, being depreciated:				
Furniture, equipment and other	\$769,127	\$73,315	\$0	\$842,442
Less accumulated depreciation	(508,092)	(26,520)	0	(534,612)
Total capital assets, being depreciated, net	<u>261,035</u>	<u>46,795</u>	<u>0</u>	<u>307,830</u>
Governmental activities capital assets, net	<u>\$261,035</u>	<u>\$46,795</u>	<u>\$0</u>	<u>\$307,830</u>

The discretely presented component unit, DRA, does not have any capital assets as of September 30, 2015.

C. Interfund Receivables, Payables and Transfers

The amounts receivable and payable between the various funds as of September 30, 2015, were as follows:

Receivable Fund	Payable Fund	Amount	Total
<u>Governmental Funds</u>			
General	The Special Revenue	\$1,288,942	
	Nonmajor Governmental	<u>234,770</u>	\$1,523,712
The Special Revenue	General		3,747,469
Capital Improvement	General	\$25,015,796	
	The Special Revenue	1,285,535	
	2014 Capital Improvement	<u>5,018,763</u>	31,320,094
2014 Capital Improvement	General		<u>2,992,860</u>
	Total Governmental Funds		<u>39,584,135</u>
<u>Proprietary Funds</u>			
Water Pollution Control Enterprise	General		<u>11,226,611</u>
	Total Proprietary Funds		<u>11,226,611</u>
Total			<u>\$50,810,746</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

The amounts transferred among the various funds for the year ended September 30, 2015, were as follows:

Transferred From	Transferred To	Amount	Total
<u>Governmental Funds</u>			
General	2014 Capital Improvement	\$23,182,729	
	Debt Service	7,439,366	
	Public Building Authority (a)	1,143,986	
	Other Nonmajor Governmental	6,972,526	
	The Special Revenue	956,000	
	Von Braun Center Enterprise	2,714,683	\$42,409,290
The Special Revenue	General	31,464	
	Capital Improvement	1,279,000	
	Debt Service	17,193,709	
	Public Building Authority (a)	3,871,647	22,375,820
Capital Improvements	General Fund	101,762	
	Debt Service	14,241,972	
	The Special Revenue	1,050,000	
	Nonmajor Governmental	300,000	
	Von Braun Center Enterprise	91,898	15,785,632
Nonmajor Governmental	2014 Capital Improvement	827,257	
	Nonmajor Governmental	1,148,271	1,975,528
Water Pollution Control	General Fund		<u>79,749</u>
	Total Governmental Funds		<u>\$82,621,270</u>

(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 \$532,895 in 2015. The future minimum lease payments by fiscal year are as follows:

2016	\$487,810
2017	427,697
2018	369,451
2019	312,876
2020	65,959
Total	<u>\$1,663,793</u>

Capital Leases[A9]. The City is not a party to any capital leases as of September 30, 2015.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

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, 2015

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

The amounts associated with each series as of September 30, 2015, were as follows:

Series	Maximum Principal Amount	Note Principal Balance	Compounded Accrued Interest	Total Note Balance
2010-A	\$10,000,000	\$2,768,468	\$2,006,116	\$4,774,584
2010-B	20,000,000	20,000,000	7,715,547	27,715,547
2012-A	3,000,000	2,997,386	879,277	3,876,663
2012-B	3,000,000	2,766,423	605,512	3,371,935
2013-A	1,500,000	1,500,000	214,591	1,714,591
Total	<u>\$37,500,000</u>	<u>\$30,032,277</u>	<u>\$11,421,043</u>	<u>\$41,453,320</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. TIF 5 tax revenues were approximately \$495,000 in 2015, and the City redeemed approximately \$8.0 million of EUL Warrants in May 2015 through issuance of \$8.1 million in general obligation warrants.

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, 2015

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.

Advance Refundings – Advance refunding transactions for the current year, and prior years for which the refunded warrants are still outstanding on September 30, 2015, were as follows (in thousands):

Fiscal Year	Refunding Warrants		Refunded Warrants		Debt Service Diff. (a)	Economic Gain (Loss)
	Series	Face Amount	Series	Refunded Amount		
PRIMARY GOVERNMENT						
<u>Governmental Activities:</u>						
2012	2012A	\$35,995	2005C	\$36,255	\$36,255	\$2,476 (\$4,728)
2014	2014A	\$2,200	2005A	\$2,350	\$2,350	\$143 \$243
2014	2014A	\$4,800	2005C	\$4,805	\$4,805	\$339 (\$130)
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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt

The amount of debt outstanding at September 30, 2015, 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	6,154,863	814,977
2009A	66,838,000	03/04/09	09/01/29	2.75 - 5.0	2,077 - 7,312	20,659,555	3,567,111
2009B	71,745,000	03/04/09	09/01/29	2.25 - 5.0	2,560 - 4,735	19,255,000	3,210,000
2010A	74,300,000	09/14/10	03/01/37	3.0 - 5.0	980 - 6,315	43,465,000	3,660,000
2010B (a)	50,895,000	09/14/10	09/01/30	.61 - 5.06	365 - 1,940	43,605,000	2,580,000
2010C (a)	7,520,000	09/14/10	09/01/32	5.0	0 - 3,855	7,520,000	0
2010D (b)	11,695,000	09/14/10	09/01/27	.61 - 4.35	570 - 905	8,790,000	605,000
2011A	45,190,000	11/22/11	03/01/31	2.0 - 5.0	1,590 - 3,135	35,930,000	3,135,000
2011B	50,275,000	11/22/11	05/01/33	2.0 - 5.0	1,965 - 4,020	50,275,000	1,965,000
2012A	41,660,000	05/03/12	11/01/25	2.0 - 5.0	765 - 4,500	38,420,000	765,000
2013A	6,450,000	05/23/13	06/01/23	1.6	395 - 870	6,055,000	500,000
2013B	14,580,000	05/23/13	06/01/37	3.5 - 4.0	850 - 1,260	14,580,000	0
2013C	77,050,000	09/03/14	11/01/33	2.0 - 5.0	865 - 6,570	76,185,000	330,000
2013D	24,970,000	09/03/14	11/01/33	2.0 - 5.0	890 - 1,850	24,080,000	905,000
2013E	6,460,000	09/03/14	01/01/23	2.4	625 - 815	5,835,000	650,000
2014A	40,925,000	09/03/14	08/01/37	3.0 - 5.0	940 - 3,995	40,805,000	1,095,000
2014B	19,345,000	09/03/14	11/01/33	2.0 - 5.0	1,101 - 1,725	19,345,000	140,000
2014C	27,045,000	09/03/14	09/01/29	2.0 - 5.0	2,775 - 4,215	27,015,000	20,000
2015A	61,390,000	06/30/15	05/01/35	5.0	1,985 - 4,630	61,390,000	2,355,000
2015B (b)	8,185,000	05/04/15	05/01/25	.66 - 4.19	175 - 3,765	8,185,000	180,000
	<u>738,485,145</u>					<u>557,549,418</u>	<u>26,477,088</u>
Private Placement Taxable Revenue Warrants(d)							
2010A EUL	10,000,000	07/26/10	07/26/40	9.95	n.a.	4,774,584	0 [A10]
2010B EUL	20,000,000	10/28/10	07/26/40	9.95	n.a.	27,715,547	0
2012A EUL	3,000,000	01/26/12	07/26/40	9.95	n.a.	3,876,663	0
2012B EUL	3,000,000	05/24/12	07/26/40	9.95	n.a.	3,371,935	0
2013A EUL	1,500,000	02/28/13	07/26/40	9.95	n.a.	1,714,591	0
	<u>37,500,000</u>					<u>41,453,320</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	59,490,000	2,180,000
	<u>86,415,000</u>					<u>59,490,000</u>	<u>2,180,000</u>
Total governmental activities	<u>862,400,145</u>					<u>658,492,738</u>	<u>28,657,088</u>

(continued)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

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
Business-Type activities							
<i>G.O. Warrants - sewer system</i>							
2007A	17,122,855	5/1/07	5/15/14	4.0 - 5.0	325 – 725	3,810,139	760,023
2009A	13,132,000	3/4/10	9/1/29	2.75 - 5.0	412 – 980	4,800,447	542,889
2010A	17,235,000	9/14/10	3/1/37	3.0 - 4.0	70 - 5,335	5,335,000	5,335,000
2010B (a)	11,595,000	9/14/10	9/1/30	.61 - 5.06	0 – 800	9,945,000	565,000
2011A	17,230,000	11/22/11	3/1/31	2.0 - 5.0	555 - 1,305	14,775,000	625,000
2012A	14,645,000	5/3/12	11/1/27	2.0 - 5.0	330 - 1,395	13,130,000	915,000
2014A	13,185,000	09/03/14	08/01/29	2.0 - 5.0	625 - 2,025	13,185,000	0
	<u>104,144,855</u>					<u>64,980,586</u>	<u>8,742,912</u>
<i>Sewer Revenue Warrants - State Revolving Loan Fund</i>							
1996	22,380,000	1/26/96	8/15/17	3.18	775 - 1,550	3,040,000	1,490,000
2010A (c)	17,435,000	1/27/98	8/15/20	2.61	595 - 1,215	5,830,000	880,000
2010B (c)	16,760,000	12/1/98	8/15/20	2.57	590 - 1,145	5,645,000	1,045,000
2010C (c)	15,180,000	12/22/99	8/15/21	2.57	515 - 1,070	5,345,000	995,000
2010D (c)	13,045,000	12/14/00	8/15/22	3.00	440 – 920	5,740,000	730,000
2012	2,130,000	11/1/11	8/15/32	2.90	80 – 140	1,885,000	85,000
	<u>86,930,000</u>					<u>27,485,000</u>	<u>5,225,000</u>
Total business-type activities	<u>191,074,855</u>					<u>92,465,586</u>	<u>13,967,912</u>
Total Primary Government	<u>1,053,475,000</u>					<u>750,958,324</u>	<u>42,625,000</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, 2015

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	7,950,000	1,865,000
2012	28,285,000	12/21/11	12/01/32	2.0 - 4.02	1,789 - 2,405	24,675,000	665,000
	<u>41,480,000</u>					<u>32,625,000</u>	<u>2,530,000</u>

Water System Revenue Warrants

2008	43,660,000	05/01/08	11/01/34	2.7 - 5.0	700 - 2,885	29,605,000	2,490,000
2013SRF	180,000	02/14/13	08/15/33	2.75	5 - 10	170,000	5,000
2015	92,810,000	11/01/16	11/01/36	3.0 - 5.0	3,175 - 6,910	92,810,000	0
	<u>136,650,000</u>					<u>122,585,000</u>	<u>2,495,000</u>

**Total Component
Units**

\$178,130,000

\$155,210,000 **\$5,025,000**

Future Debt Service

The City's future debt service requirements on its outstanding warrants and bonds as of September 30, 2015 are shown below. There is \$3,780,892 available in The Special Revenue Fund 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
2016	26,477,088	23,975,551	2,180,000	2,845,525
2017	28,857,099	23,452,155	2,280,000	2,758,325
2018	30,074,447	22,343,874	2,385,000	2,644,325
2019	31,600,556	21,158,204	1,625,000	2,548,925
2020	31,916,368	19,779,097	1,710,000	2,467,675
2021-2025	157,806,666	78,253,018	9,865,000	11,045,225
2026-2030	143,707,194	42,847,566	13,935,000	8,266,925
2031-2035	97,380,000	12,277,657	19,810,000	4,563,713
2036-2040	7,655,000	966,726	5,700,000	270,750
2041-2045	2,075,000	268,205	0	0
Total governmental activities	<u>\$557,549,418</u>	<u>\$245,322,053</u>	<u>\$59,490,000</u>	<u>\$37,411,388</u>

(continued)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

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
2016	8,742,912	2,739,612	5,225,000	729,443
2017	3,517,901	2,413,792	5,425,000	585,950
2018	3,660,553	2,275,362	4,025,000	436,938
2019	3,744,444	2,118,261	4,175,000	333,368
2020	3,958,632	1,952,518	4,335,000	225,932
2021-2025	22,208,334	7,041,300	3,410,000	272,662
2026-2030	17,842,810	2,154,496	615,000	94,395
2031-2035	1,305,000	32,625	275,000	12,035
Total business-type activities	64,980,586	20,727,966	27,485,000	2,690,723
Total Primary Government (a)			\$709,415,004	\$306,152,130

COMPONENT UNITS

<u>Business-Type Activities - Huntsville Utilities</u>	Electric Rev. Warrants		Water Rev. Warrants	
	Principal	Interest	Principal	Interest
2016	\$2,530,000	\$1,415,650	\$2,495,000	\$4,490,921
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
2021-2025	7,955,000	3,895,500	23,870,000	20,439,128
2026-2030	8,405,000	1,937,925	30,335,000	13,973,778
2031-2035	3,980,000	160,800	36,520,000	5,988,964
2036-2040	0	0	6,910,000	172,750
Total	\$32,625,000	\$12,065,100	\$122,585,000	\$65,178,699

(a) does not include the EUL Warrants as of September 30, 2015, 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, 2015

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2015, was as follows[A11]:

PRIMARY GOVERNMENT	Beginning Balance	Additions(a)	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General obligation warrants	\$521,252,603	\$69,575,000	(\$33,278,185)	\$557,549,418	\$26,477,088
EUL revenue warrants	45,206,622	4,206,832	(7,960,133)	41,453,321	0
Lease revenue bonds	61,575,000	0	(2,085,000)	59,490,000	2,180,000
Subtotal	628,034,225	73,781,832	(43,323,318)	658,492,739	28,657,088
Issue discounts & premiums	48,532,131	9,925,229	(5,592,915)	52,864,445	
Total warrant, bonds, & notes	676,566,356	83,707,061	(48,916,233)	711,357,184	28,657,088
Compensated absences	21,599,000	13,132,492	(12,756,523)	21,974,969	2,197,490
Claims & judgments	520,000	686,699	(686,699)	520,000	520,000
Net pension liability	163,453,060	4,281,089	(14,783,202)	152,950,947	
Governmental activities long-term liabilities	\$862,138,416	101,807,341	(\$77,142,657)	\$886,803,100	\$31,374,578

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	\$73,382,397	\$0	(\$8,401,815)	\$64,980,586	\$8,742,912
Sewer revenue warrants	32,525,000	0	(5,040,000)	27,485,000	5,225,000
Subtotal	105,907,397	0	(13,441,815)	92,465,586	13,967,912
Issue discounts & premiums	7,417,494	0	(1,032,367)	6,385,127	
Total warrants	113,324,891	0	(14,474,182)	98,850,713	13,967,912
Compensated absences	1,115,936	602,504	(474,741)	1,243,699	488,599
Net pension liability	14,308,050	380,372	(1,299,687)	13,388,735	
Business-type activities long-term liabilities	\$114,440,827	\$118,763	(\$14,474,182)	\$113,483,147	\$14,456,511

(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, 2015

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	\$35,065,000	\$0	(\$2,440,000)	\$32,625,000	\$2,530,000
Issue discounts & premiums	2,672,461	0	(49,263)	2,623,198	
Total warrants	37,737,461	0	(2,489,263)	35,248,198	2,530,000
Noncurrent customer deposits	38,093,460	6,193,625	(6,064,508)	38,222,577	6,265,462
Total Electric System long-term liabilities	\$75,830,921	\$6,193,625	(\$8,553,771)	\$73,470,775	\$8,795,462
<u>Water System</u>					
Revenue warrants	\$32,180,000	\$92,810,000	(\$2,405,000)	\$122,585,000	\$2,495,000
Issue discounts & premiums	1,001,031	12,610,058	(104,998)	13,506,091	
Total warrants	33,181,031	105,420,058	(2,509,998)	136,091,091	2,495,000
Noncurrent customer deposits	5,018,695	812,201	(693,876)	5,137,020	0
Total Water System long-term liabilities	\$38,199,726	\$106,232,259	(\$3,203,874)	\$141,228,111	\$2,495,000
<u>Gas System</u>					
Revenue warrants	\$7,060,000	\$0	(7,060,000)	\$0	\$0
Total warrants	7,060,000	0	(7,060,000)	0	0
Noncurrent customer deposits	10,353,204	1,673,401	(1,508,436)	10,518,169	0
Total Gas System long-term liabilities	\$17,413,204	\$1,673,401	(\$5,551,564)	\$10,518,169	\$0

Uses of Governmental Activities Long-Term Debt

The carrying value of outstanding debt for governmental activities as of September 30, 2015, and the purpose for which this amount has been or will be expended was as follows:

Debt issued for capital asset purposes:	
Invested in assets as of year-end	\$336,864,997
Not yet invested in assets as of year-end	37,918,554
Debt issued for non-capital asset purposes:	
Huntsville City Schools	252,863,810
Von Braun Center	23,005,787
Intergovernmental	60,704,036
Total	<u>\$711,357,184</u>

Derivative Financial Instruments

The City was not a party to any derivative financial instruments as of September 30, 2015, or during the year then ended.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

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	\$2,897,048
Spendable:	
Endowment funds required by donors to remain intact	391,074
Total	\$3,288,122

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	\$2,572,713
1% lodging tax committed for recreation projects	1,405,674
Unexpended revenues of the Capital Improvement Fund committed for capital improvements	30,385,901
Unexpended revenues of the Cummings Research Park Fund committed for research park development	2,305,742
Other	
Total	\$36,670,030

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):

Cemetery improvements	\$38,509
General Fund appropriations subsequent to year-end	4,595,905
Debt Service fund	5,697
Long-term care of city cemeteries	2,686,844
Board-managed activities	2,617,401
Total	\$9,944,356

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	\$27,793,231
Unassigned balance of the General Fund	(1,778,940)
Balances of the board-managed entities	(236,961)
Total	\$25,777,330

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

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, 2015, which are General Fund revenues, are earmarked by City Council ordinance, as follows:

- i 18.0 percent is paid to the Capital Improvement Capital Projects Fund.
- i 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, 2015, 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 2015 was \$11,874,498 by the Electric System, \$2,639,940 by the Natural Gas System, and \$2,132,637 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^[A12]

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, 2015. 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	0	0
Total	\$520,000	\$520,000

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

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, 2015, 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^[A13]. 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 March 31, 2016, and the financial statements as of September 30, 2015, do not include a liability related to this matter.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

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, 2015, which represent an encumbrance on resources at year-end, the most significant of which were as follows:

General Fund	\$1,260,500
Capital Improvement Fund	26,718,072
Total	\$27,978,572

These encumbrances are already included in the classifications of net position and fund balances in the financial statements as of September 30, 2015.

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 March 31, 2016, 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 is 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, 2015

NOTE 5 – OTHER INFORMATION– CONTINUED

Economic Development Commitments. As of September 30, 2015, the City made the following significant economic development commitments to private entities:

- i The City committed \$14.9 million as an incentive for the location of a manufacturing company in the City, and such amount has been paid as of March 31, 2014, from the 2014 Capital Improvement Fund. The City committed \$8.0 million as an incentive for a retail development, \$2.0 million of which the City paid in fiscal year 2015 from the Capital Improvement Fund, and the balance of which will be paid ratably over approximately five years. The payments by the City are related to public parking commitments by the developer over twenty-five years, but the City will elect to report the payments as expenditures when paid.
- i The City committed \$1.4 million as an incentive for an undisclosed project, which the City expects to pay in fiscal year 2015 from the Capital Improvement Fund. []

[A14]

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 for the in 2015 were \$3.3 million. The City was also indebted to the Authority in the amount of \$272,000 for waste disposal fees as of September 30, 2015.

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 2015.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

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, 2015

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 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to but not yet receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active Members	<u>55,883</u>
Total	<u>83,874</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

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, 2015 (or other year-end if not September), 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 12.11% of covered employee payroll.

City's contractually required contribution rate for the year ended September 30, 2015 was 12.61% of pensionable pay for Tier 1 employees, and 10.31% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, 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 \$14,564,070 for the year ended September 30, 2015.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

Total Pension Liability	
as of September 30, 2013 (a)	\$ 490,933,569
Entry Age Normal Cost for	
October 1, 2013-September 30, 2014 (b)	\$ 8,706,017
Actual Benefit Payments and Refunds for	
October 1, 2013-September 30, 2014 (c)	\$ 26,825,501
Total Pension Liability	
as of September 30, 2014	
[(a) x (1.08)] + (b) – [(c) x (1.04)]	\$ 511,015,750

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

NOTE 5 – OTHER INFORMATION– CONTINUED

Actuarial assumptions

The total pension liability in the September 30, 2013 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, 2013 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, 2015

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 9/30/2013	<u>\$490,933,569</u>	<u>\$313,172,459</u>	<u>\$177,761,110</u>
Changes for the year:			
Service cost	8,706,017	0	8,706,017
Interest	38,201,665	0	38,201,665
Differences between expected and actual experience	0	0	0
Contributions--employer	0	14,884,651	(14,884,651)
Contributions--employee	0	5,993,271	(5,993,271)
Net investment income	0	37,204,039	(37,204,039)
Benefit payments, including refunds of employee contributions	(26,825,501)	(26,825,501)	0
Administrative expense	0	0	0
Transfers Among Employers	0	241,147	(241,147)
Net changes	<u>20,082,181</u>	<u>31,503,608</u>	<u>(11,421,427)</u>
Balances at 9/30/2014	<u>\$ 511,051,750</u>	<u>\$ 344,676,067</u>	<u>\$ 166,339,683</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

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	\$222,597,988	\$166,339,683	\$118,618,958

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, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated June 3, 2015 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, 2015, the City recognized pension expense of \$13,467,449. At September 30, 2015, 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	\$0	\$0
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	9,902,608
Employer contributions subsequent to the measurement date	14,564,070	0
Total	\$14,564,070	9,902,608

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

NOTE 5 – OTHER INFORMATION– CONTINUED

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:	
2016	\$2,475,652
2017	2,475,652
2018	2,475,652
2019	2,475,652
2020	0
Thereafter	0

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.

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 2015, the City’s and Utilities annual benefit costs were equal to the required contribution, determined by actuarial valuations as of September 30, 2015, 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	2014	3,565,158	100%	0
	2013	3,565,158	100%	0
	2012	3,503,297	100%	0
Huntsville Utilities	2014	1,737,361	100%	0
	2013	1,682,686	100%	0
	2012	2,193,181	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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

NOTE 5 – OTHER INFORMATION– CONTINUED

Schedule of Funding Progress for the Plans (latest available)

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial 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, 2015

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, 2015, have been accrued as a liability in the General Fund as of September 30, 2015. 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, 2015 were as follows[A15]:

	Employees' Health Care		Workers' Compensation	
	2015	2014	2015	2014
Unpaid claims, beginning of year	\$1,187,900	\$1,125,000	\$3,500,878	\$3,500,878
Incurred claims	14,064,649	16,348,856	1,365,685	1,365,685
Less claim payments	(13,804,549)	(16,285,956)	(1,697,803)	(1,365,685)
Unpaid claims, end of year (a)	<u>\$1,448,000</u>	<u>\$1,187,900</u>	<u>\$3,168,760</u>	<u>\$3,500,878</u>
	Legal Claims		Total	
	2015	2014	2015	2014
Unpaid claims, beginning of year	\$520,000	\$650,000	\$5,208,778	\$5,275,878
Incurred claims	686,699	556,700	16,117,033	18,271,241
Less claim payments	(686,699)	(686,700)	(16,189,051)	(18,338,341)
Unpaid claims, end of year (a)	<u>\$520,000</u>	<u>\$520,000</u>	<u>\$5,136,760</u>	<u>\$5,208,778</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, 2015

NOTE 5 – OTHER INFORMATION – CONTINUED

H. Prior Period Restatements and Adjustments

As discussed in Note 1B above, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB No. 68*, effective October 1, 2014. The result of this was a prior-year adjustment to the net position of governmental activities, business-type activities and proprietary funds.

Also, during 2015, it was determined by management, that the estimates of cost related to recording of land rights related to donated subdivisions and property were improperly estimated resulting in an overstatement of the original value assigned to these land rights. Therefore, beginning net position and capital assets for governmental activities, business-type activities and proprietary funds were restated resulting in a decrease of each as noted below.

	Governmental Activities	Business- Type Activities	Total
Beginning net position, as originally reported	\$607,277,804	\$308,267,860	\$915,545,664
<u>Restatements:</u>			
Correction of overstatement of capital assets related to overestimate of land rights value	(9,271,081)	(1,851,121)	(11,122,202)
Cumulative Effect of Implementing GASB Statement Nos. 68 & 71	(149,766,479)	(13,109,980)	(162,876,459)
Beginning net position, restated	\$448,240,244	\$293,306,759	\$741,547,003

The implementation of the above standards had an effect on the beginning net position of the following proprietary fund statements as well

	Water Pollution Control Fund	Von Braun Center	Total Effect
Beginning net position, as originally reported	\$232,673,693	\$73,414,928	\$308,267,860
<u>Restatements:</u>			
Correction of overstatement of capital assets related to overestimate of land rights value	(1,851,121)	0	(1,851,121)
Cumulative Effect of Implementing GASB Statement Nos. 68 & 71	(8,387,715)	(4,677,265)	(13,064,980)
Beginning net position, restated	\$222,389,857	\$68,737,663	\$293,306,759

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2015

Component Units

The Utilities restated the beginning net position reported in the Statement of Activities-Discretely Presented Component Units for the reasons shown below. The changes do not affect the fund financial statements.

	Utilities Electric System	Utilities Water System	Utilities Gas System
Beginning net position, as originally reported	\$265,993,589	\$169,516,099	\$137,342,739
<u>Restatements:</u> Cumulative Effect of Implementing GASB Statement Nos. 68 & 71	(25,499,047)	(11,403,791)	(26,263,264)
Beginning net position, restated	\$240,494,542	\$158,112,308	\$110,719,475

The Huntsville Madison County Convention and Visitors Bureau (HMC CVB) restated the beginning net position reported in the Statement of Activities-Discretely Presented Component Units for the reasons shown below. The changes do not affect the fund financial statements.

	HMC CVB
Beginning net position, as originally reported	\$1,001,177
<u>Restatements:</u> Cumulative Effect of Implementing GASB Statement Nos. 68 & 71	(246,602)
Beginning net position, restated	\$754,575

I. Subsequent Events

The City has evaluated subsequent events through April 14, 2016, the date on which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY PENSION
INFORMATION

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**CITY OF HUNTSVILLE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEMS OF ALABAMA**

	City of Huntsville	COMPONENT UNITS	
		Huntsville Utilities	HMC CVB
Total pension liability			
Service cost	\$ 8,706,017	\$ 2,623,427	\$ 61,421
Interest	38,201,665	12,461,295	180,039
Changes in benefit terms	-	-	-
Differences between actual & expected experience	-	-	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(26,825,501)	(8,498,045)	(71,475)
Net change in total pension liability	20,082,181	6,586,677	169,985
Total pension liability-beginning	490,933,569	160,015,214	2,286,220
Total pension liability-ending (a)	<u>511,015,750</u>	<u>166,601,891</u>	<u>2,456,205</u>
Plan fiduciary net position			
Contribution-employer	14,884,651	5,279,569	51,960
Contribution-employee	5,993,271	1,971,180	41,586
Net investment income	37,204,039	10,845,840	239,814
Benefit payments, including refunds of employee contributions	(26,825,501)	(8,498,045)	-
Transfers among employees	247,147	(234,344)	(71,475)
Administrative expense	-	-	-
Net change in plan fiduciary net position-beginning	31,503,607	9,364,200	261,885
Plan fiduciary net position-beginning	313,172,459	91,209,544	1,987,658
Plan fiduciary net position-ending (b)	<u>\$ 344,676,066</u>	<u>\$ 100,573,744</u>	<u>\$ 2,249,543</u>
Net pension liability (asset)- ending (a)-(b)	166,339,684.00	66,028,147	206,662
Plan fiduciary net position as a percentage of total pension liability	67.45%	60.37%	91.59%
Covered- employee payroll	101,710,815	38,635,798	689,599
Net pension liability (asset) as a percentage of covered-employee payroll	163.54%	170.90%	29.97%

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.

**CITY OF HUNTSVILLE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEMS OF ALABAMA**

	COMPONENT UNITS		
	City of Huntsville	Huntsville Utilities	HMC CVB
Actuarially determined contribution	\$ 14,565,070	\$ 5,264,518	\$ 50,470
Contributions in relation to the actuarially determined contribution	\$ 14,565,070	5,264,518	50,470
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 101,710,815.00	\$ 19,567,004.00	\$ 9,655,596.00
Contributions as a percentage of covered-employee payroll	14.32%	26.91%	0.52%

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2015 were based on September 30, 2012 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, governments should present information for those years for which information is available.

SUPPLEMENTARY INFORMATION

**CITY OF HUNTSVILLE
GENERAL FUND
BALANCE SHEET
September 30, 2015**

ASSETS

Cash & investments, at cost	\$80,501,394
Receivables (net of allowances)	15,592,677
Due from other funds	1,523,712
Due from other governmental entities	2,389,729
Inventories	141,405
Prepaid items	189,256

Total assets \$100,338,173

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

Liabilities

Accounts payable	\$3,982,747
Accrued liabilities	7,125,871
Contract retainages	5,800,323
Due to other funds	42,982,736
Due to other governmental entities	456,051
Unearned revenue	227,813
Other	1,769,075

Total liabilities 62,344,616

Deferred inflows of resources

Deferred revenue	<u>2,576,444</u>
------------------	------------------

Total deferred inflows of resources 2,576,444

Fund balance

Nonspendable	330,661
Restricted	459,360
Committed	3,978,387
Assigned	4,634,414
Unassigned	<u>26,014,291</u>

Total fund balance 35,417,113

**Total liabilities, deferred inflows of resources
and fund balance** \$100,338,173

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2015**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Taxes and payments in lieu of taxes	\$196,480,000	\$196,480,000	\$197,833,968	\$1,353,968
Licenses and permits	24,169,200	24,169,200	23,679,897	(489,303)
Fines and forfeitures	2,605,500	2,605,500	3,021,408	415,908
Revenues from money and property	967,566	967,566	1,227,022	259,456
Charges for services	16,468,840	16,468,840	16,947,087	478,247
Intergovernmental	3,661,540	3,661,540	3,278,967	(382,573)
Gifts and donations	0	0	104,167	104,167
Other revenues	1,325,609	1,325,609	1,436,186	110,577
Total revenues	245,678,255	245,678,255	247,528,702	1,850,447
EXPENDITURES				
Current				
General government	24,594,049	26,515,592	29,167,768	(2,652,176)
Public safety	81,688,642	83,864,352	83,305,797	558,555
Public services	54,500,048	59,030,914	60,247,468	(1,216,554)
Urban development	12,977,426	13,093,566	12,823,650	269,916
Debt service	0	0	0	0
Capital projects construction	0	0	0	0
Intergovernmental assistance	25,231,800	25,231,800	24,957,226	274,574
Total expenditures	198,991,965	207,736,224	210,501,909	(2,765,685)
Excess of revenues over expenditures	46,686,290	37,942,031	37,026,793	(915,238)
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	0	0	0	0
Premium on debt issue	0	0	0	0
Capital lease proceeds	0	0	0	0
Transfers in	0	0	208,226	208,226
Transfers out	(42,917,779)	(42,917,779)	(42,409,290)	508,489
Total other financing sources (uses)	(42,917,779)	(42,917,779)	(42,201,064)	716,715
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	3,768,511	(4,975,748)	(5,174,271)	(198,523)
Fund balance, beginning	40,591,384	40,591,384	40,591,384	0
Fund balance, ending	\$44,359,895	\$35,615,636	\$35,417,113	(\$198,523)

**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, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes				
Sales and use	\$142,131,000	\$142,131,000	\$143,169,504	\$1,038,504
Ad valorem	16,843,000	16,843,000	16,286,176	(556,824)
Other	37,506,000	37,506,000	38,378,288	872,288
Total	196,480,000	196,480,000	197,833,968	1,353,968
Licenses and permits				
Privilege	20,631,000	20,631,000	20,248,683	(382,317)
Building permits	1,998,000	1,998,000	1,776,960	(221,040)
Other	1,540,200	1,540,200	1,654,254	114,054
Total	24,169,200	24,169,200	23,679,897	(489,303)
Fines and forfeitures				
	2,605,500	2,605,500	3,021,408	415,908
Revenues from money and property				
Interest	115,766	115,766	277,880	162,114
Recreational receipts	616,900	616,900	622,431	5,531
Other	234,900	234,900	326,711	91,811
Total	967,566	967,566	1,227,022	259,456
Charges for current services				
Sanitation charges	11,957,000	11,957,000	12,085,365	128,365
Parking revenue	2,167,700	2,167,700	2,224,760	57,060
Other	2,344,140	2,344,140	2,636,962	292,822
Total	16,468,840	16,468,840	16,947,087	478,247
Intergovernmental				
	3,661,540	3,661,540	3,278,967	(382,573)
Gifts and donations				
	0	0	104,167	104,167
Other revenues				
	1,325,609	1,325,609	1,436,186	110,577
TOTAL REVENUES	245,678,255	245,678,255	247,528,702	1,850,447

**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, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current Expenditures				
<u>General Government</u>				
Administration				
Personnel	1,341,974	1,341,974	1,357,727	(15,753)
Operating	155,520	170,452	167,227	3,225
Capital	0	7,600	16,082	(8,482)
Total	1,497,494	1,520,026	1,541,036	(21,010)
City Council				
Personnel	396,624	379,499	370,305	9,194
Operating	37,110	58,816	51,523	7,293
Capital	0	0	0	0
Total	433,734	438,315	421,828	16,487
Clerk-Treasurer				
Personnel	1,227,017	1,227,017	1,255,499	(28,482)
Operating	191,515	199,241	142,089	57,152
Capital	0	30,800	30,725	75
Total	1,418,532	1,457,058	1,428,313	28,745
Finance				
Personnel	2,359,463	2,359,463	2,365,212	(5,749)
Operating	321,510	566,265	358,464	207,801
Capital	0	1,726,662	506,258	1,220,404
Total	2,680,973	4,652,390	3,229,934	1,422,456
Fleet Management				
Personnel	3,023,926	3,023,926	3,080,968	(57,042)
Operating	386,720	387,906	381,173	6,733
Capital	0	0	0	0
Total	3,410,646	3,411,832	3,462,141	(50,309)
General expenses				
Personnel	1,741,000	1,741,000	6,618,107	(4,877,107)
Operating	3,626,760	4,026,760	3,589,015	437,745
Capital	0	0	0	0
Total	5,367,760	5,767,760	10,207,122	(4,439,362)

**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, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Human Resources				
Personnel	750,196	740,096	778,222	(38,126)
Operating	149,240	186,236	153,889	32,347
Capital	0	0	0	0
Total	899,436	926,332	932,111	(5,779)
Information Technology Services				
Personnel	3,623,763	3,623,763	3,606,420	17,343
Operating	3,475,239	2,660,159	2,580,333	79,826
Capital	0	264,035	13,699	250,336
Total	7,099,002	6,547,957	6,200,452	347,505
Legal				
Personnel	1,710,212	1,710,212	1,667,273	42,939
Operating	76,260	76,710	77,558	(848)
Capital	0	7,000	0	7,000
Total	1,786,472	1,793,922	1,744,831	49,091
Special appropriations				0
Total general government	24,594,049	26,515,592	29,167,768	(2,652,176)
<u>Public Safety</u>				
Animal Services				
Personnel	1,621,320	1,615,320	1,583,912	31,408
Operating	289,010	314,114	304,445	9,669
Capital	0	0	0	0
Total	1,910,330	1,929,434	1,888,357	41,077
Emergency Management				
Personnel	779,158	779,158	747,204	31,954
Operating	58,070	386,256	163,686	222,570
Capital	0	0	0	0
Total	837,228	1,165,414	910,890	254,524
Fire and Rescue				
Personnel	30,796,444	30,796,444	31,040,481	(244,037)
Operating	1,356,610	1,441,967	2,204,898	(762,931)
Capital	0	972,807	511,292	461,515
Total	32,153,054	33,211,218	33,756,671	(545,453)

**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, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Municipal court				
Personnel	3,171,760	3,171,760	3,104,684	67,076
Operating	202,220	206,151	195,601	10,550
Capital	0	0	0	0
Total	3,373,980	3,377,911	3,300,285	77,626
Police				
Personnel	39,550,765	40,109,248	39,605,586	503,662
Operating	3,772,925	3,898,194	3,707,172	191,022
Capital	0	82,573	46,476	36,097
Total	43,323,690	44,090,015	43,359,234	730,781
Special appropriations	90,360	90,360	90,360	0
<i>Total public safety</i>	81,688,642	83,864,352	83,305,797	558,555
<u>Public Services</u>				
Cemetery				
Personnel	692,584	692,584	677,416	15,168
Operating	257,040	271,523	334,373	(62,850)
Capital	0	2,334,467	2,264,353	70,114
Total	949,624	3,298,574	3,276,142	22,432
General Services				
Personnel	2,992,270	2,992,270	3,037,497	(45,227)
Operating	5,739,560	5,913,510	5,766,991	146,519
Capital	0	0	5,970	(5,970)
Total	8,731,830	8,905,780	8,810,458	95,322
Landscape Management				
Personnel	7,078,458	7,078,458	7,149,891	(71,433)
Operating	3,406,640	3,459,553	3,184,465	275,088
Capital	0	82,874	0	82,874
Total	10,485,098	10,620,885	10,334,356	286,529

**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, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Parking				
Personnel	1,270,849	1,270,849	1,232,574	38,275
Operating	408,185	478,112	367,877	110,235
Capital	0	50,000	49,970	30
Total	1,679,034	1,798,961	1,650,421	148,540
Parks & Recreation				
Personnel	6,035,906	6,035,906	5,908,638	127,268
Operating	619,910	635,786	496,884	138,902
Capital	0	0	0	0
Total	6,655,816	6,671,692	6,405,522	266,170
Public Transit				
Personnel	2,783,614	2,783,614	2,833,110	(49,496)
Operating	1,189,640	1,212,044	1,023,644	188,400
Capital	838,000	2,218,229	2,137,683	80,546
Total	4,811,254	6,213,887	5,994,437	219,450
Public Works				
Personnel	12,543,502	12,543,502	12,754,498	(210,996)
Operating	6,394,840	6,317,799	6,055,476	262,323
Capital	0	185,784	80,267	105,517
Total	18,938,342	19,047,085	18,890,241	156,844
Special appropriations	2,249,050	2,474,050	4,885,891	(2,411,841)
<i>Total public services</i>	54,500,048	59,030,914	60,247,468	(1,216,554)
<u>Urban Development</u>				
Engineering				
Personnel	3,055,149	3,055,149	3,053,474	1,675
Operating	103,165	115,084	77,922	37,162
Capital	0	0	0	0
Total	3,158,314	3,170,233	3,131,396	38,837
Inspection				
Personnel	2,024,690	2,024,690	2,062,494	(37,804)
Operating	152,140	208,070	121,602	86,468
Capital	0	0	0	0
Total	2,176,830	2,232,760	2,184,096	48,664

**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, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Natural Resources				
Personnel	636,954	636,954	619,296	17,658
Operating	42,900	42,900	35,261	7,639
Capital	0	0	0	0
Total	679,854	679,854	654,557	25,297
Planning				
Personnel	3,224,020	3,224,020	3,239,006	(14,986)
Operating	344,690	349,752	258,779	90,973
Capital	0	0	0	0
Total	3,568,710	3,573,772	3,497,785	75,987
Traffic Engineering				
Personnel	2,483,218	2,435,218	2,377,328	57,890
Operating	360,220	443,849	420,689	23,160
Capital	0	7,600	7,519	81
Total	2,843,438	2,886,667	2,805,536	81,131
Special appropriations	550,280	550,280	550,280	0
Total urban development	12,977,426	13,093,566	12,823,650	269,916
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Debt issue costs	0	0	0	0
Total	0	0	0	0
Capital Projects Construction	0	0	0	0
Intergovernmental Assistance				
Huntsville Board of Education	20,873,300	20,873,300	20,973,726	(100,426)
Madison County Commission	3,023,800	3,023,800	2,648,800	375,000
Madison County Health Department	1,334,700	1,334,700	1,334,700	0
Total	25,231,800	25,231,800	24,957,226	274,574
TOTAL EXPENDITURES	198,991,965	207,736,224	210,501,909	(2,765,685)

**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, 2015**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Excess of revenues over expenditures	46,686,290	37,942,031	37,026,793	(915,238)
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	0	0	0	0
Premium on debt issue	0	0	0	0
Capital lease proceeds	0	0	0	0
Transfers in	0	0	208,226	208,226
Transfers out	(42,917,779)	(42,917,779)	(42,409,290)	508,489
Total other financing sources (uses)	(42,917,779)	(42,917,779)	(42,201,064)	716,715
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	3,768,511	(4,975,748)	(5,174,271)	(198,523)
Fund balance, beginning	40,591,384	40,591,384	40,591,384	0
Prior period adjustment	0	0	0	0
Fund balance, ending	\$44,359,895	\$35,615,636	\$35,417,113	(\$198,523)

CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF SPECIAL APPROPRIATIONS - BUDGET AND ACTUAL
For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Safety				
Huntsville Community Watch Association	\$21,510	\$21,510	\$21,510	\$0
Huntsville/Madison County Rescue Squad, Inc.	4,320	4,320	4,320	0
Partnership for Drug Free Community	64,530	64,530	64,530	0
	<u>90,360</u>	<u>90,360</u>	<u>90,360</u>	<u>0</u>
Public Services				
Arts Council, Inc.	238,600	238,600	238,600	0
Boys & Girls Club, Inc.	43,830	43,830	43,830	0
Community Action Agency	87,750	87,750	87,750	0
First Stop, Inc.	83,830	108,830	108,830	0
Harris Home for Children	0	26,280	26,280	0
Heals, Inc.	21,960	21,960	21,960	0
Human Relations Commission	900	900	900	0
Huntsville Beautification Committee	4,410	4,410	4,410	0
Huntsville Child Care Center, Inc.	13,140	13,140	13,140	0
Huntsville Hospital	150,000	150,000	150,000	0
Huntsville Jaycees	2,160	2,160	2,160	0
Huntsville Sports Commission, Inc.	0	0	409,505	(409,505)
Huntsville Symphony Orchestra	49,510	49,510	49,510	0
Huntsville/Madison County Botanical Gardens, Inc.	170,550	170,550	214,380	(43,830)
Huntsville/Madison County Convention & Vis. Bureau	0	0	1,925,564	(1,925,564)
Huntsville/Madison County Senior Center, Inc.	366,000	366,000	366,000	0
International Services Council of Huntsville/Madison Co.	26,280	26,280	26,280	0
Legal Services of Alabama, Inc.	17,550	17,550	17,550	0
LIFT Housing, Inc.	11,210	11,210	11,210	0
Madison County Mental Retardation Board, Inc.	35,100	35,100	35,100	0
Meadow Hills Initiative, Inc.	3,960	3,960	0	3,960
Mental Health Board, Inc. (Mental Health Center)	813,380	813,380	813,380	0
North Alabama Science Center, Inc.	0	0	0	0
Northwest Huntsville Community Services Org., Inc.	26,280	0	0	0
Science Center/Sci Quest	0	200,000	200,000	0
Second Mile Development, Inc.	21,960	21,960	21,960	0
Tennessee Valley Jazz Society, Inc.	0	0	0	0
U.S. Space & Rocket Center Foundation, inc.	0	0	38,414	(38,414)
United Cerebral Palsy of Huntsville/Madison County, Inc.	30,690	30,690	28,133	2,557
United Hill Personal Growth Center, Inc.	0	0	1,045	(1,045)
Weeden House Museum	30,000	30,000	30,000	0
Budgetary 1% Lodging Tax Appropriations	0	0	0	0
	<u>2,249,050</u>	<u>2,474,050</u>	<u>4,885,891</u>	<u>(2,411,841)</u>
Urban Development				
Business Tech. Development Center, Inc. ("BizTech")	87,750	87,750	87,750	0
Chamber of Commerce of Huntsville/Madison County	250,000	250,000	250,000	0
Downtown Huntsville, Inc.	90,000	90,000	90,000	0
North Alabama African-American Chamber of Commerce	21,960	21,960	21,960	0
North Alabama Coalition for the Homeless, Inc.	40,000	40,000	40,000	0
The Land Trust of Huntsville and North Alabama, Inc.	60,570	60,570	60,570	0
	<u>550,280</u>	<u>550,280</u>	<u>550,280</u>	<u>0</u>
	<u>\$2,889,690</u>	<u>\$3,114,690</u>	<u>\$5,526,531</u>	<u>(\$2,411,841)</u>

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OTHER GOVERNMENTAL FUNDS

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

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 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2015**

	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	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fines & forfeitures	0	0	0	335,493	0	0	0	0	0	0	0	0	0	335,493
Revenues from money & property	231,814	11,077	19,148	202,159	12,419	880,392	380,242	441,801	524	1,315	20,707	0	0	2,201,598
Intergovernmental	1,172,992	1,490,523	0	1,798,117	0	85,000	154,873	0	0	0	0	0	0	4,701,505
Gifts & donations	0	0	0	245,642	459,508	235,233	1,116,257	0	60,000	0	120,000	0	0	2,236,640
Other revenues	0	252,408	0	31,175	0	2,090	0	1,040	0	0	0	0	0	286,713
Total revenues	1,404,806	1,754,008	19,148	2,612,586	471,927	1,202,715	1,651,372	442,841	60,524	1,315	140,707	0	0	9,761,949
EXPENDITURES														
Current														
General government	0	0	0	0	0	0	0	0	0	0	283	0	0	283
Public services	0	0	0	5,832,280	924,723	1,782,273	2,326,780	774,084	0	0	0	0	0	11,640,140
Urban development	3,210,864	1,253,679	0	0	0	0	0	0	0	0	30,049	0	0	4,494,592
Debt service	0	0	2,085,000	0	0	0	0	0	0	0	0	0	0	2,085,000
Principal	0	0	2,949,775	0	0	0	0	0	0	0	0	0	0	2,949,775
Interest	0	0	0	0	0	0	0	0	0	0	2,109,487	0	0	2,109,487
Capital projects construction	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Intergovernmental assistance	0	0	0	0	0	0	0	0	1,131,770	0	0	0	0	1,131,770
Total expenditures	3,210,864	1,253,679	5,034,775	5,832,280	924,723	1,782,273	2,326,780	774,084	1,131,770	0	2,139,819	0	0	24,411,047
Excess (deficiency) of revenues over expenditures	(1,806,058)	500,329	(5,015,627)	(3,219,694)	(452,796)	(579,558)	(675,408)	(331,243)	(1,071,246)	1,315	(1,999,112)	0	0	(14,649,098)
OTHER FINANCING SOURCES (USES)														
Transfers in	1,396,501	150,000	5,015,633	3,800,000	444,895	673,856	658,375	195,400	1,101,770	0	0	0	0	13,436,430
Transfers (out)	0	(46,501)	0	0	0	0	0	0	0	0	(1,101,770)	(827,257)	0	(1,975,528)
Total other financing sources (uses)	1,396,501	103,499	5,015,633	3,800,000	444,895	673,856	658,375	195,400	1,101,770	0	(1,101,770)	(827,257)	0	11,460,902
Net change in fund balance	(409,557)	603,828	6	580,306	(7,901)	94,298	(17,033)	(135,843)	30,524	1,315	(3,100,882)	(827,257)	0	(3,188,196)
Fund balance (deficit), beginning	1,497,275	767,716	4	2,539,281	11,728	538,222	(143,970)	453,139	698,050	2,685,529	5,406,624	827,257	0	15,280,855
Fund balance (deficit), ending	\$1,087,718	\$1,371,544	\$10	\$3,119,587	\$3,827	\$632,520	(\$161,003)	\$317,296	\$728,574	\$2,686,844	\$2,305,742	\$0	\$0	\$12,092,659

**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, 2015**

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	\$1,279,000	\$1,279,000	\$1,381,554	\$102,554
Revenues from money and property	0	0	1,042	1,042
Total	1,279,000	1,279,000	1,382,596	103,596
Expenditures				
Operating	0	52,091	9	52,082
Total	0	52,091	9	52,082
Excess (Deficiency) of Revenues Over Expenditures	1,279,000	1,226,909	1,382,587	155,678
Other financing sources (uses)				
Transfers in(out)	(1,279,000)	(1,279,000)	(1,279,000)	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	(52,091)	103,587	155,678
Fund balance, beginning	115,741	115,741	115,741	0
Fund balance, ending	\$115,741	\$63,650	\$219,328	\$155,678
6.5 Mill Tax Fund				
Revenues				
Taxes and payments in lieu of taxes	\$16,843,000	\$16,843,000	\$16,286,328	(\$556,672)
Revenues from money and property	0	0	0	0
Total	16,843,000	16,843,000	16,286,328	(556,672)
Expenditures				
Operating	0	0	0	0
Total	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	16,843,000	16,843,000	16,286,328	(556,672)
Other financing sources (uses)				
Transfer to refunding escrow agent	0	0	0	0
Transfers in(out)	(16,843,000)	(16,598,015)	(16,578,871)	19,144
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	244,985	(292,543)	(537,528)
Fund balance, beginning	22,822	22,822	22,822	0
Fund balance, ending	\$22,822	\$267,807	(\$269,721)	(\$537,528)

**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, 2015**

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	17,319,000	17,319,000	17,097,008	(221,992)
Revenues from money and property	288,900	288,900	75	(288,825)
Total	17,607,900	17,607,900	17,097,083	(510,817)
Expenditures				
Capital	16,400,000	16,400,000	16,533,906	(133,906)
Total	16,400,000	16,400,000	16,533,906	(133,906)
Excess (Deficiency) of Revenues Over Expenditures	1,207,900	1,207,900	563,177	(644,723)
Other financing sources (uses)				
Transfers in(out)	(78,829)	(78,829)	(219,207)	(140,378)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,129,071	1,129,071	343,970	(785,101)
Fund balance, beginning	2,915,310	2,915,310	2,915,310	0
Fund balance, ending	\$4,044,381	\$4,044,381	\$3,259,280	(\$785,101)
7 Cent Gas Tax Fund				
Revenues				
Taxes and payments in lieu of taxes	\$1,950,000	\$1,950,000	\$2,056,227	\$106,227
Revenues from money and property	0	0	1,693	1,693
Total	1,950,000	1,950,000	2,057,920	107,920
Expenditures				
Operating	2,906,000	2,906,000	2,978,673	(72,673)
Total	2,906,000	2,906,000	2,978,673	(72,673)
Excess (Deficiency) of Revenues Over Expenditures	(956,000)	(956,000)	(920,753)	35,247
Other financing sources (uses)				
Transfers in(out)	956,000	956,000	956,000	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	0	35,247	35,247
Fund balance, beginning	157,958	157,958	157,958	0
Fund balance, ending	\$157,958	\$157,958	\$193,205	\$35,247

**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, 2015**

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Seizure Fund</u>				
Revenues				
Fines and forfeitures	\$0	\$0	\$397,702	\$397,702
Revenues from money and property	0	0	1,069	1,069
Total	0	0	398,771	398,771
Expenditures				
Operating	0	0	128,848	(128,848)
Total	0	0	128,848	(128,848)
Excess (Deficiency) of Revenues Over Expenditures	0	0	269,923	269,923
Other financing sources (uses)				
Transfers in(out)	0	0	(31,464)	(31,464)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	0	238,459	238,459
Fund balance, beginning	453,869	453,869	453,869	0
Fund balance, ending	\$453,869	\$453,869	\$692,328	\$238,459
<u>TIF 2 Fund</u>				
Revenues				
Taxes and payments in lieu of taxes	\$930,431	\$930,431	\$923,016	(\$7,415)
Revenues from money and property	0	0	0	0
Total	930,431	930,431	923,016	(7,415)
Expenditures				
Operating	0	0	46	(46)
Total	0	0	46	(46)
Excess (Deficiency) of Revenues Over Expenditures	930,431	930,431	922,970	(7,369)
Other financing sources (uses)				
Transfers in(out)	(909,429)	(909,429)	(909,429)	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	21,002	21,002	13,541	(7,369)
Fund balance, beginning	2,447	2,447	2,447	0
Fund balance, ending	\$23,449	\$23,449	\$15,988	(\$7,369)

**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, 2015**

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
TIF 3A Fund				
Revenues				
Taxes and payments in lieu of taxes	\$2,592,000	\$2,592,000	\$2,471,645	(\$120,355)
Revenues from money and property	0	0	0	0
Total	2,592,000	2,592,000	2,471,645	(120,355)
Excess (Deficiency) of Revenues Over Expenditures	2,592,000	2,592,000	2,471,645	(120,355)
Other financing sources (uses)				
Transfers in(out)	(1,491,271)	(1,491,271)	(1,491,271)	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,100,729	1,100,729	980,374	(120,355)
Fund balance, beginning	2,679,048	2,679,048	2,679,048	0
Fund balance, ending	\$3,779,777	\$3,779,777	\$3,659,422	(\$120,355)

TIF 4 Fund

Revenues				
Taxes and payments in lieu of taxes	\$1,169,699	\$1,169,699	\$1,188,620	\$18,921
Revenues from money and property	0	0	1,067	1,067
Total	1,169,699	1,169,699	1,189,687	19,988
Expenditures				
Operating	0	0	37	(37)
Total	0	0	37	(37)
Excess (Deficiency) of Revenues Over Expenditures	1,169,699	1,169,699	1,189,650	19,951
Other financing sources (uses)				
Transfers in(out)	(1,084,385)	(1,084,385)	(816,578)	267,807
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	85,314	85,314	373,072	287,758
Fund balance, beginning	220	220	220	0
Fund balance, ending	\$85,534	\$85,534	\$373,292	\$287,758

**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, 2015**

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
TIF 5 Fund				
Revenues				
Taxes and payments in lieu of taxes	\$544,924	\$544,924	\$495,431	(\$49,493)
Revenues from money and property	0	0	530	530
Total	544,924	544,924	495,961	(48,963)
Expenditures				
Capital	544,924	1,341,713	58,268	1,283,445
Debt Service	0	8,152,260	8,680,431	(528,171)
Total	544,924	9,493,973	8,738,699	755,274
Excess (Deficiency) of Revenues Over Expenditures	0	(8,949,049)	(8,242,738)	706,311
Other financing sources (uses)				
Long-term debt issued	0	0	8,328,637	8,328,637
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	(8,949,049)	85,899	9,034,948
Fund balance, beginning	240,833	240,833	240,833	0
Fund balance, ending	\$240,833	(\$8,708,216)	\$326,732	\$9,034,948
Grand Total - The Special Revenue Fund				
Revenues				
Taxes and payments in lieu of taxes	\$42,628,054	\$42,628,054	\$41,899,829	(\$728,225)
Fines and forfeitures	0	0	397,702	397,702
Revenues from money and property	288,900	288,900	5,476	(283,424)
Total	42,916,954	42,916,954	42,303,007	(613,947)
Expenditures				
Operating	2,906,000	2,958,091	3,107,613	(149,522)
Capital	16,944,924	17,741,713	16,592,174	1,149,539
Debt service	0	0	8,680,431	(8,680,431)
Total	19,850,924	20,699,804	28,380,218	(7,680,414)
Excess (Deficiency) of Revenues Over Expenditures	23,066,030	22,217,150	13,922,789	(8,294,361)
Other financing sources (uses)				
Long-term debt issued	0	0	8,328,637	8,328,637
Transfer to refunding escrow agent	0	0	0	0
Transfers in(out)	(20,729,914)	(20,484,929)	(20,369,820)	115,109
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	2,336,116	1,732,221	1,881,606	149,385
Fund balance, beginning	6,588,248	6,588,248	6,588,248	0
Fund balance, ending	\$8,924,364	\$8,320,469	\$8,469,854	\$149,385

**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, 2015**

	2014 Capital Improvments Special Revenue Fund			
	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$36,500,000	\$36,500,000	\$37,887,842	\$1,387,842
Revenues from money and property	0	0	122,925	122,925
Total revenues	36,500,000	36,500,000	38,010,767	1,510,767
EXPENDITURES				
Capital	89,473,000	55,774,866	20,090,131	35,684,735
Total expenditures	89,473,000	55,774,866	20,090,131	35,684,735
Excess of revenues over expenditures	(52,973,000)	(19,274,866)	17,920,636	37,195,502
OTHER FINANCING SOURCES (USES)				
Transfers in	0	0	0	0
Transfers out	0	0	0	0
Total other financing sources (uses)	0	0	0	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(52,973,000)	(19,274,866)	17,920,636	37,195,502
Fund balance, beginning	21,082,982	21,082,982	21,082,982	0
Prior period adjustment	0	0	0	0
Fund balance, ending	(\$31,890,018)	\$1,808,116	\$39,003,618	\$37,195,502

**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, 2014**

	Capital Improvments Special Revenue Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$0	\$0	\$161,222	\$161,222
Revenues from money and property	\$499,300	\$499,300	\$1,187,493	688,193
Intergovernmental	0	0	6,233,009	6,233,009
Gifts and donations	0	0	582,085	582,085
Other revenues	0	0	108,804	108,804
Total revenues	499,300	499,300	8,272,613	7,773,313
EXPENDITURES				
Capital	23,643,967	123,773,749	91,588,169	32,185,580
Debt service	0	590,308	621,319	(31,011)
Total expenditures	23,643,967	124,364,057	92,209,488	32,154,569
Excess of revenues over expenditures	(23,144,667)	(123,864,757)	(83,936,875)	39,927,882
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	23,350,000	23,350,000	61,390,000	(38,040,000)
Premium on debt issue	0	0	9,925,229	9,925,229
Transfer to debt escrow agent	0	0	0	0
Transfers in	22,598,360	22,598,360	25,288,986	2,690,626
Transfers out	(17,101,444)	(17,101,444)	(15,785,632)	1,315,812
Total other financing sources (uses)	28,846,916	28,846,916	80,818,583	51,971,667
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	5,702,249	(95,017,841)	(3,118,292)	91,899,549
Fund balance, beginning	71,422,747	71,422,747	71,422,747	0
Prior period adjustment	0	0	0	0
Fund balance, ending	\$77,124,996	(\$23,595,094)	\$68,304,455	\$91,899,549

**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, 2014**

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	\$20,707	\$20,707
Gifts and donations	0	0	120,000	120,000
Total revenues	0	0	140,707	140,707
EXPENDITURES				
Capital	0	2,326,217	2,139,819	186,398
Total expenditures	0	2,326,217	2,139,819	186,398
Excess of revenues over expenditures	0	(2,326,217)	(1,999,112)	327,105
OTHER FINANCING SOURCES (USES)				
Transfers in	0	0	0	0
Transfers out	0	0	(1,101,770)	(1,101,770)
Total other financing sources (uses)	0	0	(1,101,770)	(1,101,770)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	(2,326,217)	(3,100,882)	(774,665)
Fund balance, beginning	5,406,624	5,406,624	5,406,624	0
Fund balance, ending	\$5,406,624	\$3,080,407	\$2,305,742	(\$774,665)

**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, 2015**

Industrial Park Capital Projects Fund				
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from money and property	\$0	\$0	\$0	\$0
Other revenue	0	0	0	0
Total revenues	\$0	\$0	\$0	\$0
EXPENDITURES				
Capital	0	0	0	0
Total expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
OTHER FINANCING SOURCES (USES)				
Transfers in(out)	0	(827,257)	(827,257)	0
Total other financing sources (uses)	0	(827,257)	(827,257)	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	(827,257)	(827,257)	0
Fund balance, beginning	827,257	827,257	827,257	0
Fund balance, ending	\$827,257	\$0	\$0	\$0

**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, 2015**

	Debt Service Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
REVENUES				
Revenues from money and property	\$0	\$0	\$190	\$190
Intergovernmental	15,400,000	15,533,905	15,533,905	0
Total revenues	15,400,000	15,533,905	15,534,095	190
EXPENDITURES				
Debt service	56,056,202	55,151,008	54,411,100	739,908
Total expenditures	56,056,202	55,151,008	54,411,100	739,908
Excess of revenues over expenditures	(40,656,202)	(39,617,103)	(38,877,005)	740,098
OTHER FINANCING SOURCES (USES)				
Transfers in	40,381,918	39,617,102	38,875,046	(742,056)
Transfers out	0	0	0	0
Total other financing sources (uses)	40,381,918	39,617,102	38,875,046	(742,056)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(274,284)	(1)	(1,959)	(1,958)
Fund balance, beginning	7,656	7,656	7,656	0
Fund balance, ending	(\$266,628)	\$7,655	\$5,697	(\$1,958)

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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.	127
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.....	132
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.....	137
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.....	142
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.....	144

**CITY OF HUNTSVILLE
NET POSITION BY COMPONENT**

	2015	2014	2013 (b)	2012 (b)	2011 (b)	2010 (a)	2009 (a)	2008	2007	2006
Governmental activities										
Net investment in capital assets	\$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	\$662,489,220
Restricted	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	72,084,583
Unrestricted	(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)	(79,759,378)
Total net position	\$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	\$654,814,425
Business-type activities										
Net investment in capital assets	\$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	\$130,856,625
Restricted	0	554,023	6,858,123	14,820,632	9,998,784	10,802,923	12,046,366	0	0	0
Unrestricted	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	10,807,675
Total net position	\$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	\$141,664,300
Primary government										
Net investment in capital assets	\$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	\$793,345,845
Restricted	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	72,084,583
Unrestricted	(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)	(68,951,703)
Total primary government net position	\$734,237,141	\$915,545,664	\$1,000,969,996	\$988,572,410	\$1,022,835,710	\$1,008,758,039	\$1,014,543,337	\$848,545,928	\$833,914,352	\$796,478,725

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**

	2015	2014	2013 (c)	2012 (c)	2011 (c)	2010 (a)	2009 (a)	2008	2007	2006
Expenses										
Governmental activities:										
General government	\$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	\$18,899,918
Public safety	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	62,262,521
Public Services	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	89,603,382
Urban development	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	18,320,523
Intergovernmental assistance (a)	0	0	0	0	0	0	0	0	0	0
Interest on long-term debt	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	20,238,610
Unallocated depreciation	31,002,001	30,740,478	30,455,028	29,882,021	29,467,360	29,328,626	28,549,209	28,015,619	25,728,773	26,276,581
Total governmental activities expenses	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	235,601,535
Business-type activities:										
Water pollution control	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	20,899,980
Civic Center	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	8,475,896
Ice Complex	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	1,034,614
Total business-type activities expenses	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	30,410,490
Total primary government expenses	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	266,012,025
Program Revenues										
Governmental activities:										
Charges for services:										
General government	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	15,800,779
Public Safety	4,681,949	4,642,898	4,116,642	3,920,660	4,042,948	4,206,968	4,051,824	3,671,778	3,415,790	3,564,980
Public Services	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	15,216,215
Urban Development	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	4,507,747
Operating grants and contributions	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	8,555,901
Capital grants and contributions	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	8,112,379
Total governmental activities program revenues	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	55,758,001
Business-type activities:										
Charges for services:										
Water pollution control	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	30,434,720
Civic Center	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	5,330,606
Ice Complex	1,423,171	1,518,105	1,414,996	1,405,130	1,089,071	1,002,102	917,173	967,984	927,874	922,102
Operating grants and contributions	0	0	0	0	0	0	0	0	0	0
Capital grants and contributions	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	41,822
Total business-type activities program revenues	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	36,729,250
Total primary government program revenues	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	92,487,251
Net (expense) revenue										
Governmental activities	(294,476,234)	(363,075,536)	(233,136,929)	(260,333,351)	(228,325,251)	(226,446,959)	(254,956,248)	(214,726,522)	(191,637,392)	(179,843,534)
Business-type activities	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	6,318,760
Total primary government net expenses	(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)	(173,524,774)

**CITY OF HUNTSVILLE
CHANGES IN NET POSITION**

	2015	2014	2013 (c)	2012 (c)	2011 (c)	2010 (a)	2009 (a)	2008	2007	2006
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales & use taxes	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	114,580,803
Property taxes	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	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	35,719,573
Interest on Investments	450,481	672,898	775,306	1,124,316	969,805	798,035	1,116,673	6,150,108	7,979,874	6,253,502
Other	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	1,429,408
Gains (losses) on sales of assets	(304,271)	2,263,811	205,554	1,893,432	232,794	1,142,410	3,897,397	1,010,961	2,295,338	5,341,938
Extraordinary impairment loss	0	0	0	0	0	(27,067,437)	0	0	0	0
Transfers	(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)	(2,753,377)
Total governmental activities	276,914,091	256,493,496	226,790,647	228,697,560	213,388,437	197,821,622	220,284,189	219,882,608	218,924,620	200,807,354
Business-type activities										
Interest on Investments	63,140	73,467	86,299	48,846	44,439	70,160	102,738	404,992	547,624	238,851
Gains (losses) on sales of assets	0	0	0	0	0	0	30,000	0	0	0
Transfers	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	2,753,377
Total business-type activities	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	2,992,228
Total primary government	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	203,799,582
<u>Change in Net Position</u>										
Governmental activities	(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	20,963,820
Business-type activities	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	9,310,988
Total primary government	(\$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	\$30,274,808

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**

	2,015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Nonspendable	330,661	295,347	103,136	100,429	156,555	-	-	-	-	-
Restricted	459,360	494,593	336,926	244,449	211,399	-	-	-	-	-
Committed	3,978,387	2,384,910	622,963	417,977	2,940,666	-	-	-	-	-
Assigned	4,634,414	6,333,577	8,331,843	6,869,250	5,757,645	-	-	-	-	-
Unassigned	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	209,272
Unreserved	-	-	-	-	-	37,387,163	41,623,212	53,444,399	59,095,252	48,597,754
Total general fund	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	48,807,026
All other governmental funds										
Nonspendable	2,957,461	1,934,453	1,257,751	1,230,972	992,765	-	-	-	-	-
Restricted	87,154,198	76,162,879	76,162,879	124,922,741	73,184,953	-	-	-	-	-
Committed	32,691,643	30,615,652	30,615,652	37,375,254	42,403,656	-	-	-	-	-
Assigned	5,309,942	6,032,259	5,898,703	5,216,839	4,259,078	-	-	-	-	-
Unassigned	(236,961)	(362,755)	(236,855)	(1,102,991)	(182,686)	-	-	-	-	-
Reserved	-	-	-	-	-	55,597,074	76,818,638	63,566,881	54,246,282	9,453,684
Unreserved, reported in:										
Debt Service fund	-	-	-	-	-	3,449,602	3,412,682	3,232,744	3,350,116	3,234,567
Special revenue funds	-	-	-	-	-	(2,149,120)	(1,644,735)	1,351,011	31,720,227	26,197,393
Permanent funds	-	-	-	-	-	1,264,302	1,246,187	1,225,666	1,177,400	1,098,569
Capital project funds	-	-	-	-	-	88,159,398	28,143,542	38,361,839	57,887,452	67,383,192
Total all other governmental funds	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	107,367,405
Total fund balance	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	\$156,174,431

Source: Comprehensive annual financial reports.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Sales and Use Tax	\$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	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	41,977,292	41,090,211	39,075,002	39,691,873	39,795,787	39,451,787	38,537,905	37,537,970	37,319,663	35,633,301
Licenses and permits	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	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	4,744,704	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	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	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	2,922,892	3,125,381	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	1,831,703	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	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	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	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	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	18,806,466	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	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	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	2,149	849	17,087	15,804	21,546	13,304	11,449	53,471	52,789	73,236
Debt issuance costs	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	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	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	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	(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	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	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	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	232,957
Transfers in	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)	(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)	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	\$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	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	Huntsville										All Other	Total
			City Leasing	City Liquor	City Lodging	City Gasoline	City Wine	City Tobacco	State Gasoline	Utilities P.I.L.O.T.	T.V.A. P.I.L.O.T.	State Beverage		
2006	\$114,580,803	\$40,235,507	\$2,786,309	\$1,722,226	\$4,445,996	\$1,006,452	\$1,378,086	\$3,170,148	\$14,036,975	\$2,569,143	\$1,663,442	\$302,046	\$2,500,461	\$190,535,883
2007	\$125,723,726	\$43,153,397	\$2,970,016	\$1,831,422	\$5,351,353	\$1,067,227	\$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	\$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	\$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	\$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	\$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	\$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	\$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	\$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	\$2,920,756	\$2,665,032	\$7,560,909	\$1,235,379	\$1,212,139	\$3,437,782	\$16,647,075	\$2,881,380	\$1,674,900	\$223,136	\$1,321,669	\$277,782,861

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%

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	6.5	35.0	5.5	11.0	6.5	58.0
2007	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0
2008	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0
2009	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0
2010	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0
2011	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0
2012	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0
2013	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0
2014	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0
2015	6.5	22.0	6.5	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%

(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	Class 1		Class 2		Class 3		Penalties Assessed	Exempt Assessed	Class 4		Total Assessed	Total Actual	Assessed Value To Total Estimated Actual Value
	Assessed	Actual	Assessed	Actual	Assessed	Actual			Assessed	Actual			
October 1, 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%

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%

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	2015			2006		
	City Assessed Valuation	Rank	Percentage of Total Assessed Value	City Assessed Valuation	Rank	Percentage of Total Assessed Value
Toyota Motor Manufacturing Alabama	\$117,058,380	1	4.2%			
Generics International US Inc	\$27,408,320	2	1.0%			
Huntsville NYL LLC	\$23,954,860	3	0.9%			
Bell South Telecommunications Inc	\$21,042,500	4	0.8%	\$27,246,700	1	1.4%
BASF Catalysts LLC	\$17,969,640	5	0.6%			
IMI Huntsville LLC	\$16,963,100	6	0.6%			
ADTRAN Inc	\$16,966,760	7	0.6%			
Generics International US Inc	\$12,684,380	8	0.5%			
Crestwood Healthcare LP	\$12,461,620	9	0.4%	6,811,520	10	0.3%
Redstone Federal Credit Union	\$9,519,280	10	0.3%	\$7,996,400	8	0.4%
Colonial Realty LP				\$16,204,120	2	0.8%
Siemens VDO Automotive				\$11,236,380	3	0.6%
Engelhard Corp.				\$10,660,940	4	0.5%
Sanmina SCI Technology				\$8,831,320	5	0.4%
Inland Southeast Hsv LLC				\$8,414,300	6	0.4%
Parkway Place Limited				\$8,158,580	7	0.4%
Madison Square Assco LTD				\$7,719,700	9	0.4%
Top 10 subtotal	\$276,028,840		9.9%	\$113,279,960		5.7%
Other taxpayers	\$2,501,637,160		90.1%	\$1,862,520,040		94.3%
Totals	\$2,777,666,000		100.0%	\$1,975,800,000		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 Bonds	Capital Leases	Sewer System General Obligation Warrants	Sewer System Revenue Warrants	Capital Leases	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%	

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%	\$3,450
2015	\$496,159	\$64,980	\$561,139	Not available	Not available

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**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Debt limit	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	395,160,000
Total net debt applicable to limit	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	259,259,048
Legal debt margin	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	135,900,952
Total net debt applicable to limit as a percentage of debt limit	49.9%	55.2%	50.8%	53.7%	51.8%	59.2%	50.3%	50.6%	61.0%	65.6%

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

Assessed value of real and personal property, October 1, 2014 (a)

\$2,774,590,000

Debt limit - 20 percent of total assessed value

554,918,000

All outstanding debt of the City

\$689,568,320

Less those portions not chargeable to the debt limit:

Lease revenue bonds of the Public Building Authority

59,490,000

Debt payable from other revenues:

General obligation sewer warrants

64,980,582

Sewer revenue warrants

27,485,000

Private placement revenue warrants

41,453,320

Warrants issued for schools

215,566,821

Total not chargeable

408,975,723

Total debt chargeable to debt limit

280,592,597

Less assets available for debt service

3,780,891 276,811,706

Legal debt margin

\$278,106,294

(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
COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

Jurisdiction	Net Debt Outstanding (a)	Percentage Applicable to City of Huntsville (b)	Amount Applicable to City of Huntsville
City of Huntsville	\$641,853,978	100.0%	\$641,853,978
Madison County	13,258,961	67.6%	<u>\$8,963,058</u>
Total			<u><u>\$650,817,036</u></u>

(a) City of Huntsville net debt outstanding includes all general obligation debt, revenue-backed debt and revenue bonds of the Public Building Authority financed with general government revenues, less amounts available for debt service in the various funds. It does not include general obligation and other debt serviced with resources from proprietary funds. Outstanding includes face value and unamortized original issue premium/discounts.

(b) The Madison County percentage is the ratio of the assessed value of all taxable real and personal property, excluding motor vehicles, in the City (\$2,572,072,020) for 22 mills of city school district taxes, to the assessed value of all taxable real and personal property, excluding motor vehicles, in Madison County (\$3,965,421,840) for 5.5 mills of county school district taxes. All data as of the most recently released tax abstract (October 1, 2014).

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
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

(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	188,226	\$18,992,753	\$43,059	5.0%

(a) The data is based on the most recent Federal Census, as updated for annual average 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	2015			2011		
	Number of Employees	Rank	Percentage of Total Labor Force	Number of Employees	Rank	Percentage of Total Labor Force
US Army/Redstone Arsenal	18,270	1	8.7%	17,400	1	8.3%
Huntsville Hospital System	6,341	2	3.0%	6,280	2	3.0%
NASA/Marshall Space Flight Center	4,615	3	2.2%	4,260	3	2.0%
The Boeing Co	2,600	4	1.2%	2,600	4	1.2%
SAIC(Science Applications Internation Corp)	2,277	5	1.1%	2,242	5	1.1%
Camber Corporation	2,125	6	1.0%			
ADTRAN, INC	1,549	7	0.7%	1,740	6	0.8%
Technicolor / CINRAM, INC	1,450	8	0.7%	1,450	9	0.7%
PAR	1,350	9	0.6%			
Intergraph Corporation	1,325	10	0.6%	1,325	10	0.6%
Sanmina-SCI Corporation				1,578	7	0.8%
Teledyne Brown Engineering				1,530	8	0.7%
Total Employees of 10 Principal Employers	41,902		19.8%	40,405		19.2%
Employees of Other Employers	168,840		80.2%	169,759		80.8%
Total Civilian Labor Force	210,742		100.0%	210,164		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	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government										
Administration	12	13	12	12	13	15	15	11	16	15
City Council	8	8	10	10	10	10	10	10	10	10
Clerk-Treasurer	18	18	18	18	18	18	18	18	18	20
Finance	33	31	33	33	33	31	31	31	28	28
Human Resources	13	13	13	13	13	13	13	13	11	11
I.T.S.	48	48	47	47	47	46	46	47	42	40
Legal	16	16	16	16	16	16	16	17	17	16
Total	148	147	149	149	150	149	149	147	142	140
Public Safety										
Animal Services	31	28	28	28	28	28	28	28	27	27
EMA	9	9	9	9	9	9	9	9	8	8
Fire and Rescue	396	395	395	400	387	377	377	354	343	340
Municipal Court	48	48	48	47	46	48	48	48	46	46
Police	632	632	628	628	628	629	613	615	603	596
Total	1,116	1,112	1,108	1,112	1,098	1,091	1,075	1,054	1,027	1,017
Public Services										
Cemetery	12	24	24	23	23	24	24	24	22	22
General Services	53	64	63	81	83	90	90	86	79	79
Projects Management	0	0	0	0	0	0	0	9	7	7
Fleet Services	46	47	47	47	49	52	35	34	33	33
Parks & Recreation	191	185	185	182	181	180	172	172	172	172
Landscape Management	133	132	232	232	190	229	229	225	255	253
Parking	54	54	54	54	54	55	55	55	55	55
Public Transportation	75	73	73	67	68	68	68	68	43	43
Public Works	246	245	246	258	256	287	268	272	287	284
Water Pollution Control	125	124	124	123	123	123	123	120	115	113
Total	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	40	40	40	40	42	42
Engineering	46	45	45	45	45	47	48	49	49	70
Inspection	29	29	28	28	28	28	28	28	30	28
Natural Resources	7	7	7	7	7	7	7	7	7	7
Planning	45	47	46	47	45	43	43	43	39	36
Traffic Engineering	39	39	39	39	38	33	34	31	29	0
Total	210	211	209	210	203	198	200	198	196	183
Total for all departments	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	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public Safety										
Fire and Rescue	19	18	17	17	16	16	16	16	16	16
Number of fire stations	3/9	3/9	3/9	3/9	3/9	4/9	4/9	3/9	3	3
Fire insurance rating	17,021	16,587	15,036	14,418	14,749	21,279	20,689	21,442	23,472	22,675
Number of calls answered	5,715	4,829	5,464	4,928	4,540	5,438	5,250	5,375	4,500	3,900
Inspections										
Police	4	4	4	4	4	4	4	4	4	4
Number of police stations	12,371	13,040	12,499	11,253	11,849	15,045	14,179	13,625	14,020	13,148
Physical arrests	10,469	10,535	9,674	11,870	11,645	13,472	13,586	16,587	15,392	9,631
Parking violations	39,908	44,256	33,488	31,508	33,280	43,906	42,173	37,932	31,554	37,792
Traffic violations										
Public Services										
Recreation Services										
Admissions to Aquatic Facilities	100,011	99,180	101,992	101,091	87,562	86,058	87,009	99,440	88,194	78,546
Participants in Community Center programs	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	5,836	5,883	5,730	6,062	6,438	6,573	6,771	6,709	7,246	7,829
Participants in Adult Athletic programs	1,954	3,084	3,853	6,442	5,897	6,263	6,282	6,684	4,678	4,357
Number of parks	64	63	62	62	62	63	63	63	63	60
Baseball fields	48	48	48	50	49	57	57	57	57	57
Softball fields	48	48	48	42	41	41	41	41	41	41
Soccer fields & Multi-purpose fields	41	41	41	59	58	50	50	50	50	50
Football fields	2	2	2	2	2	4	4	4	4	4
Golf courses	1	1	1	1	1	1	1	1	1	1
Tennis courts	56	56	55	66	53	66	66	65	65	59
Recreation centers	12	13	13	13	13	12	11	11	11	11
Enclosed swimming pools	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (Beginning 2011 - Lane Miles)	38,932	38,402	38,046	37,816	36,573	34,23	2,960	2,684	2,684	2,654
Street lights	22,535	22,410	22,169	21,923	21,890	21,820	21,720	20,631	20,631	19,762
Signalized street intersections	369	366	359	356	350	350	310	300	300	288
Controlled intersections	11,648	11,620	11,553	11,540	11,500	11,250	11,000	10,850	10,850	10,606
Major storm sewers (miles)	1,346	1,346	1,411	1,404	892	892	892	892	892	785
Potholes repaired	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)	286	267	266	258	240	236	232	229	227	222
Trash collected (tons/day)	165	174	167	174	197	157	171	167	158	175
Water Pollution Control										
Avg daily sewage treatment(M gallon/day)	36,559	33,19	40,64	37,03	41,04	34,11	27,10	22,71	21,92	23,57
Sanitary sewers (miles)	1,430	1,420	1,365	1,365	1,290	1,290	1,260	1,260	1,260	1,200
Utilities										
New connections	1,312	850	889	1,107	752	648	191	228	359	357
Water main breaks	95	79	85	64	74	115	45	93	55	73
Average daily consumption (000 gallons)	40,518	38,406	37,364	41,347	40,216	41,508	37,674	42,010	46,124	41,098
Water meters in use	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

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