

# **CITY OF HUNTSVILLE, ALABAMA**



# **HUNTSVILLE**

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Tommy Battle  
Mayor

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT 2017**

**Fiscal Year Ended  
September 30, 2017**

**Prepared by  
Finance Department**

# City of Huntsville

## Comprehensive Annual Financial Report

SEPTEMBER 30, 2017

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# City of Huntsville

## Comprehensive Annual Financial Report

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# **INTRODUCTORY SECTION**



# HUNTSVILLE

Tommy Battle  
Mayor

June 29, 2018

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, 2017, is hereby presented to you. This report has been prepared to summarize the financial results of the City's operations in 2017, and to help you understand its financial condition.

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

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

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 15.

## **Profile of the Government**

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

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

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

The annual budget serves as the foundation for the City's financial planning and control. The Mayor is required to submit a budget proposal to the City Council for most of the City's departments and funds by September 1 of each fiscal year. The Council, after public comment and evaluation, must adopt a balanced operating budget by the beginning of the fiscal year each October 1. The budget is adopted by fund, department (e.g. urban development), division (e.g. engineering), activity (personnel, operating and capital), and object (e.g. salaries). For funds which include the City's operating departments (e.g. General Fund), the Mayor and department heads are authorized to make budget transfers within departments' objects, but the Council must approve transfers between activities and funds. Comparisons of department and fund budgets to actual amounts are provided in this report for major funds beginning on page 33, in more expansive detail for the General Fund beginning on page 108, and for The Special Revenue Fund and the remaining nonmajor funds beginning on page 121.

## **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 has continued to strengthen its financial position through 2017, as it has ever since the last national recession ending in 2010. An important factor that has helped the City managing through both prosperous and 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 is a positive sign for local business conditions. The median family income of Huntsville residents still exceeds national and state figures.

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

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

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

- 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.
- Polaris built 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. The \$142 million dollar facility opened in the second quarter of 2016 and created at least 1,700 new jobs.
- In April of 2015 work began on a mixed-use project called CityCentre at Big Spring, in the heart of downtown. Phase I will include a new-to-market boutique hotel, 31,000 square feet of retail stores and restaurants, 53,000 square feet of office loft space and 200 multi-family apartments.
- In 2016 work began on a mixed-use project called MidCity. An amenity-rich, walkable, mixed-use development replacing a declining regional mall. Phase I includes a boutique hotel, multiple restaurants, living space, office space and family entertainment such as TopGolf and Dave and Busters.

2017 was another successful year for Huntsville with regard to attracting new industrial development and jobs. Companies in Huntsville announced around 6,000 new jobs from existing and new industries and an estimate of \$2,245,000,000 in capital expansion. Major economic development announcements for 2017 included:

- Google Fiber brought its services to Huntsville, making it just the 10<sup>th</sup> US City to receive the service. Google Fiber is the first of possibly many ISPs to lease excess dark fiber on a planned Huntsville Utilities-constructed network. This open architecture model is open to any ISP looking to tap into residents and businesses within the Huntsville Utilities/City of Huntsville footprint. The Rocket City is now a Gig City.
- Boeing, the world's largest aerospace company and leading manufacturer of commercial jetliners and defense, space and security systems, expanded its presence in Huntsville creating 400 jobs and investing \$70 million in the total capital expenditures.

- Bocar, a global auto supplier, announced that it planned to construct a new \$115 million manufacturing facility in the Limestone County portion of Huntsville on Bibb Garrett Road which will bring over 300 jobs to the area with construction beginning in spring of 2018.
- Toyota Motor Corp and Mazda Motor Corp plan to make a capital investment of \$1.6 billion on a plant that will employ up to 4,000 workers
- AerojetRocketdyne, one of the world's leading rocket engine companies, announced plans to make Huntsville the Headquarters for its Defense Business Unit and broker ground on the 136,000 square-foot manufacturing facility in late 2017.
- Blue Origin, an American privately funded aerospace manufacturer and spaceflight services company, announced plans to make a \$200 million capital investment that will bring 350 jobs to the area.
- Israeli-based IT company High Sec Labs established a new U.S. presence with a facility in Huntsville. The company manufactures products for the data center industry.

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 has built or rebuilt \$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 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 2016 and 2017, for a variety of capital projects, and for work at Redstone Gateway, for which private developers are providing the financing, and for refinancing existing debt to take advantage of cash flow savings.

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 2018, 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 2017, 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 2017 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.

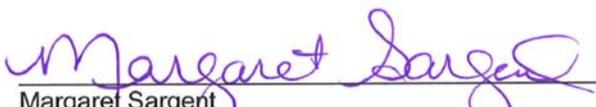
**Pension and other postemployment benefits.** The cost of providing benefits to City retirees is a significant commitment of current and future resources. There is a misperception that the State of Alabama provides financial assistance for these pension benefits through the Retirement Systems of Alabama, 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 beginning on page 79 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 Acknowledgement

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, 2016. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

Respectfully,

  
Margaret Sargent  
Director of Finance

  
Kenneth Benion  
Clerk-Treasurer



Government Finance Officers Association

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

Presented to

**City of Huntsville  
Alabama**

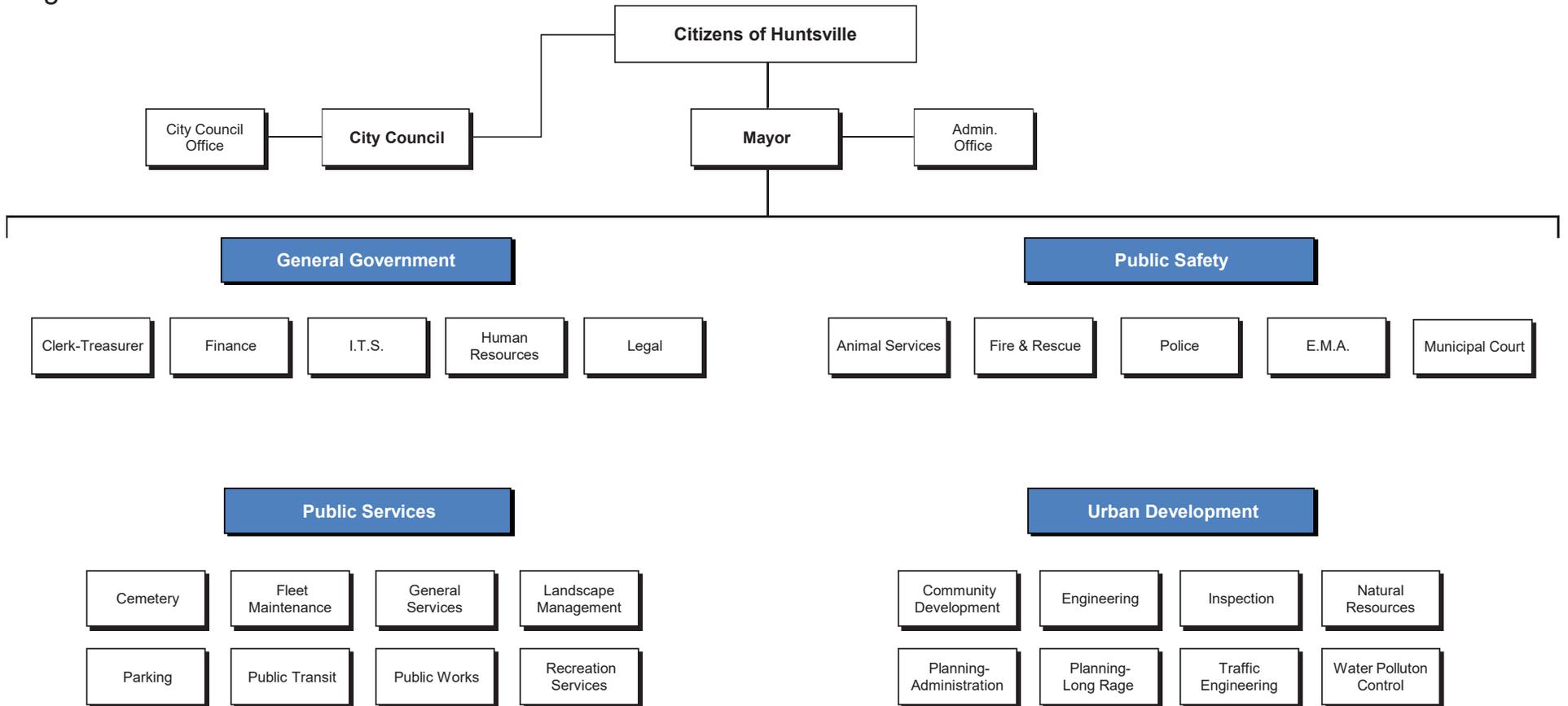
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

Executive Director/CEO

# City of Huntsville

## Organizational Structure



CITY OF HUNTSVILLE  
ELECTED OFFICIALS  
September 30, 2017

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MAYOR

Honorable Tommy Battle

TERM OF OFFICE

November 2016 – 2020

CITY COUNCIL MEMBERS

District 1 – Devyn Keith

Term Expires 2020

District 2 - Mark Russell

Term Expires 2018

District 3 - Jennie Robinson

Term Expires 2018

District 4 - Bill Kling

Term Expires 2018

District 5 - Will Culver

Term Expires 2020

# **FINANCIAL SECTION**

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## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Huntsville, Alabama (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Huntsville/Madison County Convention and Visitors Bureau, which is a component unit of the City, and the Huntsville Museum of Art - Board Special Revenue Fund were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Huntsville, Alabama, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, beginning on page 15, and the pension information and other post-employment benefit information beginning on page 100, 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedules of revenues, expenditures and changes in fund balance budgetary comparisons, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 June 29, 2018, on our consideration of the City of Huntsville, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Warren Averett, LLC*

Huntsville, Alabama

June 29, 2018

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## 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, 2017. We encourage readers to consider the information presented here and in the letter of transmittal at the front of this report, and the City's financial statements that follow.

### Financial Highlights

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

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

#### From the Government-Wide Financial Statements:

- The City's net position was \$769 million at the close of fiscal year 2017, an increase of \$12.1 million from 2016. The net position of the governmental activities increased by \$1.2 million and the net position of the business-type activities increased \$10.8 million.
- The unrestricted net position of the governmental activities are negative \$444 million, which means the City must meet its ongoing obligations to citizens and creditors from future revenues. The largest reasons for this negative unrestricted portion is related to the net pension and other post-employment benefits liabilities and debt incurred by the City to acquire assets for the Huntsville City School System.
- Total revenues of the governmental activities decreased \$17.3 million from 2016 to 2017, or 4.4 percent, and total expenses decreased \$5.2 million, or 1.4 percent.
- The City's business-type activities have a total net position of \$326 million, and \$23 million is unrestricted. Revenues of the business-type activities increased \$973 thousand in 2017, or 2.0 percent, and their expenses decreased \$757 thousand, or 1.8 percent.

#### From the Fund Financial Statements:

- As of September 30, 2017, the governmental funds reported a combined ending fund balance of \$241 million, an increase of \$17 million from the prior year, which included the following significant changes:
  - General Fund - \$3.8 million surplus.
  - The Special Revenue Fund – a \$1.2 million surplus.

- Capital Improvement Fund – a \$23.4 million deficit, because of planned capital expenditures exceeding normal revenues collected within the fund to fund capital projects which is attributable to planned capital expenditures within the fund.
- 2014 Capital Improvement Fund – a \$33.9 million surplus, due to continued collections on the new one percent sales and use tax levied in 2014, which will be spent in future years.
- Federal Building Authority (nonmajor special revenue fund) – a \$3.6 million deficit as the Gate 9 relocation project, which ramped up in late 2016, continued throughout 2017 spending down donations received in prior years.

More detailed information for each of the above is provided beginning on page 22.

- Of the \$241 million fund balance, \$199 million is restricted or has been allocated for certain purposes by the City Council, leaving a \$42 million balance (including \$24.9 million for General Fund contingencies).
- The General Fund has a fund balance of \$49.7 million which is \$24.8 million in excess of the City's stated reserve and, therefore, available for any purpose.
- The net change in the principal amount of the City's debt associated with governmental activities was an increase of \$16 million from 2016, representing \$108 million of new debt and \$92 million paid in principal or transferred to escrow agents for advance refundings on existing debt.

### Using this Annual Report

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

#### Reporting the City as a Whole

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

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

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

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

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

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

The government-wide financial statements can be found on beginning on page 28 of this report.

### Reporting the City's Funds

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

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

The first governmental fund financial statements appear beginning on page 30.

- 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 beginning on page 35.

### 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, beginning on page 39. 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 beginning on page 44.

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 104.

**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 \$769 million at the close of the most recent fiscal year, an increase of \$12.1 million. 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 \$42 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 less than unrestricted liabilities. This is caused by the items noted above and also in relation to the significant amount of liability required to be accrued in relation to the City's pension plan. This amount was \$189 million at the end of 2017.

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

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

**Net Position:**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 276,063,386	\$259,406,324	\$ 41,099,019	\$34,699,249	\$317,162,405	\$294,105,573
Capital assets	1,155,689,544	1,138,493,573	378,330,568	381,654,754	1,534,020,112	1,520,148,327
<b>Total assets</b>	<b>1,431,752,930</b>	<b>1,397,899,897</b>	<b>419,429,587</b>	<b>416,354,003</b>	<b>1,851,182,517</b>	<b>1,814,253,900</b>
<b>Deferred outflows of resources</b>	<b>57,752,077</b>	<b>47,754,816</b>	<b>4,813,195</b>	<b>3,974,155</b>	<b>62,565,272</b>	<b>51,728,971</b>
Long-term liabilities	1,000,076,646	963,957,751	93,646,036	101,360,139	1,093,722,682	1,065,317,890
Other liabilities	44,344,481	39,990,701	4,687,749	4,087,190	49,032,230	44,077,891
<b>Total liabilities</b>	<b>1,044,421,127</b>	<b>1,003,948,452</b>	<b>98,333,785</b>	<b>105,447,329</b>	<b>1,142,754,912</b>	<b>1,109,395,781</b>
<b>Deferred inflows of resources</b>	<b>2,157,443</b>	<b>-</b>	<b>188,539</b>	<b>-</b>	<b>2,345,982</b>	<b>-</b>
Net position:						
Net invest. in capital assets	845,513,121	942,884,115	302,449,760	296,962,340	1,147,962,881	1,239,846,455
Restricted	41,377,635	96,222,800	143,098	-	41,520,733	96,222,800
Unrestricted	(443,964,319)	(597,400,654)	23,127,600	17,918,489	(420,836,718)	(579,482,165)
<b>Total net position</b>	<b>\$ 442,926,437</b>	<b>\$ 441,706,261</b>	<b>\$ 325,720,458</b>	<b>\$ 314,880,829</b>	<b>\$ 768,646,895</b>	<b>\$ 756,587,090</b>

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

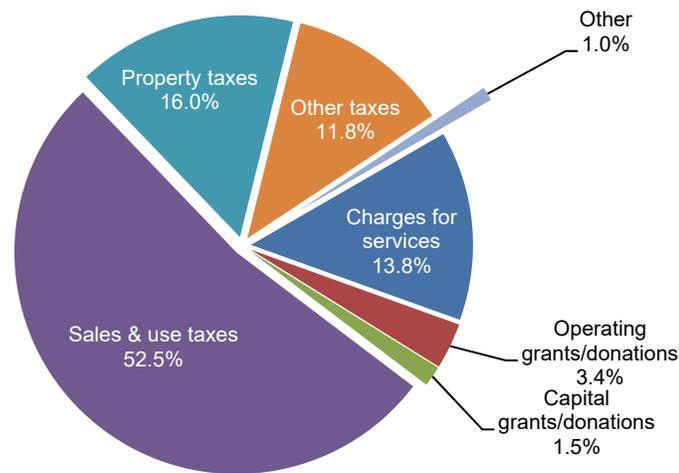
**Changes in Net Position:**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 51,430,089	\$ 49,350,480	\$ 50,191,023	\$ 49,236,844	\$ 101,621,112	\$ 98,587,324
Operating grants & contrib.	12,484,743	28,466,937	-	-	12,484,743	28,466,937
Capital grants & contrib.	5,524,756	14,359,350	9,090	-	5,533,846	14,359,350
General revenues:						
Sales taxes	195,327,025	190,546,050	-	-	195,327,025	190,546,050
Property taxes	59,604,053	57,850,973	-	-	59,604,053	57,850,973
Other taxes	43,967,500	45,203,819	-	-	43,967,500	45,203,819
Interest on investments	585,804	704,590	52,909	43,358	638,713	747,948
Other	2,270,298	1,478,946	-	-	2,270,298	1,478,946
Gains (losses) on sales of assets	863,000	1,350,500	-	-	863,000	1,350,500
<b>Total revenues</b>	<b>372,057,268</b>	<b>389,311,645</b>	<b>50,253,022</b>	<b>49,280,202</b>	<b>422,310,290</b>	<b>438,591,847</b>
<b>Expenses</b>						
General government	34,640,871	34,361,989	-	-	34,640,871	34,361,989
Public safety	101,454,111	89,867,060	-	-	101,454,111	89,867,060
Public services	144,445,066	164,347,739	-	-	144,445,066	164,347,739
Urban development	27,486,329	22,412,512	-	-	27,486,329	22,412,512
Interest on long-term debt	29,881,615	29,852,643	-	-	29,881,615	29,852,643
Unallocated depreciation	30,071,644	32,372,585	-	-	30,071,644	32,372,585
Water pollution control	-	-	27,991,809	29,173,955	27,991,809	29,173,955
Other	-	-	14,279,041	13,853,415	14,279,041	13,853,415
<b>Total expenses</b>	<b>367,979,636</b>	<b>373,214,528</b>	<b>42,270,850</b>	<b>43,027,370</b>	<b>410,250,485</b>	<b>416,241,898</b>
Net change before transfers	4,077,633	16,097,117	7,982,172	6,252,832	12,059,804	22,349,949
Transfers	(2,857,457)	(5,068,957)	2,857,457	5,068,957	0	-
<b>Change in net position</b>	<b>1,220,176</b>	<b>11,028,160</b>	<b>10,839,629</b>	<b>11,321,789</b>	<b>12,059,805</b>	<b>22,349,949</b>
Net position, beginning	441,706,261	430,678,101	314,880,829	303,559,040	756,587,090	734,237,141
<b>Net position, ending</b>	<b>\$ 442,926,437</b>	<b>\$ 441,706,261</b>	<b>\$ 325,720,458</b>	<b>\$ 314,880,829</b>	<b>\$ 768,646,895</b>	<b>\$ 756,587,090</b>

Governmental Activities:

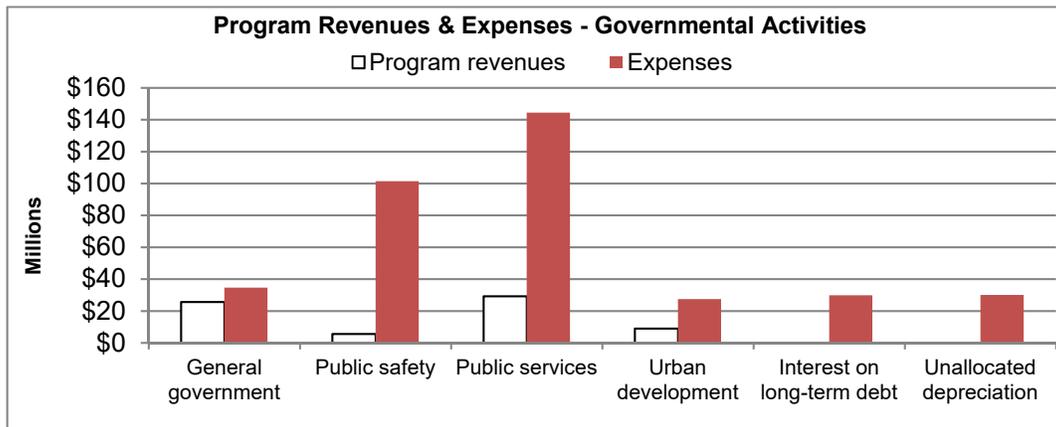
Total revenues from governmental activities were \$17.3 million less in 2017 compared to 2016, The majority of this decrease was a contribution received from the Schools in the prior year for purposes of debt service. Sales taxes continued to increase as the City continued to expand and move in positive directions. Total Sales taxes increased by \$4.8 million or 2.51%. This was also seen in property taxes as they increased \$1.8 million or 3.03% from 2016 to 2017. Other taxes did decrease slightly (\$1.2 million or 2.73%) which was mainly due to a decrease in the payments in lieu of taxes as all other tax types in this classification remained fairly consistent.

Revenues from governmental activities can be illustrated as follows:



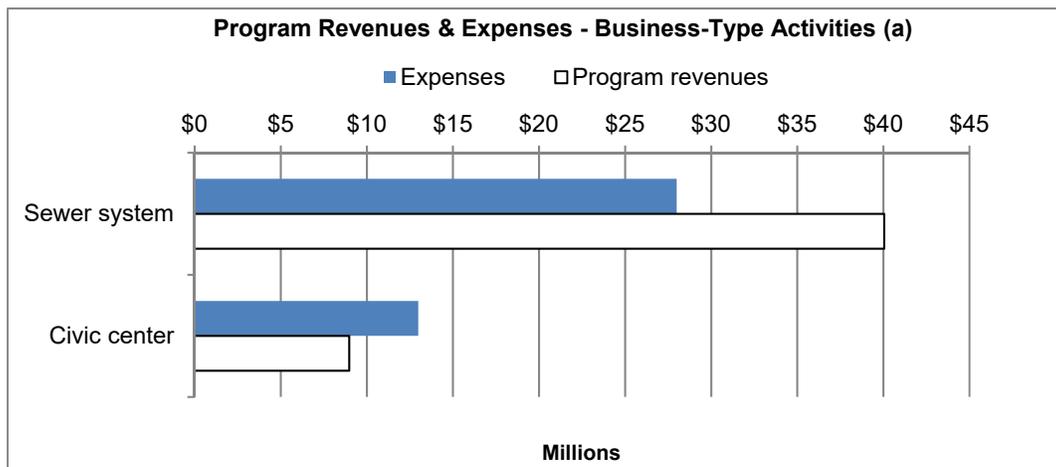
Expenses were \$5.2 million lower in 2017 with most increases and decreases to functional expenses netting out with one another. The largest changes were a decrease of \$19.9 million in Public Services for operations and capital expenditures which was primarily attributable to a transfer to the Huntsville City Schools in the prior year which did not reoccur in 2017, and \$11.6 million in Public Safety mainly related to the allocations of pension and other post-employment expenses to this function in relation to other functions of the City. Public Safety and Urban Development expenses varied with fluctuations mainly being related to project specific items within each category and the mix of depreciation allocated to each category as well as an increase in the overall allocation of pension and other post-employment benefit expenses across functional expenses.

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



**Business-Type Activities:**

Total revenues increased \$973 thousand, or 1.97%. This was primarily attributable to the one major proprietary fund, the Water Pollution Control Fund, which increased by \$1 million, with this being slightly offset by a net decrease in the nonmajor proprietary funds. Expenses for all activities decreased \$757 thousand, or 1.76%.



(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, 2017, was \$240 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.	\$3,765,313
Restricted – amounts that are restricted for specific purposes by federal or state law, or contractual obligations.	41,377,635
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.	147,064,933
Assigned - amounts based on the City's intent to use them for certain purposes, including positive fund balances of the entities managed by City Council-appointed boards.	6,307,031
Unassigned - amounts that cannot be classified otherwise, including certain fund balances of the Board-managed entities and the 11.5% contingency reserve of the General Fund.	<u>42,339,378</u>
<b>Total</b>	<b><u><u>\$240,854,290</u></u></b>

More detail concerning the above fund balances may be found on page 74. The total fund balances of the governmental funds increased \$16.7 million in 2017, 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 2017 highlights were:

- The budgeting process for the General Fund continued to change as in the prior year as many revenues collected for special purposes, such as capital improvements, schools, etc. that were previously captured within the General Fund were shifted to other funds such as the Capital Improvement Fund and the 2014 Capital Improvement fund. This was not as dramatic of a change as in the prior year and, for that reason, there were not significant variances as in the prior year for comparative purposes.
- The fund balance of the General Fund increased \$3.8 million in 2017, to \$49.7 million at year-end, which includes a \$43.5 million unassigned balance, although \$24.9 million of this amount is held for contingencies.
- The original revenue budget was \$212 million and expenditures were \$198 million, with a \$3.5 million planned surplus. Significant changes were made to the budget totaling \$6.8 million (see page 33), so the final budget reflected a \$3.3 million deficit.
- Actual revenues were \$3.4 million more than the final revenue budget, and the significant deviations from the budget were as follows:

	<u>Over (Under)</u> <u>Budget</u>
Sales/use taxes – .86% more than budget	\$898,957
Property taxes – 2.91% more than budget	499,833
Other taxes – 1.86% more than budget	749,463
Licenses and permits – 7.95% more than budget	1,950,474
Revenue from money and property – 60.62% more than budget	775,852
All other accounts - none individually significant	<u>(1,496,087)</u>
<b>Total</b>	<b><u><u>\$3,378,492</u></u></b>

- Actual expenditures were \$8.1 million less than the final budget, and the significant deviations from the budget were as follows:

	(Over) Under Budget
Finance department expenditures – amounts expected for the remaining components of the ERP system not fully implemented	\$863,611
Information Technology Services expenditures - for communication software and IT equipment	684,215
Legal expenditures – related to lowering operating costs vs. prior years	819,736
Police department expenditures – related to open positions and overall operating costs related to open positions	1,453,814
General Service expenditures – higher operating costs offset with park improvements moved to capital funds	502,614
Parks and Recreation – Related mainly to hiring of personnel being less than expected	869,295
Public Transit expenditures – lower grant expenditures in the current year	1,084,258

**Capital Improvement Fund – reported a \$23.3 million decrease**, primarily because of the spend down of 2016 warrants which were accumulated in the prior year and continued taxes intended for capital use. There was additional debt incurred in the current year. A significant portion of this debt was for refunding of existing debt in order to take advantage of interest rate variances which will create a positive cash flow variance over the remaining terms of the debt used for refunding. Another portion of the debt issued was in accordance with planned capital spending in relation to the City’s overall capital plan. Generally, the fund will report an increase when new debt issued is more than the spending of such in subsequent years.

**2014 Capital Improvement Fund – reported a \$33.9 million increase**, due to continued collections of the one percent sales/taxes initiated in 2014. The amounts of these funds received in the current year exceed expenditures on allowable capital and economic development projects. The remaining funds and future collections will continue to support capital and economic development projects in future years.

Proprietary Funds

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

The net position of the enterprise funds increased \$10.8 million in 2017. The Water Pollution Control Fund net position increased \$12.1 million from operations; operating revenues increased \$1.1 million and operating expenses decreased \$1.1 million. The overall change in net position is \$2.3 more than 2016 primarily attributable to the increase revenues from sewer services and a decrease in personnel, operations and maintenance expenses. A significant amount of the unrestricted net position, including the 2017 surplus, is budgeted for ongoing system capital improvements.

The Von Braun Center Fund net position decreased \$3.9 million from operations. While operating revenues and liquor/lodging tax transfers from the General Fund both decreased significantly in 2017, overall personnel, operations and maintenance expenses increased by \$213 thousand. As noted in prior years, the depreciation expense of \$2.5 million is not covered by normal revenue and transfers from the City’s General fund 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

Variiances between General Fund budget and actual amounts as detailed further in the supplementary schedules, and the net differences between the original and final budget is summarized below. An amount shown in the "Net Change to Budget" column was an increase or (decrease) in the net budget.

	<u>Net Change to Budget</u>
Re-appropriation of ERP system project	\$1,220,732
Increase in amounts paid out from lodging tax collections	1,189,995
Increase for SCBA laundry grant	459,742
Increase for Special Appropriation to Sports Commission	120,000
Increase for Special Appropriation to Convention and Visitors Bureau	493,927
	<hr/>
<b>Total change</b>	<b><u>\$3,484,396</u></b>

Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for governmental and business-type activities as of September 30, 2016, totals \$1.5 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, curbs and gutters, streets and sidewalks, greenways, drainage and sewer systems. Total capital assets increased \$13.9 million in 2017 - \$71.4 million of net additions less \$57.5 million of depreciation.

The largest capital acquisitions during the year were as follows:

<u>Purchased by the City</u>	
WPC various sewer line rehabilitation	\$6,864,148
Excavators and other various large equipment for WPC	1,003,007
Mid-City Land purchase	11,016,850
Enforcer Fire Pump Trucks	3,600,824
Progress on construction of Natatorium	10,699,417
Progress on downtown gateway construction	2,185,583

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

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Land	\$ 107,625,874	\$ 94,250,825	\$ 7,785,116	\$ 7,785,116	\$ 115,410,990	\$ 102,035,941
Construction in process	61,145,098	68,856,278	682,507	258,912	61,827,605	69,115,190
Land improvements	27,270,355	19,945,901	-	-	27,270,355	19,945,901
Buildings and improvements	184,418,154	165,892,110	364,660,077	369,106,680	549,078,231	534,998,790
Infrastructure	744,346,921	763,956,012	-	-	744,346,921	763,956,012
Other	30,883,142	25,592,447	5,202,868	4,504,046	36,086,010	30,096,493
<b>Total</b>	<b>\$ 1,155,689,544</b>	<b>\$ 1,138,493,573</b>	<b>\$ 378,330,568</b>	<b>\$ 381,654,754</b>	<b>\$ 1,534,020,112</b>	<b>\$ 1,520,148,327</b>

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

**Long-term debt.** As of September 30, 2017, the City had \$784 million of long-term debt outstanding. Of this amount, \$660 million is debt backed by the full faith and credit of the City, and \$124 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	
	2017	2016	2017	2016	2017	2016
General obligation warrants	\$ 607,046,393	\$ 595,632,477	\$ 52,608,609	\$ 55,947,525	\$ 659,655,002	\$ 651,580,002
Revenue warrants	50,201,758	45,609,783	16,835,000	22,260,000	67,036,758	67,869,783
Lease revenue bonds	57,310,000	57,310,000	-	-	57,310,000	57,310,000
<b>Total</b>	<b>\$ 714,558,151</b>	<b>\$ 698,552,260</b>	<b>\$ 69,443,609</b>	<b>\$ 78,207,525</b>	<b>\$ 784,001,760</b>	<b>\$ 776,759,785</b>

In 2017, the City issued \$111 million of debt of which \$75 million was used to advance refund older debt issues to take advantage of costs savings over the life of new terms. The remaining \$36 million was used to fund various capital projects within the City. The City paid \$30 million towards principal of general obligation warrants of governmental activities and \$8.7 million and \$9 million towards principal of general obligation and sewer revenue warrants of the business-type activities, respectively, in 2017.

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, 2017, the City's allocable debt outstanding was \$105 million less than the legal debt limit.

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

#### 2018 Budget

The Mayor and City Council considered many factors when developing the fiscal year 2018 budget. Huntsville's revenues were affected by the national recession in past years such that reductions in expenditures and capital projects were necessary. Although the City has recovered and is no longer considered in a recession, the more conservative revenue approach adopted during that time has carried over for the past few years. A 2018 General Fund recurring revenue budget of \$240.9 million was adopted, which is \$24.1 million, or 10.0% more than 2017 actual recurring revenues. Expenditures in the 2018 budget were balanced within revenues. As of May 30, 2018, 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](mailto:HsvFinance@huntsvilleal.gov). This report and other City financial information is available on the City's website at [www.huntsvilleal.gov/finance](http://www.huntsvilleal.gov/finance).

## BASIC FINANCIAL STATEMENTS

**CITY OF HUNTSVILLE  
STATEMENT OF NET POSITION  
September 30, 2017**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash & investments, at cost	\$ 232,741,074	\$ 6,984,486	\$ 239,725,560	\$ 90,643,317
Receivables (net of allowances)	26,490,249	4,210,252	30,700,501	58,528,063
Due from governmental entities	2,815,469	-	2,815,469	-
Inventories	202,650	640,500	843,150	14,821,663
Prepaid items	542,218	355,857	898,075	183,344
Internal balances	(28,907,924.00)	28,907,924.00	-	-
Restricted assets:				
Cash & investments, at cost	42,179,650	-	42,179,650	106,519,884
Capital assets:				
Land, collections and construction in process	168,770,972	8,467,623	177,238,595	93,115,335
Other assets, net of accum. depreciation	986,918,572	369,862,945	1,356,781,517	592,696,923
Other assets:				
Regulatory asset - bond issuance costs	-	-	-	1,342,051
<b>Total assets</b>	<b>1,431,752,930</b>	<b>419,429,587</b>	<b>1,851,182,517</b>	<b>957,850,580</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Losses on debt refundings	24,396,617	1,878,243	26,274,860	2,399,818
Differences between expected and actual experience in relation to net pension liability valuation	-	-	-	-
Differences in projected and actual earnings on pension plan instruments	-	-	-	-
Pension contributions subsequent to measurement date	33,355,460	2,934,952	36,290,412	13,734,740
<b>Total deferred outflows of resources</b>	<b>57,752,077</b>	<b>4,813,195</b>	<b>62,565,272</b>	<b>16,134,558</b>
<b>LIABILITIES</b>				
Accounts payable	14,471,424	1,667,897	16,139,321	47,749,585
Accrued liabilities	20,905,596	1,122,485	22,028,081	10,592,614
Contract retainages	6,485,189	-	6,485,189	-
Due to governmental entities	348,005	-	348,005	-
Unearned revenue	261,754	1,897,367	2,159,121	8,802,843
Other	1,872,513	-	1,872,513	-
Liabilities payable from restricted assets:				
Other	-	-	-	2,317,612
Noncurrent liabilities				
Due within one year	37,262,756	8,210,916	45,473,672	6,845,000
Due in more than one year	962,813,890	85,435,120	1,048,249,010	338,060,109
<b>Total liabilities</b>	<b>1,044,421,127</b>	<b>98,333,785</b>	<b>1,142,754,912</b>	<b>414,367,763</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension plan investment earnings (losses)	2,157,443	188,539	2,345,982	85,800
<b>Total deferred inflows of resources</b>	<b>2,157,443</b>	<b>188,539</b>	<b>2,345,982</b>	<b>85,800</b>
<b>NET POSITION</b>				
Net investment in capital assets	845,513,121	302,449,760	1,147,962,881	466,711,384
Restricted for:				
Capital projects	25,519,363	143,098	25,662,461	248,703
City schools	4,571,417	-	4,571,417	-
Debt service	5,938,458	-	5,938,458	-
Other	5,348,397	-	5,348,397	61,220,298
Unrestricted	(443,964,319)	23,127,600	(420,836,718)	31,351,190
<b>Total net position</b>	<b>\$ 442,926,437</b>	<b>\$ 325,720,458</b>	<b>\$ 768,646,895</b>	<b>\$ 559,531,575</b>

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2017**

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) & Changes in Net Position			Component Units
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
<i>Governmental activities</i>								
General government	\$ 34,640,871	\$ 24,055,896	\$ -	\$ 1,561,161	\$ (9,023,814)	\$ -	\$ (9,023,814)	\$ -
Public safety	101,454,111	4,122,334	1,432,981	2,318	(95,896,478)	-	(95,896,478)	-
Public services	144,445,066	19,410,439	7,843,535	2,030,058	(115,161,034)	-	(115,161,034)	-
Urban development	27,486,329	3,841,420	3,208,227	1,931,219	(18,505,463)	-	(18,505,463)	-
Interest on long-term debt	29,881,615	-	-	-	(29,881,615)	-	(29,881,615)	-
Unallocated depreciation	30,071,644	-	-	-	(30,071,644)	-	(30,071,644)	-
<b>Total governmental activities</b>	<b>367,979,636</b>	<b>51,430,089</b>	<b>12,484,743</b>	<b>5,524,756</b>	<b>(298,540,048)</b>	<b>-</b>	<b>(298,540,048)</b>	<b>-</b>
<i>Business-type activities</i>								
Water pollution control	27,991,809	40,049,926	-	9,090	-	12,067,207	12,067,207	-
Civic center	12,989,031	8,980,112	-	-	-	(4,008,919)	(4,008,919)	-
Ice complex	1,290,010	1,160,985	-	-	-	(129,025)	(129,025)	-
<b>Total business-type activities</b>	<b>42,270,850</b>	<b>50,191,023</b>	<b>-</b>	<b>9,090</b>	<b>-</b>	<b>7,929,263</b>	<b>7,929,263</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 410,250,485</b>	<b>\$ 101,621,112</b>	<b>\$ 12,484,743</b>	<b>\$ 5,533,846</b>	<b>(298,540,048)</b>	<b>7,929,263</b>	<b>(290,610,785)</b>	<b>0</b>
<b>Component Units</b>								
All	\$ 552,258,665	\$ 567,304,310	\$ -	\$ 3,886,797	-	-	-	18,932,442
<b>Total component units</b>	<b>\$ 552,258,665</b>	<b>\$ 567,304,310</b>	<b>\$ -</b>	<b>\$ 3,886,797</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,932,442</b>
General Revenues								
Sales & use taxes					195,327,025	-	195,327,025	-
Property taxes					59,604,053	-	59,604,053	-
Other taxes					43,967,500	-	43,967,500	593,388
Interest on investments					585,804	52,909	638,713	141,559
Other					2,270,298	-	2,270,298	2,144,026
Gain (loss) on sales of assets					863,000	-	863,000	1,529,301
Transfers					(2,857,457)	2,857,457	0	-
<b>Total general revenues &amp; transfers</b>					<b>299,760,224</b>	<b>2,910,366</b>	<b>302,670,590</b>	<b>4,408,274</b>
<b>Change in net position</b>					<b>1,220,176</b>	<b>10,839,629</b>	<b>12,059,805</b>	<b>23,340,716</b>
Net position, beginning					441,706,261	314,880,829	756,587,090	536,190,859
<b>Net position, ending</b>					<b>\$ 442,926,437</b>	<b>\$ 325,720,458</b>	<b>\$ 768,646,895</b>	<b>\$ 559,531,575</b>

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
September 30, 2017**

	General Fund	Debt Service	The Special Revenue	Capital Improvements	2014 Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash & investments, at cost	\$ 81,464,602	\$ 4,359	\$ 9,672,323	\$ 38,475,800	\$ 86,561,564	\$ 16,562,426	\$ 232,741,074
Receivables (net of allowances)							
Accounts	14,277,609	-	1,635,754	4,263,549	3,420,237	686,114	24,283,263
Notes	-	-	-	-	-	2,145,030	2,145,030
Accrued interest	-	-	-	-	-	61,956	61,956
Due from other funds	99,560,211	-	6,073,304	51,229,163	13,034,137	1,511,630	171,408,445
Due from governmental entities	1,088,425	-	-	1,354,392	-	372,653	2,815,470
Restricted assets:							
Cash & investments, at cost	-	-	16,660,287	25,519,363	-	-	42,179,650
Inventories	133,744	-	-	-	-	68,906	202,650
Prepaid items	373,654	-	-	-	-	168,564	542,218
<b>Total assets</b>	<b>\$ 196,898,245</b>	<b>\$ 4,359</b>	<b>\$ 34,041,668</b>	<b>\$ 120,842,267</b>	<b>\$ 103,015,938</b>	<b>\$ 21,577,279</b>	<b>\$ 476,379,756</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts payable	\$ 5,926,493	\$ -	\$ 2,113,925	\$ 4,618,258	\$ 1,525,833	\$ 286,913	\$ 14,471,422
Accrued liabilities	9,025,976	-	-	-	-	452,339	9,478,315
Contract retainages	4,904,367	-	109,870	1,285,143	185,809	-	6,485,189
Due to other funds	124,564,835	898,680	23,632,515	49,125,314	-	2,095,027	200,316,370
Due to governmental entities	348,005	-	-	-	-	-	348,005
Unearned revenue	40,874	-	-	-	-	220,880	261,754
Other	1,872,513	-	-	-	-	-	1,872,513
<b>Total liabilities</b>	<b>146,683,063</b>	<b>898,680</b>	<b>25,856,310</b>	<b>55,028,714</b>	<b>1,711,643</b>	<b>3,055,159</b>	<b>233,233,569</b>
<b>Deferred inflows of resources</b>							
Unavailable revenue	548,001	-	86,633	1,354,392	-	302,870	2,291,896
<b>Fund balance</b>							
Nonspendable	507,398	-	-	-	-	3,257,915	3,765,313
Restricted	-	-	8,098,725	25,519,363	-	7,759,547	41,377,635
Committed	4,702,832	-	-	38,939,797	101,304,295	2,118,009	147,064,933
Assigned	1,000,000	-	-	-	-	5,307,031	6,307,031
Unassigned	43,456,951	(894,321)	-	-	-	(223,252)	42,339,378
<b>Total fund balance</b>	<b>49,667,181</b>	<b>(894,321)</b>	<b>8,098,725</b>	<b>64,459,160</b>	<b>101,304,295</b>	<b>18,219,250</b>	<b>240,854,290</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 196,898,245</b>	<b>\$ 4,359</b>	<b>\$ 34,041,668</b>	<b>\$ 120,842,266</b>	<b>\$ 103,015,938</b>	<b>\$ 21,577,279</b>	<b>\$ 476,379,756</b>

**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.	1,155,689,544
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.	24,396,617
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.	2,291,896
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	\$ (777,019,390)
Plus issuance premiums to be amortized as interest expense	(6,940,131)
	(783,959,521)
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	(162,046,108)
Other long-term liabilities are not due and payable in the current period and are therefore not reported in the funds:	
Accrued interest payable	(11,427,281)
Compensated absences	(22,873,000)
<b>Net position of governmental activities</b>	<b>\$ 442,926,437</b>

**CITY OF HUNTSVILLE  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended September 30, 2017**

	General Fund	Debt Service	The Special Revenue	Capital Improvements	2014 Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>REVENUE</b>							
Sales & use taxes	\$ 104,489,438	\$ -	\$ -	\$ 50,078,215	\$ 40,817,184	\$ -	\$ 195,384,836
Property taxes	17,178,680	-	42,338,740	-	-	-	59,517,420
Other taxes	40,343,223	-	3,564,695	-	-	-	43,907,918
Licenses & permits	26,499,649	-	-	-	-	-	26,499,649
Fines & forfeitures	3,213,326	-	465,772	-	-	324,874	4,003,972
Revenues from money & property	2,055,733	(69)	15,116	467,278	94,218	2,667,263	5,299,539
Charges for services	17,970,421	-	-	-	-	23,483	17,993,904
Intergovernmental	4,262,679	-	-	8,150,112	-	5,930,785	18,343,577
Gifts & donations	106,920	-	-	223,450	-	2,130,387	2,460,757
Other revenues	726,345	-	312,049	296,926	-	333,474	1,668,794
<b>Total revenues</b>	<b>216,846,414</b>	<b>(69)</b>	<b>46,696,372</b>	<b>59,215,981</b>	<b>40,911,402</b>	<b>11,410,266</b>	<b>375,080,366</b>
<b>EXPENDITURES</b>							
Current							
General government	30,717,319	-	597	424	516	-	30,718,856
Public safety	88,804,811	-	557,749	-	-	-	89,362,560
Public services	60,749,196	-	1,053,601	4,234,349	-	12,088,518	78,125,664
Urban development	13,108,708	-	3,111,783	602,101	-	3,835,673	20,658,265
Debt service							
Principal	-	29,770,224	-	-	-	-	29,770,224
Interest	-	26,444,787	355,312	-	-	1,379,163	28,179,262
Fiscal charges	-	507	-	-	-	-	507
Debt issuance costs	-	-	6,500.00	1,121,829	57,419	-	1,185,748
Capital projects construction and outlay	-	-	1,528,270	51,714,761	13,617,714	-	66,860,745
Intergovernmental assistance	4,525,685	-	(761,741)	45,478,619	-	3,667,939	52,910,502
<b>Total expenditures</b>	<b>197,905,719</b>	<b>56,215,518</b>	<b>5,852,071</b>	<b>103,152,083</b>	<b>13,675,649</b>	<b>20,971,293</b>	<b>397,772,332</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>18,940,695</b>	<b>(56,215,587)</b>	<b>40,844,301</b>	<b>(43,936,102)</b>	<b>27,235,753</b>	<b>(9,561,027)</b>	<b>(22,691,966)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Long-term debt issued	-	-	481,251	97,637,231	5,363,969	-	103,482,451
Premium on debt issue	-	-	-	10,006,951	693,631	-	10,700,582
Transfer to refunding escrow agent	-	-	-	(71,944,745)	-	-	(71,944,745)
Transfers in	-	54,863,496	1,034,094	792,913	3,985,418	12,085,439	72,761,360
Transfers (out)	(15,102,968)	-	(41,173,684)	(15,913,346)	(3,386,787)	(42,031)	(75,618,816)
Total other financing sources (uses)	(15,102,968)	54,863,496	(39,658,339)	20,579,004	6,656,231	12,043,408	39,380,831
<b>Net change in fund balance</b>	<b>3,837,726</b>	<b>(1,352,091)</b>	<b>1,185,962</b>	<b>(23,357,098)</b>	<b>33,891,983</b>	<b>2,482,382</b>	<b>16,688,865</b>
Fund balance, beginning	45,829,454	457,770	6,912,763	87,816,258	67,412,312	15,736,868	224,165,425
<b>Fund balance, ending</b>	<b>\$ 49,667,181</b>	<b>\$ (894,321)</b>	<b>\$ 8,098,725</b>	<b>\$ 64,459,160</b>	<b>\$ 101,304,295</b>	<b>\$ 18,219,250</b>	<b>\$ 240,854,290</b>

**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, 2017**

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

Net change in fund balances - total governmental funds \$16,688,865

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	61,900,071	
Depreciation expense	<u>(45,046,850)</u>	16,853,221

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. 342,750

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	(107,591,187)	
Premiums received on long-term debt issued	(10,700,582)	
Principal repayments	29,770,224	
Amortization of premium as interest expense	<u>5,685,543</u>	(82,836,002)

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	71,944,745	
Amortization of refunding gain/loss as interest expense	<u>(2,258,913)</u>	69,685,832

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. (3,365,849)

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	(1,019,735)	
Change in compensated absences liability	(4,799,031)	
Change in net pension liability	(6,158,697)	
Change in OPEB liability	<u>(4,171,177)</u>	(16,148,640)

**Change In Net Position Of Governmental Activities \$1,220,176**

**CITY OF HUNTSVILLE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET & ACTUAL  
For the Year Ended September 30, 2017**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and payments in lieu of taxes	\$ 159,863,088	\$ 159,863,088	\$ 162,011,341	\$ 2,148,253
Licenses and permits	24,549,175	24,549,175	26,499,649	1,950,474
Fines and forfeitures	3,914,900	3,914,900	3,213,326	(701,574)
Revenues from money and property	1,271,800	1,279,881	2,055,733	775,852
Charges for services	17,911,400	17,946,446	17,970,421	23,975
Intergovernmental	4,071,496	5,244,357	4,262,679	(981,678)
Gifts and donations	1,300	56,850	106,920	50,070
Other revenues	731,096	613,225	726,345	113,120
<b>Total revenues</b>	<b>212,314,255</b>	<b>213,467,922</b>	<b>216,846,414</b>	<b>3,378,492</b>
<b>EXPENDITURES</b>				
Current				
General government	30,635,835	32,597,536	30,717,319	1,880,216
Public safety	89,135,178	91,109,602	88,804,811	2,304,791
Public services	60,222,772	64,009,510	60,749,196	3,260,314
Urban development	13,637,428	13,754,443	13,108,708	645,735
Capital projects construction	-	-	-	-
Intergovernmental assistance	4,478,154	4,485,685	4,525,685	(40,000)
<b>Total expenditures</b>	<b>198,109,367</b>	<b>205,956,775</b>	<b>197,905,719</b>	<b>8,051,057</b>
<b>Excess of revenues over expenditures</b>	<b>14,204,888</b>	<b>7,511,147</b>	<b>18,940,695</b>	<b>11,429,548</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	-	-	-
Premium on debt issue	-	-	-	-
Capital lease proceeds	-	-	-	-
Transfers in	2,596,787	2,596,787	-	(2,596,787)
Transfers out	(13,277,367)	(13,413,921)	(15,102,968)	(1,689,047)
<b>Total other financing sources (uses)</b>	<b>(10,680,580)</b>	<b>(10,817,134)</b>	<b>(15,102,968)</b>	<b>(4,285,834)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>3,524,308</b>	<b>(3,305,987)</b>	<b>3,837,726</b>	<b>7,143,714</b>
Fund balance, beginning	45,829,454	45,829,454	45,829,454	0
<b>Fund balance, ending</b>	<b>\$ 49,353,762</b>	<b>\$ 42,523,467</b>	<b>\$ 49,667,181</b>	<b>\$ 7,143,714</b>

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, 2017**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes and payments in lieu of taxes	\$44,589,826	\$44,589,826	\$ 46,215,484	\$ 1,625,658
Fines and forfeitures	-	168	465,772	465,604
Revenues from money and property	-	-	15,116	15,116
<b>Total revenues</b>	<b>44,589,826</b>	<b>44,589,994</b>	<b>46,696,372</b>	<b>2,106,377</b>
<b>EXPENDITURES</b>				
Current				
General government	-	-	597	(597)
Public safety	-	1,088,144	557,749	530,395
Public services	1,345,000	1,309,291	1,053,601	255,690
Urban development	3,056,500	3,056,500	3,111,783	(55,283)
Capital projects construction	-	3,741,932	1,528,270	2,213,663
Debt service				
Interest	75,197	81,697	355,312	(273,615)
Debt Insurance Cost	-	-	6,500	(6,500)
Intergovernmental assistance	16,600,000	16,600,000	(761,741)	17,361,741
<b>Total expenditures</b>	<b>21,076,697</b>	<b>25,877,564</b>	<b>5,852,071</b>	<b>20,025,494</b>
<b>Excess of revenues over expenditures</b>	<b>23,513,129</b>	<b>18,712,430</b>	<b>40,844,301</b>	<b>22,131,871</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	-	481,251	481,251
Premium on debt issue	-	-	-	-
Transfers in	-	-	1,034,094	1,034,094
Transfers (out)	(22,454,804)	(22,454,804)	(41,173,684)	(18,718,880)
<b>Total other financing sources (uses)</b>	<b>(22,454,804)</b>	<b>(22,454,804)</b>	<b>(39,658,339)</b>	<b>(17,203,535)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>1,058,325</b>	<b>(3,742,374)</b>	<b>1,185,962</b>	<b>4,928,336</b>
Fund balance, beginning	6,912,763	6,912,763	6,912,763	-
<b>Fund balance, ending</b>	<b>\$ 7,971,088</b>	<b>\$ 3,170,389</b>	<b>\$ 8,098,725</b>	<b>\$ 4,928,336</b>

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 September 30, 2017**

	<b>Business-Type Activities -- Enterprise Funds</b>			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
<b>ASSETS</b>				
<b>Current assets</b>				
Cash & investments, at cost	\$798,248	\$6,138,943	\$47,295	\$6,984,486
Receivables (net of allowance)			-	
Accounts	3,428,956	736,187	45,109	4,210,252
Due from other funds	55,437,965	-	-	55,437,965
Inventories, at cost	450,749	184,733	5,018	640,500
Prepaid items	-	347,201	8,656	355,857
Total current assets	<u>60,115,918</u>	<u>7,407,064</u>	<u>106,078</u>	<u>67,629,060</u>
<b>Noncurrent assets</b>				
Capital assets:				
Land	4,558,419	3,226,697	-	7,785,116
Buildings	210,568,678	78,284,915	4,344,530	293,198,123
Improvements other than buildings	312,617,486	15,436,494	-	328,053,980
Furniture & equipment	11,991,717	4,416,014	877,835	17,285,566
Construction work in progress	-	682,507	-	682,507
Less accumulated depreciation	<u>(232,136,757)</u>	<u>(33,058,370)</u>	<u>(3,479,597)</u>	<u>(268,674,724)</u>
Total noncurrent assets	<u>307,599,543</u>	<u>68,988,257</u>	<u>1,742,768</u>	<u>378,330,568</u>
Total assets	<u>367,715,461</u>	<u>76,395,321</u>	<u>1,848,846</u>	<u>445,959,628</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Losses on debt refundings	1,878,243	-	-	1,878,243
Pension contributions subsequent to measurement date	1,871,100	1,063,852	-	2,934,952
Total deferred outflows of resources	<u>3,749,343</u>	<u>1,063,852</u>	<u>-</u>	<u>4,813,195</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	1,195,619	424,977	47,301	1,667,897
Accrued liabilities	661,384	383,840	77,261	1,122,485
Compensated absences	78,200	435,172	-	513,372
General obligations warrants payable - current	3,672,544	-	-	3,672,544
Revenue warrants payable - current	4,025,000	-	-	4,025,000
Unearned revenue	-	1,884,225	13,142	1,897,367
Due to other funds	26,530,041	-	-	26,530,041
Total current liabilities	<u>36,162,788</u>	<u>3,128,214</u>	<u>137,704</u>	<u>39,428,706</u>
<b>Noncurrent liabilities</b>				
General obligation warrants payable (net of unamortized premium)	55,373,264	-	-	55,373,264
Revenue warrants payable	12,810,000	-	-	12,810,000
Net pension obligation liability	10,635,834	5,912,222	-	16,548,056
Compensated absences	703,800	-	-	703,800
Total noncurrent liabilities	<u>79,522,898</u>	<u>5,912,222</u>	<u>-</u>	<u>85,435,120</u>
Total liabilities	<u>115,685,686</u>	<u>9,040,436</u>	<u>137,704</u>	<u>124,863,826</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension plan investment earnings (losses)	120,135	68,404	-	188,539
Total deferred inflows of resources	<u>120,135</u>	<u>68,404</u>	<u>-</u>	<u>188,539</u>
<b>NET POSITION</b>				
Net investment in capital assets	231,718,735	68,988,257	1,742,768	302,449,760
Restricted for capital projects	-	-	143,098	143,098
Memo Accounts	-	-	-	-
Unrestricted	23,940,248	(637,924)	(174,724)	23,127,600
<b>Total net position</b>	<u>\$255,658,983</u>	<u>\$68,350,333</u>	<u>\$1,711,142</u>	<u>\$325,720,458</u>

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

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE  
PROPRIETARY FUNDS  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION  
For the Year Ended September 30, 2017**

	<b>Business-Type Activities -- Enterprise Funds</b>			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
<b>Operating revenue</b>				
Charges for services	\$ 40,049,926	\$ 8,980,112	\$ 1,160,985	\$ 50,191,023
<b>Total operating revenue</b>	40,049,926	8,980,112	1,160,985	50,191,023
<b>Operating expenses</b>				
Personnel, operations & maintenance	13,119,268	9,024,019	892,289	23,035,576
Utilities	2,158,324	1,325,141	224,914	3,708,379
Depreciation and amortization	9,827,341	2,537,040	171,952	12,536,333
<b>Total operating expenses</b>	25,104,933	12,886,200	1,289,155	39,280,288
<b>Operating income (loss)</b>	14,944,993	(3,906,088)	(128,170)	10,910,735
<b>Nonoperating revenue (expenses)</b>				
Interest income	750	51,809	350	52,909
Interest expense	(2,849,785)	-	(855)	(2,850,640)
Debt Issuance	(45,296)	-	-	(45,296)
Gain on disposal of assets	-	-	-	-
Miscellaneous revenue (expense)	8,205	(102,831)	-	(94,626)
Total nonoperating revenue (expenses)	(2,886,126)	(51,022)	(505)	(2,937,653)
<b>Income before contributions, transfers &amp; special items</b>	12,058,867	(3,957,110)	(128,675)	7,973,082
Intergovernmental grants-capital	9,090	-	-	9,090
Transfers in	-	2,857,457	-	2,857,457
Transfers (out)	-	-	-	-
<b>Change in net position</b>	12,067,957	(1,099,653)	(128,675)	10,839,629
Total net position, beginning	243,591,026	69,449,986	1,839,817	314,880,829
<b>Total net position, ending</b>	\$ 255,658,983	\$ 68,350,333	\$ 1,711,142	\$ 325,720,458

(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, 2017**

	<b>Business-Type Activities -- Enterprise Funds</b>			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
<b>Operating activities</b>				
Receipts from customers and users	\$ 43,482,976	\$ 10,501,359	\$ 1,179,039	\$ 55,163,374
Payments to suppliers	(7,462,036)	(3,878,810)	(609,307)	(11,950,153)
Payments to employees	(7,453,232)	(7,653,378)	(591,300)	(15,697,910)
Receipts (payments) from interfund services provided	8,205	-	-	8,205
Other	-	-	51,673	51,673
<b>Net cash provided (used) by operating activities</b>	<b>28,575,914</b>	<b>(1,030,829)</b>	<b>30,105</b>	<b>27,575,190</b>
<b>Noncapital financing activities</b>				
Transfers in	-	2,548,157	-	2,548,157
Transfers (out)	(8,851,825)	(102,831)	-	(8,954,656)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(8,851,825)</b>	<b>2,445,326</b>	<b>-</b>	<b>(6,406,499)</b>
<b>Capital and related financing activities</b>				
Acquisition and construction of capital assets	(7,878,694)	(990,572)	(33,580)	(8,902,846)
Temporary advance for capital fundraising	-	-	-	-
SRF loan fund drawdowns	-	-	-	-
Interfund transfers for capital projects	-	-	-	-
Intergovernmental grants-capital	9,090	-	-	9,090
Proceeds from line of credit, net	-	-	32,351	32,351
Proceeds from issuing warrants, net	3,015,705	-	-	3,015,705
Principal payments on notes and warrants	(12,020,406)	-	(2,821)	(12,023,227)
Interest paid on notes and warrants	(2,849,783)	-	-	(2,849,783)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(19,724,088)</b>	<b>(990,572)</b>	<b>(4,050)</b>	<b>(20,718,710)</b>
<b>Investing activities</b>				
Interest received	750	51,809	110	52,669
<b>Net cash provided (used) by investing activities</b>	<b>750</b>	<b>51,809</b>	<b>110</b>	<b>52,669</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>750</b>	<b>475,734</b>	<b>26,165</b>	<b>502,649</b>
Cash and cash equivalents, beginning	797,498	5,663,209	21,130	6,481,837
<b>Cash and cash equivalents, ending</b>	<b>\$ 798,248</b>	<b>\$ 6,138,943</b>	<b>\$ 47,295</b>	<b>\$ 6,984,486</b>

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, 2017**

	<b>Business-Type Activities -- Enterprise Funds</b>			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
<b>Operating income (loss)</b>	\$ 14,944,993	\$ (3,906,088)	\$ (128,170)	\$ 10,910,735
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation and amortization	9,827,341	2,537,040	171,952	12,536,333
Miscellaneous items	8,205	2,708	-	10,913
Pension expense	-	190,267	-	190,267
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:				
Change in assets and liabilities:				
Receivables	3,433,051	208,626	(26,368)	3,615,309
Accounts payable	434,377	5,738	5,584	445,699
Contract retainages	(8,676)	-	-	(8,676)
Prepaid items	-	(221,539)	(46)	(221,585)
Inventory	(450,749)	9,217	(314)	(441,846)
Accrued liabilities	45,000	68,245	(542)	112,703
Unearned revenue	-	74,957	8,009	82,966
Net pension liability	342,372	-	-	342,372
<b>Net cash provided (used) by operating activities</b>	<b>\$ 28,575,914</b>	<b>\$ (1,030,829)</b>	<b>\$ 30,105</b>	<b>\$ 27,575,190</b>

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
September 30, 2017**

	<u>Post-Retirement Benefits Trust</u>
<b>ASSETS</b>	
Cash & cash equivalents	107,796
Receivables:	
Contributions	1,815,590
Interest & dividends	58,305
Investments, at fair value:	
U.S. Treasury & agency obligations	2,983,382
Corporate bonds	3,691,987
Corporate stocks	2,759,382
Mortgage-Backed securities	777,290
Other investments	247,157
	<u>12,440,888</u>
<b>Total assets</b>	<u>\$ 12,440,888</u>
<b>LIABILITIES</b>	
Accounts payable	<u>82,418</u>
<b>Total liabilities</b>	<u>82,418</u>
<b>NET POSITION</b>	
Held in trust for other postemployment benefits	<u><u>\$12,358,470</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, 2017**

	<u>Post-Retirement Benefits Trust</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	2,500,000
Plan members	<u>1,713,144</u>
Total contributions	<u>4,213,144</u>
Investment earnings	387,408
Less investment expenses	-
Net investment earnings	<u>387,408</u>
<b>Total additions</b>	<u>4,600,552</u>
<b>DEDUCTIONS</b>	
Benefits	<u>3,951,944</u>
<b>Total deductions</b>	<u>3,951,944</u>
<b>Change in net position</b>	648,608
Net position, beginning	<u>11,709,862</u>
<b>Net position, ending</b>	<u><b>\$ 12,358,470</b></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, 2017**

	<b>Business-Type Activities</b>			<b>Governmental Activities</b>		<b>Total</b>
	Huntsville Utilities			HMC CVB	DRA	
	Electric	Water	Gas			
<b>ASSETS</b>						
Cash & investments, at cost	\$ 25,840,393	\$ 48,147,223	\$ 16,014,710	\$ 637,763	\$ 3,228	\$ 90,643,317
Receivables (net of allowances)	48,608,095	7,992,805	1,927,163	-	-	58,528,063
Due from governmental entities	-	-	-	-	-	-
Inventories	8,370,918	1,886,961	4,559,541	4,243	-	14,821,663
Prepaid items	84,328	29,166	24,030	45,820	-	183,344
Restricted assets						
Cash & investments, at cost	84,411,279	18,665,753	3,442,852	-	-	106,519,884
Capital assets						
Land and construction in process	67,291,567	12,357,152	13,466,616	-	-	93,115,335
Other assets, net of accum. depreciation	224,761,870	264,710,224	102,942,040	282,789	-	592,696,923
Other assets:						
Regulatory asset - bond issuance costs	474,020	868,031	-	-	-	1,342,051
<b>Total assets</b>	<b>459,842,470</b>	<b>354,657,315</b>	<b>142,376,952</b>	<b>970,615</b>	<b>3,228</b>	<b>957,850,580</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Losses on debt refundings	1,012,174	1,387,644	-	-	-	2,399,818
Differences between expected and actual experience in relation to net pension liability valuation	-	-	-	-	-	-
Differences in projected and actual earnings on pension plan instruments	-	-	-	-	-	-
Pension contributions subsequent to measurement date	4,922,082	2,763,431	5,737,947	311,280	-	13,734,740
<b>Total deferred outflows of resources</b>	<b>5,934,256</b>	<b>4,151,075</b>	<b>5,737,947</b>	<b>311,280</b>	<b>-</b>	<b>16,134,558</b>
<b>LIABILITIES</b>						
Accounts payable	39,623,923	6,419,053	1,615,112	91,497	-	47,749,585
Accrued liabilities	5,529,133	2,290,329	2,662,156	110,996	-	10,592,614
Customer deposits	7,270,268	867,961	664,614	-	-	8,802,843
Liabilities payable from restricted assets:						
Other	-	2,317,612	-	-	-	2,317,612
Noncurrent liabilities						
Due within one year	910,000	5,935,000	-	-	-	6,845,000
Due in more than one year	163,672,819	138,030,290	35,923,557	433,443	-	338,060,109
<b>Total liabilities</b>	<b>217,006,143</b>	<b>155,860,245</b>	<b>40,865,439</b>	<b>635,936</b>	<b>-</b>	<b>414,367,763</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension plan investment earnings (losses)	-	-	-	85,800	-	85,800
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,800</b>	<b>-</b>	<b>85,800</b>
<b>NET POSITION</b>						
Net investment in capital assets	197,990,703	152,029,236	116,408,656	282,789	-	466,711,384
Restricted for:						
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	248,703	-	248,703
Other	47,021,462	14,119,354	-	79,482	-	61,220,298
Unrestricted	3,758,418	36,799,555	(9,159,196)	(50,815)	3,228	31,351,190
<b>Total net position</b>	<b>\$248,770,583</b>	<b>\$202,948,145</b>	<b>\$107,249,460</b>	<b>\$560,159</b>	<b>\$3,228</b>	<b>\$559,531,575</b>

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, 2017**

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) & Changes in Net Position					
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Business-Type Activities			Governmental Activities		Total
					Huntsville Utilities			HMC CVB	DRA	
				Electric	Water	Gas				
<b>Component Units</b>										
Huntsville Utilities Electric System	\$ 477,193,530	\$ 486,072,774		\$ 8,879,244	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,879,244
Huntsville Utilities Water System	32,645,164	45,757,954	3,375,896	-	16,488,686	-	-	-	-	16,488,686
Huntsville Utilities Gas System	39,464,496	35,467,264	510,901	-	-	(3,486,331)	-	-	-	(3,486,331)
HMC CVB	2,955,475	6,318		-	-	-	(2,949,157)	-	-	(2,949,157)
DRA	-			-	-	-	-	-	-	-
<b>Total component units</b>	<b>\$ 552,258,665</b>	<b>\$ 567,304,310</b>	<b>\$ -</b>	<b>\$ 3,886,797</b>	<b>8,879,244</b>	<b>16,488,686</b>	<b>(3,486,331)</b>	<b>(2,949,157)</b>	<b>-</b>	<b>18,932,442</b>
General Revenues										
Other taxes							593,388			593,388
Interest on investments				96,653	44,555	-	345	3		141,556
Gain on the sale of capital assets				-	-	1,529,301	-			1,529,301
Capital Contributions				-	-	-	-			-
Transfers In (Out)				-	-	-	-			-
Other				-	-	-	2,144,026			2,144,026
<b>Total general revenues &amp; transfers</b>				<b>96,653</b>	<b>44,555</b>	<b>1,529,301</b>	<b>2,737,759</b>	<b>3</b>		<b>4,408,271</b>
<b>Change in net position</b>				<b>8,975,897</b>	<b>16,533,241</b>	<b>(1,957,030)</b>	<b>(211,398)</b>	<b>3</b>		<b>23,340,713</b>
Net position, beginning				239,794,686	186,414,904	109,206,490	771,557	3,225		536,190,862
<b>Net position, ending</b>	<b>\$ 248,770,583</b>	<b>\$ 202,948,145</b>	<b>\$ 107,249,460</b>	<b>\$ 560,159</b>	<b>\$ 3,228</b>	<b>\$ 559,531,575</b>				

The accompanying notes are an integral part of this statement.

**City of Huntsville  
Notes to the Financial Statements  
September 30, 2017**

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**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

Blended Component Unit

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

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

Discretely Presented Component Units

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

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

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

Huntsville Utilities  
112 Spragins Street  
Huntsville, Alabama 35801

Public Building Authority  
4<sup>th</sup> Floor Municipal Building  
308 Fountain Circle  
Huntsville, Alabama 35801

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

Downtown Redevelopment Authority  
4<sup>th</sup> Floor Municipal Building  
308 Fountain Circle  
Huntsville, Alabama 35801

**B. Accounting Standards**

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

Pronouncements Effective for these Financial Statements:

The City adopted GASB No.74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in 2017. This statement will improve the usefulness of other postemployment benefit information included in the financial statements and replaces Statement No. 43. It includes requirements for supplemental information and notes to the financial statements. The statement also sets specific requirements for the measurement of the Net OPEB liability. The implementation of this statement did not have a significant impact on the City's financial statements.

The City adopted GASB No 77, *Tax Abatement Disclosures*, in 2017. This statement improves financial reporting by providing users essential information regarding tax abatements by requiring more detailed information about the abatements and organizing the information in a consistent and comprehensive manner. The implementation of this statement did not have a significant impact on the City's financial statements.

The City adopted GASB No 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*, in 2017. The statement amends blending requirements to include a component unit incorporated as a not-for-profit corporation and the primary government is the sole corporate member. The implementation of this statement did not have a significant impact on the City's financial statements.

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

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

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

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

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

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

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

GASB Statement No. 85, *Omnibus 2017*, was issued to address practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this statement are effective for fiscal year 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this statement are effective for fiscal year 2018.

GASB Statement No. 87, *Leases*, was issued to improve accounting and financial reporting for leases by governments. The requirements of this statement are effective for fiscal year 2021.

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

**C. Government-wide and Fund Financial Statements**

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

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

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

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

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

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

Government-wide Financial Statements

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

Fund Financial Statements

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

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

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

The City reports the following major governmental funds:

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

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The City reports the following major enterprise funds:

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

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

Governmental Funds:

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

Proprietary Funds:

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

Fiduciary Funds:

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

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

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

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

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**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 consider 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, 2017.

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, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Restricted Assets

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

Capital Assets

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

Whenever possible, intangible capital assets are grouped and reported in the same manner as related tangible assets, e.g. computer software is reported with “equipment” and property easements are reported with “infrastructure.” Only significant intangible assets that cannot be grouped in this manner are reported separately, but there were not any such assets as of September 30, 2017.

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, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Compensated Absences

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

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

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

Deferred Outflows/Inflows of Resources

The City has deferred outflows and deferred inflows of resources. Deferred outflows of resources are a consumption of assets by the City that is applicable to a future reporting period and consists of the unamortized amounts for losses on debt refundings and certain pension related amounts. Deferred inflows of resources are an acquisition of assets by the City that is applicable to a future reporting period and consist of certain pension related items an unavailable 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, 2017**

**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	\$1,155,689,544
Less debt outstanding expended for capital assets	<u>(310,176,423)</u>
Net position invested in capital assets	<u><u>\$845,513,121</u></u>

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

Annually-Budgeted Governmental Funds

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

Governmental Funds Not Annually-Budgeted

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

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

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

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

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**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, 2017:

<b>General Fund</b>	
Current Expenditures:	
<i>General Government:</i>	
Administration – personnel	\$425,784
Clerk-Treasurer – personnel	1,131
Clerk-Treasurer – operating	65,820
Fleet Management – operating	442,873
Human Resources – personnel	93,153
Human Resources – operating	28,324
Information Technology Services – personnel	6,812
Special Appropriations	37,432
<i>Public Safety:</i>	
Emergency Management – capital	3,154
Fire and Rescue – personnel	341,804
Municipal Court – operating	8,693
<i>Public Services:</i>	
General Services – operating	497,002
Landscape Management – operating	225,314
Parking – personnel	132,385
Public Works – operating	279,764
<i>Urban Development:</i>	
Engineering - personnel	8,137
<i>Intergovernmental Assistance</i>	40,000

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED**

**Special Revenue Fund**

Current Expenditures (as reported in subfunds):

<i>Public Services</i>	
7 Cent Gas tax subfund – operating	55,709
<i>Intergovernmental Assistance</i>	
Tif 4 subfund – operating	121
Tif 5 subfund – debt service	280,115

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

**C. Deficit Fund Equity**

As of September 30, 2017, the Debt Service Fund had a deficit fund balance of \$894,321, which is expected to be funded by future transfers from Huntsville City Schools.

As of September 30, 2017, Art Museum Fund had a deficit fund balance of \$95,745, which is expected to be funded by future revenues or transfers from the General Fund.

**NOTE 4 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The following information is provided to give an indication of the steps the City takes to protect its cash deposits and the level of risk assumed for certain investments. For purposes of this Note 4A, the City and its discretely-presented component units are collectively referred to as “City entities.” As of September 30, 2017, the City had the following cash and investments:

	<b>Primary Government</b>	<b>Discretely- Presented Component Units</b>	<b>Post-Retirement Benefits Trust Fiduciary Fund</b>
Cash on hand and in banks	\$130,279,488	\$131,987,747	\$ 107,796
Investments:			
Money market mutual funds (cash equivalents)	135,298,921	48,902,192	-
U.S. Treasury obligations	15,519,771	14,773,262	1,766,656
Corporate bonds	-	-	3,691,987
Corporate stocks	-	-	3,006,539
Mortgage-Backed securities	-	-	1,216,725
Other	807,030	1,500,000	835,595
Total investments	<u>151,625,722</u>	<u>65,175,454</u>	<u>10,517,502</u>
Total	<u>\$281,905,210</u>	<u>\$197,163,201</u>	<u>\$10,625,298</u>

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

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, 2017.

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:

	<b>Primary Government</b>	<b>Discretely- Presented Component Units</b>
Less than one year	135,298,921	\$20,141,078
One to five years	16,326,801	45,034,376
Greater than five years	-	-
<b>Total</b>	<b>\$151,625,722</b>	<b>\$65,175,454</b>

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:

	<b>Par Value</b>	<b>% of Total</b>
Less than five years	\$3,349,000	46.5%
Five to ten years	1,400,481	19.4%
Ten to twenty years	718,133	10.0%
Twenty to thirty years	1,742,128	24.1%
<b>Total</b>	<b>\$7,209,742</b>	<b>100.0%</b>

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.

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

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)	\$1,991,620	26.7%
Aa1	155,711	2.1%
Aa2	231,541	3.1%
Aa3	78,157	1.0%
A1	460,787	6.2%
A2	225,639	3.0%
A3	986,010	13.2%
Baa1	1,021,397	13.7%
Baa2	453,979	6.1%
Other(a)	1,847,818	24.9%
Total	<u>\$7,452,659</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.

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, 2017, except for minor cash deposits and cash on hand. The SAFE Program is administered by the State Treasurer according to State of Alabama statute, and any bank or financial institution in the State of Alabama accepting deposits of public funds is required to insure those funds by pledging eligible collateral to the State Treasurer for the SAFE collateral pool. The entire pool stands behind each deposit. Eligible collateral are those securities currently designated as acceptable collateral for state deposits as defined by State law. Also, the deposits with banks complied with state and City investment policies, except that regarding the City's fifty-percent limitation on deposits with any one institution, at numerous times during the year, the City was not in compliance with this requirement. The public funds deposit policies of local financial institutions has changed in the last several years, making compliance with the fifty-percent policy more difficult to administer on a daily basis, but City financial managers make all reasonable efforts to substantively comply with the policy. Deposits that exceed the requirement have only been made in the largest financial institutions.

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

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

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Fair value measurements of the primary governments' investments are as follows at September 30, 2017:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. treasuries	\$ 15,519,771	\$ 15,519,771	\$ -	\$ -
Total debt securities	15,519,771	15,519,771	-	-
Equity securities:				
Financial services industry	135,298,921	135,298,921	-	-
Total equity securities	135,298,921	135,298,921	-	-
Total investments	\$150,818,692	\$150,818,692	\$ -	\$ -

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

Fair value measurements of the discretely presented component units' investments are as follows at September 30, 2017:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. treasuries	\$ 14,773,262	\$ 14,773,262	\$ -	\$ -
Total debt securities	14,773,262	14,773,262	-	-
Equity securities:				
Financial services industry	48,902,192	48,902,192	-	-
Total equity securities	48,902,192	48,902,192	-	-
Total investments	\$ 63,675,454	\$ 63,675,454	\$ -	\$ -

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

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Fair value measurements of the post-retirement benefits trust fiduciary fund's investments are as follows at September 30, 2017:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<b>Debt securities:</b>				
U.S. treasuries	\$ 1,766,656	\$ 1,766,656	\$ -	\$ -
Corporate Bonds	3,691,987	3,691,987		
<b>Mortgage-backed securities:</b>				
Commercial	1,216,725	-	1,216,725	
Residential	-	-	-	
Other	835,595	835,595		
<b>Total debt securities</b>	<b>7,510,963</b>	<b>6,294,238</b>	<b>1,216,725</b>	<b>-</b>
<b>Equity securities:</b>				
Financial Services Industry	778,436	778,436	-	-
Basic Materials	450,164	450,164	-	-
Technology	326,137	326,137	-	-
Industrial Goods	366,095	366,095	-	-
Consumer Goods	348,092	348,092	-	-
Healthcare	284,931	284,931	-	-
Services	164,538	164,538	-	-
Utilities	288,146	288,146	-	-
<b>Total equity securities</b>	<b>3,006,539</b>	<b>3,006,539</b>	<b>-</b>	<b>-</b>
<b>Total investments</b>	<b>\$ 10,517,502</b>	<b>\$ 9,300,777</b>	<b>\$ 1,216,725</b>	<b>\$ -</b>

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

**B. Capital Assets**

Capital asset activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions/ Transfers-in	Deletions/ Transfers-out	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$94,250,825	\$14,812,411	\$(1,437,362)	\$107,625,874
Construction in progress	68,856,278	27,761,800	(35,472,980)	61,145,098
Total capital assets, not being depreciated	<u>163,107,103</u>	<u>42,574,211</u>	<u>(36,910,342)</u>	<u>168,770,972</u>
Capital assets, being depreciated:				
Land improvements	44,758,943	8,951,511	-	53,710,454
Buildings and improvements	258,986,838	25,147,474	-	284,134,312
Furniture, equipment and other	107,438,358	13,294,626	(3,637,583)	117,095,401
Infrastructure	1,724,623,964	11,021,203	(558,650)	1,735,086,517
Total capital assets, being depreciated	<u>2,135,808,103</u>	<u>58,414,814</u>	<u>(4,196,233)</u>	<u>2,190,026,684</u>
Less accumulated depreciation for:				
Land improvements	(24,813,042)	(1,627,057)	-	(26,440,099)
Buildings and improvements	(93,094,728)	(6,621,430)	-	(99,716,158)
Furniture, equipment and other	(81,845,911)	(6,695,836)	2,329,488	(86,212,259)
Infrastructure	(960,667,952)	(30,071,644)	-	(990,739,596)
Total accumulated depreciation	<u>(1,160,421,633)</u>	<u>(45,015,967)</u>	<u>2,329,488</u>	<u>(1,203,108,112)</u>
Total capital assets, being depreciated, net	<u>975,386,470</u>	<u>13,398,847</u>	<u>(1,866,745)</u>	<u>986,918,572</u>
Governmental activities capital assets, net	<u>\$1,138,493,573</u>	<u>\$55,973,058</u>	<u>(\$38,777,087)</u>	<u>\$1,155,689,544</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$7,785,116	\$ -	\$ -	\$7,785,116
Construction in progress	258,912	553,407	(129,812)	682,507
Total capital assets, not being depreciated	<u>8,044,028</u>	<u>553,407</u>	<u>(129,812)</u>	<u>8,467,623</u>
Capital assets, being depreciated:				
Buildings and improvements	613,911,042	7,341,061	-	621,252,103
Furniture, equipment and other	15,838,076	1,447,490	-	17,285,566
Total capital assets, being depreciated	<u>629,749,118</u>	<u>8,788,551</u>	<u>-</u>	<u>638,537,669</u>
Less accumulated depreciation for:				
Buildings and improvements	(244,804,362)	(11,783,931)	-	(256,588,293)
Furniture, equipment and other	(11,334,030)	(752,401)	-	(12,086,431)
Total accumulated depreciation	<u>(256,138,392)</u>	<u>(12,536,332)</u>	<u>-</u>	<u>(268,674,724)</u>
Total capital assets, being depreciated, net	<u>373,610,726</u>	<u>(3,747,781)</u>	<u>-</u>	<u>369,862,945</u>
Business-type activities capital assets, net	<u>\$381,654,754</u>	<u>(\$3,194,374)</u>	<u>(\$129,812)</u>	<u>\$378,330,568</u>

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

For the year ended September 30, 2017, depreciation expense and transfers-in of the primary government were as follows:

<u>Governmental activities:</u>	
General government	\$811,467
Public Safety	3,468,808
Public Services	10,147,961
Urban development	516,087
Total depreciation expense charged to functions/programs	<u>14,944,323</u>
Depreciation for infrastructure assets not allocated to the functions	<u>30,071,644</u>
Total depreciation – governmental activities	<u>\$45,015,967</u>
 <u>Business-type activities:</u>	
Water Pollution Control Fund	\$9,827,340
Von Braun Center Fund	2,357,040
Municipal Iceplex Fund	171,952
Total depreciation expense – business-type activities	<u>\$12,536,332</u>

Activity for the discretely presented component unit, Utilities, for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions/ Transfers-in	Deletions/ Transfers-out	Ending Balance
<b>Utilities-Electric System:</b>				
Capital assets, not being depreciated:				
Land	\$4,759,767	\$174,761	\$-	\$4,934,528
Construction in progress	23,697,171	51,028,207	(12,368,339)	62,357,039
Total capital assets, not being depreciated	<u>28,456,938</u>	<u>51,202,968</u>	<u>(12,368,339)</u>	<u>67,291,567</u>
Capital assets, being depreciated:				
Buildings and improvements	449,120,316	20,586,147	(1,660,786)	468,045,677
Furniture, equipment and other	51,403,099	2,654,615	(905,218)	53,152,495
Total capital assets, being depreciated	500,523,415	23,240,762	(2,566,004)	521,198,172
Less accumulated depreciation	(280,258,641)	(18,743,665)	2,566,004	(296,436,301)
Total capital assets, being depreciated, net	<u>220,264,774</u>	<u>4,488,097</u>	<u>-</u>	<u>224,761,871</u>
Electric System capital assets, net	<u>\$248,721,712</u>	<u>\$55,700,065</u>	<u>(\$12,368,339)</u>	<u>\$292,053,438</u>
 <b>Utilities-Water System:</b>				
Capital assets, not being depreciated:				
Land	\$1,845,971	\$-	\$-	\$1,845,971
Construction in progress	90,887,687	21,992,527	(102,369,033)	10,511,181
Total capital assets, not being depreciated	<u>92,733,658</u>	<u>21,992,527</u>	<u>(102,369,033)</u>	<u>12,357,152</u>
Capital assets, being depreciated:				
Buildings and improvements	277,210,822	107,526,059	(374,145)	384,362,736
Furniture, equipment and other	14,145,342	240,303	(69,847)	14,315,798
Total capital assets, being depreciated	291,356,164	107,766,362	(443,992)	398,678,534
Less accumulated depreciation	(126,802,025)	(7,610,277)	443,992	(133,968,310)
Total capital assets, being depreciated, net	<u>164,554,139</u>	<u>100,156,085</u>	<u>-</u>	<u>264,710,224</u>
Water System capital assets, net	<u>\$257,287,797</u>	<u>\$122,148,612</u>	<u>(\$102,369,033)</u>	<u>\$277,067,375</u>

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

**Utilities-Gas System:**

Capital assets, not being depreciated:

Land	\$1,803,038	\$-	\$-	\$1,803,038
Construction in progress	9,030,538	5,521,827	(2,888,787)	11,663,578
Total capital assets, not being depreciated	<u>10,833,576</u>	<u>5,521,827</u>	<u>(2,888,787)</u>	<u>13,466,616</u>

Capital assets, being depreciated:

Buildings and improvements	154,864,579	6,837,865	(98,059)	161,604,385
Furniture, equipment and other	13,596,183	243,504	(98,258)	13,738,429

Total capital assets, being depreciated	168,472,762	7,081,369	(196,317)	175,342,814
Less accumulated depreciation	(67,564,831)	(5,032,260)	196,317	(72,400,774)
Total capital assets, being depreciated, net	<u>100,907,931</u>	<u>2,049,109</u>	<u>-</u>	<u>102,942,040</u>

Gas System capital assets, net	<u>\$111,741,507</u>	<u>\$7,570,936</u>	<u>(2,888,787)</u>	<u>\$116,408,656</u>
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Activity for the discretely presented component unit, the HMC CVB, for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions/ Transfers-in	Deletions/ Transfers-out	Ending Balance
Capital assets, being depreciated:				
Furniture, equipment and other	\$883,034	\$12,114	\$0	\$895,148
Less accumulated depreciation	(572,377)	(39,982)	0	(612,359)
Total capital assets, being depreciated, net	<u>310,657</u>	<u>(27,868)</u>	<u>0</u>	<u>282,789</u>
Governmental activities capital assets, net	<u>\$310,657</u>	<u>\$(27,868)</u>	<u>\$0</u>	<u>\$282,789</u>

The discretely presented component unit, DRA, does not have any capital assets as of September 30, 2017.

**C. Interfund Receivables, Payables and Transfers**

The amounts receivable and payable between the various funds as of September 30, 2017, were as follows:

Payable Fund	Receivable Fund	Amount	Total
<u>Governmental Funds</u>			
General	The Special Revenue Fund	\$6,073,304	
	Capital Improvement Fund	49,943,628	
	2014 Capital Improvement Fund	13,034,137	
	Water Pollution Control Fund	55,437,966	
	Nonmajor Governmental	<u>75,799</u>	\$124,564,835
Debt Service Fund	General Fund		898,680
Capital Improvement Fund	General Fund		49,125,314
The Special Revenue Fund	Capital Improvement Fund	1,285,535	
	General Fund	<u>22,346,980</u>	23,632,515
Water Pollution Control Fund	General Fund		26,530,041
Nonmajor governmental fund	General Fund	659,197	
	Nonmajor Governmental Fund	<u>1,435,831</u>	<u>2,095,028</u>
Total			<u><u>\$226,846,412</u></u>

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

The amounts transferred among the various funds for the year ended September 30, 2017, were as follows:

Transferred From	Transferred To	Amount	Total
<u>Governmental Funds</u>			
General Fund	The Special Revenue	\$975,000	
	Von Braun Center Enterprise	2,857,457	
	Debt Service	3,686,429	
	Nonmajor Governmental Funds	7,584,083	\$15,102,968
The Special Revenue Fund	Debt Service	36,241,445	
	Capital Improvements Fund	792,913	
	Nonmajor Governmental	4,139,325	41,173,684
Capital Improvements Fund	The Special Revenue	59,094	
	Debt Service	11,548,835	
	2014 Capital Improvements Fund	3,985,418	
	Nonmajor Governmental	320,000	15,913,346
2014 Capital Improvements Fund	Debt Service		3,386,787
Nonmajor Governmental Funds	Nonmajor Governmental Funds		42,031
	Total Governmental Funds		\$75,618,816

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

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

**D. Leases**

Operating Leases. The City leases buildings under non-cancelable operating leases, for which the total costs were approximately \$487,810 in 2017. The future minimum lease payments by fiscal year are as follows:

2018	369,451
2019	312,876
2020	65,959
Total	\$748,286

Capital Leases. The City is not a party to any capital leases as of September 30, 2017.

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**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, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

The amounts associated with each series as of September 30, 2017, were as follows:

Series	Maximum Principal Amount	Note Principal Balance	Compounded Accrued Interest	Total Note Balance
2010-A	\$10,000,000	\$2,819,968	\$2,440,310	\$5,260,278
2010-B	20,000,000	20,000,000	13,598,043	33,598,043
2012-A	3,000,000	2,997,386	1,702,081	4,699,467
2012-B	3,000,000	2,920,599	1,321,564	4,242,163
2013-A	1,500,000	1,500,000	578,505	2,078,505
2017-A	1,000,000	323,301	-	323,301
<b>Total</b>	<b>\$38,500,000</b>	<b>\$30,561,254</b>	<b>\$19,640,503</b>	<b>\$50,201,757</b>

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

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

Source of Repayment of Long-Term Debt

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

<u>Type of Debt</u>	<u>Paid From</u>	<u>Resources Provided By</u>
<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, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Utility Revenue Warrants - Huntsville Utilities Component Unit

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

Advance and Current Refundings

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

In September 2017, the City issued the 2017-D General Obligation Refunding Warrants and the 2017-E General Obligation Refunding School Warrants for the face amounts of \$20,055,000 and \$49,195,000 respectively with interest rates ranging from 2.00% to 5.00% for advanced partial refundings of the 2011-A General Obligation Capital Improvements and Refunding Warrants, 2012-A General Obligation Refunding and Capital Improvements Warrants, the 2013-D General Obligation Warrants, 2011-B General Obligation School Capital Improvement Warrants, and the 2013-C General Obligation School Warrants which had interest rates ranging from 1.50% to 5.00%. \$21,520,714 and \$53,867,345 of the net proceeds of the 2017-D and 2017-E warrants (which included premiums of \$1,749,284 and \$5,220,872, respectively, and payments of \$283,571 and \$548,527, respectively for underwriting and issuance cost) were deposited in an irrevocable trust with an escrow agent to provide funds for future debt service payments on the refunded bonds. As a result, the refunded portion of the Warrants noted above are considered defeased and the liability for the refunded portion of these bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$4,833,764. This difference is reported in the accompanying financial statements as deferred outflow of resources and is recognized as a component of interest expense over the remaining life of the refunded debt.

The City completed the advance refunding to reduce its debt service payments over the next 14 years by \$6,729,459 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5,547,883.

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Advance refunding transactions for prior years for which the refunded warrants are still outstanding on September 30, 2017, were as follows (in thousands):

Fiscal Year	Refunding Warrants		Refunded Warrants			Debt Service Diff. (a)	Economic Gain (Loss)
	Series	Face Amount	Series	Refunded Amount	Outstanding Balance		
<b>PRIMARY GOVERNMENT</b>							
<u>Governmental Activities:</u>							
2014	2014A	\$22,060	2007A	\$21,456	\$21,456	\$2,006	(\$2,046)
2014	2014A	\$11,865	2009A	\$12,262	\$12,262	\$971	(\$1,106)
2014	2014B	\$19,345	2007 PBA	\$17,335	\$17,335	\$1,919	(\$1,869)
2014	2014C	\$27,045	2009B	\$26,900	\$26,900	\$1,663	(\$4,473)
2016	2016C	\$31,967	2007A	\$4,496	\$4,496	\$494	\$443
2016	2016C	\$66,838	2009A	\$8,928	\$8,928	\$982	\$879
2016	2016C	\$71,745	2009B	\$10,185	\$10,185	\$1,120	\$1,003
2016	2016C	\$45,190	2011A	\$13,604	\$13,604	\$1,496	\$1,339
2016	2016C	\$50,275	2011B	\$19,355	\$19,355	\$2,129	\$1,905
<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)
2016	2016D	\$17,123	2007A	\$2,259	\$2,259	\$248	\$222
2016	2016D	\$13,132	2009A	\$3,017	\$3,017	\$332	\$297
2016	2016D	\$17,230	2011A	\$7,081	\$7,081	\$779	\$697

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

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**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Outstanding Debt

The amount of debt outstanding at September 30, 2017, 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
<b>PRIMARY GOVERNMENT</b>							
<u>Governmental Activities</u>							
<b>G.O. Warrants (non-sewer portion)</b>							
2009A	\$ 66,838,000	03/04/09	09/01/29	2.75 - 5.0	2,077 - 7,312	\$ 4,501,114	\$ 3,850,111
2009B	71,745,000	03/04/09	09/01/29	2.25 - 5.0	2,560 - 4,735	2,560,000	2,560,000
2010A	74,300,000	09/14/10	03/01/37	3.0 - 5.0	980 - 6,315	36,000,000	5,200,000
2010B (a)	50,895,000	09/14/10	09/01/30	.61 - 5.06	365 - 1,940	38,410,000	2,665,000
2010C (a)	7,520,000	09/14/10	09/01/32	5.0	0 - 3,855	7,520,000	-
2010D (b)	11,695,000	09/14/10	09/01/27	.61 - 4.35	570 - 905	7,565,000	640,000
2011A	45,190,000	11/22/11	03/01/31	2.0 - 5.0	1,590 - 3,135	14,368,261	2,305,000
2011B	50,275,000	11/22/11	05/01/33	2.0 - 5.0	1,965 - 4,020	16,755,000	2,090,000
2012A	41,660,000	05/03/12	11/01/25	2.0 - 5.0	765 - 4,500	31,515,880	3,145,000
2013A	6,450,000	05/23/13	06/01/23	1.6	395 - 870	4,950,000	715,000
2013B	14,580,000	05/23/13	06/01/37	3.5 - 4.0	850 - 1,260	14,580,000	-
2013C	77,050,000	09/03/14	11/01/33	2.0 - 5.0	865 - 6,570	39,155,000	1,965,000
2013D	24,970,000	09/03/14	11/01/33	2.0 - 5.0	890 - 1,850	11,960,000	935,000
2013E	6,460,000	09/03/14	01/01/23	2.4	625 - 815	4,515,000	690,000
2014A	40,925,000	09/03/14	08/01/37	3.0 - 5.0	940 - 3,995	38,555,000	-
2014B	19,345,000	09/03/14	11/01/33	2.0 - 5.0	1,101 - 1,725	19,065,000	145,000
2014C	27,045,000	09/03/14	09/01/29	2.0 - 5.0	2,775 - 4,215	26,975,000	25,000
2015A	61,390,000	06/30/15	05/01/35	5.0	1,985 - 4,630	57,050,000	2,080,000
2015B (b)	8,185,000	05/04/15	05/01/25	.66 - 4.19	175 - 3,765	7,830,000	180,000
2016A	35,725,000	06/14/16	05/01/36	1.5 - 5.0	645 - 3,010	35,080,000	550,000
2016B	29,890,000	06/14/16	05/01/36	5.0	0 - 3,365	29,890,000	-
2016C	23,963,063	06/14/16	05/01/29	3.0 - 5.0	40 - 6,555	23,859,938	886,345
2016D	31,550,000	06/14/16	05/01/30	3.0 - 5.0	15 - 6,685	31,385,000	15,000
2017A	17,355,000	02/16/17	05/01/37	5.0	395 - 1,335	17,355,000	395,000
2017B	8,560,000	02/16/17	05/01/37	3.0 - 5.0	220 - 715	8,560,000	535,000
2017C	11,045,000	02/16/17	05/01/37	2.6 - 5.0	330 - 740	11,045,000	330,000
2017D	20,055,000	08/24/17	11/01/31	2.0 - 5.0	150 - 3,775	16,846,200	126,000
2017E	49,195,000	08/24/17	11/01/32	3.0 - 5.0	200 - 9,275	49,195,000	200,000
	<u>933,856,063</u>					<u>607,046,393</u>	<u>32,227,456</u>
<b>Private Placement Taxable Revenue Warrants(d)</b>							
2010A EUL	10,000,000	07/26/10	07/26/40	9.95	n.a.	5,260,278	0
2010B EUL	20,000,000	10/28/10	07/26/40	9.95	n.a.	33,598,043	0
2012A EUL	3,000,000	01/26/12	07/26/40	9.95	n.a.	4,699,467	0
2012B EUL	3,000,000	05/24/12	07/26/40	9.95	n.a.	4,242,163	0
2013A EUL	1,500,000	02/28/13	07/26/40	9.95	n.a.	2,078,505	0
2017A EUL	1,000,000	04/19/17	07/26/40	9.95	n.a.	323,301	0
	<u>38,500,000</u>					<u>50,201,757</u>	<u>0</u>
<b>Lease Revenue Bonds - Public Building Authority</b>							
2007 (e)	86,415,000	9/18/07	10/01/36	4.0 - 5.0	1,625 - 5,700	57,310,000	2,280,000
	<u>86,415,000</u>					<u>57,310,000</u>	<u>2,280,000</u>
<b>Total governmental activities</b>	<b><u>\$1,058,771,063</u></b>					<b><u>\$714,558,150</u></b>	<b><u>\$ 34,507,456</u></b>

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**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
<b>Business-Type activities</b>							
<b>G.O. Warrants - sewer system</b>							
2009A	\$ 13,132,000	3/4/10	9/1/29	2.75 - 5.0	412 - 980	\$ 683,888	\$ 584,999
2010B (a)	11,595,000	9/14/10	9/1/30	.61 - 5.06	0 - 800	8,810,000	585,000
2011A	17,230,000	11/22/11	3/1/31	2.0 - 5.0	555 - 1,305	4,751,739	685,000
2012A	14,645,000	5/3/12	11/1/27	2.0 - 5.0	330 - 1,395	9,964,120	985,000
2014A	13,185,000	09/03/14	08/01/29	2.0 - 5.0	625 - 2,025	13,185,000	0
2016C	12,066,937	6/14/16	05/01/29	3.0 - 5.0	0 - 2,025	12,005,062	808,655
2017D	3,208,800					3,208,800	24,000
	<u>85,062,737</u>					<u>52,608,609</u>	<u>3,672,544</u>
<b>Sewer Revenue Warrants - State Revolving Loan Fund</b>							
2010A (c)	17,435,000	1/27/98	8/15/20	2.61	595 - 1,215	4,035,000	950,000
2010B (c)	16,760,000	12/1/98	8/15/20	2.57	590 - 1,145	3,515,000	1,130,000
2010C (c)	15,180,000	12/22/99	8/15/21	2.57	515 - 1,070	3,320,000	1,070,000
2010D (c)	13,045,000	12/14/00	8/15/22	3.00	440 - 920	4,255,000	785,000
2012	2,130,000	11/1/11	8/15/32	2.90	80 - 140	1,710,000	90,000
	<u>64,550,000</u>					<u>16,835,000</u>	<u>4,025,000</u>
<b>Total business-type activities</b>	<b><u>149,612,737</u></b>					<b><u>69,443,609</u></b>	<b><u>7,694,544</u></b>
<b>Total Primary Government</b>	<b><u>\$1,208,383,800</u></b>					<b><u>\$784,001,759</u></b>	<b><u>\$42,202,000</u></b>

- (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 2007 Lease Revenue Bonds of the Public Building Authority were fully refunded through issuance of the 2017 Lease Revenue Refunding Bonds on October 12, 2017 (subsequent to year-end).

(continued)

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Outstanding Debt - Continued

**COMPONENT UNIT - HUNTSVILLE UTILITIES**

Business-Type Activities

**Electric System Revenue Warrants**

2017A	\$59,160,000	07/27/17	12/01/38	5.0	1,795 – 4,595	59,160,000	-
2017B	21,190,000	07/27/17	12/01/31	5.0	910 – 1,830	21,190,000	910,000
	<u>80,350,000</u>					<u>80,350,000</u>	<u>910,000</u>

**Water System Revenue Warrants**

2008	43,660,000	05/01/08	11/01/34	2.7 - 5.0	700 - 2,885	11,790,000	2,750,000
2013SRF	180,000	02/14/13	08/15/33	2.75	5 – 10	160,000	10,000
2015	92,810,000	11/01/16	11/01/36	3.0 – 5.0	3,175 – 6,910	89,150,000	3,175,000
2016	10,425,000	11/01/16	11/01/27	3.0 – 5.0	415 – 1,065	10,425,000	-
	<u>147,075,000</u>					<u>111,525,000</u>	<u>5,935,000</u>

**Total Component**

<b>Units</b>	<b><u>\$227,425,000</u></b>					<b><u>\$191,875,000</u></b>	<b><u>\$6,845,000</u></b>
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Future Debt Service

The City's future debt service requirements on its outstanding warrants and bonds as of September 30, 2017 are shown below. There is \$16,660,287 and \$25,519,363 available in The Special Revenue Fund and the Capital Improvements Fund, respectively, to service general obligation debt.

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

**PRIMARY GOVERNMENT**

<u>Governmental activities:</u>	G.O. Warrants		Lease Rev. Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 32,227,456	\$ 26,138,092	\$ 2,280,000	\$ 2,758,325
2019	33,842,146	24,644,788	2,385,000	2,644,325
2020	34,494,286	23,291,507	1,625,000	2,548,925
2021	34,732,748	21,960,413	1,710,000	2,467,675
2022	37,057,172	20,507,929	1,790,000	2,382,175
2023-2027	182,983,514	76,939,133	10,355,000	10,575,225
2028-2032	164,249,078	37,708,931	14,570,000	7,589,450
2033-2037	84,330,000	8,444,732	22,595,000	3,599,763
2038-2042	1,835,000	508,732	-	-
2043-2047	1,294,993	110,093	-	-
Total governmental activities	<u>\$607,046,393</u>	<u>\$240,254,350</u>	<u>\$57,310,000</u>	<u>\$34,565,863</u>

(continued)

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**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
2018	\$3,672,544	\$2,281,139	\$4,025,000	436,938
2019	3,732,854	2,134,257	4,175,000	333,368
2020	3,960,714	1,952,736	4,335,000	225,932
2021	4,102,252	1,791,203	2,055,000	114,377
2022	4,252,828	1,607,989	1,025,000	61,425
2023-2027	23,031,493	4,855,007	565,000	145,145
2028-2032	9,855,924	662,793	655,000	54,085
Total business-type activities	52,608,609	15,285,124	16,835,000	1,371,270
<b>Total Primary Government (a)</b>			<b>\$733,800,002</b>	<b>\$291,476,607</b>

**COMPONENT UNITS**

<u>Business-Type Activities - Huntsville Utilities</u>	Electric Rev. Warrants		Water Rev. Warrants	
	Principal	Interest	Principal	Interest
2018	910,000	3,358,279	5,935,000	5,041,488
2019	1,865,000	3,911,725	5,970,000	4,768,923
2020	2,800,000	3,795,100	4,090,000	4,547,163
2021	2,940,000	3,651,600	4,275,000	4,357,338
2022	3,090,000	3,500,850	4,440,000	4,193,813
2023-2027	17,940,000	14,984,225	25,525,000	17,635,965
2028-2032	22,985,000	9,943,125	32,645,000	10,545,884
2033-2037	18,855,000	4,691,875	28,645,000	2,776,145
2038-2039	8,965,000	453,875	-	-
<b>Total</b>	<b>\$80,350,000</b>	<b>\$48,290,654</b>	<b>\$111,525,000</b>	<b>\$53,886,719</b>

(a) does not include the EUL Warrants as of September 30, 2017, 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, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2017, was as follows:

<b>PRIMARY GOVERNMENT</b>	Beginning Balance	Additions(a)	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General obligation warrants	\$595,632,477	\$103,001,200	(\$91,587,284)	\$607,046,393	\$32,227,456
EUL revenue warrants	45,609,783	4,591,974	-	50,201,757	-
Lease revenue bonds	57,310,000	-	-	57,310,000	2,280,000
Subtotal	698,552,260	107,593,174	(91,587,284)	714,558,150	34,507,456
Issue discounts & premiums	70,136,076	10,700,582	(11,435,287)	69,401,371	
Total warrant, bonds, & notes	768,688,336	118,293,756	(103,022,571)	783,959,521	34,507,456
Compensated absences	17,553,969	19,351,746	(14,552,715)	22,353,000	2,235,300
Claims & judgments	520,000	339,140	(339,140)	520,000	520,000
Net pension liability	177,195,446	25,613,888	(13,736,383)	189,072,951	
Net OPEB liability	-	4,171,174	-	4,171,174	
<b>Governmental activities long-term liabilities</b>	<b>\$963,957,751</b>	<b>\$167,769,704</b>	<b>(\$131,650,809)</b>	<b>\$1,000,076,646</b>	<b>\$37,262,756</b>

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.

<u>Business-Type Activities:</u>					
General obligation warrants	\$55,947,525	\$3,208,800	(\$6,547,716)	\$52,608,609	\$3,672,544
Sewer revenue warrants	22,260,000	-	(5,425,000)	16,835,000	4,025,000
Subtotal	78,207,525	3,208,800	(11,972,716)	69,443,609	7,697,544
Issue discounts & premiums	6,484,890	279,886	(327,575)	6,437,201	
Total warrants	84,692,415	3,488,686	(12,300,291)	75,880,810	7,697,544
Compensated absences	1,155,009	455,542	(393,381)	1,217,170	513,372
Net pension liability	15,512,716	1,035,340	-	16,548,056	
<b>Business-type activities long-term liabilities</b>	<b>\$101,360,139</b>	<b>\$4,979,568</b>	<b>(\$12,693,672)</b>	<b>\$93,646,036</b>	<b>\$8,210,916</b>

(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, 2017**

**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	\$30,095,000	\$80,350,000	(\$30,095,000)	\$80,350,000	\$910,000
Issue discounts & premiums	2,325,681	14,873,364	(2,459,818)	14,739,227	
Total warrants	32,240,681	95,223,364	(32,554,818)	95,089,227	910,000
Noncurrent customer deposits	38,084,045	14,352,844	(7,776,804)	44,660,085	-
<b>Total Electric System long-term liabilities</b>	<b>\$70,504,726</b>	<b>\$ 109,576,208</b>	<b>(\$40,331,622)</b>	<b>\$139,749,312</b>	<b>\$910,000</b>
<u>Water System</u>					
Revenue warrants	\$120,090,000	\$ -	(\$8,565,000)	\$111,525,000	\$5,935,000
Issue discounts & premiums	12,823,133	-	(75,809)	12,747,324	
Total warrants	132,913,133	-	(8,640,809)	124,272,324	5,935,000
Noncurrent customer deposits	5,243,407	937,744	(766,791)	5,414,360	0
<b>Total Water System long-term liabilities</b>	<b>\$138,156,540</b>	<b>\$ 937,744</b>	<b>(\$9,407,600)</b>	<b>\$129,686,684</b>	<b>\$5,935,000</b>
<u>Gas System</u>					
Noncurrent customer deposits	\$ 10,768,177	\$ 1,552,754	(8,213,465)	4,107,466	0
<b>Total Gas System long-term liabilities</b>	<b>\$ 10,768,177</b>	<b>\$ 1,552,754</b>	<b>(\$8,213,465)</b>	<b>\$4,107,466</b>	<b>\$0</b>

Derivative Financial Instruments

The City was not a party to any derivative financial instruments as of September 30, 2017, or during the year then ended.

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

**F. Fund Balance Classifications**

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

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

Not in spendable form:	
Inventories, prepaid expenses and long-term receivables	\$3,371,239
Spendable:	
Endowment funds required by donors to remain intact (Public Library)	394,074
<b>Total</b>	<b><u><u>\$3,765,313</u></u></b>

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	\$3,236,707
1% lodging tax committed for recreation projects	1,466,125
Unexpended revenues of the Capital Improvement Fund committed for capital improvements	38,939,797
Unexpended revenues of the 2014 Capital Improvement Fund committed for capital improvements	101,304,295
Unexpended revenues of the Cummings Research Park Fund committed for research park development	2,118,009
<b>Total</b>	<b><u><u>\$147,064,933</u></u></b>

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

General Fund appropriations subsequent to year-end	1,000,000
Long-term care of city cemeteries	2,620,622
Board-managed activities	2,686,409
<b>Total</b>	<b><u><u>\$6,307,031</u></u></b>

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	\$24,937,338
Unassigned balance of the General Fund	18,519,613
Unassigned balance of the Debt Service Fund	(894,321)
Balances of the board-managed entities	(223,252)
<b>Total</b>	<b><u><u>\$42,339,378</u></u></b>

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**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, 2017, which are General Fund revenues, are earmarked by City Council ordinance, as follows:

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

These do not represent restrictions on the fund balance of the City at September 30, 2017, 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 2017 was \$11,296,708 by the Electric System, \$1,981,789 by the Natural Gas System, and \$2,623,614 by the Water System. These amounts are reported as payments in lieu of taxes in the General Fund of the City and as operating expenses in the financial statements of the Utilities.

**NOTE 5 – OTHER INFORMATION**

**A. Segment Information - Enterprise Funds**

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

**B. Contingent Liabilities and Commitments**

Litigation. The City is a defendant in a number of claims and lawsuits. The outcome of these matters is uncertain as of the date of this report. The City Attorney estimates the total liability with respect to these claims and lawsuits that is not covered by insurance will not exceed \$520,000, \$520,000 of which is estimated to be currently payable and has been accrued as a liability in the City’s General Fund at September 30, 2017. These amounts plus all other estimated claims and lawsuits are summarized as follows:

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

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**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, 2017, significant amounts of grant expenditures have not been audited by the grantor agencies but the City believes that future disallowed expenditures related to the unaudited grant programs, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

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

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

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

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

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

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**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 2017 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, 2017, which represent an encumbrance on resources at year-end, the most significant of which were as follows:

General Fund	\$1,490,966
2014 Capital Improvement Fund	545,794
Capital Improvement Fund	4,284,199
Total	\$6,320,959

These encumbrances are already included in the classifications of net position and fund balances in the financial statements as of September 30, 2017.

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

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

Joint Jail Construction Costs. As described above, the City constructed the expansion to the former city jail now operated as the Huntsville-Madison County Jail. In 2006 significant architectural, engineering design, and structural problems were discovered in the construction of the expansion, which cost a significant amount to remedy. The remediation cost and cost to complete was \$50 million more than originally planned for the \$30 million project. The City sued the architect, the structural engineer, the former general contractor, and a number of subcontractors to recover damages, hoping to recover a portion of the additional cost. The contractor counter-sued the City for damages relating to its termination by the City. The matter is presently in mediation, with partial settlements having been effected among some of the parties. While the final outcome is uncertain, the City's exposure to additional costs has been limited to a maximum of \$200,000. It is unlikely the City will recover additional sums of money in the form of damages from remaining defendants, although the possibility exists for the City to recover a nominal amount of money and its outcome is uncertain as of May 31, 2018, and the financial statements do not include a liability with respect to this matter.

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

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

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION– CONTINUED**

**C. Related Organizations**

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

Huntsville Housing Authority

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

Solid Waste Disposal Authority

The Solid Waste Disposal Authority is a legally separate organization which is governed by a five member board appointed by the City. The City has no ability to influence the operations of the Authority nor has any financial obligations related to the Authority. The City is obligated to use the Authority for its waste disposal through a contract with the Authority. However, this is considered to be an exchange transaction between two entities and is not considered a manifestation of a financial benefit or burden relationship between the entities. Fees paid to the Authority by the City in 2017 were \$3.3 million. The City was also indebted to the Authority in the amount of \$255,000 for waste disposal fees as of September 30, 2017.

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 2017.

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**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](http://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, 2017**

**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 875 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. The ERS membership includes approximately 85,874 participants. As of September 30, 2016, the City’s membership consisted of:

Retirees and beneficiaries currently receiving benefits	1,166
Vested Inactive Members	28
Non-vested Inactive Members	150
Active Members	2,277
Post-DROP Retired Members Still in Active Service	19
<b>Total</b>	<b>3,590</b>

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**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, 2017, the City's active employee contribution rate was 5.39% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 13.53%.

City's contractually required contribution rate for the year ended September 30, 2017 was 13.53% of pensionable pay for Tier 1 employees, and 11.05% of pensionable pay for Tier 2 employees,. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$14,902,713 for the year ended September 30, 2017.

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION– CONTINUED**

Net Pension Liability

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

<b>Total Pension Liability</b>	<b>Expected</b>	<b>Actual</b>
as of September 30, 2015 (a)	\$ 528,630,449	\$545,770,743
<b>Discount Rate</b> (b)	8.00%	7.75%
<b>Entry Age Normal Cost</b> for October 1, 2015-September 30, 2016 (c)	9,035,848	9,069,485
<b>Transfers Among Employers</b> (d)	-	1,184,754
<b>Actual Benefit Payments and Refunds</b> for October 1, 2015-September 30, 2016 (e)	<u>(30,814,613)</u>	<u>(30,814,613)</u>
<b>Total Pension Liability</b> as of September 30, 2016 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 547,909,535</u>	<u>\$566,313,535</u>
(e) Difference between Expected and Actual Experience Loss		\$ 20,025,224

Actuarial assumptions

The total pension liability in the September 30, 2016 actuarial valuation was determined based on the annual actuarial funding valuation report prepared as of September 30, 2015. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.75%

\*Net of pension plan investment expense

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2015 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.

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION– CONTINUED**

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	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
Alternatives000	3.00%	11.00%
International Emerging Market Stocks	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
<b>Total</b>	<b>100.00%</b>	

\*Includes assumed rate of inflation of 2.50%

Discount rate

The discount rate used to measure the total pension liability was the long term rate of return, 7.75%. 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.

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION– CONTINUED**

*Changes in Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
<b>Balances at 9/30/2015</b>	\$528,630,449	\$335,922,287	\$192,708,162
Changes for the year:			
Service cost	9,035,848	-	9,035,848
Interest	41,057,851	-	41,057,851
Changes of assumptions	20,025,224	-	20,025,224
Differences between expected and actual experience	(2,805,978)	-	(2,805,978)
Contributions--employer	-	14,360,447	(14,360,447)
Contributions--employee	-	6,282,500	(6,282,500)
Net investment income	-	33,753,130	(33,753,130)
Benefit payments, including refunds of employee contributions	(30,814,613)	(30,814,613)	-
Administrative expense	-	-	-
Transfers Among Employers	1,184,754	1,184,754	-
Net changes	37,683,086	24,766,219	12,916,867
<b>Balances at 9/30/2016</b>	<u>\$ 566,313,535</u>	<u>\$ 360,688,506</u>	<u>\$ 205,625,029</u>

*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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increases (8.75%)
City's net pension liability	\$268,782,810	\$205,625,029	\$152,148,613

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, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2016. The auditor's report dated September 18, 2017 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](http://www.rsa-al.gov).

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION– CONTINUED**

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

For the year ended September 30, 2017, the City recognized pension expense of \$18,018,944. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,555,832	\$ 2,345,982
Changes of assumptions	16,742,400	-
Net difference between projected and actual earnings on pension plan investments	3,087,625	-
Employer contributions subsequent to the measurement date	14,902,713	-
Total	<b>\$36,288,570</b>	<b>\$ 2,345,982</b>

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

<b>Year ended September 30:</b>	
2018	\$ 3,908,337
2019	3,908,337
2020	6,383,991
2021	1,734,104
2022	2,822,828
Thereafter	282,278

Component Units

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

The Electric System's contractually required contribution rate for the year ended September 30, 2017 was 18.69% of pensionable pay for Tier 1 employees, and 17.03% of pensionable pay for Tier 2 employees. The Natural Gas System's contractually required contribution rate for the year ended September 30, 2017 was 10.62% of pensionable pay for Tier 1 employees, and 9.39% of pensionable pay for Tier 2 employees. The Water System's contractually required contribution rate for the year ended September 30, 2017 was 15.15% of pensionable pay for Tier 1 employees, and 12.90% of pensionable pay for Tier 2 employees. The Bureau's contractually required contribution rate for the year ended September 30, 2017 was 5.95% of pensionable pay for Tier 1 employees, and 3.43% of pensionable pay for Tier 2 employees.

These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Huntsville Utilities System were \$5,765,181 for the year ended September 30, 2017. Total employer contributions to the pension plan from the Bureau were \$50,375 for the year ended September 30, 2017.

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION– CONTINUED**

Net Pension Liability

The System's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

	Electric	Gas	Water
<b>Total Pension Liability</b> as of September 30, 2015 (a)	\$62,525,025	\$82,168,488	\$30,097,040
<b>Entry Age Normal Cost</b> for October 1, 2015-September 30, 2016 (b)	719,480	1,721,132	441,272
<b>Actual Benefit Payments and Refunds</b> for October 1, 2015-September 30, 2016 (c)	<u>(4,124,002)</u>	<u>(3,866,137)</u>	<u>(1,564,096)</u>
<b>Total Pension Liability</b> as of September 30, 2016 [(a) x (1.08)] + (b) – [(c) x (1.04)]	<u><u>\$63,957,545</u></u>	<u><u>\$86,442,317</u></u>	<u><u>\$31,319,415</u></u>

The Bureau's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

<b>Total Pension Liability</b> as of September 30, 2015 (a)	\$ 2,798,439
<b>Discount Rate</b> (b)	7.75%
<b>Entry Age Normal Cost</b> for October 1, 2015-September 30, 2016 (c)	65,914
<b>Transfers Among Employers</b> (d)	(9,340)
<b>Actual Benefit Payments and Refunds</b> for October 1, 2015-September 30, 2016 (e)	<u>(48,858)</u>
<b>Total Pension Liability</b> as of September 30, 2016 [(a) x (1+(08))] + (c) +(d) – [(e) x 1+0.5*(b)]	<u><u>\$ 3,021,141</u></u>

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

*Changes in Net Pension Liability*

Electric System

	<u>Increase (Decrease)</u>		
	<u>Total Pension</u>	<u>Plan Fiduciary Net</u>	<u>Net Pension</u>
	<u>Liability</u>	<u>Position</u>	<u>Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
<b>Balances at 9/30/2015</b>	\$62,525,025	\$32,350,748	\$30,174,277
Changes for the year:			
Service cost	719,480	-	719,480
Interest	4,837,042	-	4,837,042
Changes of assumptions	1,593,475	-	1,593,475
Differences between expected and actual experience	577,633	-	577,633
Contributions--employer	-	1,991,515	(1,991,515)
Contributions--employee	-	589,360	(589,360)
Net investment income	-	3,217,256	(3,217,256)
Benefit payments, including refunds of employee contributions	(4,124,002)	(4,124,002)	-
Transfers Among Employers	23,428	23,428	-
Net changes	3,627,056	1,697,557	1,929,499
<b>Balances at 9/30/2016</b>	<u>\$ 66,152,081</u>	<u>\$ 34,048,305</u>	<u>\$ 32,103,776</u>

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION– CONTINUED**

Natural Gas System

	Increase (Decrease)		
	Total Pension	Plan Fiduciary Net	Net Pension
	Liability	Position	Liability
	(a)	(b)	(a)-(b)
<b>Balances at 9/30/2015</b>	<b>\$82,168,488</b>	<b>\$51,117,195</b>	<b>\$31,051,293</b>
Changes for the year:			
Service cost	1,721,132	-	1,721,132
Interest	6,418,834	-	6,418,834
Changes of assumptions	1,964,837	-	1,964,837
Differences between expected and actual experience	659,005	-	659,005
Contributions--employer	-	2,756,354	(2,756,354)
Contributions--employee	-	1,357,425	(1,357,425)
Net investment income	-	5,220,617	(5,220,617)
Benefit payments, including refunds of employee contributions	(3,866,137)	(3,866,137)	-
Transfers Among Employers	42,460	42,460	-
Net changes	6,940,131	576,142	1,429,412
<b>Balances at 9/30/2016</b>	<b>\$ 89,108,619</b>	<b>\$ 51,117,195</b>	<b>\$ 32,480,705</b>

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION– CONTINUED**

Water System

	<b>Increase (Decrease)</b>		
	<b>Total Pension</b>	<b>Plan Fiduciary Net</b>	<b>Net Pension</b>
	<b>Liability</b>	<b>Position</b>	<b>Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a)-(b)</b>
<b>Balances at 9/30/2015</b>	<u>\$30,097,040</u>	<u>\$17,044,831</u>	<u>\$13,052,209</u>
Changes for the year:			
Service cost	441,272	-	441,272
Interest	2,345,199	-	2,345,199
Changes in assumptions	684,563	-	684,563
Differences between expected and actual experience	976,221	-	976,221
Contributions—employer	-	983,775	(983,775)
Contributions—employee	-	350,968	(350,968)
Net investment income	-	1,722,031	(1,722,031)
Benefit payments, including refunds of employee contributions	(1,564,096)	(1,564,096)	-
Transfers Among Employers	(42,396)	(42,396)	-
Net changes	<u>2,840,763</u>	<u>1,450,282</u>	<u>1,390,481</u>
<b>Balances at 9/30/2016</b>	<u>\$ 32,937,803</u>	<u>\$ 18,495,113</u>	<u>\$ 14,442,690</u>

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION– CONTINUED**

The Bureau

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
<b>Balances at 9/30/2015</b>	\$2,551,849	\$2,306,037	\$245,812
Changes for the year:			
Service cost	63,774	-	63,774
Interest	202,194	-	202,194
Changes in assumptions	290,162	-	290,162
Differences between expected and actual experience	(28,640)	-	(28,640)
Contributions--employer	-	55,769	(55,769)
Contributions--employee	-	46,972	(46,972)
Net investment income	-	237,118	(237,118)
Benefit payments, including refunds of employee contributions	(48,858)	(48,858)	-
Administrative expense	-	-	-
Transfers Among Employers	(9,340)	(9,340)	-
Net changes	469,292	281,661	187,631
<b>Balances at 9/30/2016</b>	<b>\$ 3,021,141</b>	<b>\$ 2,587,698</b>	<b>\$ 433,443</b>

Benefits provided-Continued

*Changes in Net Pension Liability*

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

The following table presents the Huntsville Utilities System's net pension liability calculated using the discount rate of 7.75%, as well as what the Bureau's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increases (8.75%)
Electric's net pension liability	\$39,765,469	\$32,103,776	\$25,642,705
Gas's net pension liability	\$44,085,519	\$32,480,705	\$22,781,021
Water's net pension liability	\$18,401,076	\$14,442,690	\$11,097,387

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION– CONTINUED**

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

For the year ended September 30, 2017, the System recognized the following pension expense:

	Electric System	Natural Gas System	Water System
Recognized pension expense	\$3,034,513	\$3,163,407	\$1,356,173

At September 30, 2017, the System reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

Electric System

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,207,276	\$ -
Changes of assumptions	1,344,495	-
Net difference between projected and actual earnings on pension plan investments	301,189	-
Employer contributions subsequent to the measurement date	2,070,122	-
Total	\$ 4,922,082	\$ -

Natural Gas System

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 894,191	\$ -
Changes of assumptions	1,728,110	-
Net difference between projected and actual earnings on pension plan investments	451,171	-
Employer contributions subsequent to the measurement date	2,664,475	-
Total	\$ 5,737,947	\$ -

Water System

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 987,637	\$ -
Changes of assumptions	597,909	-
Net difference between projected and actual earnings on pension plan investments	147,301	-
Employer contributions subsequent to the measurement date	1,030,584	-
Total	\$ 2,763,431	\$ -

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

Year ended September 30:	Electric System	Natural Gas System	Water System
2018	\$ 594,623	\$ 481,846	\$ 273,387
2019	594,625	481,848	273,385
2020	835,194	841,272	395,063
2021	352,585	152,693	166,362
2022	339,235	376,622	225,222
Thereafter	135,698	739,191	399,428

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION– CONTINUED**

Benefits provided-Continued

*Changes in Net Pension Liability*

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

The following table presents the Bureau's net pension liability calculated using the discount rate of 7.75%, as well as what the Bureau's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increases (8.75%)
Bureau's net pension liability	\$686,330	\$433,443	\$219,927

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

For the year ended September 30, 2017, the City recognized pension expense of \$72,018. At September 30, 2017, 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	\$ -	\$ 85,801
Changes of assumptions	240,982	-
Net difference between projected and actual earnings on pension plan investments	19,923	-
Employer contributions subsequent to the measurement date	50,375	-
Total	\$ 311,280	\$ 85,801

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

<b>Year ended September 30:</b>		
2017	\$	34,606
2018		34,607
2019		50,591
2020		19,735
2021		35,565
Thereafter		-

**F. Post-Retirement Medical Plans**

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

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

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION– CONTINUED**

Plan Descriptions. The City plan, established in 1989, is a single-employer defined benefit retiree healthcare plan which 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. The City administers the DB retiree healthcare plan through the City of Huntsville Post-Retirement Benefits Trust, an irrevocable trust. The trust fund is under the direction of a board of trustees, which consists of the City Council. Plan assets of the Huntsville Post-Retirement Benefits Trust are irrevocable and legally protected from creditors and dedicated to providing post-employment health and life insurance coverage to current and eligible future retirees in accordance with the terms of the plans.

Membership in the Defined Benefit OPEB Plan consisted of the following at September 30, 2016, the date of the latest actuarial report:

Inactive Employees or Beneficiaries Currently Receiving Benefits		292
Inactive Members Entitled to but not yet receiving benefits		-
Active Employees		2,179
<b>Total</b>		<b>2,471</b>

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 2016, the City’s rate was about 3.7% of annual covered payroll and the Utilities’ was about 5.5%.

Annual OPEB Cost. For 2017, the City’s and Utilities annual benefit costs were equal to the required contribution, determined by actuarial valuations as of September 30, 2016, 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	2016	4,056,017	54.84%	1,831,886
	2015	3,565,158	100%	-
	2014	3,565,158	100%	-
Huntsville Utilities	2016	3,523,040	64.2%	1,259,871
	2015	2,020,649	100.0%	-
	2014	2,009,441	100%	-

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION– CONTINUED**

Funded Status and Funding Progress. The funded status of the OPEB plans as of September 30 2016, is shown in the schedule below, which also presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Schedule of Funding Progress for the Plans (latest available)**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Proj. Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City	9/30/16	\$10,281,816	\$56,125,242	\$45,843,426	18.32%	105,518,270	43.45%
	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%
Utilities (combined)	9/30/16	7,031,343	49,834,043	40,851,353	18.03%	46,105,628	88.6%
	9/30/14	7,031,343	35,733,041	28,701,698	19.68%	37,591,987	76.4%
	9/30/12	5,676,120	28,835,898	23,159,778	19.69%	35,227,751	65.7%

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.

The City's actuarial valuation as of September 30, 2016, was based on: (a) the market value of assets valuation method, (b) a 2.875% inflation rate, with a 0.25% real wage growth rate and a 3.125% wage inflation rate (c) salary increases, including wage inflation of 3.375%-5.125%, (d) long-term investment rate of return, net of OPEB plan investment expense, including price inflation or 6.5%, (e) an 7.75% pre-medicare medical cost trend rate graded to 5.0% by 2022, (f) a discount rate of 6.50%, (g) retirement rates consistent with the City's pension plan actuarial valuation, and (h) a 30-year amortization period of the actuarial liability as a level percentage of projected payroll on a closed basis.

Mortality rates for active employees were based on the sex distinct RP-2000 Employee Mortality Table projected with Scale BB to 2020 with an adjustment factor of 70% for males and 50% for females. Post-retirement mortality rates on the sex distinct RP-2000 Blue Collar Mortality Table projected with Scale BB to 2020. An adjustment of 125% at all ages for males and 120% for females beginning at age 78 was made for service retirements and beneficiaries. An adjustment of 130% for females at all ages was made for disability retirements.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2016 valuation were based on the results of an actuarial experience study for the period October 1, 2010 – September 30, 2015.

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION– CONTINUED**

As of the most recent adoption of the current long-term rate of return by the Plan, the target asset allocation for each major asset class, as provided by the Plan, are summarized in the following table:

	Target Allocation	Expected Rate of Return*
Equity Funds	28.50%	6.00%
Fixed Income	70.50%	3.00%
Cash and cash equivalents	1.00%	1.75%
<b>Total</b>	<b>100.00%</b>	

\* Target allocation will be set equal to the actual allocation until the plan sponsor sets a target allocation.

\*\* Expected return is net of inflation.

Sensitivity of the net OPEB liability to changes in the discount rate. The following table presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increases (7.50%)
City's net pension liability	\$56,493,982	\$63,661,315	\$76,018,589

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates. The following table presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease (2.76%)	Current Rate (3.76%)	1% Increases (4.76%)
City's net pension liability	\$73,251,752	\$63,661,315	\$58,439,782

The Utilities' actuarial valuation as of September 30, 2014, was based on: (a) the projected unit credit method actuarial cost method, (b) a 5.00% investment rate of return and 3.00% inflation rate, (c) a 7.75% Pre-Medicare medical cost trend rate and 5.75% Post-Medicare medical cost trend rate graded to 5.0% over a rolling amortization period, (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.

Net OPEB Liability - GASB 74. GASB 74 requires certain disclosures for OPEB plans, which include financial statements, notes to financial statements, required supplementary information, and the measurement of the net OPEB liability. The Total OPEB Liability and Net OPEB Liability are based on an actuarial valuation performed as of September 30, 2016. The Total OPEB Liability was rolled-forward from the valuation date to the fiscal year ended September 30, 2017 using generally accepted actuarial principles. The components of the Net OPEB Liability of the City at September 30, 2017 were as follows:

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

Total OPEB Liability	\$ 76,019,785
Plan Fiduciary Net Position	<u>12,358,470</u>
Net OPEB Liability	<u>\$ 63,661,315</u>
Plan Fiduciary Net Position as a percentage of Net OPEB Liability	16.26%

The net OPEB liability was measured as of September 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques as shown in the following table:

(a) Total OPEB Liability (TOL) as of September 30, 2015	\$ 77,847,493
(b) Actual Benefit Payments and Refunds for the Year October 1, 2016 – September 30, 2017	(2,146,330)
(c) Interest on TOL [(a)x(0.0314)] +[(b) x (0.0157)]	2,410,714
(d) Service Cost for the Year October 1, 2015-September 30, 2016	2,666,888
(e) Changes in Benefit Terms	-
(f) Differences Between Expected and Actual Experience At the end of the Year	-
(g) Changes of Assumptions or Other Inputs	<u>(4,758,980)</u>
(h) TOL Rolled Forward to September 30, 2017 (a) + (b) + (c) + (d) + (e) + (f) + (g)	<u>\$ 76,019,785</u>

**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, 2017, have been accrued as a liability in the General Fund as of September 30, 2017. 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.

**City of Huntsville**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**NOTE 5 – OTHER INFORMATION– CONTINUED**

Changes in the balances of claims liabilities (net of anticipated insurance coverage) for the fiscal year ended September 30, 2017 were as follows:

	<b>Employees' Health Care</b>		<b>Workers' Compensation</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Unpaid claims, beginning of year	\$1,777,000	\$1,448,000	\$3,168,760	\$3,168,760
Incurred claims	177,952	4,031,427	1,691,949	1,657,016
Less claim payments	(355,752)	(3,702,427)	(1,691,949)	(1,657,016)
Unpaid claims, end of year (a)	<u>\$1,599,200</u>	<u>\$1,777,000</u>	<u>\$3,168,760</u>	<u>\$3,168,760</u>
	<b>Legal Claims</b>		<b>Total</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Unpaid claims, beginning of year	\$520,000	\$520,000	\$5,465,760	\$5,136,760
Incurred claims	339,140	803,331	2,209,041	6,491,774
Less claim payments	(339,140)	(803,331)	(2,386,841)	(6,162,774)
Unpaid claims, end of year (a)	<u>\$520,000</u>	<u>\$520,000</u>	<u>\$5,287,960</u>	<u>\$5,465,760</u>

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

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

**H. Subsequent Events**

The City has evaluated subsequent events through March 30, 2018, the date on which the financial statements were available for issue and determined that the following warrant further disclosure:

In October 2017, the Public Building Authority of the City of Huntsville issued the Series 2017 Lease Revenue Refunding Bonds for the face amount of \$46,965,000 for the purpose of refunding the 2007 Lease Revenue Bonds outstanding in the amount of 55,291,484 at the time of refunding. The Bonds mature in 2036 with principal payments due annually along with interest ranging from 1.02 – 2.83%.

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REQUIRED SUPPLEMENTARY PENSION  
INFORMATION

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

	City of Huntsville		
	2016	2015	2014
<b>Total pension liability</b>			
Service cost	\$ 9,035,848	\$ 8,901,384	\$ 8,706,017
Interest	41,057,851	39,553,505	38,201,665
Changes in benefit terms	-	-	-
Differences between actual & expected experience	(2,805,978)	2,353,694	-
Changes of assumptions	20,025,224	-	-
Benefit payments, including refunds of employee contributions	(30,814,613)		
Transfers among employers	1,184,754	(33,193,884)	(26,825,501)
<b>Net change in total pension liability</b>	<b>37,683,086</b>	<b>17,614,699</b>	<b>20,082,181</b>
Total pension liability-beginning	528,630,449	511,015,750	490,933,569
Total pension liability-ending (a)	<u>566,313,535</u>	<u>528,630,449</u>	<u>511,015,750</u>
<b>Plan fiduciary net position</b>			
Contribution-employer	14,360,447	14,520,862	14,884,651
Contribution-employee	6,282,500	5,966,695	5,993,271
Net investment income	33,753,130	4,013,420	37,204,039
Benefit payments, including refunds of employee contributions	(30,814,613)	(33,193,884)	(26,825,501)
Transfers among employees	1,184,754	(60,873)	247,147
Administrative expense	-	-	-
<b>Net change in plan fiduciary net position-beginning</b>	<b>24,766,218</b>	<b>(8,753,780)</b>	<b>31,503,607</b>
Plan fiduciary net position-beginning	335,922,287	344,676,067	313,172,459
Plan fiduciary net position-ending (b)	<u>\$ 360,688,505</u>	<u>\$ 335,922,287</u>	<u>\$ 344,676,066</u>
<b>Net pension liability (asset)- ending (a)-(b)</b>	<b>205,625,030</b>	<b>192,708,162</b>	<b>166,339,684</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>63.69%</b>	<b>63.55%</b>	<b>67.45%</b>
<b>Covered- employee payroll</b>	<b>106,306,514</b>	<b>106,742,155</b>	<b>101,710,815</b>
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	<b>193.43%</b>	<b>180.54%</b>	<b>163.54%</b>

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

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

	City of Huntsville		
	2017	2016	2015
Actuarially determined contribution	\$ 14,902,713	\$ 14,755,132	\$ 14,565,070
Contributions in relation to the actuarially determined contribution	\$ 14,902,713	\$ 14,755,132	\$ 14,565,070
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 106,306,514	\$ 106,742,155	\$ 101,710,815
Contributions as a percentage of covered-employee payroll	14.02%	13.82%	14.32%

**Notes to Schedule**

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2017 were based on September 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

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

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

	COMPONENT UNITS					
	Huntsville Utilities			HMC CVB		
	2016	2015	2014	2016	2015	2014
<b>Total pension liability</b>						
Service cost	\$ 2,881,884	\$ 2,687,608	\$ 2,623,427	\$ 63,774	\$ 61,732	\$ 61,421
Interest	13,601,075	12,960,654	12,461,295	202,194	193,738	180,039
Changes in benefit terms	-	-	-	-	-	-
Differences between actual & expected experience	2,212,859	1,727,828	-	(28,640)	(90,859)	-
Changes of assumptions	4,242,875	-	-	290,162	-	-
Benefit payments, including refunds of employee contributions	(9,554,235)	-	-	(48,858)	-	-
Transfers among employers	23,492	(9,187,428)	(8,498,045)	(9,340)	(68,967)	(71,475)
<b>Net change in total pension liability</b>	<b>13,407,950</b>	<b>8,188,662</b>	<b>6,586,677</b>	<b>469,292</b>	<b>95,644</b>	<b>169,985</b>
Total pension liability-beginning	174,790,553	166,601,891	160,015,214	2,551,849	2,456,205	2,286,220
Total pension liability-ending (a)	<u>\$ 188,198,503</u>	<u>\$ 174,790,553</u>	<u>\$ 166,601,891</u>	<u>\$ 3,021,141</u>	<u>\$ 2,551,849</u>	<u>\$ 2,456,205</u>
<b>Plan fiduciary net position</b>						
Contribution-employer	\$ 5,731,644	\$ 5,328,595	\$ 5,279,569	\$ 55,769	\$ 53,130	\$ 51,960
Contribution-employee	2,297,753	2,099,117	1,971,180	46,972	45,468	41,586
Net investment income	10,159,904	1,185,790	10,845,840	237,118	26,863	239,814
Benefit payments, including refunds of employee contributions	(9,554,235)	(9,187,428)	(8,498,045)	(48,858)	-	-
Transfers among employees	23,492	512,956	(234,344)	(9,340)	(68,967)	(71,475)
Administrative expense	-	-	-	-	-	-
<b>Net change in plan fiduciary net position-beginning</b>	<b>8,658,558</b>	<b>(60,970)</b>	<b>9,364,200</b>	<b>281,661</b>	<b>56,494</b>	<b>261,885</b>
Plan fiduciary net position-beginning	100,512,774	100,573,744	91,209,544	2,306,037	2,249,543	1,987,658
Plan fiduciary net position-ending (b)	<u>\$ 109,171,332</u>	<u>\$ 100,512,774</u>	<u>\$ 100,573,744</u>	<u>\$ 2,587,698</u>	<u>\$ 2,306,037</u>	<u>\$ 2,249,543</u>
<b>Net pension liability (asset)- ending (a)-(b)</b>	<b>79,027,171</b>	<b>74,277,779</b>	<b>66,028,147</b>	<b>433,443</b>	<b>245,812</b>	<b>206,662</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>58.01%</b>	<b>57.50%</b>	<b>60.37%</b>	<b>85.65%</b>	<b>90.37%</b>	<b>91.59%</b>
<b>Covered- employee payroll</b>	<b>45,052,937</b>	<b>41,276,876</b>	<b>38,635,798</b>	<b>689,599</b>	<b>662,763</b>	<b>689,599</b>
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	<b>175.41%</b>	<b>179.95%</b>	<b>170.90%</b>	<b>62.85%</b>	<b>37.09%</b>	<b>29.97%</b>

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

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

**COMPONENT UNITS**

	<b>Huntsville Utilities</b>			<b>HMC CVB</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Actuarially determined contribution	\$ 5,765,181	\$ 5,677,990	\$ 4,524,518	\$ 50,375	\$ 59,110	\$ 50,470
Contributions in relation to the actuarially determined contribution	5,765,181	5,677,990	4,524,518	50,375	59,110	50,470
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 45,018,988	\$ 44,375,168	\$ 41,077,004	\$ 902,968	\$ 689,599	\$ 686,145
Contributions as a percentage of covered-employee payroll	12.81%	12.80%	11.01%	5.58%	8.57%	7.36%

**Notes to Schedule**

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2017 were based on September 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization method	20 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.*

**CITY OF HUNTSVILLE  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY  
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30\***

	<b>City of Huntsville 2017</b>
<b>Total pension liability</b>	
Service cost	\$ 2,666,888
Interest	2,410,714
Changes in benefit terms	-
Differences between actual & expected experience	-
Changes of assumptions	(4,758,980)
Benefit payments**	(2,146,330)
<b>Net change in total pension liability</b>	<b>(1,827,708)</b>
Total pension liability-beginning	77,847,493
Total pension liability-ending (a)	<u>76,019,785</u>
 <b>Plan fiduciary net position</b>	
Contribution-employer***	2,146,330
Contribution-employee	-
Net investment income	-
Benefit payments**	343,482
Transfers among employees	(2,146,330)
Administrative expense	-
<b>Net change in plan fiduciary net position-beginning</b>	<b>343,482</b>
Plan fiduciary net position-beginning	10,281,816
Plan fiduciary net position-ending (b)	<u>\$ 10,625,298</u>
 <b>Net pension liability (asset)- ending (a)-(b)</b>	<b>65,394,487</b>
 <b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>13.98%</b>

*\*This schedule is presented to illustrate the requirement to show information for 10 years. However, since 2017 was the year of implementation, subsequent years' information will be added in subsequent years until a full 10-year trend is compiled.*

*\*\*Benefit payments are net of participant contributions. Net benefit payments of \$2,146,330 paid directly from the employer are included based on guidance in Illustration B-1 of GASB Implementation Guide No. 2017-2, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans".*

*\*\*\*Employer contributions include \$2,146,330 paid directly from the employer.*

**CITY OF HUNTSVILLE  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
OTHER POST-EMPLOYMENT BENEFITS PLAN  
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30\***

	<b>City of Huntsville</b>	
	<u><b>2017</b></u>	<u><b>2016</b></u>
Actuarially determined contribution	\$ 4,498,264	\$ 4,056,017
Contributions in relation to the actuarially determined contribution	<u>\$ 2,146,330</u>	<u>\$ 2,224,131</u>
Contribution deficiency (excess)	<u><u>\$ 2,351,934.00</u></u>	<u><u>\$ 1,831,886.00</u></u>
Covered-employee payroll	\$ 105,518,270	\$ 105,518,270
Contributions as a percentage of covered-employee payroll	2.03%	2.11%

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

## SUPPLEMENTARY INFORMATION

**CITY OF HUNTSVILLE  
GENERAL FUND  
BALANCE SHEET  
September 30, 2017**

**ASSETS**

Cash & investments, at cost	81,464,602
Receivables (net of allowances)	14,277,609
Due from other funds	99,560,211
Due from other governmental entities	1,088,425
Inventories	133,744
Prepaid items	373,654

**Total assets** \$ 196,898,245

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

**Liabilities**

Accounts payable	5,926,493
Accrued liabilities	9,025,976
Contract retainages	4,904,367
Due to other funds	124,564,835
Due to other governmental entities	348,005
Unearned revenue	40,874
Other	1,872,513

Total liabilities 146,683,063

**Deferred inflows of resources**

Deferred revenue	548,001
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Total deferred inflows of resources 548,001

**Fund balance**

Nonspendable	507,398
Restricted	-
Committed	-
Assigned	1,000,000
Unassigned	48,159,783

Total fund balance 49,667,181

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

\$ 196,898,245

**CITY OF HUNTSVILLE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2017**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes and payments in lieu of taxes	\$ 159,863,088	\$ 159,863,088	\$ 162,011,341	\$ 2,148,253
Licenses and permits	24,549,175	24,549,175	26,499,649	1,950,474
Fines and forfeitures	3,914,900	3,914,900	3,213,326	(701,574)
Revenues from money and property	1,271,800	1,279,881	2,055,733	775,852
Charges for services	17,911,400	17,946,446	17,970,421	23,975
Intergovernmental	4,071,496	5,244,357	4,262,679	(981,678)
Gifts and donations	1,300	56,850	106,920	50,070
Other revenues	731,096	613,225	726,345	113,120
<b>Total revenues</b>	<b>212,314,255</b>	<b>213,467,922</b>	<b>216,846,414</b>	<b>3,378,492</b>
<b>EXPENDITURES</b>				
Current				
General government	30,635,835	32,597,536	30,717,319	1,880,216
Public safety	89,135,178	91,109,602	88,804,811	2,304,791
Public services	60,222,772	64,009,510	60,749,196	3,260,314
Urban development	13,637,428	13,754,443	13,108,708	645,735
Intergovernmental assistance	4,478,154	4,485,685	4,525,685	(40,000)
<b>Total expenditures</b>	<b>198,109,367</b>	<b>205,956,775</b>	<b>197,905,719</b>	<b>8,051,057</b>
<b>Excess of revenues over expenditures</b>	<b>14,204,888</b>	<b>7,511,147</b>	<b>18,940,695</b>	<b>11,429,548</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	-	-	-
Premium on debt issue	-	-	-	-
Capital lease proceeds	-	-	-	-
Transfers in	2,596,787	2,596,787	-	(2,596,787)
Transfers out	(13,277,367)	(13,413,921)	(15,102,968)	(1,689,047)
<b>Total other financing sources (uses)</b>	<b>(10,680,580)</b>	<b>(10,817,134)</b>	<b>(15,102,968)</b>	<b>(4,285,834)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>3,524,308</b>	<b>(3,305,987)</b>	<b>3,837,726</b>	<b>7,143,714</b>
Fund balance, beginning	45,829,454	45,829,454	45,829,454	0
<b>Fund balance, ending</b>	<b>\$49,353,762</b>	<b>\$42,523,467</b>	<b>\$49,667,181</b>	<b>\$7,143,714</b>

**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, 2017**

Page 1 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and payments in lieu of taxes				
Sales and use	\$ 103,590,481	\$ 103,590,481	\$ 104,489,438	\$ 898,957
Ad valorem	16,678,847	16,678,847	17,178,680	499,833
Other	39,593,760	39,593,760	40,343,223	749,463
Total	159,863,088	159,863,088	162,011,341	2,148,253
Licenses and permits				
Privilege	20,928,000	20,928,000	22,000,418	1,072,418
Building permits	1,850,000	1,850,000	2,564,397	714,397
Other	1,771,175	1,771,175	1,934,834	163,659
Total	24,549,175	24,549,175	26,499,649	1,950,474
Fines and forfeitures	3,914,900	3,914,900	3,213,326	(701,574)
Revenues from money and property				
Interest	225,000	225,000	163,494	(61,506)
Recreational receipts	596,800	604,881	672,179	67,298
Other	450,000	450,000	1,220,060	770,060
Total	1,271,800	1,279,881	2,055,733	775,852
Charges for current services				
Sanitation charges	12,500,000	12,500,000	12,440,162	(59,838)
Parking revenue	2,705,000	2,705,000	2,546,428	(158,572)
Other	2,706,400	2,741,446	2,983,831	242,385
Total	17,911,400	17,946,446	17,970,421	23,975
Intergovernmental	4,071,496	5,244,357	4,262,679	(981,678)
Gifts and donations	1,300	56,850	106,920	50,070
Other revenues	731,096	613,225	726,345	113,120
<b>TOTAL REVENUES</b>	<b>212,314,255</b>	<b>213,467,922</b>	<b>216,846,414</b>	<b>3,378,492</b>

**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, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
<b><u>General Government</u></b>				
Administration				
Personnel	4,885,812	4,885,812	5,311,596	(425,784)
Operating	167,050	251,349	220,936	30,413
Capital	-	-	-	-
Total	5,052,862	5,137,161	5,532,532	(395,371)
City Council				
Personnel	329,558	329,558	302,973	26,585
Operating	147,000	147,000	130,909	16,091
Capital	1,000	1,000	-	1,000
Total	477,558	477,558	433,882	43,676
Clerk-Treasurer				
Personnel	1,411,309	1,411,309	1,412,440	(1,131)
Operating	170,600	178,100	243,920	(65,820)
Capital	18,500	18,500	16,398	2,102
Total	1,600,409	1,607,909	1,672,758	(64,849)
Finance				
Personnel	2,724,779	2,724,779	2,654,048	70,731
Operating	377,990	403,849	338,127	65,722
Capital	17,000	1,217,546	490,388	727,158
Total	3,119,769	4,346,174	3,482,563	863,611
Fleet Management				
Personnel	3,464,688	3,464,688	3,462,727	1,961
Operating	404,000	401,616	844,489	(442,873)
Capital	21,500	23,884	21,447	2,437
Total	3,890,188	3,890,188	4,328,662	(438,474)
General expenses				
Personnel	1,687,080	1,687,080	1,629,479	57,601
Operating	1,370,250	1,370,250	901,770	468,480
Capital	-	-	-	-
Total	3,057,330	3,057,330	2,531,249	526,081

**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, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Human Resources				
Personnel	938,873	938,873	1,032,026	(93,153)
Operating	1,648,306	1,648,306	1,676,630	(28,324)
Capital	500	500	-	500
Total	2,587,679	2,587,679	2,708,656	(120,977)
Information Technology Services				
Personnel	3,652,225	3,652,225	3,659,037	(6,812)
Operating	2,452,835	2,743,084	2,323,432	419,653
Capital	414,419	767,667	496,292	271,375
Total	6,519,479	7,162,976	6,478,760	684,215
Legal				
Personnel	1,923,696	1,923,696	1,783,377	140,319
Operating	1,862,000	1,862,000	1,197,741	664,259
Capital	16,865	16,865	1,707	15,158
Total	3,802,561	3,802,561	2,982,825	819,736
Special appropriations	528,000	528,000	565,432	(37,432)
<b>Total general government</b>	<b>30,635,835</b>	<b>32,597,536</b>	<b>30,717,319</b>	<b>1,880,216</b>
<b><u>Public Safety</u></b>				
Animal Services				
Personnel	1,748,939	1,748,939	1,665,701	83,238
Operating	373,200	553,883	539,031	14,852
Capital	1,500	1,500	318	1,182
Total	2,123,639	2,304,322	2,205,050	99,272
Emergency Management				
Personnel	752,218	758,779	718,927	39,852
Operating	50,840	304,641	120,246	184,396
Capital	11,700	12,758	15,912	(3,154)
Total	814,758	1,076,179	855,085	221,094
Fire and Rescue				
Personnel	32,754,890	32,754,890	33,096,694	(341,804)
Operating	2,545,652	2,576,599	2,331,568	245,031
Capital	343,600	893,365	548,438	344,927
Total	35,644,142	36,224,854	35,976,700	248,154

**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, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Municipal court				
Personnel	3,359,497	3,253,157	3,001,888	251,269
Operating	168,000	275,340	284,033	(8,693)
Capital	40,000	40,000	119	39,881
<b>Total</b>	<b>3,567,497</b>	<b>3,568,497</b>	<b>3,286,040</b>	<b>282,457</b>
Police				
Personnel	43,284,183	43,919,793	43,038,239	881,554
Operating	3,528,599	3,843,597	3,286,739	556,857
Capital	32,000	32,000	16,597	15,403
<b>Total</b>	<b>46,844,782</b>	<b>47,795,390</b>	<b>46,341,576</b>	<b>1,453,814</b>
Special appropriations	140,360	140,360	140,360	-
<b>Total public safety</b>	<b>89,135,178</b>	<b>91,109,602</b>	<b>88,804,811</b>	<b>2,304,791</b>
<b><u>Public Services</u></b>				
Cemetery				
Personnel	777,679	777,679	716,193	61,486
Operating	341,775	347,144	256,831	90,313
Capital	-	-	-	-
<b>Total</b>	<b>1,119,454</b>	<b>1,124,823</b>	<b>973,024</b>	<b>151,799</b>
General Services				
Personnel	3,411,286	3,411,286	3,303,124	108,162
Operating	6,258,840	6,653,602	7,150,603	(497,002)
Capital	452,800	1,044,747	153,294	891,453
<b>Total</b>	<b>10,122,926</b>	<b>11,109,635</b>	<b>10,607,021</b>	<b>502,614</b>
Landscape Management				
Personnel	7,630,765	7,630,765	7,618,279	12,486
Operating	3,147,000	3,253,604	3,478,918	(225,314)
Capital	-	-	-	-
<b>Total</b>	<b>10,777,765</b>	<b>10,884,369</b>	<b>11,097,197</b>	<b>(212,828)</b>

**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, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Parking				
Personnel	1,146,078	1,146,078	1,278,463	(132,385)
Operating	463,987	507,112	467,484	39,628
Capital	7,750	43,680	(17,003)	60,683
Total	1,617,815	1,696,870	1,728,944	(32,074)
Parks & Recreation				
Personnel	6,718,285	6,718,285	6,120,739	597,546
Operating	549,117	745,975	554,181	191,794
Capital	1,600	149,900	69,945	79,955
Total	7,269,002	7,614,160	6,744,865	869,295
Public Transit				
Personnel	3,325,776	3,325,776	3,136,072	189,704
Operating	1,030,530	1,110,530	962,176	148,354
Capital	1,017,000	1,766,953	1,020,754	746,199
Total	5,373,306	6,203,259	5,119,001	1,084,258
Public Works				
Personnel	12,986,536	12,986,536	12,730,222	256,314
Operating	6,352,700	6,375,083	6,654,846	(279,764)
Capital	36,500	(60,839)	(76,488)	15,649
Total	19,375,736	19,300,780	19,308,581	(7,801)
Special appropriations	4,566,768	6,075,614	5,170,563	905,050
<b>Total public services</b>	<b>60,222,772</b>	<b>64,009,510</b>	<b>60,749,196</b>	<b>3,260,314</b>
<b><u>Urban Development</u></b>				
Engineering				
Personnel	2,748,667	2,748,667	2,756,804	(8,137)
Operating	199,600	232,155	222,129	10,026
Capital	1,700	1,700	754	946
Total	2,949,967	2,982,522	2,979,687	2,835
Inspection				
Personnel	2,223,245	2,223,245	2,208,878	14,367
Operating	111,500	145,500	83,213	62,287
Capital	10,000	10,000	6,327	3,673
Total	2,344,745	2,378,745	2,298,418	80,327

**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, 2017**

Page 6 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Natural Resources				
Personnel	704,858	704,858	700,656	4,202
Operating	39,500	39,500	29,599	9,901
Capital	12,500	12,500	9,317	3,183
Total	756,858	756,858	739,572	17,286
Planning				
Personnel	3,708,165	3,708,165	3,528,113	180,052
Operating	281,100	304,950	176,257	128,693
Capital	18,000	18,000	9,384	8,616
Total	4,007,265	4,031,115	3,713,755	317,360
Traffic Engineering				
Personnel	2,625,813	2,625,813	2,442,433	183,380
Operating	370,500	397,110	361,087	36,023
Capital	7,000	7,000	1,913	5,087
Total	3,003,313	3,029,923	2,805,433	224,490
Special appropriations	575,280	575,280	571,844	3,436
<b>Total urban development</b>	<b>13,637,428</b>	<b>13,754,443</b>	<b>13,108,708</b>	<b>645,735</b>
<b>Intergovernmental Assistance</b>				
Huntsville Board of Education	43,000	43,000	43,000	-
Huntsville City Schools	-	-	40,000	(40,000)
JAG Grant to Madison County	76,654	84,185	84,185	-
Madison County Commission	50,000	50,000	50,000	-
Madison County Health Department	1,334,700	1,334,700	1,334,700	-
Madison County Jail Operations	2,100,000	2,100,000	2,100,000	-
Neaves Center for Children	873,800	873,800	873,800	-
Total	4,478,154	4,485,685	4,525,685	(40,000)
<b>TOTAL EXPENDITURES</b>	<b>198,109,367</b>	<b>205,956,775</b>	<b>197,905,719</b>	<b>8,051,057</b>

**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, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Excess of revenues over expenditures</b>	14,204,888	7,511,147	18,940,695	11,429,548
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,596,787	2,596,787	-	(2,596,787)
Transfers out	(13,277,367)	(13,413,921)	(15,102,968)	(1,689,047)
		-		
Total other financing sources (uses)	(10,680,580)	(10,817,134)	(15,102,968)	(4,285,834)
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	3,524,308	(3,305,987)	3,837,726	7,143,714
Fund balance, beginning	45,829,454	45,829,454	45,829,454	0
<b>Fund balance, ending</b>	<b>\$ 49,353,762</b>	<b>\$ 42,523,467</b>	<b>\$ 49,667,181</b>	<b>\$ 7,143,714</b>

**CITY OF HUNTSVILLE  
GENERAL FUND  
SCHEDULE OF SPECIAL APPROPRIATIONS - BUDGET AND ACTUAL  
For the Year Ended September 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>General Government</b>				
Fiber Build	\$ 528,000	\$ 528,000	\$ 565,432	\$ (37,432)
	<u>528,000</u>	<u>528,000</u>	<u>565,432</u>	<u>(37,432)</u>
<b>Public Safety</b>				
CAJA	\$ 50,000	\$ 50,000	\$ 50,000	-
Huntsville Community Watch Association	21,510	21,510	21,510	-
Huntsville/Madison County Rescue Squad, Inc.	4,320	4,320	4,320	-
Partnership for Drug Free Community	64,530	64,530	64,530	-
	<u>140,360</u>	<u>140,360</u>	<u>140,360</u>	<u>-</u>
<b>Public Services</b>				
Arts Council, Inc.	288,600	288,600	288,600	-
Boys & Girls Club, Inc.	43,830	43,830	43,830	-
Community Action Agency	87,750	87,750	87,750	-
First Stop, Inc.	108,830	108,830	108,830	-
Harris Home for Children	26,280	26,280	26,280	-
Heals, Inc.	21,960	21,960	21,960	-
Human Relations Commission	900	900	900	-
Huntsville Beautification Committee	4,410	4,410	4,410	-
Huntsville Child Care Center, Inc.	13,140	13,140	13,140	-
Huntsville Hospital	150,000	150,000	150,000	-
Huntsville Jaycees	2,160	2,160	2,160	-
Huntsville Sports Commission, Inc.	238,530	778,094	454,555	323,539
Huntsville Symphony Orchestra	99,510	99,510	99,510	-
Huntsville/Madison County Botanical Gardens, Inc.	217,300	217,300	218,605	(1,305)
Huntsville/Madison County Convention & Vis. Bureau	1,762,398	2,731,680	2,122,863	608,817
Huntsville/Madison County Senior Center, Inc.	390,000	390,000	390,000	-
International Services Council of Huntsville/Madison Co.	26,280	26,280	26,280	-
Legal Services of Alabama, Inc.	17,550	17,550	17,550	-
LIFT Housing, Inc.	11,210	11,210	11,210	-
Madison County Mental Retardation Board, Inc.	35,100	35,100	35,100	-
Mental Health Board, Inc. (Mental Health Center)	813,380	813,380	813,380	-
Science Center/Sci Quest	-	-	26,000	(26,000)
Second Mile Development, Inc.	21,960	21,960	21,960	-
U.S. Space & Rocket Center Foundation, inc.	125,000	125,000	125,000	-
United Cerebral Palsy of Huntsville/Madison County, Inc.	30,690	30,690	30,690	-
Weeden House Museum	30,000	30,000	30,000	-
	<u>4,566,768</u>	<u>6,075,614</u>	<u>5,170,563</u>	<u>905,050</u>
<b>Urban Development</b>				
Business Tech. Development Center, Inc. ("BizTech")	87,750	87,750	87,750	-
Chamber of Commerce of Huntsville/Madison County	275,000	275,000	275,000	-
Downtown Huntsville, Inc.	90,000	90,000	90,000	-
North Alabama African-American Chamber of Commerce	21,960	21,960	21,960	-
North Alabama Coalition for the Homeless, Inc.	40,000	40,000	36,564	3,436
The Land Trust of Huntsville and North Alabama, Inc.	60,570	60,570	60,570	-
	<u>575,280</u>	<u>575,280</u>	<u>571,844</u>	<u>3,436</u>
	<u><b>\$ 5,282,408</b></u>	<u><b>\$ 6,791,254</b></u>	<u><b>\$ 5,882,767</b></u>	<u><b>\$ 908,487</b></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 BALANCE SHEET  
September 30, 2017**

	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	Capital Projects Fund Cummings Research Park	Total Nonmajor Governmental Funds
<b>ASSETS</b>												
Cash & investments, at cost	\$ 652,302	\$ 447,957	\$ 3,959,702	\$ 5,380,302	\$ 3,531	\$ 134,583	\$ 50,064	\$ 244,196	\$ 671,542	\$ 2,691,815	\$ 2,326,432	\$ 16,562,426
Receivables (net of allowances)												
Accounts	107,050	-	-	11,758	-	545,000	22,306	-	-	-	-	686,114
Notes	690,582	1,454,448	-	-	-	-	-	-	-	-	-	2,145,030
Accrued interest	61,956	-	-	-	-	-	-	-	-	-	-	61,956
Due from other funds	1,435,831	-	75,799	-	-	-	-	-	-	-	-	1,511,630
Due from governmental entities	239,491	74,562	-	-	-	-	58,600	-	-	-	-	372,653
Inventories	-	-	-	-	-	33,325	28,048	7,533	-	-	-	68,906
Prepaid items	4,901	-	-	63,659	545	-	99,459	-	-	-	-	168,564
<b>Total assets</b>	<b>\$3,192,113</b>	<b>\$1,976,967</b>	<b>\$4,035,501</b>	<b>\$5,455,719</b>	<b>\$4,076</b>	<b>\$712,908</b>	<b>\$258,477</b>	<b>\$251,729</b>	<b>\$671,542</b>	<b>\$2,691,815</b>	<b>\$2,326,432</b>	<b>\$21,577,279</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>												
<b>Liabilities</b>												
Accounts payable	\$ 30,154	\$ 83,200	\$ -	\$ 63,881	\$ 521	\$ -	\$ 104,604	\$ 1,046	\$ -	\$ 2,864	\$ 643	\$ 286,913
Accrued liabilities	-	-	-	388,510	-	-	62,862	967	-	-	-	452,339
Due to other funds	1,508,341	116,786	-	-	-	203,791	-	-	-	68,329	197,780	2,095,027
Unearned revenue	-	-	-	24,124	-	-	186,756	-	-	-	10,000	220,880
<b>Total liabilities</b>	<b>1,538,495</b>	<b>199,986</b>	<b>-</b>	<b>476,515</b>	<b>521</b>	<b>203,791</b>	<b>354,222</b>	<b>2,013</b>	<b>-</b>	<b>71,193</b>	<b>208,423</b>	<b>3,055,159</b>
<b>Deferred inflows of resources</b>												
Unavailable revenue	302,870	-	-	-	-	-	-	-	-	-	-	302,870
<b>Total deferred inflows of resources</b>	<b>302,870</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>302,870</b>
<b>Fund balances</b>												
Nonspendable	695,483	1,454,448	-	394,074	545	578,325	127,507	7,533	-	-	-	3,257,915
Restricted	655,265	322,533	4,035,502	2,074,705	-	-	-	-	671,542	-	-	7,759,547
Committed	-	-	-	-	-	-	-	-	-	-	2,118,009	2,118,009
Assigned	-	-	-	2,510,425	3,010	(69,209)	-	242,183	-	2,620,622	-	5,307,031
Unassigned	-	-	-	-	-	-	(223,252)	-	-	-	-	(223,252)
<b>Total fund balance (deficit)</b>	<b>1,350,748</b>	<b>1,776,981</b>	<b>4,035,502</b>	<b>4,979,204</b>	<b>3,555</b>	<b>509,116</b>	<b>(95,745)</b>	<b>249,716</b>	<b>671,542</b>	<b>2,620,622</b>	<b>2,118,009</b>	<b>18,219,250</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 3,192,113</b>	<b>\$ 1,976,967</b>	<b>\$ 4,035,502</b>	<b>\$ 5,455,719</b>	<b>\$ 4,076</b>	<b>\$ 712,907</b>	<b>\$ 258,477</b>	<b>\$ 251,729</b>	<b>\$ 671,542</b>	<b>\$ 2,691,815</b>	<b>\$ 2,326,432</b>	<b>\$ 21,577,279</b>

**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, 2017**

											Capital Projects Funds	Total
	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	Nonmajor Governmental Funds
<b>REVENUE</b>												
Taxes and payments in lieu of taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines & forfeitures	-	341	-	324,533	-	-	-	-	-	-	-	324,874
Revenues from money & property	158,273	9,174	425,580	145,427	-	914,365	355,485	295,537	375	3,551	359,496	2,667,263
Charges for services	-	-	-	-	20,983	-	-	-	-	2,500	-	23,483
Intergovernmental	1,840,547	893,065	-	2,973,773	-	107,500	115,900	-	-	-	-	5,930,785
Gifts & donations	-	-	-	208,755	548,627	206,649	1,106,356	-	60,000	-	-	2,130,387
Other revenues	-	57,281	-	109,473	10,000	25	-	156,695	-	-	-	333,474
<b>Total revenues</b>	<b>1,998,820</b>	<b>959,861</b>	<b>425,580</b>	<b>3,761,961</b>	<b>579,610</b>	<b>1,228,539</b>	<b>1,577,741</b>	<b>452,232</b>	<b>60,375</b>	<b>6,051</b>	<b>359,496</b>	<b>11,410,266</b>
<b>EXPENDITURES</b>												
Current												
General government	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Public services	-	-	-	5,870,366	1,041,865	2,121,357	2,292,831	691,217	-	70,882	-	12,088,518
Urban development	2,787,625	892,682	-	-	-	-	-	-	-	-	155,366	3,835,673
Debt service												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	1,379,163	-	-	-	-	-	-	-	-	1,379,163
Capital projects construction	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental assistance	-	-	-	-	-	-	-	-	3,667,939	-	-	3,667,939
<b>Total expenditures</b>	<b>2,787,625</b>	<b>892,682</b>	<b>1,379,163</b>	<b>5,870,366</b>	<b>1,041,865</b>	<b>2,121,357</b>	<b>2,292,831</b>	<b>691,217</b>	<b>3,667,939</b>	<b>70,882</b>	<b>155,366</b>	<b>20,971,293</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(788,805)</b>	<b>67,179</b>	<b>(953,583)</b>	<b>(2,108,405)</b>	<b>(462,255)</b>	<b>(892,818)</b>	<b>(715,090)</b>	<b>(238,985)</b>	<b>(3,607,564)</b>	<b>(64,831)</b>	<b>204,130</b>	<b>(9,561,027)</b>
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in	940,806	170,000	4,989,068	3,850,000	444,895	786,895	708,375	195,400	-	-	-	12,085,439
Transfers (out)	-	(42,031)	-	-	-	-	-	-	-	-	-	(42,031)
Total other financing sources (uses)	940,806	127,969	4,989,068	3,850,000	444,895	786,895	708,375	195,400	-	-	-	12,043,408
<b>Net change in fund balance</b>	<b>152,001</b>	<b>195,148</b>	<b>4,035,486</b>	<b>1,741,595</b>	<b>(17,360)</b>	<b>(105,923)</b>	<b>(6,715)</b>	<b>(43,585)</b>	<b>(3,607,564)</b>	<b>(64,831)</b>	<b>204,130</b>	<b>2,482,382</b>
Fund balance (deficit), beginning	1,198,747	1,581,833	16	3,237,609	20,915	615,039	(89,030)	293,301	4,279,106	2,685,453	1,913,879	15,736,868
<b>Fund balance (deficit), ending</b>	<b>\$ 1,350,748</b>	<b>\$ 1,776,981</b>	<b>\$ 4,035,502</b>	<b>\$ 4,979,204</b>	<b>\$ 3,555</b>	<b>\$ 509,116</b>	<b>\$ (95,745)</b>	<b>\$ 249,716</b>	<b>\$ 671,542</b>	<b>\$ 2,620,622</b>	<b>\$ 2,118,009</b>	<b>\$ 18,219,250</b>

**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, 2017**

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>4/5 Cent Gas Tax Fund</u></b>				
<b>Revenues</b>				
Taxes and payments in lieu of taxes	\$ 1,345,000	\$ 1,345,000	\$ 1,467,768	\$ 122,768
Revenues from money and property	-	-	5,341	5,341
Total	<u>1,345,000</u>	<u>1,345,000</u>	<u>1,473,109</u>	<u>128,109</u>
<b>Expenditures</b>				
Operating	1,345,000	1,309,291	1,053,651	255,640
Total	<u>1,345,000</u>	<u>1,309,291</u>	<u>1,053,651</u>	<u>255,640</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	<b>35,709</b>	<b>419,458</b>	<b>383,749</b>
<b>Other financing sources (uses)</b>				
Transfers in(out)	-	-	-	-
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	-	<b>35,709</b>	<b>419,458</b>	<b>383,749</b>
Fund balance, beginning	361,766	361,766	361,766	-
<b>Fund balance, ending</b>	<b>\$ 361,766</b>	<b>\$ 397,475</b>	<b>\$ 781,224</b>	<b>\$ 383,749</b>
<b><u>6.5 Mill Debt Tax Fund</u></b>				
<b>Revenues</b>				
Taxes and payments in lieu of taxes	\$ 16,678,847	\$ 16,678,847	\$ 17,178,738	\$ 499,891
Revenues from money and property	-	-	-	-
Total	<u>16,678,847</u>	<u>16,678,847</u>	<u>17,178,738</u>	<u>499,891</u>
<b>Expenditures</b>				
Operating	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>16,678,847</b>	<b>16,678,847</b>	<b>17,178,738</b>	<b>499,891</b>
<b>Other financing sources (uses)</b>				
Transfers in(out)	(16,678,847)	(16,678,847)	(16,989,325)	(310,478)
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	-	-	<b>189,413</b>	<b>189,413</b>
Fund balance, beginning	56,226	56,226	56,226	-
<b>Fund balance, ending</b>	<b>\$ 56,226</b>	<b>\$ 56,226</b>	<b>\$ 245,639</b>	<b>\$ 189,413</b>

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City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>6.5 Mill School Tax Fund</b>				
<b>Revenues</b>				
Taxes and payments in lieu of taxes	\$ 18,110,996	\$ 18,110,996	\$ 18,505,228	\$ 394,232
Revenues from money and property	-	-	253	253
Total	18,110,996	18,110,996	18,505,481	394,485
<b>Expenditures</b>				
Intergovernmental Assistance	16,600,000	16,600,000	(761,741)	17,361,741
Total	16,600,000	16,600,000	(761,741)	17,361,741
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,510,996</b>	<b>1,510,996</b>	<b>19,267,222</b>	<b>17,756,226</b>
<b>Other financing sources (uses)</b>				
Transfers in(out)	(1,958,994)	(1,958,994)	(18,458,994)	(16,500,000)
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(447,998)</b>	<b>(447,998)</b>	<b>808,228</b>	<b>1,256,226</b>
Fund balance, beginning	3,762,919	3,762,919	3,762,919	-
<b>Fund balance, ending</b>	<b>\$ 3,314,921</b>	<b>\$ 3,314,921</b>	<b>\$ 4,571,147</b>	<b>\$ 1,256,226</b>
<b>7 Cent Gas Tax Fund</b>				
<b>Revenues</b>				
Taxes and payments in lieu of taxes	\$ 2,022,500	\$ 2,022,500	\$ 2,156,509	\$ 134,009
Revenues from money and property	-	-	6,071	6,071
Total	2,022,500	2,022,500	2,162,580	140,080
<b>Expenditures</b>				
Operating	3,056,500	3,056,500	3,112,209	(55,709)
Total	3,056,500	3,056,500	3,112,209	(55,709)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,034,000)</b>	<b>(1,034,000)</b>	<b>(949,629)</b>	<b>84,371</b>
<b>Other financing sources (uses)</b>				
Transfers in(out)	1,034,000	1,034,000	975,000	(59,000)
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>-</b>	<b>-</b>	<b>25,371</b>	<b>25,371</b>
Fund balance, beginning	(9,207)	(9,207)	(9,207)	-
<b>Fund balance, ending</b>	<b>\$ (9,207)</b>	<b>\$ (9,207)</b>	<b>\$ 16,164</b>	<b>\$ 25,371</b>

**CITY OF HUNTSVILLE  
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City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Seizure Fund</b>				
<b>Revenues</b>				
Fines and forfeitures	\$ -	\$ 168	\$ 465,772	\$ 465,604
Revenues from money and property	-	-	-	-
Total	-	168	465,772	465,604
<b>Expenditures</b>				
Operating	-	1,088,144	557,749	530,395
Total	-	1,088,144	557,749	530,395
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	<b>(1,087,976)</b>	<b>(91,977)</b>	<b>995,999</b>
<b>Other financing sources (uses)</b>				
Transfers in(out)	-	-	-	-
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	-	<b>(1,087,976)</b>	<b>(91,977)</b>	<b>995,999</b>
Fund balance, beginning	673,571	673,571	673,571	-
<b>Fund balance, ending</b>	<b>\$ 673,571</b>	<b>\$ (414,405)</b>	<b>\$ 581,594</b>	<b>\$ 995,999</b>
<b>TIF 2 Fund</b>				
<b>Revenues</b>				
Taxes and payments in lieu of taxes	\$ 1,148,624	\$ 1,148,624	\$ 1,148,624	\$ -
Revenues from money and property	-	-	-	-
Total	1,148,624	1,148,624	1,148,624	-
<b>Expenditures</b>				
Operating	-	-	-	-
Total	-	-	-	-
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,148,624</b>	<b>1,148,624</b>	<b>1,148,624</b>	<b>-</b>
<b>Other financing sources (uses)</b>				
Transfers in(out)	(1,148,624)	(1,148,624)	(1,148,624)	(0)
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	-	-	<b>(0)</b>	<b>(0)</b>
Fund balance, beginning	15,959	15,959	15,959	-
<b>Fund balance, ending</b>	<b>\$ 15,959</b>	<b>\$ 15,959</b>	<b>\$ 15,959</b>	<b>\$ (0)</b>

**CITY OF HUNTSVILLE  
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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
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City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>TIF 3A Fund</b>				
<b>Revenues</b>				
Taxes and payments in lieu of taxes	\$ 2,806,285	\$ 2,806,285	\$ 2,806,285	\$ -
Revenues from money and property	-	-	-	-
Total	<u>2,806,285</u>	<u>2,806,285</u>	<u>2,806,285</u>	<u>-</u>
<b>Expenditures</b>				
Operating	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,806,285</b>	<b>2,806,285</b>	<b>2,806,285</b>	<b>-</b>
<b>Other financing sources (uses)</b>				
Transfers in(out)	(1,487,185)	(1,487,185)	(2,192,185)	(705,000)
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>1,319,100</b>	<b>1,319,100</b>	<b>614,100</b>	<b>(705,000)</b>
Fund balance, beginning	5,337,599	5,337,599	5,337,599	-
<b>Fund balance, ending</b>	<b>\$ 6,656,699</b>	<b>\$ 6,656,699</b>	<b>\$ 5,951,699</b>	<b>\$ (705,000)</b>
<b>TIF 4 Fund</b>				
<b>Revenues</b>				
Taxes and payments in lieu of taxes	\$ 1,747,688	\$ 1,747,688	\$ 1,747,688	\$ -
Revenues from money and property	-	-	2,814	2,814
Total	<u>1,747,688</u>	<u>1,747,688</u>	<u>1,750,502</u>	<u>2,814</u>
<b>Expenditures</b>				
Operating	-	-	121	(121)
Total	<u>-</u>	<u>-</u>	<u>121</u>	<u>(121)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,747,688</b>	<b>1,747,688</b>	<b>1,750,381</b>	<b>2,693</b>
<b>Other financing sources (uses)</b>				
Transfers in(out)	(1,747,688)	(1,747,688)	(1,857,996)	(110,308)
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>-</b>	<b>-</b>	<b>(107,615)</b>	<b>(107,615)</b>
Fund balance, beginning	106,940	106,940	106,940	-
<b>Fund balance, ending</b>	<b>\$ 106,940</b>	<b>\$ 106,940</b>	<b>\$ (675)</b>	<b>\$ (107,615)</b>

**CITY OF HUNTSVILLE  
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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
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City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>TIF 5 Fund</b>				
<b>Revenues</b>				
Taxes and payments in lieu of taxes	\$ 729,886	\$ 729,886	\$ 822,779	\$ 92,893
Revenues from money and property	-	-	637	637
<b>Total</b>	<b>729,886</b>	<b>729,886</b>	<b>823,416</b>	<b>93,530</b>
<b>Expenditures</b>				
Operating	-	-	-	-
Capital	-	1,649,152	562,566	1,086,586
Debt Service	75,197	81,697	361,812	(280,115)
<b>Total</b>	<b>75,197</b>	<b>1,730,849</b>	<b>924,378</b>	<b>806,471</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>654,689</b>	<b>(1,000,963)</b>	<b>(100,962)</b>	<b>900,001</b>
<b>Other financing sources (uses)</b>				
Long-term debt issued	-	-	481,251	481,251
Transfers in(out)	(467,466)	(467,466)	(467,466)	-
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>187,223</b>	<b>(1,468,429)</b>	<b>(87,177)</b>	<b>1,381,252</b>
Fund balance, beginning	321,730	321,730	321,730	-
<b>Fund balance, ending</b>	<b>\$ 508,953</b>	<b>\$ (1,146,699)</b>	<b>\$ 234,553</b>	<b>\$ 1,381,252</b>
<b>TIF 6 Fund</b>				
<b>Revenues</b>				
Taxes and payments in lieu of taxes	\$ -	\$ -	\$ 381,865	\$ 381,865
Revenues from money and property	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>381,865</b>	<b>381,865</b>
<b>Expenditures</b>				
Operating	-	-	-	-
Capital	-	2,092,780	965,704	1,127,076
<b>Total</b>	<b>-</b>	<b>-</b>	<b>965,704</b>	<b>1,127,076</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>-</b>	<b>(583,839)</b>	<b>(583,839)</b>
<b>Other financing sources (uses)</b>				
Transfers in(out)	-	-	-	-
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>-</b>	<b>-</b>	<b>(583,839)</b>	<b>(583,839)</b>
Fund balance, beginning	(3,714,741)	(3,714,741)	(3,714,741)	-
<b>Fund balance, ending</b>	<b>\$ (3,714,741)</b>	<b>\$ (3,714,741)</b>	<b>\$ (4,298,580)</b>	<b>\$ (583,839)</b>

**CITY OF HUNTSVILLE  
THE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BY ACTIVITY  
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City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Grand Total - The Special Revenue Fund</b>				
<b>Revenues</b>				
Taxes and payments in lieu of taxes	\$ 44,589,826	\$ 44,589,826	\$ 46,215,484	\$ 1,625,658
Fines and forfeitures	-	168	465,772	465,604
Revenues from money and property	-	-	15,116	15,116
Total	<u>44,589,826</u>	<u>44,589,994</u>	<u>46,696,372</u>	<u>2,106,378</u>
<b>Expenditures</b>				
Operating	4,401,500	5,453,935	4,723,730	730,205
Capital	-	3,741,932	1,528,270	2,213,663
Debt service	75,197	81,697	361,812	(280,115)
Intergovernmental assistance	16,600,000	16,600,000	(761,741)	17,361,741
Total	<u>21,076,697</u>	<u>25,877,565</u>	<u>5,852,071</u>	<u>20,025,494</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>23,513,129</b>	<b>18,712,430</b>	<b>40,844,301</b>	<b>22,131,871</b>
<b>Other financing sources (uses)</b>				
Long-term debt issued	-	-	481,251	481,251
Transfer to refunding escrow agent	-	-	-	-
Transfers in(out)	(22,454,804)	(22,454,804)	(40,139,590)	(17,684,786)
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>1,058,325</b>	<b>(3,742,374)</b>	<b>1,185,962</b>	<b>4,928,336</b>
Fund balance, beginning	<u>6,912,763</u>	<u>6,912,763</u>	<u>6,912,763</u>	<u>-</u>
<b>Fund balance, ending</b>	<b>\$ 7,971,088</b>	<b>\$ 3,170,389</b>	<b>\$ 8,098,725</b>	<b>\$ 4,928,336</b>

**CITY OF HUNTSVILLE  
OTHER GOVERNMENTAL FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BY ACTIVITY  
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	<b>2014 Capital Improvments</b>			
	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and payments in lieu of taxes	\$ 40,910,291	\$ 40,910,291	\$ 40,817,184	\$ (93,107)
Revenues from money and property	-	-	94,218	94,218
Intergovernmental	-	2,282,734	-	(2,282,734)
<b>Total revenues</b>	<b>40,910,291</b>	<b>43,193,025</b>	<b>40,911,402</b>	<b>(2,281,623)</b>
<b>EXPENDITURES</b>				
Capital	38,600,000	96,626,016	13,618,230	83,007,786
Debt service	-	-	57,419	(57,419)
<b>Total expenditures</b>	<b>38,600,000</b>	<b>96,626,016</b>	<b>13,675,649</b>	<b>82,950,367</b>
<b>Excess of revenues over expenditures</b>	<b>2,310,291</b>	<b>(53,432,991)</b>	<b>27,235,753</b>	<b>80,668,744</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	-	5,363,969	5,363,969
Premium on debt issue	-	-	693,631	693,631
Transfer to debt escrow agent	-	-	-	-
Transfers in	-	-	3,985,418	3,985,418
Transfers out	(3,800,730)	(3,800,730)	(3,386,787)	413,943
<b>Total other financing sources (uses)</b>	<b>(3,800,730)</b>	<b>(3,800,730)</b>	<b>6,656,231</b>	<b>10,456,961</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(1,490,439)</b>	<b>(57,233,721)</b>	<b>33,891,983</b>	<b>91,125,705</b>
Fund balance, beginning	67,412,312	67,412,312	67,412,312	-
<b>Fund balance, ending</b>	<b>\$65,921,873</b>	<b>\$10,178,591</b>	<b>\$101,304,295</b>	<b>\$91,125,705</b>

**CITY OF HUNTSVILLE  
OTHER GOVERNMENTAL FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BY ACTIVITY  
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Page 2 of 3

	<b>Capital Improvements</b>			
	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and payments in lieu of taxes	\$ 50,410,399	\$ 50,410,399	\$ 50,078,215	\$ (332,184)
Revenues from money and property	225,000	225,000	467,278	242,278
Intergovernmental	-	26,842,721	8,150,112	(18,692,608)
Gifts and donations	9,000	231,600	223,450	(8,150)
Other revenues	302,810	327,810	296,926	(30,884)
<b>Total revenues</b>	<b>50,947,209</b>	<b>78,037,530</b>	<b>59,215,981</b>	<b>(18,821,549)</b>
<b>EXPENDITURES</b>				
Capital	62,598,888	154,807,673	102,030,254	52,777,419
Debt service	-	-	1,121,829	(1,121,829)
<b>Total expenditures</b>	<b>62,598,888</b>	<b>154,807,673</b>	<b>103,152,083</b>	<b>51,655,590</b>
<b>Excess of revenues over expenditures</b>	<b>(11,651,679)</b>	<b>(76,770,143)</b>	<b>(43,936,102)</b>	<b>32,834,041</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	22,800,000	22,800,000	97,637,231	74,837,231
Premium on debt issue	-	-	10,006,951	10,006,951
Transfer to debt escrow agent	-	-	(71,944,745)	(71,944,745)
Transfers in	87,913	87,913	792,913	705,000
Transfers out	(14,823,163)	(14,823,163)	(15,913,346)	(1,090,183)
<b>Total other financing sources (uses)</b>	<b>8,064,750</b>	<b>8,064,750</b>	<b>20,579,004</b>	<b>12,514,254</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(3,586,929)</b>	<b>(68,705,393)</b>	<b>(23,357,098)</b>	<b>45,348,295</b>
Fund balance, beginning	87,816,258	87,816,258	87,816,258	-
<b>Fund balance, ending</b>	<b>\$ 84,229,329</b>	<b>\$ 19,110,865</b>	<b>\$ 64,459,160</b>	<b>\$ 45,348,295</b>

**CITY OF HUNTSVILLE  
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<b>Cummings Research Park Capital Projects Fund</b>				
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Revenues from money and property	\$ -	\$ -	\$ 359,496	\$ 359,496
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>359,496</b>	<b>359,496</b>
<b>EXPENDITURES</b>				
Capital	-	480,697	155,366	325,331
<b>Total expenditures</b>	<b>-</b>	<b>480,697</b>	<b>155,366</b>	<b>325,331</b>
<b>Excess of revenues over expenditures</b>	<b>-</b>	<b>(480,697)</b>	<b>204,130</b>	<b>684,827</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>-</b>	<b>(480,697)</b>	<b>204,130</b>	<b>684,827</b>
Fund balance, beginning	1,913,879	1,913,879	1,913,879	-
<b>Fund balance, ending</b>	<b>\$ 1,913,879</b>	<b>\$ 1,433,182</b>	<b>\$ 2,118,009</b>	<b>\$ 684,827</b>

# **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 statements, note disclosures, and required supplementary information says about the city's overall financial health.

Subsection	Page
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<b>Revenue Capacity</b> – These schedules contain information to help the reader assess the government's most significant local revenue sources – sales and property taxes. Included are 10-year tax revenue summary, property values and tax collections, and principal taxpayers. ....	137
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**CITY OF HUNTSVILLE  
NET POSITION BY COMPONENT**

	2017	2016	2015	2014	2013 (b)	2012 (b)	2011 (b)	2010 (a)	2009 (a)	2008
<b>Governmental activities</b>										
Net investment in capital assets	\$845,513,121	\$942,884,115	\$797,217,611	\$833,092,652	\$831,725,887	\$809,527,915	\$806,901,120	\$802,221,037	\$845,268,444	\$677,876,604
Restricted	41,377,635	96,222,800	56,606,417	36,683,825	53,102,659	92,060,940	69,827,306	59,953,224	49,434,712	58,692,417
Unrestricted	(443,964,319)	(597,400,654)	(423,145,927)	(262,498,673)	(180,968,702)	(191,382,729)	(134,886,509)	(115,487,088)	(119,390,646)	(49,782,330)
<b>Total net position</b>	<b>\$442,926,437</b>	<b>\$441,706,261</b>	<b>\$430,678,101</b>	<b>\$607,277,804</b>	<b>\$703,859,844</b>	<b>\$710,206,126</b>	<b>\$741,841,917</b>	<b>\$746,687,173</b>	<b>\$775,312,510</b>	<b>\$686,786,691</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$302,449,760	\$296,962,340	\$286,013,940	\$274,288,062	\$266,661,604	\$261,861,356	\$257,197,485	\$229,307,244	\$205,036,558	\$133,673,199
Restricted	143,098	0	0	554,023	6,858,123	14,820,632	9,998,784	10,802,923	12,046,366	0
Unrestricted	23,127,600	17,918,489	17,545,100	33,425,775	23,590,425	11,684,296	13,797,524	21,960,699	22,147,903	28,086,038
<b>Total net position</b>	<b>\$325,720,458</b>	<b>\$314,880,829</b>	<b>\$303,559,040</b>	<b>\$308,267,860</b>	<b>\$297,110,152</b>	<b>\$288,366,284</b>	<b>\$280,993,793</b>	<b>\$262,070,866</b>	<b>\$239,230,827</b>	<b>\$161,759,237</b>
<b>Primary government</b>										
Net investment in capital assets	\$1,147,962,881	\$1,239,846,455	\$1,083,231,551	\$1,107,380,714	\$1,098,387,491	\$1,071,389,271	\$1,064,098,605	\$1,031,528,281	\$1,050,305,002	\$811,549,803
Restricted	41,520,733	96,222,800	56,606,417	37,237,848	59,960,782	106,881,572	79,826,090	70,756,147	61,481,078	58,692,417
Unrestricted	(420,836,719)	(579,482,165)	(405,600,827)	(229,072,898)	(157,378,277)	(179,698,433)	(121,088,985)	(93,526,389)	(97,242,743)	(21,696,292)
<b>Total primary government net position</b>	<b>\$768,646,895</b>	<b>\$756,587,090</b>	<b>\$734,237,141</b>	<b>\$915,545,664</b>	<b>\$1,000,969,996</b>	<b>\$998,572,410</b>	<b>\$1,022,835,710</b>	<b>\$1,008,758,039</b>	<b>\$1,014,543,337</b>	<b>\$848,545,928</b>

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**

	2017	2016	2015	2014	2013 (c)	2012 (c)	2011 (c)	2010 (a)	2009 (a)	2008
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$34,640,871	\$34,361,989	\$29,989,299	\$29,153,904	\$26,715,719	\$26,733,928	\$24,420,239	\$22,148,340	\$28,684,548	\$24,413,094
Public safety	101,454,111	89,867,060	89,257,242	88,372,786	85,724,764	83,352,893	82,143,685	82,875,148	78,799,511	76,952,205
Public services	144,445,066	164,347,739	168,284,768	237,413,535	128,811,922	137,948,724	108,810,956	109,197,353	163,161,869	99,059,863
Urban development	27,486,329	22,412,512	43,242,563	36,683,268	28,867,478	39,156,948	38,663,677	26,455,675	18,492,051	24,467,222
Intergovernmental assistance (a)	0	0	0	0	0	0	0	0	0	0
Interest on long-term debt	29,881,615	29,852,643	26,224,071	26,658,311	25,455,799	25,462,843	22,976,363	20,727,443	21,534,346	22,416,453
Unallocated depreciation	30,071,644	32,372,585	31,002,001	30,740,478	30,455,028	29,882,021	29,467,360	29,328,626	28,549,209	26,015,619
<b>Total governmental activities expenses</b>	<b>367,979,636</b>	<b>373,214,528</b>	<b>387,999,944</b>	<b>449,022,282</b>	<b>326,030,710</b>	<b>342,537,357</b>	<b>306,482,280</b>	<b>290,732,585</b>	<b>339,221,534</b>	<b>273,324,456</b>
<b>Business-type activities:</b>										
Water pollution control	27,991,809	29,173,955	28,593,512	27,244,801	27,720,695	30,318,335	31,138,113	27,061,582	26,875,881	26,765,661
Civic Center	12,989,031	12,542,916	12,043,936	11,842,331	10,961,440	11,128,503	10,125,697	9,728,536	9,966,778	9,690,975
Ice Complex	1,290,010	1,310,499	1,615,154	1,581,104	1,482,712	1,395,951	1,207,208	1,056,821	1,047,050	1,107,937
<b>Total business-type activities expenses</b>	<b>42,270,850</b>	<b>43,027,370</b>	<b>42,252,602</b>	<b>40,668,236</b>	<b>40,164,847</b>	<b>42,842,789</b>	<b>42,471,018</b>	<b>37,846,939</b>	<b>37,889,709</b>	<b>37,564,573</b>
<b>Total primary government expenses</b>	<b>410,250,486</b>	<b>416,241,898</b>	<b>430,252,546</b>	<b>489,690,518</b>	<b>366,195,557</b>	<b>385,380,146</b>	<b>348,953,298</b>	<b>328,579,524</b>	<b>377,111,243</b>	<b>310,889,029</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	24,055,896	22,777,167	22,052,325	22,021,774	21,925,264	20,777,576	20,090,489	19,546,315	18,777,070	18,976,662
Public Safety	4,122,334	4,531,621	4,681,849	4,642,898	4,116,642	3,920,660	4,042,948	4,206,968	4,051,824	3,671,778
Public Services	19,410,439	18,821,416	18,328,708	17,988,274	18,388,361	18,116,407	18,024,375	16,467,291	16,758,939	16,610,479
Urban Development	3,841,420	3,220,276	2,732,673	3,093,173	3,307,178	2,492,147	2,632,710	2,979,979	3,688,251	4,381,380
Operating grants and contributions	12,484,743	28,466,937	24,437,539	26,850,683	21,199,994	12,395,570	10,087,125	9,607,076	5,534,331	6,041,500
Capital grants and contributions	5,524,756	14,359,350	21,290,616	21,349,944	23,956,342	24,501,646	23,279,382	11,477,997	35,454,871	8,916,135
<b>Total governmental activities program revenues</b>	<b>69,439,588</b>	<b>92,176,767</b>	<b>93,523,710</b>	<b>95,946,746</b>	<b>92,893,781</b>	<b>82,204,006</b>	<b>78,157,029</b>	<b>64,285,626</b>	<b>84,265,286</b>	<b>58,597,934</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water pollution control	40,049,926	38,940,571	37,680,083	36,032,232	35,792,089	36,141,264	37,321,532	33,518,016	32,905,736	33,149,416
Civic Center	8,980,112	9,133,213	8,202,625	8,358,106	7,361,245	7,212,347	6,839,392	6,514,808	7,146,456	7,085,111
Ice Complex	1,160,985	1,163,060	1,423,171	1,518,105	1,414,996	1,405,130	1,089,071	1,002,102	917,173	967,984
Operating grants and contributions	0	0	0	0	0	0	0	0	0	0
Capital grants and contributions	9,090	0	2,409,031	3,525,530	1,341,687	2,980,046	2,147,144	1,787,827	5,293,814	2,361,822
<b>Total business-type activities program revenues</b>	<b>50,200,113</b>	<b>49,236,844</b>	<b>49,714,910</b>	<b>49,433,973</b>	<b>45,910,017</b>	<b>47,738,787</b>	<b>47,397,139</b>	<b>42,822,753</b>	<b>46,263,179</b>	<b>43,564,333</b>
<b>Total primary government program revenues</b>	<b>119,639,701</b>	<b>141,413,611</b>	<b>143,238,620</b>	<b>145,380,719</b>	<b>138,803,798</b>	<b>129,942,793</b>	<b>125,554,168</b>	<b>107,108,379</b>	<b>130,528,465</b>	<b>102,162,267</b>
<b>Net(expense)revenue</b>										
Governmental activities	(298,540,048)	(281,037,761)	(294,476,234)	(353,075,536)	(233,136,929)	(260,333,351)	(228,325,251)	(226,446,959)	(254,956,248)	(214,726,522)
Business-type activities	7,929,263	6,209,474	7,462,308	8,765,737	5,745,170	4,895,998	4,926,121	4,975,814	8,373,470	5,999,760
<b>Total primary government net expenses</b>	<b>(290,610,785)</b>	<b>(274,828,287)</b>	<b>(287,013,926)</b>	<b>(344,309,799)</b>	<b>(227,391,759)</b>	<b>(255,437,353)</b>	<b>(223,399,130)</b>	<b>(221,471,145)</b>	<b>(246,582,778)</b>	<b>(208,726,762)</b>

**CITY OF HUNTSVILLE  
CHANGES IN NET POSITION**

	2017	2016	2015	2014	2013 (c)	2012 (c)	2011 (c)	2010 (a)	2009 (a)	2008
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales & use taxes	195,327,025	190,546,050	181,057,346	159,401,801	135,099,924	132,772,011	127,235,936	123,934,078	122,161,198	127,565,012
Property taxes	59,604,053	57,850,973	54,748,223	54,253,368	53,241,717	54,699,340	58,861,760	57,285,006	54,078,571	50,210,471
Other taxes	43,967,500	45,203,819	41,737,789	41,039,618	39,075,002	39,691,873	39,795,730	39,451,787	38,537,905	37,537,970
Interest on Investments	585,804	704,590	450,481	672,898	775,306	1,124,316	969,805	798,035	1,116,673	6,150,108
Other	2,270,299	1,478,946	1,951,356	1,180,504	1,305,543	944,235	1,172,264	20,071,808	3,899,387	2,724,336
Gains (losses) on sales of assets	863,000	1,350,500	(304,271)	2,263,811	205,554	1,893,432	232,794	1,142,410	3,897,397	1,010,961
Extraordinary impairment loss	0	0	0	0	0	0	0	(27,067,437)	0	0
Transfers	(2,857,457)	(5,068,957)	(2,726,833)	(2,318,504)	(2,912,399)	(2,427,647)	(14,909,852)	(17,794,065)	(3,406,942)	(5,316,250)
Total governmental activities	299,760,224	292,065,921	276,914,091	256,493,496	226,790,647	228,697,560	213,358,437	197,821,622	220,284,189	219,882,608
Business-type activities										
Interest on Investments	52,909	43,358	63,140	73,467	86,299	48,846	44,439	70,160	102,738	404,992
Gains (losses) on sales of assets	0	0	0	0	0	0	0	0	30,000	0
Transfers	2,857,457	5,068,957	2,726,833	2,318,504	2,912,399	2,427,647	14,909,852	17,794,065	3,406,942	3,070,738
Total business-type activities	2,910,366	5,112,315	2,789,973	2,391,971	2,998,698	2,476,493	14,954,291	17,864,225	3,539,680	3,475,730
Total primary government	302,670,590	297,178,236	279,704,064	258,885,467	229,789,345	231,174,053	228,312,728	215,685,847	223,823,869	223,358,338
<u>Change in Net Position</u>										
Governmental activities	1,220,176	11,028,160	(17,562,143)	(96,582,040)	(6,346,282)	(31,635,791)	(14,966,814)	(28,625,337)	(34,672,059)	5,156,086
Business-type activities	10,839,629	11,321,789	10,252,281	11,157,708	8,743,868	7,372,491	19,880,412	22,840,039	11,913,150	9,475,490
Total primary government	\$12,059,805	\$22,349,949	(\$7,309,862)	(\$85,424,332)	\$2,397,586	(\$24,263,300)	\$4,913,598	(\$5,785,298)	(\$22,758,909)	\$14,631,576

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**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General Fund</b>										
Nonspendable	507,398	545,611	330,661	295,347	103,136	100,429	156,555	-	-	-
Restricted	-	249,607	459,360	494,593	336,926	244,449	211,399	-	-	-
Committed	4,702,832	6,295,708	3,978,387	2,384,910	622,963	417,977	2,940,666	-	-	-
Assigned	1,000,000	1,000,000	4,634,414	6,333,577	8,331,843	6,869,250	5,757,645	-	-	-
Unassigned	43,456,951	37,738,528	26,014,291	31,082,957	30,630,183	31,151,798	29,227,404	-	-	-
Reserved	-	-	-	-	-	-	-	452,658	2,268,657	2,535,938
Unreserved	-	-	-	-	-	-	-	37,387,163	41,623,212	53,444,399
<b>Total general fund</b>	<b>49,667,181</b>	<b>45,829,454</b>	<b>35,417,113</b>	<b>40,591,384</b>	<b>40,025,051</b>	<b>38,783,903</b>	<b>38,293,669</b>	<b>37,839,821</b>	<b>43,891,869</b>	<b>55,980,337</b>
<b>All other governmental funds</b>										
Nonspendable	3,257,915	2,937,642	2,957,461	1,934,453	1,257,751	1,230,972	992,765	-	-	-
Restricted	41,377,635	88,919,640	87,154,198	76,162,879	76,162,879	124,922,741	73,184,953	-	-	-
Committed	142,362,101	80,848,838	32,691,643	30,615,652	30,615,652	37,375,254	42,403,656	-	-	-
Assigned	5,307,031	5,845,167	5,309,942	6,032,259	5,898,703	5,216,839	4,259,078	-	-	-
Unassigned	(1,117,573)	(215,316)	(236,961)	(362,755)	(236,855)	(1,102,991)	(182,686)	-	-	-
Reserved	-	-	-	-	-	-	-	55,597,074	76,818,638	63,566,881
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Debt Service fund	-	-	-	-	-	-	-	3,449,602	3,412,682	3,232,744
Special revenue funds	-	-	-	-	-	-	-	(2,149,120)	(1,644,735)	1,351,011
Permanent funds	-	-	-	-	-	-	-	1,264,302	1,246,187	1,225,666
Capital project funds	-	-	-	-	-	-	-	88,159,398	28,143,542	38,361,839
<b>Total all other governmental funds</b>	<b>191,187,109</b>	<b>178,335,971</b>	<b>127,876,283</b>	<b>114,382,488</b>	<b>113,698,130</b>	<b>167,642,815</b>	<b>120,657,766</b>	<b>146,321,256</b>	<b>107,976,314</b>	<b>107,738,141</b>
<b>Total fund balance</b>	<b>240,854,290</b>	<b>224,165,425</b>	<b>163,293,396</b>	<b>\$154,973,872</b>	<b>\$153,723,181</b>	<b>\$206,426,718</b>	<b>\$158,951,435</b>	<b>\$184,161,077</b>	<b>\$151,868,183</b>	<b>\$163,718,478</b>

Source: Comprehensive annual financial reports.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues</b>										
Sales and Use Tax	\$195,384,836	\$190,729,980	\$181,057,346	\$159,781,025	\$135,057,237	\$132,503,675	\$126,470,618	\$123,934,078	\$122,161,198	\$127,565,012
Property Tax	59,517,420	57,850,973	54,748,223	54,253,368	53,241,717	54,699,340	58,861,760	57,285,006	54,078,571	50,210,471
Other taxes	43,907,918	45,465,453	41,977,292	41,090,211	39,075,002	39,691,873	39,795,730	39,451,787	38,537,905	37,537,970
Licenses and permits	26,499,649	24,901,908	23,679,897	23,819,364	23,850,640	22,033,292	21,389,753	21,739,746	22,216,726	23,054,259
Fines and forfeitures	4,003,972	4,466,875	3,754,603	3,473,013	3,129,923	3,240,931	3,485,908	3,730,949	3,909,186	3,535,338
Revenues from money and property	5,299,539	4,919,314	4,744,704	6,461,335	4,511,397	6,211,960	4,470,530	5,694,484	9,375,326	9,866,155
Charges for services	17,993,904	17,333,314	16,947,087	16,549,021	16,215,457	15,071,641	14,849,097	13,355,299	13,352,783	13,265,357
Intergovernmental	18,343,577	32,320,686	29,747,386	27,987,674	30,395,247	21,380,475	18,328,789	18,848,842	18,311,488	14,838,735
Gifts and donations	2,460,757	6,907,406	2,922,892	3,275,381	5,817,108	3,911,580	6,440,919	9,105,851	1,982,596	2,147,148
Other revenues	1,668,794	1,268,490	1,831,703	2,486,427	1,450,476	2,122,359	1,663,967	4,029,865	1,669,735	2,948,574
<b>Total Revenues</b>	<b>375,080,366</b>	<b>386,164,399</b>	<b>361,411,133</b>	<b>339,176,819</b>	<b>312,744,204</b>	<b>300,867,126</b>	<b>295,757,071</b>	<b>297,175,907</b>	<b>285,595,514</b>	<b>284,969,019</b>
<b>Expenditures</b>										
General government	30,718,856	31,372,454	29,170,852	28,227,710	26,200,191	28,697,542	23,065,197	23,540,359	27,076,571	19,954,377
Public safety	89,362,560	90,332,831	83,826,858	82,331,558	80,070,974	80,502,982	76,605,943	77,047,963	73,422,216	74,106,520
Public services	78,125,664	121,919,036	128,975,662	74,322,641	72,239,663	77,422,057	67,250,778	70,201,183	71,145,870	73,786,496
Urban development	20,658,265	18,328,725	18,806,466	27,725,654	17,562,142	16,288,150	20,107,047	16,476,084	16,663,058	17,334,448
Debt service										
Principal	29,770,224	28,657,088	43,323,319	34,054,729	50,829,052	32,412,110	32,242,118	35,498,028	107,287,240	28,125,603
Interest	28,179,262	26,167,860	24,800,838	24,753,072	23,912,271	23,527,397	22,400,482	22,828,178	23,859,727	20,713,975
Fiscal charges	507	711	2,149	849	17,087	15,804	21,546	13,304	11,449	53,471
Debt issuance costs	1,185,748	723,615	621,319	1,414,594	249,956	1,246,871	6,500	1,148,689	1,116,280	0
Capital projects construction and outlay	66,860,745	36,777,565	55,563,121	28,117,331	29,658,555	20,600,429	23,300,805	32,578,946	39,807,540	61,960,481
Intergovernmental assistance	52,910,501	49,110,279	44,913,309	165,783,884	63,366,078	83,144,550	54,835,373	43,747,892	90,864,329	30,688,444
<b>Total expenditures</b>	<b>397,772,332</b>	<b>403,390,164</b>	<b>430,003,893</b>	<b>466,732,022</b>	<b>364,105,969</b>	<b>363,857,892</b>	<b>319,835,789</b>	<b>323,080,626</b>	<b>451,254,280</b>	<b>326,723,815</b>
Excess of revenues over (under) expenditures	(22,691,966)	(17,225,765)	(68,592,760)	(127,555,203)	(51,361,765)	(62,990,766)	(24,078,718)	(25,904,719)	(165,658,766)	(41,754,796)
<b>Other financing sources(uses)</b>										
Long-term debt issued	103,482,451	121,175,789	69,718,637	196,870,969	27,770,132	151,704,893	13,778,928	145,244,100	147,538,000	0
Premium on debt issue	10,700,582	27,065,510	9,925,229	24,816,375	311,879	17,425,336	0	7,106,178	9,662,918	0
Payment to escrow agent	(71,944,745)	(65,074,549)	0	(95,982,662)	(20,988,033)	(56,303,167)	0	(76,308,888)	0	0
Capital lease proceeds	0	0	0	0	0	0	0	0	0	0
Transfers in	72,761,360	48,054,906	79,797,073	79,517,324	91,546,692	90,282,567	89,431,120	92,329,571	160,826,423	86,590,155
Transfers (out)	(75,618,816)	(53,123,863)	(82,590,783)	(82,037,527)	(94,361,027)	(92,643,580)	(104,340,972)	(110,173,348)	(164,218,870)	(99,236,054)
<b>Total other financing sources(uses)</b>	<b>39,380,832</b>	<b>78,097,793</b>	<b>76,850,156</b>	<b>123,184,479</b>	<b>4,279,643</b>	<b>110,466,049</b>	<b>(1,130,924)</b>	<b>58,197,613</b>	<b>153,808,471</b>	<b>(12,645,899)</b>
<b>Net change in fund balances</b>	<b>\$16,688,866</b>	<b>\$60,872,028</b>	<b>\$8,257,396</b>	<b>(\$4,370,724)</b>	<b>(\$47,082,122)</b>	<b>\$47,475,283</b>	<b>(\$25,209,642)</b>	<b>\$32,292,894</b>	<b>(\$11,850,295)</b>	<b>(\$54,400,695)</b>
Debt service as a percentage of noncapital expenditures	26.5%	20.9%	26.1%	27.7%	38.1%	27.6%	29.2%	31.1%	69.6%	26.4%

Source: Comprehensive annual financial reports.

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

Fiscal Year	Sales and Use Tax	Property Tax	City Leasing	City Liquor	City Lodging	City Gasoline	City Wine	City Tobacco	State Gasoline	Huntsville Utilities P.I.L.O.T.	T.V.A. P.I.L.O.T.	State Beverage	State Tobacco	All Other	Total
2008	\$127,565,012	\$50,210,471	\$2,945,100	\$2,077,439	\$5,924,004	\$1,072,348	\$166,983	\$1,354,237	\$3,109,810	\$14,648,826	\$3,080,532	\$1,788,958	\$306,172	\$1,063,561	\$215,313,453
2009	\$122,161,198	\$54,078,571	\$2,724,440	\$2,238,761	\$5,691,836	\$1,059,697	\$158,869	\$1,345,472	\$3,113,969	\$15,544,289	\$3,061,800	\$1,763,041	\$298,603	\$1,537,129	\$214,777,675
2010	\$123,934,078	\$57,285,006	\$2,709,184	\$2,385,303	\$5,806,607	\$1,082,108	\$158,953	\$1,384,660	\$3,171,632	\$16,654,708	\$2,874,444	\$1,751,714	\$286,959	\$1,185,515	\$220,670,871
2011	\$126,470,618	\$58,861,760	\$2,868,384	\$2,337,309	\$6,144,514	\$1,074,319	\$178,512	\$1,342,972	\$3,146,176	\$16,387,516	\$3,195,236	\$1,631,263	\$318,969	\$1,170,559	\$225,128,108
2012	\$132,503,675	\$54,699,340	\$2,996,122	\$2,445,579	\$6,129,998	\$1,188,538	\$179,981	\$1,236,213	\$3,304,230	\$15,531,412	\$3,328,060	\$1,724,802	\$263,188	\$1,363,750	\$226,894,888
2013	\$135,057,237	\$53,241,717	\$2,719,021	\$2,369,026	\$6,191,970	\$1,202,412	\$178,378	\$1,183,813	\$3,254,180	\$15,765,419	\$3,072,492	\$1,604,197	\$230,914	\$1,303,180	\$227,373,956
2014	\$159,781,025	\$54,253,368	\$2,631,568	\$2,522,257	\$7,303,150	\$1,265,771	\$180,806	\$1,229,518	\$3,275,006	\$16,222,522	\$2,908,572	\$1,649,427	\$144,987	\$1,756,627	\$255,124,604
2015	\$181,057,346	\$54,748,223	\$2,920,756	\$2,665,032	\$7,560,909	\$1,235,379	\$197,135	\$1,212,139	\$3,437,782	\$16,647,075	\$2,881,380	\$1,674,900	\$223,136	\$1,321,669	\$277,782,861
2016	\$190,729,980	\$57,850,973	\$3,442,511	\$2,980,488	\$7,844,415	\$1,311,216	\$200,302	\$1,250,042	\$3,522,306	\$17,251,340	\$3,375,449	\$1,784,091	\$329,958	\$2,173,335	\$294,046,406
2017	\$195,384,836	\$59,517,420	\$3,437,394	\$3,166,433	\$8,480,826	\$1,325,804	\$211,419	\$1,229,884	\$3,564,696	\$15,844,677	\$2,813,159	\$1,777,753	\$155,962	\$1,899,911	\$298,810,174

Source: Comprehensive annual financial reports

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

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**SALES TAX**

Fiscal Year		City	County	State	Total
2008		3.5%	0.5%	4.0%	8.0%
2009		3.5%	0.5%	4.0%	8.0%
2010		3.5%	0.5%	4.0%	8.0%
2011		3.5%	0.5%	4.0%	8.0%
2012		3.5%	0.5%	4.0%	8.0%
2013		3.5%	0.5%	4.0%	8.0%
2014	(1.0% increase 3/1/14)	4.5%	0.5%	4.0%	9.0%
2015		4.5%	0.5%	4.0%	9.0%
2016		4.5%	0.5%	4.0%	9.0%
2017		4.5%	0.5%	4.0%	9.0%

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

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**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					
2008	6.5	22.0		6.5	35.0	5.5	11.0	6.5	58.0
2009	6.5	22.0		6.5	35.0	5.5	11.0	6.5	58.0
2010	6.5	22.0		6.5	35.0	5.5	11.0	6.5	58.0
2011	6.5	22.0		6.5	35.0	5.5	11.0	6.5	58.0
2012	6.5	22.0		6.5	35.0	5.5	11.0	6.5	58.0
2013	6.5	22.0		6.5	35.0	5.5	11.0	6.5	58.0
2014	6.5	22.0		6.5	35.0	5.5	11.0	6.5	58.0
2015	6.5	22.0		6.5	35.0	5.5	11.0	6.5	58.0
2016	6.5	22.0		6.5	35.0	5.5	11.0	6.5	58.0
2017	6.5	22.0		6.5	35.0	5.5	11.0	6.5	58.0

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

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

	Total Tax Levy	Total Tax Collections (a)	Percent of Total Tax Collections to Tax Levy
2007-2008	\$168,234,235	\$166,393,544	98.9%
2008-2009	\$179,688,391	\$179,104,699	99.7%
2009-2010	\$188,576,265	\$187,648,619	99.5%
2010-2011	\$190,572,100	\$190,108,734	99.8%
2011-2012	\$190,241,294	\$190,022,859	99.9%
2012-2013	\$194,614,998	\$194,498,556	99.9%
2013-2014	\$197,403,885	\$197,526,366	100.1%
2014-2015	\$199,883,714	\$199,969,065	100.0%
2015-2016	\$199,358,750	\$199,854,209	100.2%
2016-2017	\$205,279,934	\$206,016,539	100.4%

(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	Real and Personal Property						Penalties Assessed	Exempt Assessed	Class 4		Total Assessed	Total Actual	Assessed Value To Total Estimated Actual Value
	Class 1		Class 2		Class 3				Assessed	Actual			
October 1,	Assessed	Actual	Assessed	Actual	Assessed	Actual	Assessed	Assessed	Actual	Assessed	Actual	Assessed	Actual
2007	\$33,626	\$112,086	\$1,921,701	\$9,608,503	\$744,423	\$7,444,226	\$6,751	(\$591,001)	\$221,997	\$1,479,980	\$2,337,497	\$18,644,795	12.5%
2008	\$33,417	\$111,391	\$1,980,302	\$9,901,509	\$786,525	\$7,865,245	\$5,106	(\$562,663)	\$227,114	\$1,514,093	\$2,469,801	\$19,392,238	12.7%
2009	\$30,191	\$100,637	\$1,981,468	\$9,907,339	\$811,896	\$8,118,963	\$3,496	(\$560,668)	\$206,932	\$1,379,547	\$2,473,315	\$19,506,486	12.7%
2010	\$26,732	\$89,106	\$1,916,313	\$9,581,567	\$839,571	\$8,395,710	\$2,095	(\$517,010)	\$224,336	\$1,495,573	\$2,492,037	\$19,561,956	12.7%
2011	\$27,581	\$91,937	\$1,948,313	\$9,741,566	\$863,786	\$8,637,862	\$1,830	(\$507,132)	\$241,516	\$1,610,107	\$2,575,894	\$20,081,472	12.8%
2012	\$28,591	\$95,302	\$1,955,237	\$9,776,187	\$878,514	\$8,785,143	\$2,334	(\$484,267)	\$256,731	\$1,711,543	\$2,637,140	\$20,368,175	12.9%
2013	\$26,818	\$89,393	\$1,977,673	\$9,888,366	\$878,858	\$8,788,580	\$3,031	(\$478,909)	\$260,691	\$1,737,940	\$2,668,162	\$20,504,279	13.0%
2014	\$26,915	\$89,717	\$2,067,967	\$10,339,835	\$891,333	\$8,913,330	\$3,076	(\$480,953)	\$269,328	\$1,795,520	\$2,777,666	\$21,138,402	13.1%
2015	\$21,257	\$70,856	\$2,136,708	\$10,683,539	\$902,236	\$9,022,358	\$3,373	(\$501,001)	\$293,012	\$1,953,413	\$2,855,585	\$21,730,166	13.1%
2016	\$21,353	\$71,177	\$2,258,951	\$11,294,755	\$944,927	\$9,449,270	\$5,182	(\$530,850)	\$246,836	\$1,645,573	\$2,946,399	\$22,460,775	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**

<b>SALES &amp; USE TAXES</b>	Top 100 Taxpayers (approximate)	Total Tax	% of Total Tax
2008	\$67,540,596	\$127,565,012	52.9%
2009	\$65,039,625	\$122,161,198	53.2%
2010	\$68,513,620	\$123,934,078	55.3%
2011	\$68,060,713	\$126,470,618	53.8%
2012	\$73,600,757	\$132,503,675	55.5%
2013	\$74,582,224	\$135,057,237	55.2%
2014	\$85,343,403	\$159,781,025	53.4%
2015	\$98,998,235	\$181,057,346	54.7%
2016	\$103,191,559	\$190,044,271	54.3%
2017	\$105,599,574	\$194,758,559	54.2%

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.

<b>PROPERTY TAXES</b>	2017			2008		
	City Assessed Valuation	Rank	Percentage of Total Assessed Value	City Assessed Valuation	Rank	Percentage of Total Assessed Value
Toyota Motor Manufacturing Alabama	\$115,378,940	1	4.0%	\$65,314,780	1	2.8%
Huntsville NYL LLC	\$25,994,080	2	0.9%			
Generics International US Inc	\$23,327,100	3	0.8%			
ADTRAN Inc	\$20,621,480	4	0.7%	\$20,928,620	3	0.9%
BASF Catalysts LLC	\$19,310,820	5	0.7%	\$17,430,060	6	0.7%
IMI Huntsville LLC	\$15,485,000	6	0.5%			
Dynetics Inc	\$19,679,380	7	0.7%			
Bell South Telecommunications Inc	\$13,927,580	8	0.5%	\$27,364,900	2	1.2%
Crestwood Healthcare LP	\$13,531,180	9	0.5%	\$8,965,820	9	0.4%
Kennametal Inc	\$19,842,860	10	0.7%			
Cinram Inc				\$18,822,840	5	0.8%
Sanmina SCI Technology				\$9,083,020	8	0.4%
Redstone Federal Credit Union				\$9,174,380	7	0.4%
Rudolphs Engine LLC				\$19,374,960	4	0.8%
DDRTC Westside Centre LLC				\$8,833,080	10	0.4%
<b>Top 10 subtotal</b>	<b>\$287,098,420</b>		<b>10.1%</b>	<b>\$205,292,460</b>		<b>8.8%</b>
Other taxpayers	\$2,568,486,140		89.9%	\$2,132,203,540		91.2%
<b>Totals</b>	<b>\$2,855,584,560</b>		<b>100.0%</b>	<b>\$2,337,496,000</b>		<b>100.0%</b>

**CITY OF HUNTSVILLE**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**

(amounts expressed in thousands, except per capita amounts)

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Per Capita	Debt as % of Personal Income
	General Obligation Warrants	Revenue Warrants	PBA Lease Revenue Bonds	Capital Leases	Sewer System General Obligation Warrants	Sewer System Revenue Warrants	Capital Leases			
2008	\$373,868	\$0	\$87,568	\$763	\$55,293	\$76,560	\$4	\$594,056	#REF!	#REF!
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	\$3,643	4.11%
2012	\$503,719	\$29,193	\$85,619	\$0	\$95,968	\$42,065	\$0	\$756,564	\$4,115	4.43%
2013	\$452,459	\$35,933	\$83,759	\$0	\$88,120	\$37,380	\$0	\$697,651	\$3,746	3.89%
2014	\$568,664	\$45,206	\$62,697	\$0	\$80,799	\$32,525	\$0	\$789,891	\$4,194	4.33%
2015	\$496,159	\$41,453	\$59,490	\$0	\$64,980	\$27,485	\$0	\$689,567	\$3,611	3.63%
2016	\$595,632	\$45,610	\$57,310	\$0	\$55,948	\$22,260	\$0	\$776,760	\$4,023	3.96%
2017	\$607,046	\$50,202	\$57,310	\$0	52,609	\$16,835	\$0	\$784,002	\$3,994	3.86%

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
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%	\$3,449
2015	\$496,159	\$64,980	\$561,139	2.6%	\$2,939
2016	\$595,632	\$55,948	\$651,580	2.9%	\$3,375
2017	\$607,046	\$52,609	\$659,655	2.9%	\$3,361

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**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Debt limit	588,243,400	570,442,400	554,918,000	533,026,200	526,961,200	514,812,800	498,407,400	494,663,000	493,960,200	467,499,200
Total net debt applicable to limit	407,608,415	356,079,457	276,811,706	294,217,898	267,510,207	276,293,944	258,004,189	292,953,851	248,535,628	236,541,190
Legal debt margin	180,634,985	214,362,943	278,106,294	238,808,302	259,450,993	238,518,856	240,403,211	201,709,149	245,424,572	230,958,010
Total net debt applicable to limit as a percentage of debt limit	69.3%	62.4%	49.9%	55.2%	50.8%	53.7%	51.8%	59.2%	50.3%	50.6%

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

Assessed value of real and personal property, October 1, 2016 (a)	<u>\$2,941,217,000</u>
Debt limit - 20 percent of total assessed value	588,243,400
All outstanding debt of the City	<u>\$784,002,000</u>
Less those portions not chargeable to the debt limit:	
Lease revenue bonds of the Public Building Authority	57,310,000
Debt payable from other revenues:	
General obligation sewer warrants	52,609,000
Sewer revenue warrants	16,835,000
Private placement revenue warrants	
Warrants issued for schools	<u>249,639,585</u>
Total not chargeable	<u>376,393,585</u>
Total debt chargeable to debt limit	407,608,415
Less assets available for debt service	<u>407,608,415</u>
Legal debt margin	<u><u>\$180,634,985</u></u>

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

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

**CITY OF HUNTSVILLE  
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	\$784,002,000	100.0%	\$784,002,000
Madison County	14,917,041	66.0%	<u>\$9,839,280</u>
Total			<u><u>\$793,841,280</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	
2008	\$33,515,315	\$15,632,820	\$17,882,495	\$8,430,000	\$5,487,061	\$13,917,061	1.28
2009	\$32,975,967	\$12,788,101	\$20,187,866	\$9,193,100	\$5,493,372	\$14,686,472	1.37
2010	\$33,556,946	\$12,799,431	\$20,757,515	\$10,008,646	\$5,208,679	\$15,217,325	1.36
2011	\$37,332,443	\$17,532,204	\$19,800,239	\$10,508,858	\$4,692,755	\$15,201,613	1.30
2012	\$36,153,998	\$16,246,846	\$19,907,152	\$11,661,625	\$4,610,899	\$16,272,524	1.22
2013	\$35,835,744	\$13,149,771	\$22,685,973	\$11,700,948	\$4,720,969	\$16,421,917	1.38
2014	\$36,056,556	\$13,439,347	\$22,617,209	\$12,725,271	\$4,389,828	\$17,115,099	1.32
2015	\$37,697,985	\$15,046,587	\$22,651,398	\$13,441,815	\$4,013,909	\$17,455,724	1.30
2016	\$38,940,571	\$15,968,327	\$22,972,244	\$13,967,912	\$3,367,046	\$17,334,958	1.33
2017	\$40,049,926	\$14,935,220	\$25,114,706	\$16,835,000	\$2,976,852	\$19,811,852	1.27

(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)
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	182,319	\$17,073,000	\$40,126	7.6%
2012	183,865	\$17,916,554	\$41,595	6.7%
2013	186,252	\$18,256,805	\$41,899	5.5%
2014	188,325	\$18,992,753	\$42,939	5.7%
2015	190,943	\$18,992,753	\$44,068	5.5%
2016	193,079	\$19,599,508	\$44,068	5.5%
2017	196,289	\$20,327,769	\$45,201	4.0%

(a) Population estimates for the City of Huntsville. Source (previous year estimates): year estimates). City of Huntsville Planning Department.

(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	2017			2012		
	Number of Employees	Rank	Percentage of Total Labor Force	Number of Employees	Rank	Percentage of Total Labor Force
US Army/Redstone Arsenal	21,170	1	9.7%	17,400	1	8.3%
Huntsville Hospital System	6,341	2	2.9%	5,919	2	2.8%
NASA/Marshall Space Flight Center	4,615	3	2.1%	4,260	3	2.0%
The Boeing Co	2,600	4	1.2%	2,600	4	1.2%
SAIC(Science Applications Internation Corp)	2,229	5	1.0%	2,229	5	1.1%
ADTRAN, INC	1,549	6	0.7%	1,740	6	0.8%
Sanmina-SCI Corporation				1,365	7	0.7%
Qualitest				1,350	8	0.6%
Technicolor / CINRAM, INC	1,450	7	0.7%	1,450	9	0.7%
Intergraph Corporation/Hexagon US Federal	1,325	9	0.6%	1,325	10	0.6%
Toyota Motor Manufacturing Alabama	1,350	8	0.6%			
Northrop Grumman	1,200	10	0.6%			
Sanmina-SCI Corporation	702		0.3%			
Teledyne Brown Engineering	794		0.4%			
Total Employees of 10 Principal Employers	43,829		20.8%	39,638		18.8%
Employees of Other Employers	173,729		79.2%	169,759		81.2%
Total Civilian Labor Force	217,558		100.0%	209,212		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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General Government</b>										
Administration	15	14	12	13	12	12	13	15	15	11
City Council	8	8	8	8	10	10	10	10	10	10
Clerk-Treasurer	18	18	18	18	18	18	18	18	18	18
Finance	35	35	33	31	33	33	33	31	31	31
Human Resources	16	13	13	13	13	13	13	13	13	13
I.T.S.	46	48	48	48	47	47	47	46	46	47
Legal	16	16	16	16	16	16	16	16	16	17
<b>Total</b>	<b>154</b>	<b>152</b>	<b>148</b>	<b>147</b>	<b>149</b>	<b>149</b>	<b>150</b>	<b>149</b>	<b>149</b>	<b>147</b>
<b>Public Safety</b>										
Animal Services	32	31	31	28	28	28	28	28	28	28
EMA	9	9	9	9	9	9	9	9	9	9
Fire and Rescue	439	408	396	395	395	400	387	377	377	354
Municipal Court	52	48	48	48	48	47	46	48	48	48
Police	702	642	632	632	628	628	628	629	613	615
<b>Total</b>	<b>1,234</b>	<b>1,138</b>	<b>1,116</b>	<b>1,112</b>	<b>1,108</b>	<b>1,112</b>	<b>1,098</b>	<b>1,091</b>	<b>1,075</b>	<b>1,054</b>
<b>Public Services</b>										
Cemetery	12	12	12	24	24	23	23	24	24	24
General Services	52	52	53	64	63	81	83	90	90	86
Projects Management	0	0	0	0	0	0	0	0	0	9
Fleet Services	50	49	46	47	47	47	49	52	35	34
Parks & Recreation	196	197	191	185	185	182	181	180	172	172
Landscape Management	149	143	133	132	232	232	190	229	229	225
Parking	51	52	54	54	54	54	54	55	55	55
Public Transportation	80	77	75	73	73	67	68	68	68	68
Public Works	238	237	246	245	246	258	256	287	268	272
Water Pollution Control	133	127	125	124	124	123	123	123	123	120
<b>Total</b>	<b>961</b>	<b>946</b>	<b>935</b>	<b>948</b>	<b>1,048</b>	<b>1,067</b>	<b>1,027</b>	<b>1,108</b>	<b>1,064</b>	<b>1,065</b>
<b>Urban Development</b>										
Community Development	43	44	44	44	44	44	40	40	40	40
Engineering	45	46	46	45	45	45	45	47	48	49
Inspection	30	29	29	29	28	28	28	28	28	28
Natural Resources	7	7	7	7	7	7	7	7	7	7
Planning	47	45	45	47	46	47	45	43	43	43
Traffic Engineering	39	39	39	39	39	39	38	33	34	31
<b>Total</b>	<b>211</b>	<b>210</b>	<b>210</b>	<b>211</b>	<b>209</b>	<b>210</b>	<b>203</b>	<b>198</b>	<b>200</b>	<b>198</b>
<b>Total for all departments</b>	<b>2,560</b>	<b>2,446</b>	<b>2,409</b>	<b>2,418</b>	<b>2,514</b>	<b>2,538</b>	<b>2,478</b>	<b>2,546</b>	<b>2,488</b>	<b>2,464</b>

Source: City of Huntsville Annual Budget

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

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Public Safety</b>										
<b>Fire and Rescue</b>										
Number of fire stations	19	19	19	18	17	17	16	16	16	16
Fire insurance rating	1	1	3/9	3/9	3/9	3/9	3/9	4/9	4/9	3/9
Number of calls answered	21,159	18,723	17,021	16,587	15,036	14,418	14,749	21,279	20,689	21,442
Inspections	6,171	5,387	5,715	4,829	5,464	4,928	4,540	5,438	5,250	5,375
<b>Police</b>										
Number of police stations	5	4	4	4	4	4	4	4	4	4
Physical arrests	10,793	12,390	12,371	13,040	12,499	11,253	11,849	15,045	14,179	13,625
Parking violations	12,213	10,029	10,469	10,535	9,674	11,870	11,645	13,472	13,586	16,587
Traffic violations	29,338	34,455	39,908	44,256	33,488	31,508	33,280	43,906	42,173	37,932
<b>Public Services</b>										
<b>Recreation Services</b>										
Admissions to Aquatic Facilities	95,791	81,218	100,011	99,180	101,992	101,091	87,582	88,058	87,009	99,440
Participants in Community Center programs	5,688	4,548	5,480	3,521	2,477	2,986	2,989	3,030	3,780	2,881
Participants in Youth Athletic programs	4,967	5,418	5,836	5,883	5,730	6,062	6,438	6,573	6,771	6,709
Participants in Adult Athletic programs	1,691	1,245	1,954	3,084	3,853	6,442	5,897	6,263	6,282	6,684
Number of parks	64	64	64	63	62	62	62	63	63	63
Baseball fields	48	48	48	48	48	50	49	57	57	57
Softball fields	48	48	48	48	48	42	41	41	41	41
Soccer fields & Multi-purpose fields	41	41	41	41	41	59	58	50	50	50
Football fields	2	2	2	2	2	2	2	4	4	4
Golf courses	0	1	1	1	1	1	1	1	1	1
Tennis courts	56	56	56	56	55	66	53	66	66	65
Recreation centers	12	12	12	13	13	13	13	12	11	11
Enclosed swimming pools	4	3	3	3	3	3	3	3	3	3
<b>Public Works</b>										
Streets (Beginning 2011 - Lane Miles)	3,302	3,280	3,244	3,200	3,170	3,151	3,048	3,423	2,960	2,684
Street lights		22,938	22,535	22,410	22,169	21,923	21,890	21,820	21,720	20,631
Signalized street intersections	381	377	369	366	359	356	350	350	310	300
Controlled intersections	11,761	11,698	11,648	11,620	11,553	11,540	11,500	11,250	11,000	10,850
Major storm sewers (miles)	1,068	1,027	1,013	998	975	951	892	892	892	892
Potholes repaired	13,503	14,567	13,012	7,312	9,408	8,638	10,804	13,662	13,264	5,528
<b>Sanitation</b>										
Refuse collected (tons/day)	237	269	286	267	266	258	240	236	232	229
Trash collected (tons/day)	153	113	165	174	167	174	197	157	171	167
<b>Water Pollution Control</b>										
Avg daily sewage treatment(M gallon/day)	34.27	35.15	36.59	33.19	40.64	37.03	41.04	34.11	27.10	22.71
Sanitary sewers (miles)	1,463	1,450	1,430	1,420	1,365	1,365	1,290	1,290	1,260	1,260
<b>Utilities</b>										
New connections	1,418	1,497	1,312	850	889	1,107	752	648	191	228
Water main breaks	64	114	95	79	85	64	74	115	45	93
Average daily consumption (000 gallons)	42,954	45,582	40,518	38,406	37,364	41,347	40,216	41,508	37,674	42,010
Water meters in use	95,657	94,501	92,919	91,513	90,802	89,280	88,195	85,437	84,882	83,653

Sources:  
Various city departments

Notes:  
\* data is not available  
In 2005 an EMS response program was started in the Fire Department

# **COMPLIANCE SECTION**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Huntsville, Alabama, ("the City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2018. Our report includes reference to other auditors who audited the financial statements of the City of Huntsville Electric, Natural Gas, and Water Systems (Huntsville Utilities), and the Huntsville/Madison County Convention and Visitors Bureau, which are component units of the City, and the financial statements of the Public Library Special Revenue Fund, the Huntsville Museum of Art - Board Special Revenue Fund, and the Municipal IcePlex Enterprise Fund. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Warren Averett, LLC*

Warren Averett, LLC  
Huntsville, Alabama

June 29, 2018

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

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

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Huntsville, Alabama's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

### **Report on Internal Control over Compliance**

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

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 29, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Purpose of this Report**

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

*Warren Averett, LLC*

Warren Averett, LLC  
Huntsville, Alabama

June 29, 2018

**CITY OF HUNTSVILLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant or Pass-Through Grantor's Number	Grant Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
<b>Direct Programs:</b>			
Community Development Block Grant	14.218	B-16-MC-01-0005 B-17-MC-01-0005	\$ 1,056,670 357,620
Home Investment Partnerships Program	14.239	M-12-MC-010201 M-14-MC-010201 M-15-MC-010201 M-16-MC-010201	268,125 167,899 302,473 309,819
<b>Passed Through Huntsville Housing Authority:</b>			
Public and Indian Housing	14.850	N/A	111,623
<b>Passed Through Alabama Department of Economic and Community Affairs:</b>			
Emergency Solutions Grant Program	14.231	SESG-HESG-15- 008 SESG-HESG-16- 014	120,826  <u>75,271</u> 2,770,326
<u>U.S. Department of the Interior</u>			
<b>Passed Through Alabama Historical Commission:</b>			
National Alliance of Preservation Commission Forum 2016	15.904	AL-16-022 AL-16-023	12,000 <u>8,400</u> 20,400
<u>U.S. Department of Justice</u>			
<b>Direct Programs:</b>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0005	<u>168,428</u> 168,428

See accompanying notes to Schedule.

**CITY OF HUNTSVILLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant or Pass-Through Grantor's Number	Grant Expenditures
<u>U.S. Department of Transportation</u>			
<b>Direct Programs:</b>			
Federal Transit Formula Grant	20.507	AL-90-X233	714,004
		AL-34-0001	551,795
		AL-2016-009-01	1,286,482
<b>Passed Through Northeast Alabama Traffic Safety Office:</b>			
High Visibility Alcohol Enforcement	20.616	17-HD-M5-0003	15,372
402 STEP	20.600	17-SP-PT-0003	154,201
Safety Belt Grant (Click it or Ticket)	20.616	17-HB-M1-0003	5,851
<b>Passed Through Alabama Department of Transportation:</b>			
Highway Planning and Construction	20.205	PL45M100062939 DE-AL105	409,190 9,184
			3,146,079
<u>U.S. Environmental Protection Agency</u>			
<b>Direct Programs:</b>			
Survey, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	PM-00D28615-0	78,768
Air Pollution Control Program Support	66.001	A-004-00415-0	252,189
			330,957

See accompanying notes to Schedule.

**CITY OF HUNTSVILLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant or Pass-Through Grantor's Number	Grant Expenditures
<u>Department of Health and Human Services / Centers for Disease Control and Prevention</u>			
<b>Direct Programs:</b>			
Public Health Emergency Preparedness	93.069	CEP-32-PV7-17	10,000
			10,000
<u>Office of National Drug Control</u>			
<b>Passed Through Alabama Department of Public Safety:</b>			
High Intensity Drug Trafficking Area Grant	95.001	G15GC00002A	20,000
		G16GC00002A	151,346
		G17GC00006A	108,836
			280,182
<u>U.S. Department of Homeland Security/Federal Emergency Management Agency</u>			
<b>Direct Programs:</b>			
Assistance to Firefighters Grant	97.044	EMW-2014-FO- 06585	202,032
<b>Passed Through Alabama Department of Homeland Security:</b>			
State Homeland Security Grant Program	97.067	5ICL	4,779
		5FIL	10,812
		5LEL	31,501
		6ICL	750
		6FIL	25,210

See accompanying notes to Schedule.

**CITY OF HUNTSVILLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant or Pass-Through Grantor's Number	Grant Expenditures
<b>Passed Through Alabama Emergency Management Agency:</b>			
Emergency Management Performance Grant	97.042	17 EMF	101,599
		17 EMS	12,000
		17 EMA	<u>5,669</u>
			<u>394,352</u>
 <b>Total Federal Awards</b>			 <u><u>\$7,120,724</u></u>

See accompanying notes to Schedule.

**CITY OF HUNTSVILLE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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Note 1 – Entity Definition

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

Note 2 - Basis of Presentation

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

Note 3 – Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Huntsville under programs of the federal government for the year ended September 30, 2017. Expenditures reported on the schedule are reported on the modified accrual basis of accounting. The City of Huntsville did not elect to utilize the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 – Payments to Subrecipients

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

Payments to subrecipients under the Community Development Block Grant totaled \$402,965 under this award for the year ended September 30, 2017.

Payments to subrecipients under the Home Investment Partnerships Program totaled \$1,086,365 under this award for the year ended September 30, 2017.

Payments to subrecipients under the Emergency Solutions Grant Program totaled \$196,097 under this award for the year ended September 30, 2017.

Payments to subrecipients under the Edward Byrne Memorial Justice Assistance Grant Program totaled \$84,185 under this award for the year ended September 30, 2017.

**CITY OF HUNTSVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

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

Noncompliance material to financial statements  
 noted? \_\_\_\_\_yes       No

**Federal Awards**

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

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

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

**Identification of major programs**

<u>CFDA Number(s)</u> 14.239 20.507	<u>Name of Federal Program or Cluster</u> Home Investment Partnerships Program Federal Transit Formula Grant
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Dollar threshold used to distinguish  
 between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes       No

**CITY OF HUNTSVILLE, ALABAMA  
SCHEDULE OF FINDING AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**Section II - Financial Statement Findings**

**None Noted**

**CITY OF HUNTSVILLE, ALABAMA  
SCHEDULE OF FINDING AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**Section III - Federal Award Findings and Questioned Costs**

**None Noted**

**CITY OF HUNTSVILLE, ALABAMA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**Financial Statement Findings**

**16-01 Preparation of Timely Bank Reconciliations**

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

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

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

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

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

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

Current Update: Implemented.

**CITY OF HUNTSVILLE, ALABAMA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**Federal Award Findings and Questioned Costs**

**None Noted**