

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF HUNTSVILLE, ALABAMA

Fiscal Year Ended September 30, 2019

Comprehensive Annual Financial Report

The City of Huntsville, Alabama
For the Fiscal Year Ended September 30, 2019

Elected officials

Thomas “Tommy” Battle, Jr., Mayor

Devyn Keith, District 1, Council President

Frances Akridge, District 2

Jennie Robinson, District 3

Bill Kling, Jr., District 4

Will Culver, District 5

City Administration and Departments

John Hamilton, City Administrator

Karen Shepard, Animal Services

Kenneth Benion, Clerk Treasurer

Kelly Schrimsher, Communications

Scott Erwin, Community Development

Jeffrey Birdwell, Emergency Management

Kathy Martin, Traffic and City Engineering

Penny Smith, Finance

Howard McFarlen, Fire and Rescue

Ricky Wilkinson, General Services

Byron Thomas, Human Resources

Bill Steiner, Information Technology Services

Shane Davis, Urban and Economic Development

Randy Cunningham, Inspection

Joy McKee, Landscape Management

Trey Riley, Legal

Lonzo Robinson, Municipal Court

Scott Cardno, Natural Resources

Tommy Brown, Parking and Public Transit

Steve Ivey, Parks and Recreation

Thomas Nunez and Dennis Madsen, Planning

Mark McMurray, Police

Chris McNeese, Public Works

Shane Cook, Water Pollution Control

Prepared by the City of Huntsville Finance Department

Penny L. Smith, CPA, CGFM, CGMA, Finance Director

Rachel Biggs, MAcc, CPA, Assistant Finance Director



City of Huntsville

Comprehensive Annual Financial Report

SEPTEMBER 30, 2019

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Letter of Transmittal

March 27, 2020

To the Honorable Tommy Battle, Mayor, Members of the City Council, and Citizens of Huntsville:

This Comprehensive Annual Financial Report (CAFR) of the City of Huntsville, Alabama, for the fiscal year ended September 30, 2019, is hereby transmitted. This report has been prepared to summarize the financial results of the City's operations in 2019, and to help you understand its financial condition.

City management, primarily the Director of Finance 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 Director of Finance 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 "unqualified opinion," commonly known as a "clean opinion," regarding the City's financial statements, meaning the auditors have concluded the City's financial statements conform with established accounting principles. Also, the City is required by federal law to conduct a "Single Audit," or audit of the City's compliance with the requirements of federal grants it has received. The auditors are required to report on the City's system of controls and the City's compliance with legal requirements, and they have issued their reports to City management.

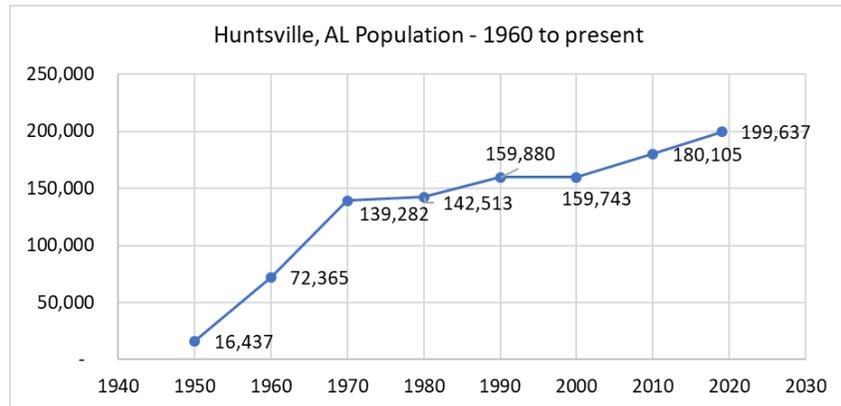
To assist users of this report, accounting standards require management to provide a narrative introduction, overview and analysis with the financial statements, in the form of Management's Discussion and Analysis (MD&A), which can be found on page 14.

Profile of the Government

The City was incorporated on December 9, 1811, under an act of the Mississippi Territorial Legislature first as Twickenham, and then in 1812, Huntsville. Situated in the beautiful Tennessee Valley, the City has grown in land area of about 220 square miles incorporated in three counties, Madison, Morgan and Limestone. The population is currently at 199,637 with rapid growth. The Federal Base, Redstone Arsenal

is a large employer and a major presence in the area. Huntsville is considered the leader in aerospace engineering.

Huntsville is one of the fastest growing communities in Alabama, since the space race of the 1960's, Huntsville has well over doubled in population and quadrupled in square miles. The past two decades have seen double digit growth in population increasing by almost 40,000 residents.



Huntsville is operated under a Mayor-Council form of government. 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 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 Mayor is responsible for carrying out the policies and ordinances of the City Council, supervising the operations of the City, and appointing department heads. Departments have been restructured over the years to meet the growing demands of public services and infrastructure. The following departments and divisions are represented in the current financial reporting structure:

Administration, City Council, Clerk-Treasurer, Finance, General Services, Fleet Services, Human Resources, Information Technology Services, Legal, Parks and Recreation, Police, Fire and Rescue, Municipal Court, Emergency Management Agency, Animal Services, Cemetery, Landscape Management, Parking, Public Transit, Public Works, Community Development, Engineering, Inspection, Natural Resources, Planning, Traffic Engineering, and Water Pollution Control.

The City provides a full range of services through its various departments. Closely associated with the departments are several organizations, established by the City to be managed by separate boards. These entities provide important public services and the City considers them as essential to the operations of the primary government. The Alabama Constitution Village Museums, Benton H. Wilcoxon Municipal Ice Complex, Burritt on the Mountain, Huntsville-Madison County Public Library, Huntsville Art Museum, Huntsville Tennis Center, Public Building Authority of the City of Huntsville, and the Von Braun Center. Because the City has considerable financial and legal responsibility and oversight for their operations, they are included in the City's financial statements. Also, the Huntsville Utilities Electric, Gas and Water Systems and the Huntsville/Madison County Convention & Visitors' Bureau 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 and activity (personnel, operating and capital). The Council must approve transfers between activities and funds. Comparisons of department and fund budgets to actual amounts are provided in this report.

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.

Local Economy

Huntsville has experienced a rapid population rise in the last two decades. With multiple established economic cornerstones in our community like Redstone Arsenal, Huntsville Hospital, and NASA Marshall Space Flight Center, the City remains poised to continue strong growth in all economic sectors. The growth brings financial stimulus and added revenues as well as increased need for public services provided by the City. However, within the opportunities and challenges, the City has seen financial stability through sound fiscal policy, conservative fiscal practices and strong economic activities.

The City not only brought industry, federal funding and commercial employers to the area, but worked to raise the standard quality of life. Recreation and transportation projects which attracted people to live in the City, were prioritized, which caused population expansion in the area, increasing revenue and creating energy that drives economic expansion.

It is due to this effort that the following significant economic development projects have developed over the past few years:

- 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 hotels (120-room aloft, 130-room Hotel Indigo, and an additional property to be announced), multiple restaurants, 500 multifamily units, 100,000 square feet of office space, and family and culture entertainment such as TopGolf, Dave and Busters, and outdoor event venue, the Camp.
- Other areas with existing projects include downtown Huntsville (more than 400 apartment units planned, four hotels, 375,000 square foot surgical and medical tower, and a recently-opened 1500 person capacity music hall), south Huntsville (250 units of multifamily housing, nine acres of retail development, and 400 single family homes), north Huntsville (redevelopment of a closed high school into a community/recreation center with indoor climbing wall, gym, and more than 100 single family homes, as well as a \$750M Facebook Data Center and the recently-completed, Aerojet Rocketdyne Rocket Shop), and historic west Huntsville, which was awarded a U.S. Housing and Urban Development Choice Neighborhood Planning Grant.
- In 2017, Google Fiber brought its services to Huntsville, making it just the 10th US City to receive the service. Google Fiber is the first of possibly many ISPs to lease excess dark fiber on a Huntsville Utilities-constructed network. Construction of the Huntsville Utilities network was complete in 2019. The community is now focused on implementing small cell technology into the right of way to enable greater cellular network coverage and eventually 5G. The community has permitted more than 50 small cell sites.

- In 2018, Mazda Motor Corporation and Toyota Motor Corporation established a new joint-venture company "Mazda Toyota Manufacturing, U.S.A., Inc." that will produce vehicles in Huntsville, Alabama, starting in 2021. The facility is expected to create up to 4,000 jobs. Toyota and Mazda are investing \$1.6 billion toward this project with equal funding contributions. Three suppliers have located on/near site, bringing in more than 1,200 jobs, and \$131M in CAPEX. This comes, in addition to the now more than \$1B Toyota Motor Manufacturing Alabama engine plant, in North Huntsville which opened in the early 2000s.

2019 was another banner year for Huntsville with more than \$1.8B in CAPEX and 3,000 jobs from new and existing industries. Among those are:

- Blue Origin, the space venture backed by Amazon founder Jeff Bezos, announced an additional project to complement its \$200M rocket engine plant. The company will work with NASA's Marshall Space Flight Center to renovate the historic test stands that were used during the Apollo Moon Mission. This represents 50 additional jobs and \$50M in CAPEX.
- Navistar is growing its engine plant in Huntsville. The company currently manufactures engines for commercial trucks and buses and will construct a new 100,000 square foot addition representing \$125 million and 145 additional jobs for powertrain production.
- Lockheed Martin will develop hypersonic weapons for the government in Huntsville. The aerospace leader is investing nearly \$20M in Huntsville and will hire more than 300 engineers, project managers, and scientists for these next-generation weapons.
- Redstone Arsenal continues to be the major economic driver for the community and region. Work in advanced weapons system such as hypersonics and directed energy, Army aviation, and missile defense continue to be priority missions for the military and within the expertise of the many Department of Defense agencies and organizations housed there.
- 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 as well as space science, the center provides the engineering and program management expertise behind propulsion 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. In 2019, Marshall was tasked with a new role leading the agency's Human Landing System Program for its return to the Moon by 2024.
- The FBI has made Huntsville a strategic hub for its work. With a 200-acre campus on Redstone, the agency is expected to hire thousands over the next 10 years and invest nearly \$1B in new facilities. New work coming to Redstone includes back office (finance, procurement) support for the FBI, cyber security and more.
- 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 4.2 million square foot, \$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 complements our Cummings Research Park, which is seeing a significant uptick in both occupancy of office space and new land sales. 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.

All of this equates to financial stability for Huntsville residents. Continued economic development efforts, transportation projects and recreational activities, will ensure the growth of the Huntsville metropolitan area and financial resources.

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

In summary, the local economic outlook is positive, but some financial challenges remain. Increasing demands from an aging workforce including pension contributions and the rising cost of health care benefits will remain a concern and need vigilance over trends and reserves. Growth in the demand for public services will exert pressure on spending requirements, however, we are confident that due to Huntsville's high-quality workforce, exceptional business climate, robust infrastructure, and collaboration with its valuable State and local government partners, the City will continue to see increased financial performance.

Management of City Resources

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

Long-term debt management. Most of the City's capital and school construction projects are financed with long-term debt. The City issued new debt in 2019, for a variety of parks and recreational activity, capital projects, and for work at Redstone Gateway, for which private developers are providing the financing. 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.

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 was reaffirmed with a Aaa rating from Moody's Investors Service, Inc. and a AAA rating from Standard & Poor's Rating Services in May 2019. This makes the twelfth year 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 2019, 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 2019 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 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 in the notes to the basic financial statements of this report. Because of benefit increases and plan earnings in recent years, the amount of City pension benefits that are considered "funded" has dropped significantly, and the City's costs have risen accordingly. Future increases may occur. Also, given the increasing cost of health care and the number of employees eligible to retire, management of retiree benefits must be very intentional and consider all issues to help provide balance between retiree benefits and other financial obligations of the City.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2019. 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,



Penny L. Smith, CPA, CGFM, CGMA

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

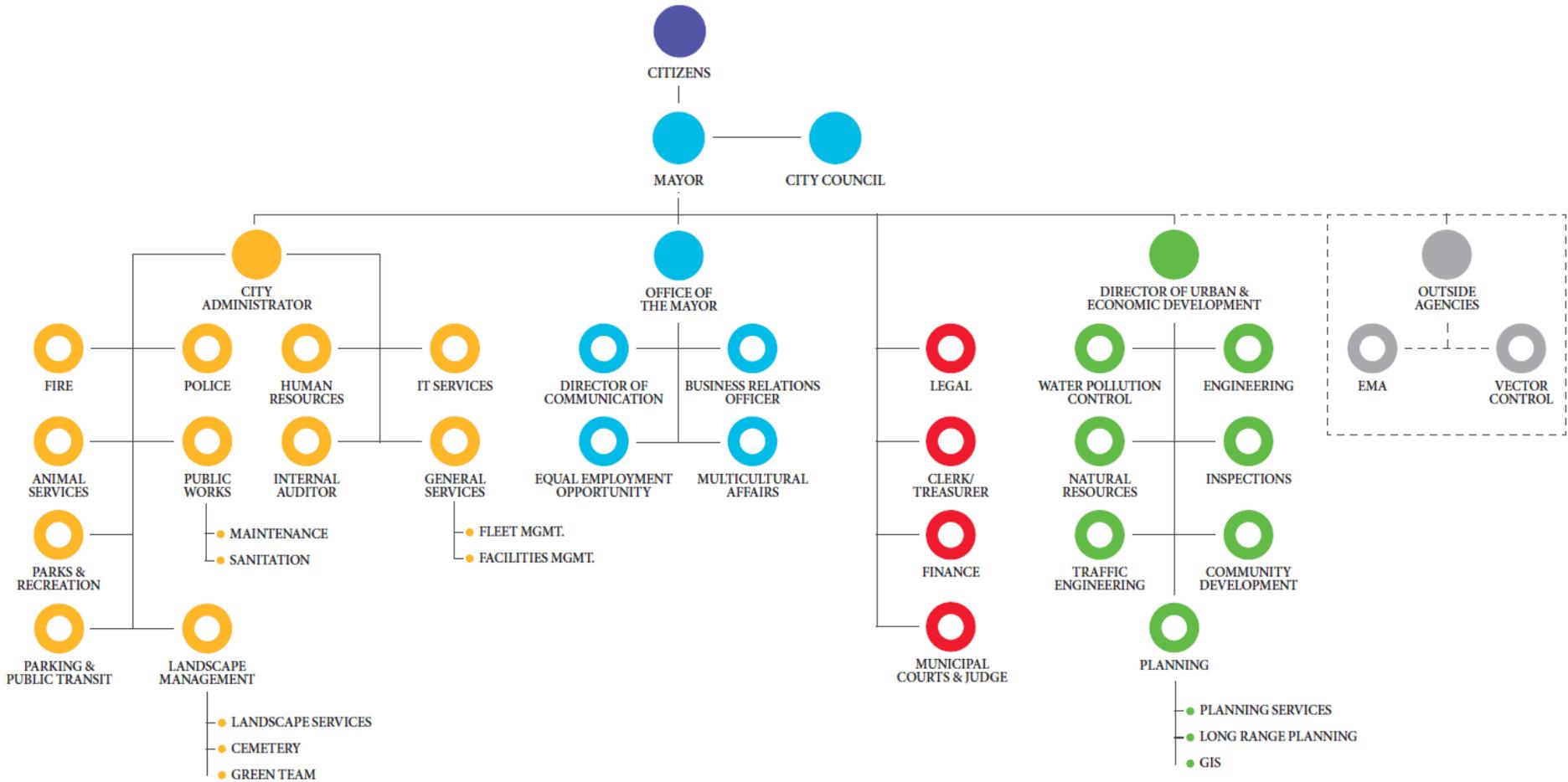
September 30, 2018

Christopher P. Morill

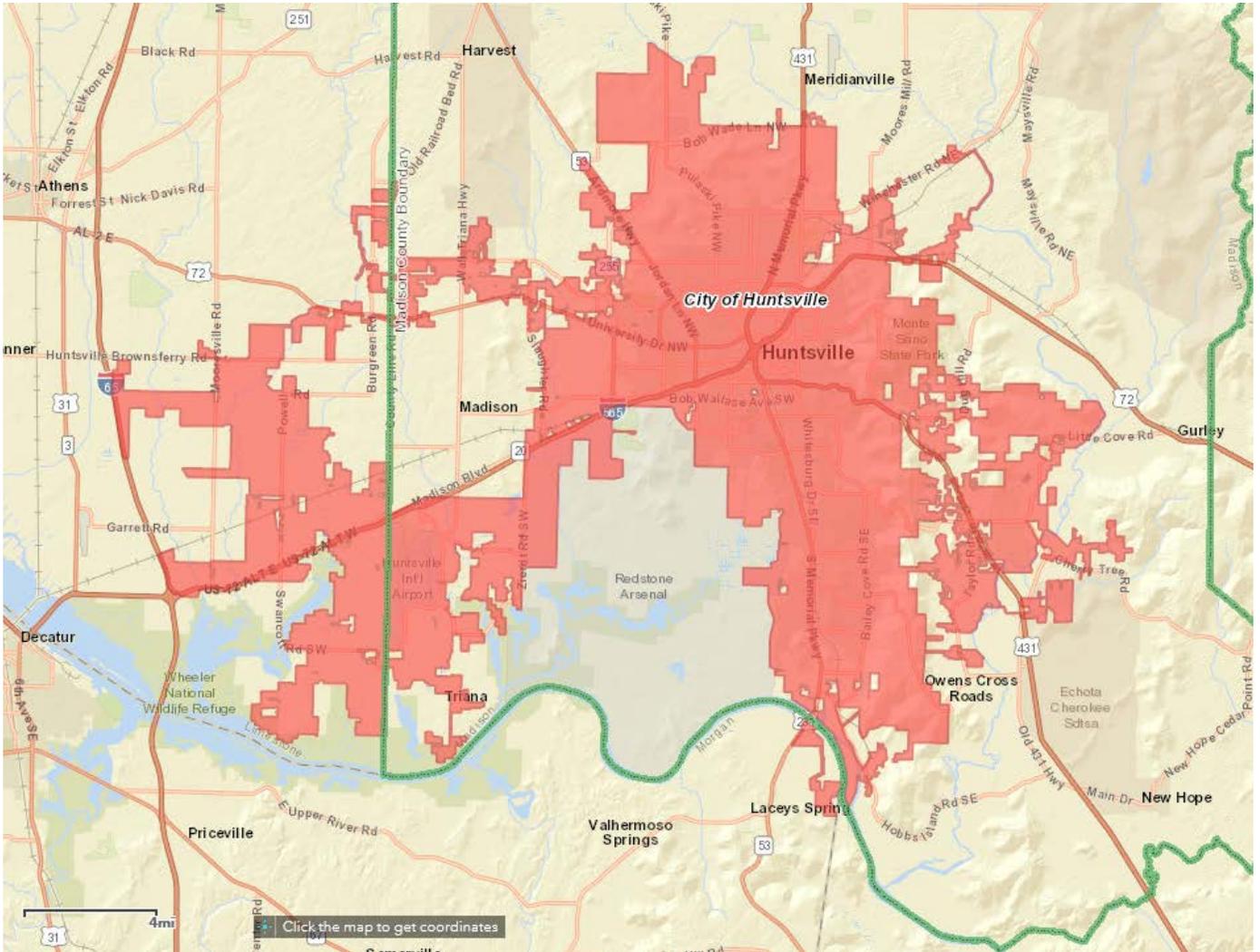
Executive Director/CEO

City of Huntsville, Alabama

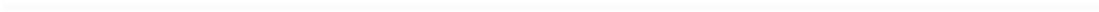
Organizational Chart



City of Huntsville, Alabama



Map of the city limits of Huntsville, AL



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
Of the City Council
City of Huntsville
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, 2019, 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; 29.9% of the total assets and 46.3% of the revenues of the other nonmajor governmental funds; and 0.4% of the total assets and 2.6% 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 from 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 audit 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 the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2019, and the respective changes in financial position and, where applicable, the cash flows thereof 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, budgetary comparison information, the pension information, and other post-employment benefit information 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 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 combining and individual nonmajor fund financial statements, and the schedules of revenues, expenditures and changes in fund balance budgetary comparisons are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards general 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 Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2020, on our consideration of the City of Huntsville'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

Warren Averett, LLC
Huntsville, Alabama

May 27, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Huntsville's Comprehensive Annual Financial Report (CAFR) presents City management's discussion and analysis (MD&A) of the City's financial performance during the fiscal year that ended on September 30, 2019. Please read this in conjunction with the City's financial statements and the accompanying notes, which follow this section, and the additional information furnished in the letter of transmittal in the introductory section of the CAFR.

FINANCIAL HIGHLIGHTS

- ❖ The assets of the City of Huntsville exceeded its liabilities at the close of the fiscal year by \$824.5 million (net position). Of this amount, the City had a deficit unrestricted net position of \$339.2 million offset by \$281.4 million in restricted net position and \$882.3 million in net investment in capital assets.
- ❖ The primary government experienced a 10.2% increase in net position from \$747.9 million at September 30, 2018 to \$824.5 million at September 30, 2019.
- ❖ At the close of fiscal 2019, the City's governmental funds reported a combined fund balance of \$349.1 million. This was an increase of \$56.2 million (19.2%) from the prior year, consisting of the following significant amounts and changes:
 - Ending fund balance for the General Fund was \$59.8 million, an increase of \$455,568 (0.8%) from fiscal year 2018.
 - The Special Revenue Fund was \$7.3 million, a decrease of \$7.4 (50.2%) from fiscal year 2018, due to timing in liquid funds, the amount is a receivable from other funds.
 - The Capital Improvement Fund was \$125.4 million, an increase of \$46.4 million (58.7%) from fiscal year 2018, this change is largely from borrowings for large multi-year capital projects.
 - The 2014 Capital Improvement Fund was \$139.9 million, an increase of \$17.9 million (14.7%) from fiscal year 2018, due to borrowings for large multi-year capital projects

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

- ❖ Of the \$349.1 million fund balance, \$301.1 million is restricted or has been allocated for certain purposes by the City Council, leaving a \$48.0 million balance (including \$26.5 million for General Fund contingencies).
- ❖ Sales and use tax, the City's single largest revenue source, increased by \$17.7 million (8.5%) across all funds during the 2019 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of three parts: management's discussion and analysis (this section), the basic financial statements, and the narrative notes to the financial statements. The basic financial statements include two kinds of statements that present different views of the City's finances.

- ❖ The first two statements are government-wide financial statements that provide both long-term and short-term information about the City’s overall financial status.
- ❖ The remaining statements are fund financial statements that focus on individual elements of the City government, reporting the City’s operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like police, administration, and engineering were financed in the short-term, as well as what remains for future spending.
 - Proprietary funds statements offer short- and long-term financial information about the activities the government operates like businesses, such as the water pollution control system.
 - Fiduciary funds statements convey information about financial relationships in which the City acts solely as a trustee for the benefit of others. For this financial report, the City is trustee, or “fiduciary” for its retirees’ post-retirement healthcare benefits. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

The financial statements also include narrative notes that explain some of the information in the financial statements and provide more details. Figure A shows how the required parts of this annual report are arranged and relate to one another.

Figure A

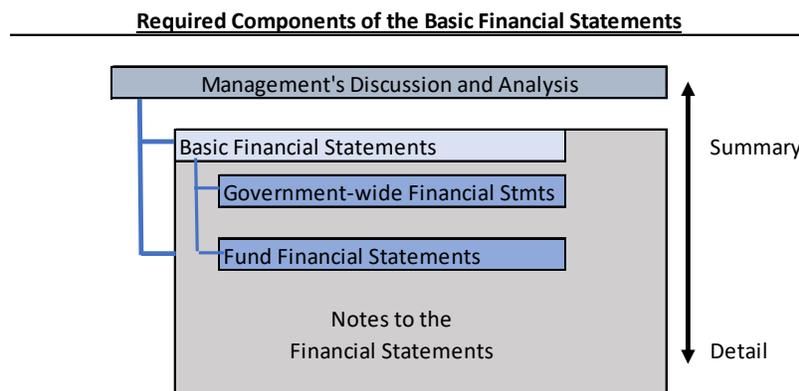


Figure B (on the following page) summarizes the major elements of the financial statements, explaining the portions of the City government included in each and the types of information contained therein. The remainder of this overview explains the structure and contents of each of the financial statements.

Government-wide Statements

The government-wide financial statements report information about the City as a whole, using accounting methods similar to those used by private-sector companies.

- ❖ The statement of net position includes all of the government’s assets and liabilities, with the difference between the two reported as net position.
- ❖ All of the fiscal year’s revenues and expenses are accounted for in the statement of activities, presenting the change in net position for the most recently completed fiscal year.

All changes in net position (revenues and expenses) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

To assess the overall economic health of the City, additional non-financial factors, such as changes in the City's tax base, planning and zoning actions, and the condition of the City's roads, other infrastructure and utility systems, should also be considered.

Figure B

Major Elements of Huntsville's Government-wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Primary Government (Entire City Government) and component units	The activities of the City that are not proprietary such as police, fire, and parks and recreation	Activities the City operates similar to private businesses such as sewer treatment activities (Water Pollution Control)	Instances in which the City is the trustee or agent for someone else's resources: Retiree OPEB Trust
Required Financial Statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenue, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resource focus	Accrual accounting and economic resource focus
Type of asset/liability	All assets, deferred inflows, liabilities and deferred outflows, both financial and capital, short-term and long-term	Only assets and deferred inflows expected to be used up and liabilities and deferred outflows that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets, deferred inflows, liabilities and deferred outflows, both financial and capital, short-term and long-term	All assets, deferred inflows, liabilities and deferred outflows, both financial and capital, short-term and long-term
Type of inflow/outflow	All revenue and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year and expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year regardless of when it is received or paid	All revenues and expenses during the year regardless of when it is received or paid

The government-wide financial statements of the City are divided into three categories:

- ❖ **Governmental activities.** Most of the City's basic services are included in this category, such as the services provided by the Police, Public Transit, General Services, Parks and Recreation, Human Resources, and Finance departments. In addition, the City includes six blended component units, the Alabama Constitution Village Museums, Burritt on the Mountain, Huntsville-Madison County Public Library, Huntsville Museum of Art, Huntsville Tennis Center, and the Public Building Authority of the City of Huntsville. General revenues from sales and use taxes, property taxes, charges for services, and state and federal grants finance most of these activities.

- ❖ Business-type activities. The City charges fees to customers to help cover the costs of certain services it provides to the public. The City's Water Pollution Control Fund and two blended component units of the City, the Von Braun Center and the Benton H. Wilcoxon Municipal Ice Complex are included in this category as enterprise funds.
- ❖ Discretely Presented Component Units. The City includes two other entities in this report. These entities include the Huntsville Utilities and the Huntsville/Madison County Convention and Visitors Bureau. Please refer to Note 1 within the Notes to the Basic Financial Statements regarding the availability of separately issued component unit financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's significant funds. Funds are groupings of related accounts that the City uses to keep track of specific revenues and spending for particular activities or objectives. Examples include:

- ❖ State law requires gasoline tax funds to be accounted for separately, because the expenditures are restricted for specific uses.
- ❖ The City Council establishes other funds to control the use of monies for particular purposes, such as property taxes that are legally assigned to tax financing districts or dedicated for support of the City school system.
- ❖ The City also establishes funds to demonstrate compliance with certain legally restricted revenue sources, such as tracking debt-financed capital projects and the spending of grant revenues.

The City has three kinds of funds:

- ❖ Governmental funds. Most of the City's basic services are accounted for in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out, and (2) the balances left at year-end that are available for spending in subsequent years. Consequently, the governmental fund statements provide a detailed, short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs following the completion of a fiscal year.

Because governmental fund information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Doing so provides a better understanding of the long-term impact of the government's short-term funding decisions. Both the balance sheet and the statement of revenues, expenditures, and changes in fund balances for governmental funds provide a reconciliation to facilitate this comparison between governmental funds statements and government-wide statements on governmental activities.

- ❖ Proprietary funds. Services provided to the public for which customers pay a fee are generally reported in enterprise funds, which are a type of proprietary fund. Proprietary fund financial statements, like the government-wide statements, provide both long- and short-term financial information. Proprietary funds function like a business activity; therefore, the financial statements provide additional information, such as depreciation

expense and cash flows, which are not presented for governmental funds.

- ❖ **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The Post-Retirement Benefits Trust fund account for the additions and deductions of the independent trust fund of the City's single employer defined benefit retiree healthcare plan.

The City adopts an annual budget for its General Fund and most other governmental funds, for legal compliance, comparison, and reporting purposes. To show legal compliance, a comparison of budget to actual by activity (i.e. personnel, operating, capital and other) is provided for the applicable funds.

Notes to the basic financial statements The notes are an integral and essential part of the basic financial statements. They provide additional information that is important if the reader is to have a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

FINANCIAL ANALYSIS OF THE CITY (PRIMARY GOVERNMENT)

The City's *combined* net position at September 30, 2019 totaled \$824.5 million (see Table 1). Governmental Activities' net position increased by \$45.1 million (10.7%), while Business-type Activities' net position increased \$31.5 million (9.6%) during the year.

The primary government's total net position increase of \$76.6 million (10.2%) in fiscal 2019 includes the following major changes: 1) a decrease in the deficit in unrestricted net position of \$3.6 million, 2) an increase in restricted net position of \$44.4 million, and 3) an increase in net investment in capital assets of \$28.5 million.

Table 1
City of Huntsville's Net Position
September 30, 2019 and 2018

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 408,799,591	\$ 347,349,285	\$ 52,316,644	\$ 47,635,066	461,116,235	394,984,351
Capital assets	1,285,795,740	1,237,873,215	389,550,112	381,034,923	1,675,345,852	1,618,908,138
Total assets	<u>1,694,595,331</u>	<u>1,585,222,500</u>	<u>441,866,756</u>	<u>428,669,989</u>	<u>2,136,462,087</u>	<u>2,013,892,489</u>
Deferred outflows of resources	55,625,088	49,711,073	4,617,350	4,870,558	60,242,438	54,581,631
Current liabilities	66,460,870	61,730,340	5,474,342	5,231,049	71,935,212	66,961,389
Long-Term debt and other liab	1,187,573,557	1,135,508,623	79,382,494	98,760,235	1,266,956,051	1,234,268,858
Total liabilities	<u>1,254,034,427</u>	<u>1,197,238,963</u>	<u>84,856,836</u>	<u>103,991,284</u>	<u>1,338,891,263</u>	<u>1,301,230,247</u>
Deferred inflows of resources	31,183,868	17,756,995	2,113,733	1,539,000	33,297,601	19,295,995
Net Position:						
Net investment in capital assets	551,007,949	544,768,278	331,320,679	309,021,803	882,328,628	853,790,081
Restricted	281,375,373	236,973,783	10,824	9,124	281,386,197	236,982,907
Unrestricted	(367,381,198)	(361,804,446)	28,182,034	18,979,336	(339,199,164)	(342,825,110)
Total net position	<u>\$ 465,002,124</u>	<u>\$ 419,937,615</u>	<u>\$ 359,513,537</u>	<u>\$ 328,010,263</u>	<u>\$ 824,515,661</u>	<u>\$ 747,947,878</u>

Governmental Activities

Net investment in capital assets (buildings, equipment, roads, etc.) is the primary component of Governmental Activities' net position. The net investment in capital assets at September 30, 2019 was \$551.0 million. Debt outstanding related to the capital assets was \$734.8 million. The large negative unrestricted net position in FY 2018 (\$361.8 million) and FY 2019 (\$367.4 million) is primarily the result of a common financing circumstance in Alabama. The City of Huntsville issues debt (repaid with legally dedicated ad valorem taxes) in the City's name for the benefit of Huntsville City Schools (HCS). HCS is not considered a component unit of the City and therefore not included in this financial presentation. The City must report the debt in its financial statements. However, the City typically does not have a legal right (title) to the assets associated with the debt (which are owned by HCS); hence, the large negative unrestricted net position balances. Total debt outstanding for school issues was \$217.9 million as of September 30, 2019. The last debt the City issued on behalf of the Board of Education was \$49.2 million in General Obligation Warrants in 2017. This issuance was to refund outstanding debt to take advantage of lower interest rates and therefore reduce annual debt service. In addition to this amount, the City also has debt outstanding for the Von Braun Center and other governmental entities, where the asset is not accounted for in the capital assets listed above.

Table 2 displays detail of debt issued by the City to acquire or construct capital assets owned or accounted for by other entities, affecting the City's governmental unrestricted net position. Total City debt for the benefit of Huntsville City Schools outstanding at September 30, 2019, was \$217.9 million, a decrease of \$10.4 million (4.5%) from the prior year. This decrease results from principal repayments on existing debt during the year.

Governmental Activities' unrestricted net position (excluding the effects of others' debt) decreased by \$19.4 million to negative \$82.7 million at the end of fiscal 2019. This is primarily the result of additional borrowing in general debt in fiscal 2019.

The City's governmental activities had an overall positive net position of \$465.0 million at the end of the 2019 fiscal year, an increase of \$45.1 million (10.7%).

Table 2

Net Position	2019	2018	
Net investment in capital assets	\$ 551,007,949	\$ 544,768,278	The long-term debt detailed above was used to construct assets that are not owned by the City's 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.
Restricted for:			
Capital projects	265,244,794	216,533,089	
City Schools	3,221,611	6,033,676	
Debt Service	894,321	894,321	
Other	12,014,647	13,512,697	
Unrestricted(deficit)			
Governmental Activities	(82,673,377)	(63,271,125)	
<i>City School</i>	<i>(217,926,836)</i>	<i>(228,284,336)</i>	
<i>Von Braun Center</i>	<i>(20,152,985)</i>	<i>(21,549,985)</i>	
<i>Other</i>	<i>(46,628,000)</i>	<i>(48,699,000)</i>	
Total Net Position-Governmental	\$ 465,002,124	\$ 419,937,615	

The City's net position increased by \$76.6 million during the 2019 fiscal year. This overall increase is a combined makeup of an increase in governmental activities at \$45.1 million or 10.7% mainly due to a rise in revenues and an increase in the net position for business-type activities of \$31.5 or 9.6% over the prior

year, which is a result in a decrease in expenses. Key elements of these changes in net position are shown in Table 3.

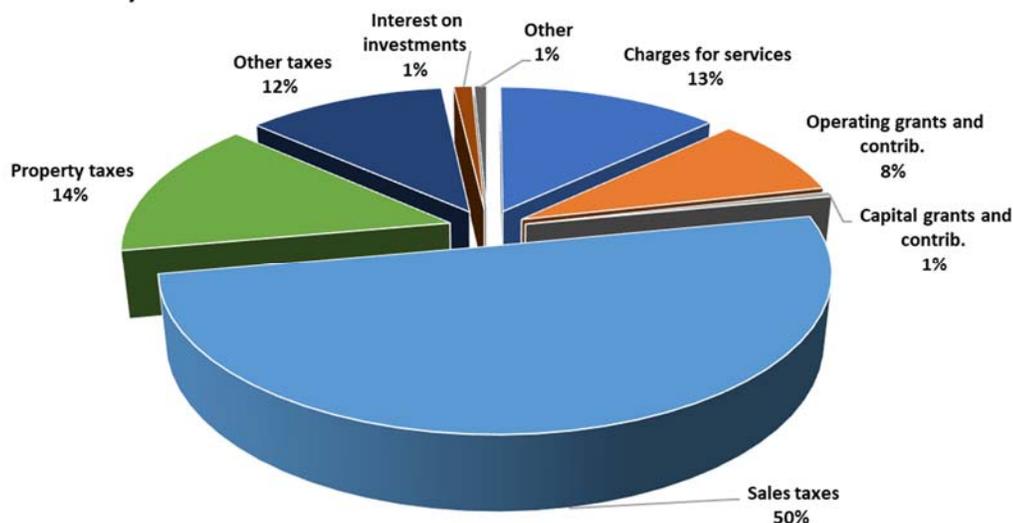
Table 3
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for services	\$ 58,671,198	\$ 57,588,687	\$ 53,289,453	\$ 51,041,167	\$ 111,960,651	\$ 108,629,854
Operating grants and contrib.	38,101,102	37,398,120	1,287	-	38,102,389	37,398,120
Capital grants and contrib.	2,090,510	2,051,939	-	-	2,090,510	2,051,939
General Revenue						
Sales taxes	226,685,473	208,966,293	-	-	226,685,473	208,966,293
Property taxes	65,167,286	66,083,001	-	-	65,167,286	66,083,001
Other taxes	52,525,318	47,855,650	-	-	52,525,318	47,855,650
Interest on investments	4,832,242	2,383,639	134,194	68,739	4,966,436	2,452,378
Other	3,330,072	2,703,551	-	12,378	3,330,072	2,715,929
Gain (loss) on sales of assets	-	580,750	(39)	-	(39)	580,750
Total revenues	451,403,201	425,611,630	53,424,895	51,122,284	504,828,096	476,733,914
Expenses						
General Government	50,520,319	40,753,794	-	-	50,520,319	40,753,794
Public safety	106,544,062	109,340,713	-	-	106,544,062	109,340,713
Public services	141,692,196	131,024,399	-	-	141,692,196	131,024,399
Urban development	45,601,798	39,928,608	-	-	45,601,798	39,928,608
Interest on long-term debt	41,627,006	29,840,153	-	-	41,627,006	29,840,153
Unallocated depreciation	-	30,364,378	-	-	-	30,364,378
Water Pollution Control	-	-	30,912,511	37,403,132	30,912,511	37,403,132
Other	-	-	16,341,849	15,226,033	16,341,849	15,226,033
Total expenses	385,985,381	381,252,045	47,254,360	52,629,165	433,239,741	433,881,210
Net change before transfers	65,417,820	44,359,585	6,170,535	(1,506,881)	71,588,355	42,852,704
Transfers	(14,236,907)	(10,716,842)	14,236,907	8,202,574	-	(2,514,268)
Change in net position	51,180,913	33,642,743	20,407,442	6,695,693	71,588,355	40,338,436
Net position, beginning (restated)	413,821,211	386,294,872	339,106,095	321,314,570	752,927,306	707,609,442
Net position, ending	\$ 465,002,124	\$ 419,937,615	\$ 359,513,537	\$ 328,010,263	\$ 824,515,661	\$ 747,947,878

Revenues in governmental activities increased by \$25.8 million or 6.1% over the prior year. Program Revenues were generally flat, with increase of less than 2%. Sales and Use taxes led the increase under General Revenues with total revenues of \$226.7, an increase of \$17.7 million or 8.5% over prior years. Graph 1 show Sales and Use taxes are the largest revenue stream of the City. Earmarked for multiple purposes, Sales and Use taxes fund right at half of all governmental activities. Assessed at a rate of 4.5% on taxable sales within the City limits, the current year increase was the result of economic development, growth in the general economy and population rise in the area. Other taxes also grew in 2019, by \$4.7 million or 9.8%. This increase includes a marked rise in online sales, remitted to the City by the State of Alabama through the Simplified Sellers Use Tax (SSUT) at \$2.4 million and Payments in Lieu of Taxes (PILOT) revenue remitted by Huntsville Utilities (HU) at \$2.1 million. The PILOT revenue increase was caused by two factors (1) an asset audit conducted by HU at the fiscal year end, (2) continued growth in assets due to the fiber project which is now into its third year.

Graph 1

Revenues by Source - Governmental Activities



Governmental expenses in Table 3 rose by \$4.7 million or 1.2%. Changes within expense types varied. A major contributor to these variances was unallocated depreciation. With a change in financial management and discovery of some fixed asset system anomalies, it was decided to allocate out the depreciation previously listed under this heading. This change is reflected as increased cost across most the expense types in fiscal 2019.

Business-Type Activities

Business-type activities increased the City's overall net position by \$31.5 million, bringing total net position for business-type activities to \$359.5 million.

Revenues of the City's business-type activities were \$53.4 million for the fiscal year ended September 30, 2019. Revenues increased approximately \$2.3 million or 4.5% as compared to the prior fiscal year. Expenses for the City's business-type activities decreased by \$5.4 million or 10.2%. The increase in net position was the result of several factors, including the following:

- ❖ Water Pollution Control charges for service were higher than in prior years by \$1.1 million or 2.8%. This increase is directly attributable to the growth in accounts (rise in population). Expenses were reduced by \$6.5 million to \$30.9 million. This change is somewhat an anomaly as the majority is the result of changes in pension and OPEB net expenses and capital asset allocations in the prior year.
- ❖ The Von Braun Center (Civic center) increased its charges by \$1.0 million or 10.2%. This large, multi-purpose event center, hosted more events in fiscal year 2019 than 2018, which increased revenue and cost at an almost equal amount. Expenses increased by \$1.0 million or 7.3%. Transfers In, the majority of which was from governmental agencies, delivered the real increase in net position of \$10 million for the Civic Center.
- ❖ The Benton H. Wilcoxon Municipal Ice Complex (Ice complex) increased revenues and expenses by approximately the same amount resulting in an immaterial change to net position of \$38,361.

Financial Analysis of the City's Funds

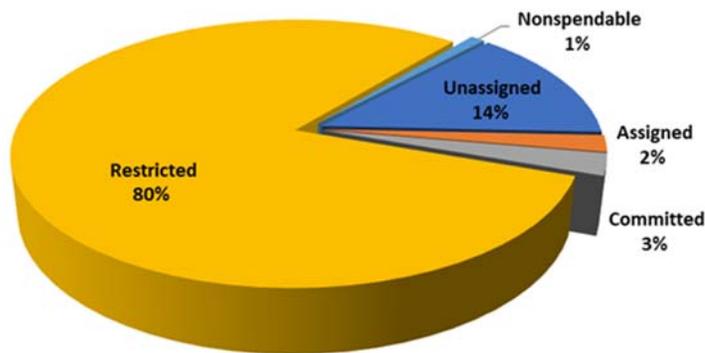
The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the City's financing requirements.

Graph 2

Total Fund Balance by Category



At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$349.1 million. As shown in Graph 2, within this total, \$281.4 million is restricted by specific legal requirements, such as debt covenants, \$16.2 million has been committed and

assigned to specific types of expenditures. Unassigned fund balance is \$48.0 million and can be used for any lawful purpose. The remaining \$3.5 million is nonspendable. Table 4 describes the fund balance categories and provides the amounts associated with each.

Table 4

Fund Balance Categories

	<u>2019</u>
Nonspendable - Amounts that cannot be spent because they are not in spendable form or for which there are obligations to keep the amounts intact.	\$ 3,450,871
Restricted - Amounts that are restricted for specific purposes by federal or state law, or contractual obligations.	281,375,373
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.	9,201,137
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.	7,064,118
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.	48,046,050
	<u>\$ 349,137,549</u>

The General Fund is the City's chief operating fund; it accounts for almost all of the departmental operations of the City. The fund balance of the City's General Fund increased by \$455,567 during the

current fiscal year to \$59.8 million at year-end, which includes a \$54.0 million unassigned balance, although \$26.5 million of this amount is held for contingencies. Although the fund balance essentially remained unchanged from the prior year, some significant changes in components are noted below:

- ❖ Sales and Use Taxes increased by \$10.5 million or 9.4%. Other taxes increased by \$4.7 million or 10.5% from the prior year. This increase includes \$2.4 million for tax on online sales, captured through the Simplified Sellers Use Tax (SSUT), remitted by the State of Alabama and \$2.4 million from Huntsville Utilities (HU) for a true-up to Payments In lieu of Taxes (PILOT) revenue, among other items.
- ❖ Expenditures increased by \$18.5 million. While all sectors were up, Public Services increased the most by \$7.1 million, caused by increase in personnel and operations across the departments allocated here.
- ❖ Other Financing Sources and Uses were up by \$8.3 million which was caused by change in debt issuance (none were issued attributable to the general fund in fiscal year 2019) and increases in transfers out.

The Debt Service Fund accounts for almost all principal and interest payments on long term debt, made by the City. Through transfers made by other funds, the amounts are allocated to appropriate cost centers across the City. Expenditures increased by \$9.5 million representing recent borrowings and variations in amortization schedules. Likewise, increases of funding are netted against the debt serviced. Ending fund balance remains negligible at \$8,866, which is restricted for payment of debt service.

The Special Revenue Fund had a total fund balance of \$7.3 million, of which \$12.6 million is restricted for state or federal law. The offset is a negative \$5.3 million in unassigned fund balance, which reflects a timing difference in movement of liquid funds.

The Capital Improvement Fund had a total fund balance of \$125.4 million, all of which is restricted. The balance increased by \$46.4 million primarily due to the 2019A borrow. The majority of this debt issuance, designed to improve and build various parks, recreation and culture amenities in the City, was placed in this Capital Projects fund. This increased other financing sources by over \$56 million. This amount was offset by increased spending and transfers between funds. Part of this increase was offset by a prior period adjustment to beginning fund balance to correct an accounting error between funds resulting in an increase to the beginning fund balance of \$13.0 million in the fiscal year 2019.

The 2014 Capital Improvement Fund had a total fund balance of \$139.9 million, all of which is restricted. The balance increase by \$17.9 million primarily due to an increase in other financing sources due to borrowing of funds for TIF projects. This fund accounted for a portion of the 2019A issuance. This increase of \$38.0 million coupled with one of the larger prior period adjustment's to beginning fund balance to correct an accounting error between funds of \$13.0 million, accounts for most of the changes in fund balance.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The net position of the enterprise funds increased \$31.5 million or 9.6% in 2019. The Water Pollution Control fund net position increased \$21.1 million or 8.3%; operating revenues increased by 2.8% or \$1.1

million, which is not a significant change, however, operating expenses decreased by \$6.3 million. This brought operating expenses back into a normal range and produced a change in net position of \$10.0 million. The remaining \$11.1 million was related to correcting the liability amounts from prior years. This increased net position.

The Von Braun Center (VBC) Fund net position increased by \$10.3 million. While operating revenues and liquor/lodging tax transfers from the General Fund more than cover operating expenses, depreciation expense of \$2.8 million is not covered by such, which is a continuing matter for future consideration (i.e. maintaining the condition of the VBC's assets at acceptable levels). Given this reality, the City has often constructed improvements to the VBC's assets using other City resources.

General Fund Budgetary Highlights

The final General Fund fiscal year 2019 budget projected \$231.2 million in revenue and \$2.6 million in other financing sources. Actual revenues totaled \$251.0 million or \$19.8 million over budget. Although most revenue line items were over budget, a key component was sales and use taxes at \$8.3 million over final and original budget.

Appropriations were approved for \$225.0 million in expenditures and \$29.1 in other financing uses. During the current year, the actual expenditures on a budgetary basis were \$219.7 million which was \$3.5 million under the final budget, but \$5.3 million over the original budget, which did not include some carryover capital items. This positive outcome was a result of savings in special appropriations, reduced personnel costs, and capital savings in various departments.

Although both the original and final budgets contained planned drawdowns of the general fund balance, actual amounts resulted in an increase of \$3.0 million bringing the ending fund balance to \$59.8 million. This variance was mainly the result of better than expected revenue collections due to increased population, robust economy and economic development.

Capital Asset and Debt Administration

Capital Assets

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

Table 6

	City of Huntsville's Capital Assets (net of accumulated depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 180,907,671	\$ 174,766,739	\$ 7,785,116	\$ 7,785,116	\$ 188,692,787	\$ 182,551,855
Construction -in-progress	138,981,351	96,729,392	12,172,740	5,305,855	151,154,091	102,035,247
Land improvements	34,710,893	28,199,597	-	-	34,710,893	28,199,597
Buildings and improvements	179,546,416	179,885,324	367,470,586	366,111,410	547,017,002	545,996,734
Infrastructure	717,248,746	728,641,025	-	-	717,248,746	728,641,025
Other	34,400,663	30,620,866	2,121,670	2,093,708	36,522,333	32,714,574
	<u>\$ 1,285,795,740</u>	<u>\$ 1,238,842,943</u>	<u>\$ 389,550,112</u>	<u>\$ 381,296,089</u>	<u>\$ 1,675,345,852</u>	<u>\$ 1,620,139,032</u>

The City's investment in capital assets for governmental and business-type activities as of September 30, 2019 totals \$1.7 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 \$55.2 million in 2019 including \$108.4 million of net additions less \$53.2 million of depreciation.

The largest capital acquisitions during the year were as follows:

Largest Capital Asset Additions	Total Capitalized
Fiscal Year 2019	
Cecil Ashburn Highway Improvements <i>includes land, infrastructure, and construction in process (CIP)</i>	\$ 12,334,663
Greenbriar Parkway/Hwy 20 <i>includes land, infrastructure, and CIP</i>	\$ 11,483,500
Merrimack Park <i>includes land improvement, infrastructure, and CIP</i>	\$ 9,891,769
Project New World - Toyota Mazda <i>infrastructure</i>	\$ 9,504,881
John Hunt Park <i>includes land improvement, infrastructure, and CIP</i>	\$ 9,092,146
Redstone Gateway Project <i>includes infrastructure and CIP</i>	\$ 8,443,658
Sandra Moon Complex <i>CIP only</i>	\$ 4,939,159

Debt

At year-end the City had \$892.8 million in bonds, notes and warrants outstanding as compared to \$852.8 million at the end of the prior fiscal year, an increase of \$40 million or 4.7%.

Table 7

	Outstanding Debt at Year-End					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Warrants	\$ 734,787,791	\$ 693,104,937	\$ 45,227,211	\$ 48,960,065	\$ 780,015,002	\$ 742,065,002
Revenue Warrants	59,356,274	50,981,814	8,635,000	12,810,000	67,991,274	63,791,814
Lease revenue bonds	44,820,000	46,965,000	-	-	44,820,000	46,965,000
	<u>\$ 838,964,065</u>	<u>\$ 791,051,751</u>	<u>\$ 53,862,211</u>	<u>\$ 61,770,065</u>	<u>\$ 892,826,276</u>	<u>\$ 852,821,816</u>

On May 30, 2019, the City issued \$77 million of debt to finance various capital projects including park improvements, new parking garage and improvements, two new libraries and library renovations, replacement of the current municipal ice complex, and roadway and bridge expansion/improvements. The roadway projects are within two Tax Increment Districts and will be repaid from those funds.

On May 1, 2019 and August 1, 2019, the City issued two taxable revenue in the amounts of \$1.7 million (2019A) and \$14.5 million (2019B) respectively, for the construction of public improvement in the City's Tax Increment Financing District 5 (TIF5). TIF 5 is an Enhanced Use Lease area within the U.S. Army's Redstone Arsenal (EUL Warrants).

Although much of the City's debt is issued as General Obligation, considerable amounts of debt service and outstanding amounts have dedicated revenue sources. As shown in Graph 3, these sources include ad valorem taxes, which are separated and accounted for to pay debt service of capital projects for the

Huntsville City Schools and TIF districts, and sewer charges, which pay debt service associated with expansion and repair of the Water Pollution Control plant and intake system.

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, 2019, the City's allocable debt outstanding was \$157.9 million less than the legal debt limit.

Additional information regarding the City's long-term debt can be found in Note 7 accompanying these financial statements.

2020 Budget

The Mayor and City Council considered many factors when developing the fiscal year 2020 budget. Revenue is budgeted conservatively, yet realistically. Management's strategy has been to continue to contain operating costs, while maintaining high levels of service and investing in capital asset maintenance and replacement. As mentioned in the Capital Assets section of this report, the City has quite a number of capital projects in process or slated to begin in fiscal year 2020.

The 2020 General Fund budget was adopted with \$228.2 million in projected revenues down from 2019 Final budget by \$3.0 million or 1.3% and \$228.2 million in expenditures up from 2019 Final budget by \$3.2 million or 1.4%.

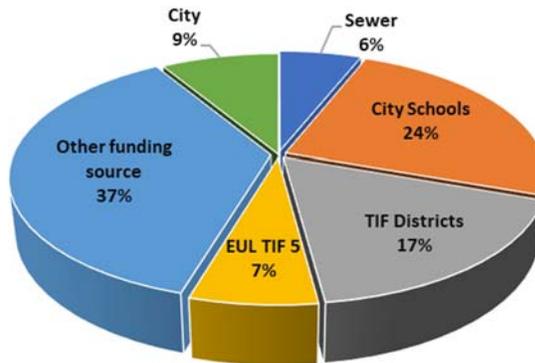
As of the writing of this report, the Coronavirus has been labeled a pandemic and the Governor has issued a shelter in place for Alabama. This will bring new financial challenges to our City and its budgets. These will be altered accordingly as financial decisions are made.

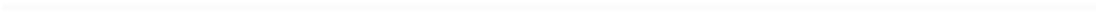
Request for Information

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

Debt Outstanding - Funding Source

Graph 3





BASIC FINANCIAL STATEMENTS

CITY OF HUNTSVILLE, ALABAMA
STATEMENT OF NET POSITION
September 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash & investments	\$ 314,141,086	\$ 7,846,561	\$ 321,987,647	\$ 90,187,783
Receivables (net of allowances)	41,513,264	7,786,256	49,299,520	67,536,356
Due from governmental entities	1,929,883	-	1,929,883	-
Inventories	179,045	919,789	1,098,834	18,800,237
Prepaid items	2,918,196	140,431	3,058,627	230,841
Internal balances	(34,612,783)	34,612,783	-	-
Restricted assets:				
Cash & investments	82,730,900	1,010,824	83,741,724	77,553,879
Capital assets:				
Land, collections, and construction in process	319,889,022	19,957,856	339,846,878	57,229,449
Other assets, net of accum. depreciation	965,906,718	369,592,256	1,335,498,974	715,388,277
Other assets:				
Regulatory asset - bond issuance costs	-	-	-	884,053
Total assets	1,694,595,331	441,866,756	2,136,462,087	1,027,810,875
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refundings	18,478,025	1,700,833	20,178,858	2,005,048
Goodwill	-	-	-	5,178,645
OPEB items	9,849,394	518,389	10,367,783	563,977
Pension plan items	27,297,669	2,398,128	29,695,797	15,394,828
Total deferred outflows of resources	55,625,088	4,617,350	60,242,438	23,142,498
LIABILITIES				
Accounts payable	28,819,829	2,274,303	31,094,132	61,660,307
Accrued liabilities	26,469,104	1,275,895	27,744,999	13,849,052
Contract retainages	7,799,336	-	7,799,336	-
Due to governmental entities	1,095,280	-	1,095,280	-
Unearned revenue	294,507	1,924,145	2,218,652	7,788,940
Other	1,982,814	-	1,982,814	-
Noncurrent liabilities				
Due within one year	43,378,586	8,822,539	52,201,125	14,840,403
Due in more than one year	913,932,950	52,455,350	966,388,300	246,433,960
Net Pension liability	174,379,059	15,163,396	189,542,455	78,544,384
OPEB liability	55,882,962	2,941,208	58,824,170	35,395,351
Total liabilities	1,254,034,427	84,856,836	1,338,891,263	458,512,397
DEFERRED INFLOWS OF RESOURCES				
OPEB items	16,670,956	877,419	17,548,375	14,246,191
Pension plan items	14,512,912	1,236,314	15,749,226	5,175,602
Total deferred inflows of resources	31,183,868	2,113,733	33,297,601	19,421,793
NET POSITION				
Net investment in capital assets	551,007,949	331,320,679	882,328,628	574,443,248
Restricted for:				
Capital projects	265,244,794	10,824	265,255,618	208,008
City schools	3,221,611	-	3,221,611	-
Debt service	894,321	-	894,321	-
Other	12,014,647	-	12,014,647	54,292,688
Unrestricted	(367,381,198)	28,182,034	(339,199,164)	(55,924,761)
Total net position	\$ 465,002,124	\$ 359,513,537	\$ 824,515,661	\$ 573,019,183

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

CITY OF HUNTSVILLE, ALABAMA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) & Changes in Net Position			Component Units
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental activities								
General government	\$ 50,520,319	\$ 30,152,032	\$ -	\$ 1,556,771	\$ (18,811,516)	\$ -	\$ (18,811,516)	\$ -
Public safety	106,544,062	4,124,976	1,244,324	-	(101,174,762)	-	(101,174,762)	-
Public services	141,692,196	19,435,940	34,556,655	50,940	(87,648,661)	-	(87,648,661)	-
Urban development	45,601,798	4,958,250	2,300,123	482,799	(37,860,626)	-	(37,860,626)	-
Interest on long-term debt	41,627,006	-	-	-	(41,627,006)	-	(41,627,006)	-
Total governmental activities	385,985,381	58,671,198	38,101,102	2,090,510	(287,122,571)	-	(287,122,571)	-
Business-type activities								
Water pollution control	30,912,511	40,942,608	-	-	-	10,030,097	10,030,097	-
Civic center	15,002,905	10,975,341	-	-	-	(4,027,564)	(4,027,564)	-
Ice complex	1,338,944	1,371,504	1,287	-	-	33,847	33,847	-
Total business-type activities	47,254,360	53,289,453	1,287	-	-	6,036,380	6,036,380	-
Total primary government	\$ 433,239,741	\$ 111,960,651	\$ 38,102,389	\$ 2,090,510	(287,122,571)	6,036,380	(281,086,191)	-
Component Units								
All	\$ 605,226,421	\$ 629,105,763	\$ -	\$ -	-	-	-	23,879,342
Total component units	\$ 605,226,421	\$ 629,105,763	\$ -	\$ -	-	-	-	23,879,342
General Revenues								
Sales & use taxes					226,685,473	-	226,685,473	-
Property taxes					65,167,286	-	65,167,286	-
Other taxes					52,525,318	-	52,525,318	794,398
Interest on investments					4,832,242	134,194	4,966,436	4,363,521
Other					3,330,072	-	3,330,072	3,004,237
Gain (loss) on sales of assets					-	(39)	(39)	172,627
Transfers					(14,236,907)	14,236,907	-	-
Total general revenues & transfers					338,303,484	14,371,062	352,674,546	8,334,783
Change in net position					51,180,913	20,407,442	71,588,355	32,214,125
Net position, beginning - restated					413,821,211	339,106,095	752,927,306	540,805,058
Net position, ending					\$ 465,002,124	\$ 359,513,537	\$ 824,515,661	\$ 573,019,183

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

**CITY OF HUNTSVILLE, ALABAMA
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2019**

	General Fund	Debt Service	The Special Revenue	Capital Improvements	2014 Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash & investments	\$ 77,520,992	\$ 3,012	\$ 2,621,925	\$ 101,811,930	\$ 119,917,417	\$ 12,265,810	\$ 314,141,086
Receivables (net of allowances)							
Accounts	21,442,615	-	5,751,566	6,680,843	5,178,348	548,158	39,601,530
Notes	-	-	-	-	-	1,911,734	1,911,734
Due from other funds	116,312,498	5,854	13,201,246	34,749,594	31,890,953	3,477,270	199,637,415
Due from governmental entities	1,080,233	-	-	482,528	-	367,122	1,929,883
Restricted assets:							
Cash & investments	-	-	12,634,225	70,096,675	-	-	82,730,900
Inventories	105,419	-	-	-	-	73,626	179,045
Prepaid items	353,590	-	-	-	-	2,564,606	2,918,196
Total assets	\$ 216,815,347	\$ 8,866	\$ 34,208,962	\$ 213,821,570	\$ 156,986,718	\$ 21,208,326	\$ 643,049,789
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 4,547,106	\$ -	\$ 6,382,398	\$ 6,343,298	\$ 11,175,534	\$ 371,493	\$ 28,819,829
Accrued liabilities	10,386,454	-	-	-	-	512,028	10,898,482
Contract retainages	5,348,566	-	-	996,757	1,454,013	-	7,799,336
Due to other funds	132,941,353	-	15,703,059	78,972,469	3,723,905	2,909,412	234,250,198
Due to governmental entities	1,095,280	-	-	-	-	-	1,095,280
Unearned revenue	44,174	-	-	-	-	250,333	294,507
Other	1,982,814	-	-	-	-	-	1,982,814
Total liabilities	156,345,747	-	22,085,457	86,312,524	16,353,452	4,043,266	285,140,446
Deferred inflows of resources							
Unavailable revenue	703,842	-	4,801,255	2,133,114	764,404	369,179	8,771,794
Fund balance							
Nonspendable	459,009	-	-	-	-	2,991,862	3,450,871
Restricted	-	8,866	12,634,225	125,375,932	139,868,862	3,487,488	281,375,373
Committed	4,310,285	-	-	-	-	4,890,852	9,201,137
Assigned	1,000,000	-	-	-	-	6,064,118	7,064,118
Unassigned	53,996,464	-	(5,311,975)	-	-	(638,439)	48,046,050
Total fund balance	59,765,758	8,866	7,322,250	125,375,932	139,868,862	16,795,881	349,137,549
Total liabilities, deferred inflows of resources, and fund balance	\$ 216,815,347	\$ 8,866	\$ 34,208,962	\$ 213,821,570	\$ 156,986,718	\$ 21,208,326	\$ 643,049,789

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

Fund balance of governmental funds	\$ 349,137,549
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.	1,285,795,740
Losses on the refunding of governmental activities debt are reported as deferred outflows in the government-wide statements, but do not represent financial resources and are therefore not reported in the funds.	18,478,025
Certain revenues related to long-term receivables 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.	8,771,794
Long-term debt is not due and payable in the current period and is therefore not reported in the funds:	
Bonds and warrants payable	\$ (838,964,065)
Plus unamortized bond issuance premiums	(98,175,971)
	(937,140,036)
Deferred outflows related to the City's pension plan	27,297,669
Deferred inflows related to the City's pension plan	(14,512,912)
Deferred outflows related to the City's OPEB plan	9,849,394
Deferred inflows related to the City's OPEB plan	(16,670,956)
Other long-term liabilities are not due and payable in the current period and are therefore not reported in the funds:	
Pension liability	(174,379,059)
Accrued interest payable	(15,570,622)
OPEB liability	(55,882,962)
Claims and judgments	(520,000)
Compensated absences	(19,651,500)
Net position of governmental activities	\$ 465,002,124

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

CITY OF HUNTSVILLE, ALABAMA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2019

	General Fund	Debt Service	The Special Revenue	Capital Improvements	2014 Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUE							
Sales & use taxes	\$ 122,432,577	\$ -	\$ -	\$ 57,361,880	\$ 46,891,016	\$ -	\$ 226,685,473
Property taxes	18,299,987	-	46,867,299	-	-	-	65,167,286
Other taxes	48,884,508	-	3,640,810	-	-	-	52,525,318
Licenses & permits	29,448,382	-	-	-	-	-	29,448,382
Fines & forfeitures	2,931,127	-	235,058	-	-	341,730	3,507,915
Revenues from money & property	1,769,243	10,939	63,434	2,463,361	1,840,393	3,570,617	9,717,987
Charges for services	20,996,338	-	-	-	16,146,402	18,316	37,161,056
Intergovernmental	5,148,594	-	-	5,974,441	69,829	6,402,777	17,595,641
Gifts & donations	21,263	-	-	1,471,640	-	1,915,966	3,408,869
Other revenues	1,071,057	-	292,518	1,262,362	304,676	399,459	3,330,072
Total revenues	251,003,076	10,939	51,099,119	68,533,684	65,252,316	12,648,865	448,547,999
EXPENDITURES							
Current							
General government	37,766,087	-	739	2,011,163	471	-	39,778,460
Public safety	94,662,895	-	366,089	5,943	-	-	95,034,927
Public services	68,543,241	-	16,228	13,325,715	11,725,443	12,786,889	106,397,516
Urban development	14,195,067	-	7,972,883	139,347	-	4,112,610	26,419,907
Debt service							
Principal	-	35,317,146	-	-	-	2,145,000	37,462,146
Interest	-	31,649,986	160,555	-	-	2,230,825	34,041,366
Fiscal charges	-	724	-	-	-	-	724
Debt issuance costs	-	-	13,000	298,633	202,669	-	514,302
Capital projects construction and outlay	118,110	-	4,509,065	43,143,594	47,726,516	349,290	95,846,575
Intergovernmental assistance	4,413,681	-	1,800,000	27,625,495	-	298,472	34,137,648
Total expenditures	219,699,081	66,967,856	14,838,559	86,549,890	59,655,099	21,923,086	469,633,571
Excess (deficiency) of revenues over expenditures	31,303,995	(66,956,917)	36,260,560	(18,016,206)	5,597,217	(9,274,221)	(21,085,572)
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	-	-	3,078,908	45,870,000	31,130,000	-	80,078,908
Premium on debt issue	-	-	-	10,433,720	7,080,918	-	17,514,638
Transfers in	-	66,967,131	637,500	7,462,073	-	9,992,045	85,058,749
Transfers (out)	(28,318,601)	-	(48,234,790)	(12,380,867)	(8,887,544)	(1,473,854)	(99,295,656)
Total other financing sources (uses)	(28,318,601)	66,967,131	(44,518,382)	51,384,926	29,323,374	8,518,191	83,356,639
Net change in fund balance	2,985,394	10,214	(8,257,822)	33,368,720	34,920,591	(756,030)	62,271,067
Fund balance, beginning - restated	56,780,364	(1,348)	15,580,072	92,007,212	104,948,271	17,551,911	286,866,482
Fund balance, ending	\$ 59,765,758	\$ 8,866	\$ 7,322,250	\$ 125,375,932	\$ 139,868,862	\$ 16,795,881	\$ 349,137,549

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

**CITY OF HUNTSVILLE, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019**

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

Net change in fund balances - total governmental funds \$62,271,067

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	95,846,575	
Depreciation expense	<u>(47,924,050)</u>	47,922,525

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	(80,078,908)	
Premiums received on long-term debt issued	(17,514,638)	
Principal repayments	37,462,146	
Amortization of premium as interest expense	<u>8,092,154</u>	(52,039,246)

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.

Amortization of refunding gain/loss as interest expense		(2,531,787)
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Unpaid interest expense on EUL Warrants is added to principal in the government wide statement of net position but not recognized in the governmental fund.		(5,295,552)
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For governmental funds, certain revenues have been earned, but because they are not received within a defined period of time after year-end, they are not considered available to finance the expenditures of the year ended. These revenues are not included in governmental fund revenues but are included in revenue of the governmental activities in the Statement of Activities.		2,855,202
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Certain expenses reported in the Statement of Activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds:

Change in accrued interest	(2,290,089)	
Change in compensated absences liability	2,488,500	
Change in net pension liability	(243,878)	
Change in OPEB liability	<u>(1,955,829)</u>	(2,001,296)

Change In Net Position Of Governmental Activities		<u><u>\$51,180,913</u></u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF HUNTSVILLE, ALABAMA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 September 30, 2019**

Business-Type Activities – Enterprise Funds				
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
ASSETS				
Current assets				
Cash & investments	\$ 800,898	\$ 6,705,647	\$ 340,016	\$ 7,846,561
Accounts receivables (net of allowance)	6,942,885	769,619	73,752	7,786,256
Due from other funds	73,521,878	-	-	73,521,878
Inventories, at cost	732,905	184,640	2,244	919,789
Prepaid items	-	129,915	10,516	140,431
Total current assets	81,998,566	7,789,821	426,528	90,214,915
Noncurrent assets				
Restricted assets:				
Restricted cash	-	1,000,000	10,824	1,010,824
Capital assets:				
Land	4,558,419	3,226,697	-	7,785,116
Buildings	223,378,125	78,284,915	4,483,509	306,146,549
Improvements other than buildings	315,991,590	22,332,242	-	338,323,832
Furniture & equipment	12,916,643	5,166,824	679,322	18,762,789
Construction work in progress	-	12,172,740	-	12,172,740
Less accumulated depreciation	(251,693,832)	(38,475,026)	(3,472,056)	(293,640,914)
Total noncurrent assets	305,150,945	83,708,392	1,701,599	390,560,936
Total assets	387,149,511	91,498,213	2,128,127	480,775,851
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refundings	1,700,833	-	-	1,700,833
Pension plan items	1,490,091	908,037	-	2,398,128
OPEB items	518,389	-	-	518,389
Total deferred outflows of resources	3,709,313	908,037	-	4,617,350
LIABILITIES				
Current liabilities				
Accounts payable	1,719,656	540,759	13,888	2,274,303
Accrued liabilities	710,603	510,419	47,537	1,268,559
Line of credit	-	-	7,336	7,336
Compensated absences	91,200	435,623	-	526,823
General obligations warrants payable - current	3,960,716	-	-	3,960,716
Revenue warrants payable - current	4,335,000	-	-	4,335,000
Unearned revenue	-	1,828,369	95,776	1,924,145
Due to other funds	38,909,095	-	-	38,909,095
Total current liabilities	49,726,270	3,315,170	164,537	53,205,977
Noncurrent liabilities				
General obligation warrants payable (net of unamortized premium)	47,334,550	-	-	47,334,550
Revenue warrants payable	4,300,000	-	-	4,300,000
Net pension obligation liability	9,477,122	5,686,274	-	15,163,396
OPEB liability	2,941,208	-	-	2,941,208
Compensated absences	820,800	-	-	820,800
Total noncurrent liabilities	64,873,680	5,686,274	-	70,559,954
Total liabilities	114,599,950	9,001,444	164,537	123,765,931
DEFERRED INFLOWS OF RESOURCES				
OPEB items	877,419	-	-	877,419
Pension plan items	763,838	472,476	-	1,236,314
Total deferred inflows of resources	1,641,257	472,476	-	2,113,733
NET POSITION				
Net investment in capital assets	246,921,512	82,708,392	1,690,775	331,320,679
Restricted for capital projects	-	-	10,824	10,824
Unrestricted	27,696,105	223,938	261,991	28,182,034
Total net position	\$ 274,617,617	\$ 82,932,330	\$ 1,963,590	\$ 359,513,537

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

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

**CITY OF HUNTSVILLE, ALABAMA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
 For the Year Ended September 30, 2019**

	Business-Type Activities – Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
Operating revenue				
Charges for services	\$ 40,942,608	\$ 10,975,341	\$ 1,371,504	\$ 53,289,453
Operating expenses				
Personnel, operations & maintenance	16,046,069	10,512,207	905,643	27,463,919
Utilities	2,406,706	1,531,611	258,599	4,196,916
Depreciation and amortization	10,181,763	2,826,785	174,702	13,183,250
Total operating expenses	28,634,538	14,870,603	1,338,944	44,844,085
Operating income (loss)	12,308,070	(3,895,262)	32,560	8,445,368
Nonoperating revenue (expenses)				
Intergovernmental grants-operating	-	-	1,287	1,287
Loss on disposal of assets	-	-	(39)	(39)
Interest income	1,526	131,625	1,043	134,194
Interest expense	(2,362,735)	-	-	(2,362,735)
Miscellaneous revenue (expense)	84,762	(132,302)	-	(47,540)
Total nonoperating revenue (expenses)	(2,276,447)	(677)	2,291	(2,274,833)
Income before contributions, transfers & special items	10,031,623	(3,895,939)	34,851	6,170,535
Transfers in	-	14,233,397	3,510	14,236,907
Change in net position	10,031,623	10,337,458	38,361	20,407,442
Total net position, beginning - restated	264,585,994	72,594,872	1,925,229	339,106,095
Total net position, ending	\$ 274,617,617	\$ 82,932,330	\$ 1,963,590	\$ 359,513,537

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

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

**CITY OF HUNTSVILLE, ALABAMA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Year Ended September 30, 2019**

	Business-Type Activities – Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
Operating activities				
Receipts from customers and users	\$ 40,799,024	\$ 12,492,150	\$ 1,444,274	\$ 54,735,448
Payments to suppliers	(2,109,881)	(9,064,305)	(675,479)	(11,849,665)
Payments to employees	(20,266,436)	(4,143,822)	(587,134)	(24,997,392)
Receipts (payments) from interfund services provided	84,762	-	-	84,762
Other	-	-	34,387	34,387
Net cash provided (used) by operating activities	18,507,469	(715,977)	216,048	18,007,540
Noncapital financing activities				
Advances due to/from other funds	(3,403,219)	-	-	(3,403,219)
Transfers in	-	2,655,105	-	2,655,105
Transfers (out)	-	(132,302)	-	(132,302)
Net cash provided (used) by noncapital financing activities	(3,403,219)	2,522,803	-	(880,416)
Capital and related financing activities				
Acquisition and construction of capital assets	(658,673)	(152,548)	(66,216)	(877,437)
Transfers of restricted assets	-	-	(3,450)	(3,450)
Proceeds from line of credit, net	-	-	(12,802)	(12,802)
Principal payments on notes and warrants	(12,082,854)	-	(2,828)	(12,085,682)
Interest paid on notes and warrants	(2,362,735)	-	-	(2,362,735)
Net cash provided (used) by capital and related financing activities	(15,104,262)	(152,548)	(85,296)	(15,342,106)
Investing activities				
Interest received	1,526	131,625	1,043	134,194
Net cash provided (used) by investing activities	1,526	131,625	1,043	134,194
Net increase (decrease) in cash and cash equivalents	1,514	1,785,903	131,795	1,919,212
Cash and cash equivalents, beginning	799,384	5,919,744	219,045	6,938,173
Cash and cash equivalents, ending	\$ 800,898	\$ 7,705,647	\$ 350,840	\$ 8,857,385

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

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

**CITY OF HUNTSVILLE, ALABAMA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Year Ended September 30, 2019**

	Business-Type Activities – Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
Operating income (loss)	\$ 12,308,070	\$ (3,895,262)	\$ 32,560	\$ 8,445,368
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	10,181,763	2,826,785	174,702	13,183,250
Miscellaneous items	84,762	9,089	14,334	108,185
Change in assets and liabilities:				
Receivables	(143,584)	539,396	(2,840)	392,972
Accounts payable	787,434	(183,622)	(8,761)	595,051
Accrued liabilities	182,916	-	-	182,916
Prepaid items	-	252,211	366	252,577
Inventory	(35,956)	13,781	(109)	(22,284)
Due to (from) other funds	(3,403,219)	-	-	(3,403,219)
Compensated absences	92,000	79,262	4,695	175,957
Unearned revenue	-	(620,761)	1,101	(619,660)
Deferred inflows	514,456	-	-	514,456
Deferred outflows	258,501	-	-	258,501
Net OPEB liability	(4,758,701)	-	-	(4,758,701)
Net pension liability	2,439,028	263,144	-	2,702,172
Net cash provided (used) by operating activities	\$ 18,507,470	\$ (715,977)	\$ 216,048	\$ 18,007,541

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

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

CITY OF HUNTSVILLE, ALABAMA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2019

	<u>Post-Retirement Benefits Trust</u>
ASSETS	
Cash & cash equivalents	\$ 262,501
Investments, at fair value:	
U.S. Treasury & agency obligations	2,159,521
Corporate bonds	4,896,534
Corporate stocks	4,270,665
Mortgage-backed securities	<u>2,586,532</u>
Total assets	<u>14,175,753</u>
 LIABILITIES	
Accounts payable	<u>443,676</u>
 NET POSITION	
Restricted for other postemployment benefits	<u><u>\$ 13,732,077</u></u>

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

CITY OF HUNTSVILLE, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2019

	Post-Retirement Benefits Trust
ADDITIONS	
Contributions:	
Employer	\$ 2,500,000
Plan members	1,846,177
Total contributions	4,346,177
Investment earnings	1,319,288
Total additions	5,665,465
 DEDUCTIONS	
Benefits	4,535,512
Change in net position	1,129,953
Net position, beginning	12,602,124
Net position, ending	\$ 13,732,077

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

**CITY OF HUNTSVILLE, ALABAMA
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
September 30, 2019**

	Business-Type Activities			Governmental	Total
	Huntsville Utilities			Activities	
	Electric	Water	Gas	HMC CVB	
ASSETS					
Cash & investments	\$ 17,396,686	\$ 49,901,178	\$ 21,958,023	\$ 931,896	\$ 90,187,783
Receivables (net of allowances)	56,710,906	8,621,606	2,203,844	-	67,536,356
Inventories	12,426,349	2,117,031	4,247,678	9,179	18,800,237
Prepaid items	62,898	22,470	18,672	126,801	230,841
Restricted assets					
Cash & investments	51,685,268	11,768,940	14,099,671	-	77,553,879
Capital assets					
Land and construction in process	39,870,612	13,289,845	4,068,992	-	57,229,449
Other assets, net of accum. depreciation	322,207,167	274,413,641	118,511,858	255,611	715,388,277
Other assets:					
Regulatory asset - bond issuance costs	420,207	463,846	-	-	884,053
Total assets	500,780,093	360,598,557	165,108,738	1,323,487	1,027,810,875
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refundings	713,936	1,291,112	-	-	2,005,048
Goodwill	-	5,178,645	-	-	5,178,645
Deferred amount on OPEB	294,261	131,930	137,786	-	563,977
Deferred amount on Pension	5,638,292	2,711,266	6,851,391	193,879	15,394,828
Total deferred outflows of resources	6,646,489	9,312,953	6,989,177	193,879	23,142,498
LIABILITIES					
Accounts payable	52,831,891	6,533,573	2,111,161	183,682	61,660,307
Accrued liabilities	7,836,493	4,049,149	1,860,235	103,175	13,849,052
Customer deposits	6,357,986	808,340	622,614	-	7,788,940
Noncurrent liabilities					
Due within one year	5,109,000	5,705,000	4,026,403	-	14,840,403
Due in more than one year	175,366,635	135,237,567	49,617,127	152,366	360,373,695
Total liabilities	247,502,005	152,333,629	58,237,540	439,223	458,512,397
DEFERRED INFLOWS OF RESOURCES					
Deferred amount on OPEB	7,380,235	3,330,083	3,535,873	-	14,246,191
Deferred amount on Pension	1,267,221	722,575	2,959,216	226,590	5,175,602
Total deferred inflows of resources	8,647,456	4,052,658	6,495,089	226,590	19,421,793
NET POSITION					
Net investment in capital assets	276,749,119	174,857,668	122,580,850	255,611	574,443,248
Restricted for:					
Capital projects	-	-	-	208,008	208,008
Other	18,066,828	22,268,933	13,856,495	100,432	54,292,688
Unrestricted	(43,538,826)	16,398,622	(29,072,059)	287,502	(55,924,761)
Total net position	\$ 251,277,121	\$ 213,525,223	\$ 107,365,286	\$ 851,553	\$ 573,019,183

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

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

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City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting principles of the city of Huntsville (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. As required by the generally accepted accounting principles, the financial statements present the City of Huntsville (the primary government) and its component units. The component units include organizations that are financial accountable to the City's executive or legislative branches (the Mayor or the Council, respectively) and other organizations for which the nature and significance of their relationships with the primary government are such that their exclusion could cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Each component unit presented has a September 30 year end.

Blended Component Units

Blended component units, although legally separate entities, are, in substance, part of the government's operations. The following organizations have been presented as blended component units because either (a) the organization's governing body is substantially the same as the governing body of the City and (1) there is a financial benefit or burden relationship between the primary government and component unit or (2) management of the primary government has operational responsibility, (b) the organization provides services almost entirely to the primary government and (c) the component unit's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government.

- **The Alabama Constitution Village Museums (Constitution Village)** – Constitution Village provides support to EarlyWorks Children's Museum, Alabama Constitution Hall and Historic Park Museum and Huntsville Depot and Museum. The nine-member board is wholly appointed by the Council and Mayor. Constitution Village is reported as a special revenue fund or governmental-type activity
- **The Benton H. Wilcoxon Municipal Ice Complex and Friends of Recreational Ice Activities, Inc. (IcePlex)** – The IcePlex is governed by a nine-member board which is wholly appointed by the Council and Mayor. The IcePlex is reported as a proprietary fund or business-type activity.
- **Burritt on the Mountain (Burritt)** – Burritt is governed by a seventeen-member board, all of which are Council appointments. Burritt is reported as a special revenue fund or governmental-type activity.
- **Huntsville-Madison County Public Library (Library)** – The City Council appoints six of the seven-member board. The majority of capital funding and operational financing are received from the City of Huntsville. The Library is reported as a special revenue fund or governmental-type activity.
- **Huntsville Museum of Art (Art Museum)** – The City Council appoints all members of the Art Museum Board. Financing is provided by the City and private donors. The Huntsville Museum of Art is reported as a special revenue fund or governmental-type activity.
- **Huntsville Tennis Center (Tennis Center)** – The Tennis Center has a nine-member board which is wholly appointed by the Mayor and City Council. The Tennis Center is reported as a special revenue fund or governmental-type activity.
- **The Public Building Authority of the City of Huntsville (PBA)** – The PBA was organized for the purpose of constructing a public safety and municipal court facility, including the city/county jail, for lease to and use by the City. The PBA is governed by a three-member board which is appointed by the City Council. The City through lease agreements is responsible for all the debt issued by the PBA. The PBA is reported as a special revenue fund or governmental-type activity.

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- **Von Braun Center (VBC)** – The VBC has a seven-member board which is wholly appointed by the Mayor and City Council. The VBC is reported as a proprietary fund or business-type activity.

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 (Utilities)** - 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 a proprietary fund or business-type activity.
- **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.

Complete financial statements of the individual component units can be obtained from the following locations or requested from the City's Director of Finance. The Alabama Constitution Village Museums, Burritt on the Mountain, Huntsville Tennis Center, and The Public Building Authority of the City of Huntsville do not prepare separately issued financial statements.

Huntsville Utilities
112 Spragins St NW
Huntsville, Alabama 35801

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

The Benton H. Wilcoxon Municipal Ice Complex and Friends of Recreational Ice Activities, Inc.
3185 Leeman Ferry Road
Huntsville, Alabama 35801

Huntsville Museum of Art
300 Church Street
Huntsville, Alabama 35801

Huntsville-Madison County Public Library
915 Monroe St
Huntsville, AL 35801

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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:

GASB Statement No 83, *Certain Asset Retirement Obligation*. The statement will enhance comparability of financial statements among governments by providing uniform criteria to measure and recognize certain asset retirement obligations. This statement is not applicable to the City for this fiscal year.

GASB Statement No 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this statement is to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement improves certain disclosures relating to debt.

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

GASB Statement No 84, *Fiduciary Activities*. 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. The requirements for this statement are effective in the period beginning after December 15, 2019.

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 reporting periods beginning after June 15, 2021.

GASB Statement No 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

GASB Statement No 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers. The requirements of this statement are effective for reporting periods beginning after December 15, 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

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Government-Wide and Fund Financial Statements

Financial information of the City (the primary government and its 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.

Notes to the Financial Statements are an integral part to the financial information presented.

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

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.

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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

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

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

The City reports the following major governmental funds:

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* 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 but are not limited to 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* 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 directly to the operating activities of various city departments and are accounted for in the General Fund.

The *Capital Improvement Fund* 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 a transfer from the General Fund of approximately eighteen percent of the 3.5% sales and use tax.

The *2014 Capital Improvement Fund* accounts for the cost of constructing various road and economic development projects and related debt service. Financing is provided by a one-cent sales and use tax and limited general obligation debt.

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 multipurpose facility that derives its revenues primarily from rents and fees charged for use of the facilities.

Additionally, the City reports the following fund types, 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. This includes some blended component units. All 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.

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 expenses from non-operating items. Operating revenues and expenses 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, Von Braun Center, and Municipal IcePlex 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.

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

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.

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, 2019.

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 of the General Fund are offset by nonspendable fund balance.

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 assessed and collected by Madison County and remitted to the City net of a collection fee ranging from 1 – 5% 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.

Restricted Assets

Cash and investments that must be used for restricted purposes, are reported as “Restricted Assets” in the government-wide statements of net position and fund financial statements balance sheets. Also, some restricted cash and investments are held by one fund but will be expended in other fund, which creates an interfund payable/receivable. These amounts are reported as “Restricted Assets” and “Liabilities Payable from Restricted Assets” in the affected fund financial statements. These interfund transactions are eliminated in the government wide statements.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets 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, 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.

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.

Capital assets are depreciated using the straight-line method, generally over the following estimated useful lives:

	<u>Years</u>
Utility plants	40 - 50
Sewer systems (including: intake systems, outfall lines, and pumping stations)	40 - 50
Infrastructure (including: streets, bridges, sidewalks, outfall lines, and drainage)	25 - 50
Buildings and improvements	25 - 50
Greenways	15
Traffic signals	10 - 20
Surface lots	10
Furniture and equipment	5 - 12

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Compensated Absences

The City grants a specific number of vacation and sick leave hours with pay to its employees. Upon termination or retirement, an employee is paid for accumulated vacation leave subject to certain limitations. Upon retirement, an employee is paid fifty percent of unused sick leave hours.

The cost of accumulated vacation and sick leave is recorded when earned by employees in the government-wide and proprietary funds financial statements for both the current and long-term portions. Expenditures for accumulated compensated absences are recorded in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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 and unavailable revenue.

Long-Term Obligations

In the government-wide financial statements, and proprietary financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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.

Pensions

The Employees' Retirement System of Alabama (the Plan or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

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, Alabama
Notes to the Basic Financial Statements
September 30, 2019

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

Explanation of net position invested in capital assets of the governmental activities and business-type 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	\$	1,285,795,740
Less debt outstanding expended for capital assets		(734,787,791)
Net position invested in capital assets	\$	<u>551,007,949</u>
Business-Type activities capital assets, net	\$	389,550,112
Less debt outstanding expended for capital assets		(59,930,266)
Plus deferred outflows of resources on refundings		1,700,833
Net position invested in capital assets	\$	<u>331,320,679</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information and Deficit Fund Balance

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgetary control is maintained at the function, department level, and fund level. Transfers of appropriations between activity categories of departments or between funds require approval of the City Council.

The following funds have annual legally adopted budgets: General Fund, Debt Service Fund, The Special Revenue Fund, 2014 Capital Improvement Fund, Capital Projects Fund, and the Cummings Research Park Capital Projects Fund.

As of September 30, 2019, the Art Museum had a deficit fund balance of \$87,481, which is expected to be funded by future transfers from the General Fund. The Alabama Constitution Village had a deficit fund balance of \$462,504, which is expected to be funded by future transfers from the General Fund.

NOTE 4 – 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. As of September 30, 2019, the City had the following cash and investments:

	Primary Government	Post-Retirement Benefits Trust Fiduciary Fund
Cash on hand and in banks	\$ 218,792,600	\$ 262,501
Money market mutual funds	186,936,771	
U.S. Treasury obligations		2,159,521
Corporate bonds		4,896,534
Mortgage-backed securities		2,586,532
Total fixed income investments		<u>9,642,587</u>
Corporate stocks		4,270,665
Total	<u>\$ 405,729,371</u>	<u>\$ 14,175,753</u>

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 4 – DEPOSITS AND INVESTMENTS – 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 50% in a single institution, and the City was in compliance with this requirement at September 30, 2019.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The City manages 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, the City limits their investments to mutual funds for which the underlying obligations have a weighted-average maturity of 180 days or less.

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:

	Market Value	Percent of Total
Less than five years	\$ 2,938,473	30%
Five to ten years	2,309,044	24%
Ten to twenty years	1,323,744	14%
Twenty to thirty years	3,071,326	32%
Total	<u>\$ 9,642,587</u>	<u>100%</u>

Credit Risk

Credit risk is the risk that an issuer will not fulfill its obligations.

Post-Retirement Benefits Trust

Bond Quality Rating	Market Value	Percent of Total
AA	\$ 1,198,060	13%
A	2,142,183	22%
BBB	1,861,716	19%
All Others	4,440,628	46%
	<u>\$ 9,642,587</u>	<u>100%</u>

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 4 – DEPOSITS AND INVESTMENTS – CONTINUED

Concentration of Credit Risk

Concentration risk is the risk of loss attributed to the magnitude of the government's investment in a single issuer. 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 5% of the respective total investments.

Investments	Amount	Portfolio
Cash on hand and in banks	\$ 219,055,101	52%
Money market mutual funds	186,936,771	44%
U.S. Treasury obligations	2,159,521	1%
Corporate bonds	4,896,534	1%
Corporate stocks	4,270,665	1%
Mortgage-backed securities	2,586,532	1%
	\$ 419,905,124	100%

Custodial Credit Risk

This type of risk would arise in the event of the failure of a custodian of City investments, after which the government would not be able to recover the value of its investments that are in the possession of a third party custodian.

The City requires all bank deposits be insured by federal depository insurance or the Security for Alabama Funds Enhancement, or SAFE Program. 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 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, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 4 – DEPOSITS AND INVESTMENTS – CONTINUED

Fair value measurements of the post-retirement benefits trust fiduciary fund's investments are as follows at September 30, 2019:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. treasuries	\$ 2,159,521	\$ 2,159,521	\$ -	\$ -
Corporate bonds	4,896,534	4,896,534	-	-
Mortgage-backed securities:				
Commercial	2,586,532	-	2,586,532	-
Residential	-	-	-	-
Total debt securities	9,642,587	7,056,055	2,586,532	-
Equity securities:				
Financial services industry	1,039,231	1,039,231	-	-
Consumer goods	419,139	419,139	-	-
Oil & gas	377,276	377,276	-	-
Industrial goods	502,753	502,753	-	-
Healthcare	330,363	330,363	-	-
Utilities	305,303	305,303	-	-
Consumer services	601,007	601,007	-	-
Telecommunications	175,014	175,014	-	-
Technology	336,817	336,817	-	-
All others	183,762	183,762	-	-
Total equity securities	4,270,665	4,270,665	-	-
Total investments	\$ 13,913,252	\$ 11,326,720	\$ 2,586,532	\$ -

Debt securities classified in Level 2 are valued using observable inputs other than quoted market prices. These inputs are derived from market data through correlation or market corroborated. Primary prices provided by a vendor or broker/dealer are classified as a Level 2. The mortgage-backed securities were valued using a matrix pricing model.

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions/ Transfers in	Deletions/ Transfers out	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 174,766,739	\$ 6,140,932	\$ -	\$ 180,907,671
Construction in progress	96,729,392	74,366,028	(32,114,069)	138,981,351
Total capital assets, not being depreciated	<u>271,496,131</u>	<u>80,506,960</u>	<u>(32,114,069)</u>	<u>319,889,022</u>
Capital assets, being depreciated:				
Land improvements	56,389,876	8,408,511	-	64,798,387
Buildings and improvements	281,553,506	7,597,099	(49,344)	289,101,261
Furniture, equipment, and other	115,613,362	11,543,330	(7,753,975)	119,402,717
Infrastructure	1,749,744,998	19,380,807	(30,884)	1,769,094,921
Total capital assets, being depreciated	<u>2,203,301,742</u>	<u>46,929,747</u>	<u>(7,834,203)</u>	<u>2,242,397,286</u>
Less accumulated depreciation for:				
Land improvements	(28,190,279)	(1,897,215)	-	(30,087,494)
Buildings and improvements	(101,668,182)	(8,061,435)	174,772	(109,554,845)
Furniture, equipment, and other	(84,992,496)	(7,223,198)	7,213,640	(85,002,054)
Infrastructure	(1,021,103,973)	(30,742,202)	-	(1,051,846,175)
Total accumulated depreciation	<u>(1,235,954,930)</u>	<u>(47,924,050)</u>	<u>7,388,412</u>	<u>(1,276,490,568)</u>
Total capital assets, being depreciated, net	<u>967,346,812</u>	<u>(994,303)</u>	<u>(445,791)</u>	<u>965,906,718</u>
Governmental activities capital assets, net	<u>\$ 1,238,842,943</u>	<u>\$ 79,512,657</u>	<u>\$ (32,559,860)</u>	<u>\$ 1,285,795,740</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 7,785,116	\$ -	\$ -	\$ 7,785,116
Construction in progress	5,305,855	10,236,450	(3,369,565)	12,172,740
Total capital assets, not being depreciated	<u>13,090,971</u>	<u>10,236,450</u>	<u>(3,369,565)</u>	<u>19,957,856</u>
Capital assets, being depreciated:				
Buildings and improvements	631,047,068	10,051,990	3,369,565	644,468,623
Furniture, equipment, and other	18,140,273	1,140,676	(522,230)	18,758,719
Total capital assets, being depreciated	<u>649,187,341</u>	<u>11,192,666</u>	<u>2,847,335</u>	<u>663,227,342</u>
Less accumulated depreciation for:				
Buildings and improvements	(264,935,658)	(12,062,379)	-	(276,998,037)
Furniture, equipment, and other	(16,046,565)	(1,120,871)	530,387	(16,637,049)
Total accumulated depreciation	<u>(280,982,223)</u>	<u>(13,183,250)</u>	<u>530,387</u>	<u>(293,635,086)</u>
Total capital assets, being depreciated, net	<u>368,205,118</u>	<u>(1,990,584)</u>	<u>3,377,722</u>	<u>369,592,256</u>
Business-type activities capital assets, net	<u>\$ 381,296,089</u>	<u>\$ 8,245,866</u>	<u>\$ 8,157</u>	<u>\$ 389,550,112</u>

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 5 – CAPITAL ASSETS – CONTINUED

For the year ended September 30, 2019, depreciation expense of the primary government was as follows:

<u>Governmental activities:</u>	
General government	\$ 1,552,037
Public safety	3,637,181
Public services	11,392,764
Urban development	599,866
Total depreciation expense charged to functions/programs	<u>17,181,848</u>
Depreciation for infrastructure assets not allocated to the functions	30,742,202
Total depreciation - governmental activities	<u><u>\$ 47,924,050</u></u>
 <u>Business-type activities:</u>	
Water Pollution Control	\$ 10,181,763
Von Braun Center	2,826,785
Municipal Iceplex	174,702
Total depreciation - business-type activities	<u><u>\$ 13,183,250</u></u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The amounts receivable and payable between the various funds as of September 30, 2019, were as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>	<u>Total</u>
<u>Governmental Funds</u>			
General Fund	The Special Revenue Fund	\$ 53,673	
	Capital Improvement Fund	24,040,391	
	2014 Capital Improvement Fund	31,890,953	
	Water Pollution Control Fund	73,521,878	
	Debt Service Fund	5,854	
	Nonmajor Governmental	<u>3,428,604</u>	\$
2014 Capital Improvement Fund	The Special Revenue Fund		3,723,905
Capital Improvement Fund	General Fund	69,548,801	
	The Special Revenue Fund	<u>9,423,668</u>	78,972,469
The Special Revenue Fund	Capital Improvement Fund	10,709,203	
	General Fund	<u>4,993,856</u>	15,703,059
Water Pollution Control Fund	General Fund		38,909,095
Nonmajor Governmental Fund	General Fund	2,860,746	
	Nonmajor Governmental	48,666	<u>2,909,412</u>
		<u>\$</u>	<u><u>273,159,293</u></u>

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS – CONTINUED

The amounts transferred among the various funds for the year ended September 30, 2019, were as follows:

Transferred From	Transferred To	Amount	Total
<u>Governmental Funds</u>			
General Fund	The Special Revenue Fund	\$ 637,500	
	Von Braun Center	13,358,397	
	Municipal Ice Complex	3,510	
	Capital Improvement Fund	4,443,584	
	Debt Service	4,366,069	
	Nonmajor Governmental	5,509,541	\$
2014 Capital Improvement Fund	Debt Service	8,074,378	
	Capital Improvement Fund	813,166	8,887,544
Capital Improvement Fund	Nonmajor Governmental	300,000	
	Von Braun Center	875,000	
	Debt Service	11,205,867	12,380,867
The Special Revenue Fund	Capital Improvement Fund	2,205,323	
	Nonmajor Governmental	2,708,650	
	Debt Service	43,320,817	48,234,790
Nonmajor Governmental Fund	Nonmajor Governmental Fund	1,473,854	1,473,854
		\$	99,295,656

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 Revenues, Expenditures, and Changes in Fund Balance for governmental funds.

Transfers from the General Fund to the Special Revenue, Von Braun Center, and Nonmajor Funds are the annual appropriations for operations, and to the Capital Improvement Fund is a repayment of a subsidy. Transfers to the Debt Service Fund are payment transfers for debt.

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 7 – LONG-TERM DEBT

Long-term liability activity for the year ended September 30, 2019, was as follows:

Primary Government	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General obligation warrants	\$ 693,104,937	\$ 77,000,000	\$ (35,317,146)	\$ 734,787,791	\$ 39,320,086
EUL revenue warrants	50,981,814	8,463,329	(88,869)	59,356,274	-
Lease revenue bonds	46,965,000	-	(2,145,000)	44,820,000	1,355,000
Subtotal	791,051,751	85,463,329	(37,551,015)	838,964,065	40,675,086
Issue discounts & premiums	88,753,486	17,514,639	(8,092,154)	98,175,971	-
Total warrant, bonds, & notes	879,805,237	102,977,968	(45,643,169)	937,140,036	40,675,086
Compensated absences	22,140,000	13,316,503	(15,805,003)	19,651,500	2,183,500
Claims & judgments	520,000	-	-	520,000	520,000
Governmental activities long-term liabilities	\$ 902,465,237	\$ 116,294,471	\$ (61,448,172)	\$ 957,311,536	\$ 43,378,586
<u>Business-Type Activities:</u>					
General obligation warrants	\$ 48,960,065	\$ -	\$ (3,732,854)	\$ 45,227,211	\$ 3,960,714
Sewer revenue warrants	12,810,000	-	(4,175,000)	8,635,000	4,335,000
Subtotal	61,770,065	-	(7,907,854)	53,862,211	8,295,714
Issue discounts & premiums	6,068,055	-	-	6,068,055	-
Total warrants	67,838,120	-	(7,907,854)	59,930,266	8,295,714
Compensated absences	1,251,520	693,268	(597,165)	1,347,623	526,823
Business-type activities long-term liabilities	\$ 69,089,640	\$ 693,268	\$ (8,505,019)	\$ 61,277,889	\$ 8,822,537

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 7 – LONG-TERM DEBT – CONTINUED

General Obligation Warrants

The City issues general obligation (G.O.) warrants, which are direct obligations and pledges of the full faith and credit of the City, for the acquisition and construction of capital facilities and equipment and to refund other G.O. warrants. The City also issues warrants on behalf of the Huntsville Board of Education.

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. 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. In the event of default of the agreement, all obligations outstanding shall immediately become due and payable. The mortgage lien of the indenture, however, is not foreclosable, and the remedies will not include foreclosure or sale of the property. Events of default of the funding agreement are considered failure to pay and noncompliance with any of the covenants and terms and conditions.

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. In the event of default of the agreement, all obligations outstanding shall immediately become due and payable. Events of default of the agreements are failure to pay, noncompliance with any of the covenants and terms and conditions, and any deterioration of the financial condition 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.

Enhance Use Lease Revenue Warrants for 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 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. Unpaid interest is reported using the economic resources measurement focus and the accrual basis of accounting.

Debt issued	\$	3,078,907
Unpaid interest		5,295,553
		8,374,460
Additions	\$	8,463,329
Reductions		(88,869)
		8,374,460

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 7 – LONG-TERM DEBT – CONTINUED

The amounts associated with the EUL warrants as of September 30, 2019, were as follows:

Series	Maximum Principal Amount	Note Principal Balance	Compounded Accrued Interest	Total Note Balance
2010-B	\$ 20,000,000	\$ 40,718,847	\$ 2,345,628	\$ 43,064,475
2012-A	3,000,000	5,695,477	336,872	6,032,348
2012-B	3,000,000	5,140,158	304,026	5,444,184
2013-A	1,500,000	2,519,025	148,993	2,668,018
2017-A	1,000,000	771,027	41,082	812,109
2017-B	4,000,000	2,363,431	124,909	2,488,340
2018-A	4,500,000	1,735,674	72,476	1,808,150
2019-A	1,700,000	13,900	468	14,368
2019-B	14,500,000	398,735	7,348	406,083
Total	<u>\$ 53,200,000</u>	<u>\$ 59,356,274</u>	<u>\$ 3,381,802</u>	<u>\$ 62,738,075</u>

Repayment of the EUL Warrants is secured by a pledge of the TIF 5 tax revenue, which is reported in The Special Revenue Fund. Also, the EUL Agreement requires the City to redeem the outstanding balance, plus accrued interest, of any EUL Warrant, to the extent that TIF 5 tax revenue is sufficient as defined by a formula in the EUL Agreement. Generally, the minimum required redemption is \$5 million. When an EUL Warrant redemption is required, the City intends to issue refunding taxable debt obligations, most likely general obligations of the City. The EUL Warrants do not constitute a direct obligation and pledge of the full faith and credit of the City.

Source of repayment of long-term debt:

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

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 7 – LONG-TERM DEBT – CONTINUED

Outstanding Debt

The amount of debt outstanding at September 30, 2019, and information related to it was as follows:

Series	Face Amount	Dated	Final Maturity	Interest Rates (%)	Ending Balance	Amount Due Within One Year
PRIMARY GOVERNMENT						
Governmental Activities						
G.O. Warrants (non-sewer portion)						
2010A	\$ 74,300,000	9/14/10	3/1/37	3.0 - 5.0	\$ 25,390,000	\$ 6,260,000
2010B (a)	50,895,000	9/14/10	9/1/30	.61 - 5.06	33,025,000	2,780,000
2010C (a)	7,520,000	9/14/10	9/1/32	5	7,520,000	-
2010D (b)	11,695,000	9/14/10	9/1/27	.61 - 4.35	6,270,000	680,000
2011A	45,190,000	11/22/11	3/1/31	2.0 - 5.0	9,808,261	2,375,000
2011B	50,275,000	11/22/11	5/1/33	2.0 - 5.0	12,510,000	2,220,000
2012A	41,660,000	5/3/12	11/1/25	2.0 - 5.0	25,040,880	3,480,000
2013A	6,450,000	5/23/13	6/1/23	2	3,410,000	835,000
2013B	14,580,000	5/23/13	6/1/37	3.5 - 4.0	14,580,000	-
2013C	77,050,000	9/3/14	11/1/33	2.0 - 5.0	34,765,000	2,945,000
2013D	24,970,000	9/3/14	11/1/33	2.0 - 5.0	10,075,000	965,000
2013E	6,460,000	9/3/14	1/1/23	2	3,110,000	740,000
2014A	40,925,000	9/3/14	8/1/37	3.0 - 5.0	37,615,000	1,410,000
2014B	19,345,000	9/3/14	11/1/33	2.0 - 5.0	18,775,000	1,010,000
2014C	27,045,000	9/3/14	9/1/29	2.0 - 5.0	26,925,000	2,775,000
2015A	61,390,000	6/30/15	5/1/35	5	52,785,000	2,285,000
2015B (b)	8,185,000	5/4/15	5/1/25	.66 - 4.19	7,470,000	185,000
2016A	35,725,000	6/14/16	5/1/36	1.5 - 5.0	33,965,000	575,000
2016B	29,890,000	6/14/16	5/1/36	5	29,890,000	-
2016C	23,963,063	6/14/16	5/1/29	3.0 - 5.0	19,693,450	954,086
2016D	31,550,000	6/14/16	5/1/30	3.0 - 5.0	28,845,000	20,000
2017A	17,355,000	2/16/17	5/1/37	5	16,405,000	585,000
2017B	8,560,000	2/16/17	5/1/37	3.0 - 5.0	7,410,000	640,000
2017C	11,045,000	2/16/17	5/1/37	2.6 - 5.0	10,310,000	425,000
2017D	16,846,200	8/24/17	11/1/31	2.0 - 5.0	16,720,200	126,000
2017E	49,195,000	8/24/17	11/1/32	3.0 - 5.0	48,995,000	205,000
2018A	50,590,000	2/28/18	1/1/38	5	50,590,000	-
2018B	61,985,000	2/28/18	1/1/38	5	60,615,000	1,985,000
2018C (b)	5,385,000	4/12/18	1/1/33	4.19	5,275,000	115,000
2019A	77,000,000	5/30/19	1/1/33	4.19	77,000,000	2,745,000
	<u>987,024,263</u>				<u>734,787,791</u>	<u>39,320,086</u>
Private Placement Taxable Revenue Warrants(d)						
2010B EUL	20,000,000	10/28/10	7/26/40	9.95	40,718,847	-
2012A EUL	3,000,000	1/26/12	7/26/40	9.95	5,695,477	-
2012B EUL	3,000,000	5/24/12	7/26/40	9.95	5,140,158	-
2013A EUL	1,500,000	2/28/13	7/26/40	9.95	2,519,025	-
2017A EUL	1,000,000	4/19/17	7/26/40	9.95	771,027	-
2017B EUL	4,000,000	12/17/17	7/26/40	9.95	2,363,431	-
2018A EUL	4,500,000	9/1/18	7/26/40	9.95	1,735,674	-
2019A EUL	1,700,000	5/1/19	5/1/39	9.95	13,900	-
2019B EUL	14,500,000	7/1/19	5/1/39	9.95	398,735	-
	<u>53,200,000</u>				<u>59,356,274</u>	<u>-</u>
Lease Revenue Bonds - Public Building Authority						
2017	46,965,000	9/28/17	10/1/36	3.0 - 5.0	44,820,000	1,355,000
	<u>46,965,000</u>				<u>44,820,000</u>	<u>1,355,000</u>
Total governmental activities	\$ 1,087,189,263				\$ 838,964,065	\$ 40,675,086

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 7 – LONG-TERM DEBT – CONTINUED

Series	Face Amount	Dated	Final Maturity	Interest Rates (%)	Ending Balance	Amount Due Within One Year
Business-Type activities						
G.O. Warrants - sewer system						
2010B (a)	\$ 11,595,000	9/14/10	9/1/30	.61 - 5.06	\$ 7,630,000	\$ 605,000
2011A	17,230,000	11/22/11	3/1/31	2.0 - 5.0	3,351,741	755,000
2012A	14,645,000	5/3/12	11/1/27	2.0 - 5.0	7,949,120	1,070,000
2014A	13,185,000	9/3/14	8/1/29	2.0 - 5.0	12,395,000	625,000
2016C	12,066,937	6/14/16	5/1/29	3.0 - 5.0	10,716,550	880,916
2017D	3,208,800	11/1/17	11/1/31	2.0 - 5.0	3,184,800	24,800
	<u>71,930,737</u>				<u>45,227,211</u>	<u>3,960,716</u>
Sewer Revenue Warrants - State Revolving Loan Fund						
2010A (c)	17,435,000	1/27/98	8/15/20	3	2,095,000	1,025,000
2010B (c)	16,760,000	12/1/98	8/15/20	3	1,215,000	1,215,000
2010C (c)	15,180,000	12/22/99	8/15/21	3	1,145,000	1,145,000
2010D (c)	13,045,000	12/14/00	8/15/22	3	2,655,000	850,000
2011	2,130,000	11/1/11	8/15/32	3	1,525,000	100,000
	<u>64,550,000</u>				<u>8,635,000</u>	<u>4,335,000</u>
Total business-type activities	<u>136,480,737</u>				<u>53,862,211</u>	<u>8,295,716</u>
Total Primary Government	<u>\$ 1,223,670,000</u>				<u>\$ 892,826,276</u>	<u>\$ 48,970,802</u>

- (a) Series 2010B and 2010C general obligation warrants are taxable Build America Bonds and Recovery Zone Economic Development Bonds, respectively, under the Internal Revenue Code.
- (b) Series 2010D, 2015B, and 2018C 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, 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.

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.

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 7 – LONG-TERM DEBT – CONTINUED

Future Debt Service

The City's future debt service requirements on its outstanding warrants and bonds as of September 30, 2019, are shown below. There is \$12,634,225 and \$125,375,932 available in The Special Revenue Fund and the Capital Improvement 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

	G.O. Warrants		Lease Rev. Bonds	
	Principal	Interest	Principal	Interest
<u>Governmental activities:</u>				
2020	\$ 39,320,086	\$ 32,552,141	\$ 1,355,000	\$ 2,171,550
2021	39,352,748	31,397,681	1,410,000	2,116,250
2022	43,877,972	29,803,678	1,470,000	2,058,650
2023-2027	216,442,514	118,839,140	8,515,000	9,124,875
2028-2032	217,644,478	68,902,463	12,295,000	6,469,625
2033-2037	154,545,000	24,340,461	19,775,000	2,836,875
2038-2042	22,310,000	1,824,982	-	-
2043-2047	1,295,000	110,093	-	-
Total governmental activities	<u>\$ 734,787,798</u>	<u>\$ 307,770,639</u>	<u>\$ 44,820,000</u>	<u>\$ 24,777,825</u>
<u>Business-type activities:</u>				
Total business-type activities	<u>\$ 45,227,211</u>	<u>\$ 11,153,058</u>	<u>\$ 8,635,000</u>	<u>\$ 605,024</u>
Total Primary Government (a)			<u>\$ 833,470,009</u>	<u>\$ 344,306,546</u>

(a) does not include the EUL Warrants as of September 30, 2019, 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.

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 7 – LONG-TERM DEBT – CONTINUED

COMPONENT UNIT – HUNTSVILLE UTILITIES

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.

	Beginning Balance	Additions (a)	Reductions	Ending Balance
<u>Electric System</u>				
Revenue warrants	\$ 79,440,000	\$ -	\$ (1,865,000)	\$ 77,575,000
Issue discounts & premiums	13,368,145	-	(1,237,613)	12,130,532
Total warrants	92,808,145		(3,102,613)	89,705,532
Noncurrent customer deposits	35,822,127	7,774,984	(6,466,586)	37,130,525
Total Electric System long-term liabilities	<u>\$ 128,630,272</u>	<u>\$ 7,774,984</u>	<u>\$ (9,569,199)</u>	<u>\$ 126,836,057</u>
<u>Water System</u>				
Revenue warrants	\$ 96,550,000	\$ 11,000,000	\$ (4,770,000)	\$ 102,780,000
Issue discounts & premiums	11,555,296	-	(1,025,632)	10,529,664
Total warrants	108,105,296	11,000,000	(5,795,632)	113,309,664
Noncurrent customer deposits	4,434,410	988,494	(702,213)	4,720,691
Total Water System long-term liabilities	<u>\$ 112,539,706</u>	<u>\$ 11,988,494</u>	<u>\$ (6,497,845)</u>	<u>\$ 118,030,355</u>
<u>Gas System</u>				
Revenue warrants	\$ -	\$ 9,500,000	\$ -	\$ 9,500,000
Total warrants	-	9,500,000	-	9,500,000
Noncurrent customer deposits	3,488,081	761,375	(613,404)	3,636,052
Total Gas System long-term liabilities	<u>\$ 3,488,081</u>	<u>\$ 10,261,375</u>	<u>\$ (613,404)</u>	<u>\$ 13,136,052</u>

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 8 – FUND BALANCE CLASSIFICATIONS AND USAGE

As described in NOTE 1, 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	\$ 3,056,797
Spendable:	
Endowment funds required by donors to remain intact (Library)	394,074
Total	<u><u>\$ 3,450,871</u></u>

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

Liquor and 6% lodging taxes committed for tourism development	\$ 2,316,827
1% lodging tax committed for recreation projects	1,993,458
Unexpended revenues of the Community Development Rehabilitation Fund committed for rehabilitation projects	1,606,991
Unexpended revenues of the Cummings Research Park Fund committed for research park development	3,283,861
Total	<u><u>\$ 9,201,137</u></u>

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

General Fund appropriations subsequent to year-end	\$ 1,000,000
Long-term care of city cemeteries	3,008,348
Board-managed activities	3,055,770
Total	<u><u>\$ 7,064,118</u></u>

Unassigned - amounts that cannot be classified otherwise, including any deficit fund balances of the Board-managed entities. The City Council has a policy ordinance to set aside 11.5% 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	\$ 26,575,245
Unassigned balance of the General Fund	27,421,219
Unassigned balance of the Special Revenue Fund	(5,311,975)
Balances of the board-managed entities	(638,439)
Total	<u><u>\$ 48,046,050</u></u>

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.

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 9 – CONTINGENT LIABILITIES AND COMMITMENTS

Sales and Use Tax Revenue Earmarking

Certain City sales and use taxes (3.5% of 4.5%) which are General Fund revenues, are earmarked by City Council ordinance, as follows:

- 18.0% is paid to the Capital Improvement Capital Projects Fund.
- 14.7% is paid to the Huntsville City Board of Education, allocated through the Special Revenue Fund.

These do not represent restrictions on the fund balance of the City at September 30, 2019, 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 Improvement Fund, and is earmarked within that fund for road improvements and economic development projects.

Tax Equivalents

Huntsville Utilities, a discretely presented component unit of the City, is 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 2019 totaled \$17.2m, comprised of \$11,814,336 by the Electric System, \$2,731,597 by the Natural Gas System, and \$2,635,769 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.

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, all of which is estimated to be currently payable and has been accrued as a liability in the City's General Fund at September 30, 2019.

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.

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.

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 9 – CONTINGENT LIABILITIES AND COMMITMENTS – CONTINUED

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.

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.

The City has been communicating with OIG and HUD on these matters. The amounts that may ultimately be payable to HUD cannot be determined as of September 30, 2019, and the financial statements as of September 30, 2019, do not include a liability related to this matter.

Encumbrances. The City had outstanding purchase orders related to operating needs and contractual commitments as of September 30, 2019, which represent an encumbrance on resources at year-end, the most significant of which were as follows:

General Fund	\$ 2,961,241
2014 Capital Improvement Fund	1,063,510
Capital Improvement Fund	8,677,414
The Special Revenue Fund	135,279
Other Governmental Funds	81,347
Total	\$12,918,791

These encumbrances are already included in the classifications of net position and fund balances in the financial statements as of September 30, 2019.

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.

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.

Ad Valorem Taxes The City is currently examining powers respecting the levy of certain ad valorem taxes being collected for public school purposes within the City of Huntsville and its power to levy and collect certain ad valorem taxes for such purposes in the future.

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 10 – OTHER INFORMATION

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 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 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 2019 were \$4,160,097.

Health Care Authority

The Health Care Authority 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.

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 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 2019.

Huntsville-Madison County Railroad Authority

The Railroad Authority is 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 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 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.

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 11 – PENSION PLANS

Plan Description

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide 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, which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency, each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in post-retirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. 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, City of Huntsville employees, as members of the ERS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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 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.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 11 – PENSION PLANS – CONTINUED

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 90,999 participants. As of September 30, 2018, the City's membership consisted of:

Retirees and beneficiaries currently receiving benefits	1,264
Vested Inactive Members	29
Non-vested Inactive Members	205
Active Members	2,349
Post-DROP Retired Members Still in Active Service	13
Total	3,860

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 preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2019, the City's active employee contribution rate was 5% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 14.40% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2019, was 14.40% of pensionable pay for Tier 1 employees, and 11.54% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2016, 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 City were \$16,174,422 for the year ended September 30, 2019.

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 11 – PENSION PLANS – CONTINUED

Net Pension Liability

The City's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, rolled forward to September 30, 2018, using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
Total Pension Liability		
as of September 30, 2017 (a)	\$ 586,063,439	\$ 588,639,094
Discount Rate (b)	7.75%	7.70%
Entry Age Normal Cost for		
October 1, 2017 - September 30, 2018 (c)	9,544,911	9,635,877
Transfers Among Employers (d)	-	39,249
Actual Benefit Payments and Refunds for		
October 1, 2017 - September 30, 2018 (e)	<u>(33,261,170)</u>	<u>33,261,170</u>
Total Pension Liability		
as of September 30, 2018		
[(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 606,478,226</u>	<u>\$ 609,097,705</u>

Actuarial Assumptions

The total pension liability in the September 30, 2018 actuarial valuation was determined based on the actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.70%

*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 ages 78 and older. 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 actuarial valuation as of September 30, 2017, 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, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 11 – PENSION PLANS – 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	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stock	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash Equivalents	3.0%	1.5%
Total	100.0%	

*Includes assumed rate of inflation of 2.5%

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. 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 Plan 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.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a)-(b)
Balance at 09/30/2017	\$ 586,063,439	\$ 395,185,918	\$ 190,877,521
Changes for the year:			
Service cost	9,544,911	-	9,544,911
Interest	44,131,046	-	44,131,046
Changes of assumptions	3,103,984	-	3,103,984
Differences between expected and actual experience	(523,754)	-	(523,754)
Contributions - employer	-	14,760,252	(14,760,252)
Contributions - employee	-	6,797,395	(6,797,395)
Net investment income	-	36,033,606	(36,033,606)
Benefit payments, including refunds of employee contributions	(33,261,170)	(33,261,170)	-
Transfers among employers	39,249	39,249	-
Net changes	23,034,266	24,369,332	(1,335,066)
Balance at 09/30/2018	\$ 609,097,705	\$ 419,555,250	\$ 189,542,455

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 11 – PENSION PLANS – CONTINUED

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 7.70%, 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 one percentage point lower (6.70%) or one percentage point higher (8.70%) than the current rate:

	(6.70%)	(7.70%)	(8.70%)
City's net pension liability	\$ 257,919,996	\$ 189,542,455	\$ 131,647,008

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, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditors' report dated August 17, 2019, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2019, the City recognized pension expense of \$16,244,115. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Outflows of Resources	Inflows of Resources
Differences between expected and actual experiences	\$ 757,970	\$ 2,005,615
Changes of assumption	12,763,405	-
Net difference between projected and actual earnings on pension plan investments	-	13,743,611
Employer contributions subsequent to the measurement date	16,174,422	-
Total	\$ 29,695,797	\$ 15,749,226

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

2020	\$ 2,016,125
2021	(2,633,762)
2022	(1,545,040)
2023	(495,209)
2024	430,035
Thereafter	-

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 11 – PENSION PLANS – CONTINUED

Component Units

The **Huntsville Utilities Systems** and the **Huntsville/Madison County Convention and Visitors Bureau (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, 2019, was 18.83% of pensionable pay for Tier 1 employees, and 17.48% of pensionable pay for Tier 2 employees. The Natural Gas System's contractually required contribution rate for the year ended September 30, 2019, was 10.29% of pensionable pay for Tier 1 employees, and 8.70% of pensionable pay for Tier 2 employees. The Water System's contractually required contribution rate for the year ended September 30, 2019, was 14.26% of pensionable pay for Tier 1 employees, and 12.14% of pensionable pay for Tier 2 employees. The Bureau's contractually required contribution rate for the year ended September 30, 2019, was 4.42% of pensionable pay for Tier 1 employees, and 2.67% of pensionable pay for Tier 2 employees.

These required contribution rates are based upon the actuarial valuation dated September 30, 2016, 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 \$5,942,426 for the year ended September 30, 2019. Total employer contributions to the pension plan from the Bureau were \$40,518 for the year ended September 30, 2019.

Net Pension Liability

The Utilities System's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2017, rolled forward to September 30, 2018, using standard roll-forward techniques as shown in the following table:

	Electric	Gas	Water
Total Pensions Liability As of September 30, 2017 (a)	\$69,722,750	\$95,662,706	\$35,077,634
Discount Rate	7.70%	7.70%	7.70%
Entry Age Normal Cost for October 1, 2017 - September 30, 2018(b)	811,484	1,915,527	490,695
Transfers Among Employers	13,353	40,750	317,095
Actual Benefit Payments and Refunds for October 1, 2017 - September 30, 2018(b)	(4,973,859)	(4,681,062)	(2,112,418)
Total Benefit Liability As of September 30, 2018 [(a) x (1.08)] + (b) – [(c) x (1.04)]	\$70,750,886	\$100,123,728	\$36,392,656

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 11 – PENSION PLANS – CONTINUED

The Bureau's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2017, rolled forward to September 30, 2018, using standard roll-forward techniques as shown in the following table:

Total Pensions Liability	\$3,178,716
As of September 30, 2017 (a)	
Discount Rate	7.70%
Entry Age Normal Cost for	69,974
October 1, 2017 - September 30, 2018(b)	
Transfers Among Employers	(64,267)
Actual Benefit Payments and Refunds for	(56,480)
October 1, 2017 - September 30, 2018(b)	
Total Benefit Liability	\$3,370,530
As of September 30, 2018	
[(a) x (1.08)] + (b) – [(c) x (1.04)]	

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Electric System			
Balance as of 9/30/2017	<u>\$ 68,235,306</u>	<u>\$ 36,665,057</u>	<u>\$ 31,570,249</u>
Changes for the year:			
Service cost	803,722	-	803,722
Interest	5,095,499	-	5,095,499
Changes in assumptions	373,579	-	373,579
Differences between expected and actual experience	1,203,286	-	1,203,286
Contributions - employer	-	2,182,899	(2,182,899)
Contributions - employee	-	614,210	(614,210)
Net investment income	-	3,293,140	(3,293,140)
Benefit payments, including refunds of employee contributions	(4,973,859)	(4,973,859)	-
Transfers among employers	13,353	13,353	-
Net changes	<u>2,515,580</u>	<u>1,129,743</u>	<u>1,385,837</u>
Balance as of 9/30/2018	<u><u>\$ 70,750,886</u></u>	<u><u>\$ 37,794,800</u></u>	<u><u>\$ 32,956,086</u></u>

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 11 – PENSION PLANS – CONTINUED

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Natural Gas System			
Balance as of 9/30/2017	\$ 95,854,687	\$ 63,754,150	\$ 32,100,537
Changes for the year:			
Service cost	1,897,962	-	1,897,962
Interest	7,247,347	-	7,247,347
Changes in assumptions	586,214	-	586,214
Differences between expected and actual experience	(822,170)	-	(822,170)
Contributions - employer	-	2,545,068	(2,545,068)
Contributions - employee	-	1,492,658	(1,492,658)
Net investment income	-	5,872,386	(5,872,386)
Benefit payments, including refunds of employee contributions	(4,681,062)	(4,681,062)	-
Transfers among employers	40,750	40,750	-
Net changes	4,269,041	5,269,800	(1,000,759)
Balance as of 9/30/2018	\$ 100,123,728	\$ 69,023,950	\$ 31,099,778

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Water System			
Balance as of 9/30/2017	\$ 34,734,430	\$ 20,652,988	\$ 14,081,442
Changes for the year:			
Service cost	485,793	-	485,793
Interest	2,610,062	-	2,610,062
Changes in assumptions	200,946	-	200,946
Differences between expected and actual experience	156,748	-	156,748
Contributions - employer	-	944,613	(944,613)
Contributions - employee	-	365,308	(365,308)
Net investment income	-	1,888,916	(1,888,916)
Benefit payments, including refunds of employee contributions	(2,112,418)	(2,112,418)	-
Transfers among employers	317,095	317,095	-
Net changes	1,658,226	1,403,514	254,712
Balance as of 9/30/2018	\$ 36,392,656	\$ 22,056,502	\$ 14,336,154

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
The Bureau			
Balance as of 9/30/2017	\$ 3,193,597	\$ 2,970,579	\$ 223,018
Changes for the year:			
Service cost	69,410	-	69,410
Interest	245,315	-	245,315
Changes in assumptions	13,126	-	13,126
Differences between expected and actual experience	(30,171)	-	(30,171)
Contributions - employer	-	43,128	(43,128)
Contributions - employee	-	51,494	(51,494)
Net investment income	-	273,710	(273,710)
Benefit payments, including refunds of employee contributions	(56,480)	(56,480)	-
Transfers among employers	(64,267)	(64,267)	-
Net changes	176,933	247,585	(70,652)
Balance as of 9/30/2018	\$ 3,370,530	\$ 3,218,164	\$ 152,366

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 11 – PENSION PLANS – CONTINUED

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Huntsville Utilities System's and the Bureau's net pension liability calculated using the discount rate of 7.70%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.70%) or one percentage point higher (8.70%) than the current rate:

Net Pension Liability	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Electric System	41,219,166	32,956,086	26,004,843
Natural Gas System	44,114,922	31,009,778	20,206,976
Water System	18,756,477	14,336,154	10,608,795
Bureau	439,187	152,366	(92,420)

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

For the year ended September 30, 2019, the System recognized the following pension expense:

	Electric System	Natural Gas System	Water System
Recognized pension expense	\$ 3,076,505	\$ 2,812,889	\$ 1,301,526

At September 30, 2019, 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
Difference between expected and actual experience	\$ 2,166,861	\$ -
Changes of assumptions	1,162,640	-
Net difference between projected and actual earnings on pension plan investments	-	1,267,221
Employer contributions subsequent to the measurement date	2,308,791	-
Total	<u>\$ 5,638,292</u>	<u>\$ 1,267,221</u>
Natural Gas System	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,403,490	\$ 720,668
Changes of assumptions	1,768,498	-
Net difference between projected and actual earnings on pension plan investments	-	2,238,548
Employer contributions subsequent to the measurement date	2,679,403	-
Total	<u>\$ 6,851,391</u>	<u>\$ 2,959,216</u>
Water System	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,156,605	\$ -
Changes of assumptions	600,429	-
Net difference between projected and actual earnings on pension plan investments	-	722,575
Employer contributions subsequent to the measurement date	954,232	-
Total	<u>\$ 2,711,266</u>	<u>\$ 722,575</u>

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 11 – PENSION PLANS – CONTINUED

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

Year ended September 30:	<u>Electric System</u>	<u>Natural Gas System</u>	<u>Water System</u>
2020	746,217	337,935	249,848
2021	263,608	(350,644)	21,147
2022	250,257	(126,716)	80,009
2023	382,606	396,699	250,965
2024	298,297	575,558	291,364
Thereafter	121,295	379,940	141,126

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

For the year ended September 30, 2019, the Bureau recognized pension expense of \$20,329. At September 30, 2019, the Bureau reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

<u>Bureau</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 122,301
Changes of assumptions	153,361	-
Net difference between projected and actual earnings on pension plan investments	-	104,289
Employer contributions subsequent to the measurement date	40,518	-
Total	<u>\$ 193,879</u>	<u>\$ 226,590</u>

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

Year ended September 30:	<u>Bureau</u>
2020	(1,064)
2021	(31,920)
2022	(16,089)
2023	(22,606)
2024	(1,550)
Thereafter	-

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City provides other post-employment benefits (OPEB) to retired employees, for medical benefits. Assets are accumulated on an ongoing basis to pay the cost of future benefits, and the City is accumulating these assets in a restricted trust established exclusively for this purpose, to which retiree and employer contributions are made and from which benefit payments are made.

Plan Description

The City plan (the 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. The City administers the defined benefit 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, 2018, the date of the latest actuarial report:

Inactive Employees or Beneficiaries Currently Receiving Benefits	328
Active Employees	2,289

Benefits Provided

The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees for the City are eligible to receive post-employment healthcare benefits.

Contributions

Retirees and active employees participating in the Plan contribute approximately 30% and 15%, respectively, of the active premium. The City contributes the cost of benefits at a rate that is based on an actuarial valuation prepared in accordance with certain parameters. In 2018, the City's rate was approximately 2.48% of annual covered payroll.

OPEB Liability

The City reported a total OPEB liability of \$72,999,924, using a measurement date as of September 30, 2019. The Net OPEB Liability is equal to the Total OPEB Liability minus the Fiduciary Net Position as presented below.

Total OPEB Liability (TOL)	\$	72,999,924
Fiduciary Net Position (FNP)		14,175,754
Net OPEB Liability (NOL)		<u>\$ 58,824,170</u>
Ratio of FNP to TOL		19.4%

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

The TOL was determined by an actuarial valuation as of September 30, 2018, using the following key actuarial assumptions and other inputs:

Inflation	2.75%
Real wage growth	0.25%
Wage inflation	3.00%
Salary increases, including wage inflation	3.25% - 5.00%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	6.50%
Municipal Bond Index Rate	
Prior Measurement Date	4.18%
Measurement Date	2.66%
Year FNP is projected to be depleted	
Prior Measurement Date	2026
Measurement Date	2030
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	4.40%
Measurement Date	3.17%
Healthcare Cost Trends	
Pre-Medicare	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028

The discount rate used to measure the TOL was based upon the Single Equivalent Interest Rate.

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, 2018 valuation were based on the results of an actuarial experience study for the period October 1, 2010 – September 30, 2015, and were submitted to and adopted by the Board of the Employees' Retirement System of Alabama on September 29, 2016.

The remaining actuarial assumptions (e.g. healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2018 valuation were based on a review of recent plan experience performed concurrently with the September 30, 2018 valuation.

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges should be 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 then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

Asset Class	Target Allocation*	Expected Return**
Equity Funds	30.00%	6.00%
Fixed Income	68.00%	3.00%
Cash and Cash Equivalents	2.00%	1.75%
Total	100.00%	

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

** Expected return is net of inflation.

The discount rate (SEIR) used to measure the TOL as of the measurement date was 3.17%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of September 30, 2018. In addition to the actuarial methods and assumptions of the September 30, 2018 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3%.
- Active employees do not explicitly contribute to the Plan.
- In all years, the employer pays benefits directly to Plan members as the benefits come due. The employer is assumed to have the ability and willingness to make benefit payments from its own resources for all periods in the projection.
- Projected assets include an employer contribution of \$2,500,000 and do not include employer contributions that fund the estimated service costs of future employees. Under GASB 74, this is reasonable since it is below the actual average contribution amount over the last five years of \$2,952,660.
- Cash flows occur mid-year.

Based on these assumptions, the Plan's FNP was projected to be depleted in 2030 and, as a result, the Municipal Bond Index Rate was used in the determination of the SEIR. Here, the long-term expected rate of return of 6.50% on Plan investments was applied to periods through 2030 and the Municipal Bond Index Rate at the Measurement Date (2.66%) was applied to periods on and after 2030, resulting in an SEIR at the measurement date (3.17%). There was a change in the discount rate from 4.40% at the prior measurement date to 3.17% at the measurement date.

The FNP projections are based upon the Plan's financial status on the measurement date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

The following exhibit presents the NOL of the Plan, calculated using current healthcare cost trend rates, as well as what the Plan's NOL would be if it were calculated used healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rate:

	Health Care Cost Trend Rate Sensitivity		
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 50,117,625	\$ 58,824,170	\$ 69,226,272

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

The following exhibit presents the NOL of the Plan, calculated using the discount rate of 3.17%, as well as what the Plan's NOL would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Net OPEB Liability	Discount Rate Sensitivity		
	1% Decrease (2.17%)	Current Discount Rate (3.17%)	1% Increase (4.17%)
	\$	\$	\$
	66,420,228	58,824,170	52,086,263

The TOL is based upon an actuarial valuation performed as of the valuation date, September 30, 2018. An expected TOL is determined as of September 30, 2019, using standard roll forward techniques. The roll forward calculation begins with the TOL, as of September 30, 2018, subtracts the expected benefit payments and refunds for the year, applies interest at the discount rate for the year, and then adds the annual normal cost (also called the Service Cost). Actuarial gains and losses arising from the change in the SEIR from 4.40% on the prior measurement date to 3.17% on the measurement date are accounted for as changes of assumptions or other inputs. The procedure used to determine the TOL, as of September 30, 2019, is shown in the following table:

	Changes in the Net OPEB Liability		
	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
	\$	\$	\$
Balance as of September 30, 2018	74,715,535	12,552,327	62,163,208
Changes for the year:			
Service cost at the end of the year*	2,193,596	-	2,193,596
Interest on TOL and cash flows	3,233,708	-	3,233,708
Difference between expected and actual experience	(16,652,990)	-	(16,652,990)
Changes of assumptions or other inputs	11,980,996	-	11,980,996
Contributions - employer	-	2,820,927	(2,820,927)
Net investment income	-	1,273,421	(1,273,421)
Benefit payments	(2,470,921)	(2,470,921)	-
Net changes	(1,715,611)	1,623,427	(3,339,038)
Balance as of September 30, 2019	\$ 72,999,924	\$ 14,175,754	\$ 58,824,170

*The service cost includes interest for the year.

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

The OPEB Expense (OE) consists of a number of different items. GASB 75 refers to the first item as Service Cost which is the Normal Cost using the Entry Age Normal actuarial funding method. The second item is interest on the Total OPEB Liability (TOL) at 4.40%, the discount rate in effect as of the prior measurement date.

The next three items refer to any changes that occurred in the TOL due to:

1. Benefit changes, or
 2. Actual versus expected experience, or
 3. Changes in assumptions or other inputs.
1. Benefit changes, which are reflected immediately, will increase OPEB expense, if there is a benefit improvement for existing Plan members, or decrease OPEB expense, if there is a benefit reduction. For the year ended September 30, 2019, there were no benefit changes to be recognized.
 2. The next item to be recognized is the portion of current year changes in TOL due to actual versus expected Plan experience for the year. The portion to recognize in the current year is determined by spreading the total change over the average expected remaining service life of the entire Plan membership at the beginning of the measurement period. The average expected remaining service life of active members is the average number of years the active members are expected to remain in covered employment. The average expected remaining service life of the inactive members is zero. The recognition period is the weighted average of these two amounts (not less than one year). The recognition period is 7.40 years.
 3. The last item under changes in TOL is changes in assumptions or other inputs. There was a change in the TOL arising from the change in the discount rate from 4.40% on the prior measurement date to 3.17% on the measurement date. Therefore, the change in TOL resulting from the change in the discount rate is to be recognized in the OPEB Expense (OE), beginning in the current measurement period, over a closed period equal to 7.40 years, using the same approach applied to Plan experience as described in the prior paragraph.

Active member contributions for the year and projected earnings on FNP at the discount rate serve to reduce the expense. One-fifth of current period difference between actual and projected earnings on the FNP is recognized in the OPEB expense.

The calculation of the investment gain or loss is shown in the following table:

Investment Earnings (Gain) Loss	
a) Expected asset return rate	6.50%
b) Beginning of year market value of assets	\$ 12,552,327
c) End of year market value of assets	14,175,754
d) Expected return on beginning assets for plan year	815,901
e) External cash flow (mid-year payments assumed):	
Contributions - employer	2,820,927
Benefit payments	(2,470,921)
Total external cash flow	350,006
f) Expected return on external cash flow	11,196
g) Projected earnings for plan year (d + f)	827,097
h) Net investment income (c - b - e)	1,273,421
i) Investment earnings (gain) loss (g - h)	\$ (446,324)

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

The calculation of the OPEB expense for the year ended September 30, 2019, is shown in the following table:

OPEB Expense	
For Year Ending September 30, 2019	
Service cost at end of year	\$ 2,193,596
Interest on the Total OPEB Liability and cash flow	3,233,708
Expensed portion of current period difference between expected and actual experience in the Total OPEB Liability	(2,250,404)
Expensed portion of current period changes of assumptions or other inputs	1,619,054
Projected earnings on plan investments	(827,097)
Expensed portion of current period differences between actual and projected earnings on plan investments	(89,265)
Recognition of beginning Deferred Outflows of Resources as OPEB Expense	120,967
Recognition of beginning Deferred Inflows of Resources as OPEB Expense	(585,807)
OPEB Expense	<u>\$ 3,414,752</u>

Since certain expense items are recognized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts will increase OPEB expense they are labeled Deferred Outflows of Resources. If they serve to reduce OPEB expense they are labeled Deferred Inflows of Resources. The recognition of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive Plan members at the beginning of the measurement period. Investment gains and losses are recognized over a fixed five-year period.

The following table provides a summary of the Deferred Outflows of Resources and Deferred Inflows of Resources as of September 30, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 15,081,851
Changes of assumptions or other inputs	10,361,942	2,466,524
Net difference between projected and actual earnings on plan investments	5,841	-
Total	<u>\$ 10,367,783</u>	<u>\$ 17,548,375</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB benefits will be recognized in OPEB Expense as follows:

Measurement Period Ended	
September 30:	
2020	\$ (1,185,455)
2021	(1,185,455)
2022	(1,185,456)
2023	(1,306,421)
2024	(1,217,157)
Thereafter	(1,100,648)

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Component Units

The Huntsville Utilities System (Utilities) provides certain healthcare and life insurance benefits to its retired employees as part of a single-employer defined benefit plan. Benefits include healthcare and dental care for eligible retirees and for retiree spouses to age 65 through the Utilities' group health insurance plan, which covers both active and retired members. The Utilities self-funds its health and dental benefit plan. For retirees over age 65, the Utilities provides a supplemental Medicare policy. Life insurance is provided for retirees meeting eligibility requirements.

Contributions

The benefits are not provided under any statutory or contractual authority, but rather by administrative decision. For fiscal year 2019, the Utilities contributed \$5,694,113 to the Plan.

Net OPEB Liability

The Utilities' net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Electric System	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 9/30/18	\$ 31,006,587	\$ 6,437,893	\$ 24,568,694
Changes for the year:			
Service cost	704,430	-	704,430
Interest	1,315,358	-	1,315,358
Differences between expected and actual experience	(2,122,639)	-	(2,122,639)
Contributions - employer	-	2,897,734	(2,897,734)
Change in assumptions	(3,395,650)	-	(3,395,650)
Net investment income	-	183,871	(183,871)
Benefit payments	(698,442)	(698,442)	-
Administrative expense	-	(24,106)	24,106
Net changes	(4,196,943)	2,359,057	(6,556,000)
Balance at 9/30/19	<u>\$ 26,809,644</u>	<u>\$ 8,796,950</u>	<u>\$ 18,012,694</u>

Natural Gas System	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 9/30/18	\$ 15,743,962	\$ 3,268,917	\$ 12,475,045
Changes for the year:			
Service cost	357,682	-	357,682
Interest	667,889	-	667,889
Differences between expected and actual experience	(1,077,795)	-	(1,077,795)
Contributions - employer	-	1,471,359	(1,471,359)
Change in assumptions	(1,724,181)	-	(1,724,181)
Net investment income	-	93,363	(93,363)
Benefit payments	(354,642)	(354,642)	-
Administrative expense	-	(12,240)	12,240
Net changes	(2,131,047)	1,197,840	(3,328,887)
Balance at 9/30/19	<u>\$ 13,612,915</u>	<u>\$ 4,466,756</u>	<u>\$ 9,146,158</u>

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Water System	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 9/30/18	\$ 14,178,095	\$ 2,943,796	\$ 11,234,299
Changes for the year:			
Service cost	322,108	-	322,108
Interest	601,462	-	601,462
Differences between expected and actual experience	(970,599)	-	(970,599)
Contributions - employer	-	1,325,020	(1,325,020)
Change in assumptions	(1,552,697)	-	(1,552,697)
Net investment income	-	84,077	(84,077)
Benefit payments	(319,370)	(319,370)	-
Administrative expense	-	(11,023)	11,023
Net changes	(1,919,096)	1,078,704	(2,997,800)
Balance at 9/30/19	<u>\$ 12,258,999</u>	<u>\$ 4,022,500</u>	<u>\$ 8,236,499</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Utilities, as well as what the Utilities' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	Current Discount		
	1% Decrease 6.75%	Rate 7.75%	1% Increase 8.75%
Net OPEB Liability	\$ 26,838,088	\$ 35,395,352	\$ 46,459,693

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Utilities, as well as what the Utilities' net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher

	Healthcare Cost Trend Rates		
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 26,838,088	\$ 35,395,352	\$ 46,459,693

NOTE 13 – RISK MANAGEMENT

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, 2019, have been accrued as a liability in the General Fund as of September 30, 2019. 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, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 14 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through May 27, 2020, the date on which the financial statements were available for issue.

On March 11, 2020, the World Health Organization declared the novel strain of the coronavirus (COVID-19) a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and services across a range of industries, including but not limited to tourism and travel. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our citizens, employees, vendors and economical mitigation measures to be taken by federal and state government, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the City's financial condition or results of operations is uncertain and cannot be estimated.

NOTE 15 – RESTATEMENT

Correction of an Error

The City made corrections of error in the financial statements of the prior period which were discovered subsequent to their issuance which resulted in the following restatement of fund balance.

	Governmental	Business-Type	Water Pollution Control	
Net position, as previously reported	\$ 419,937,615	\$ 328,010,263	\$ 253,490,162	
Effect of restatement	(6,116,404)	11,095,832	11,095,832	
Net position, restated	<u>\$ 413,821,211</u>	<u>\$ 339,106,095</u>	<u>\$ 264,585,994</u>	
	General Fund	The Special Revenue	Capital Improvements	2014 Capital Improvements
Fund balance, as previously reported	\$ 59,310,190	\$ 14,712,346	\$ 79,003,540	\$ 121,937,092
Effect of restatement	(2,529,826)	867,726	13,003,672	(16,988,821)
Fund balance, restated	<u>\$ 56,780,364</u>	<u>\$ 15,580,072</u>	<u>\$ 92,007,212</u>	<u>\$ 104,948,271</u>
	Community Development	Community Development Rehabilitation	Alabama Constitution Village	Tennis Center
Fund balance, as previously reported	\$ 1,330,988	\$ 1,794,830	\$ 304,712	\$ 261,216
Effect of restatement	29,999	(94,933)	(395,173)	(9,048)
Fund balance, restated	<u>\$ 1,360,987</u>	<u>\$ 1,699,897</u>	<u>\$ (90,461)</u>	<u>\$ 252,168</u>

The amounts above are related to the following items:

In prior fiscal years, the City implemented GASB Statements No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and No. 68, *Accounting and Financial Reporting for Pensions*. These statements recorded net pension and OPEB liabilities in the City's enterprise fund. A blended component unit, in which a small number of employees contribute to this liability, did not have its balance sheet adjusted to bear a portion of this cost, as a result, these changes were recorded as a prior period adjustment.

In prior fiscal years, the City recorded receivables that although collected, the entry was not cleared and caused an overstatement of revenue in the following year. The correction affected the General Fund and The Special Revenue Fund.

In prior fiscal years, the City inadvertently left off a portion of the entry to record capital assets in the Water Pollution Control fund, which overstated expenses in the prior period.

Other prior period adjustments relate to recorded transfers and expense reimbursement in between funds.

City of Huntsville, Alabama
Notes to the Basic Financial Statements
September 30, 2019

NOTE 16 – TAX ABATEMENTS

A tax abatement is defined as a reduction in tax revenues resulting from an agreement where the government forgoes tax revenues and the qualified program participant promises to take a specific action after the agreement is executed that contributes to economic development or other benefits to the City or its residents. In accordance with Section 40-9B1 et seq., Code of Alabama 1975, qualifying industries may abate all state and local non-educational portion of construction related transaction sales and use tax, associated with constructing and equipping a project. Eligibility criteria includes: any trade or business in the 2007 North American Industrial Classification System, job creation requirements criteria are based on type of facility, and a certain capital investment requirement is based on being a new project or a major addition. The City has various sales and use tax abatement agreements with qualifying businesses that meet these requirements in which \$16.4m in sales and use tax was abated during the fiscal year.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUNTSVILLE, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET & ACTUAL (unaudited)
For the Year Ended September 30, 2019

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$ 176,123,455	\$ 176,123,464	\$ 189,617,072	\$ 13,493,608
Licenses and permits	27,048,258	27,048,258	29,448,382	2,400,124
Fines and forfeitures	3,259,925	3,259,925	2,931,127	(328,798)
Revenues from money and property	1,413,600	1,413,600	1,769,243	355,643
Charges for services	18,307,121	18,307,121	20,996,338	2,689,217
Intergovernmental	3,455,719	4,264,704	5,148,594	883,890
Gifts and donations	-	-	21,263	21,263
Other revenues	786,730	786,730	1,071,057	284,327
Total revenues	230,394,808	231,203,802	251,003,076	19,799,274
EXPENDITURES				
Current				
General government	35,342,981	35,566,446	37,766,087	(2,199,641)
Public safety	92,712,306	95,544,028	94,662,895	881,133
Public services	67,651,541	74,213,356	68,543,241	5,670,115
Urban development	14,328,682	15,250,979	14,195,067	1,055,912
Capital projects construction	-	-	118,110	(118,110)
Intergovernmental assistance	4,413,500	4,413,500	4,413,681	(181)
Total expenditures	214,449,010	224,988,309	219,699,081	5,289,228
Excess of revenues over expenditures	15,945,798	6,215,493	31,303,995	25,088,502
OTHER FINANCING SOURCES (USES)				
Transfers in	2,629,582	2,629,582	-	(2,629,582)
Transfers out	(22,904,705)	(29,070,960)	(28,318,601)	752,359
Total other financing sources (uses)	(20,275,123)	(26,441,378)	(28,318,601)	(1,877,223)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(4,329,325)	(20,225,885)	2,985,394	23,211,279
Fund balance, beginning	56,780,364	56,780,364	56,780,364	-
Fund balance, ending	\$ 52,451,039	\$ 36,554,479	\$ 59,765,758	\$ 23,211,279

See notes to required supplementary information

CITY OF HUNTSVILLE, ALABAMA
THE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET & ACTUAL (unaudited)
For the Year Ended September 30, 2019

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$ 49,962,033	\$ 49,962,033	\$ 50,508,109	\$ 546,076
Fines and forfeitures	350,000	350,297	235,058	(115,239)
Revenues from money and property	22,750	22,750	63,434	40,684
Other revenues	-	-	292,518	292,518
Total revenues	50,334,783	50,335,080	51,099,119	764,039
EXPENDITURES				
Current				
General government	-	-	739	(739)
Public safety	330,000	330,000	366,089	(36,089)
Public services	275,000	275,000	16,228	258,772
Urban development	3,830,000	3,461,838	7,972,883	(4,511,045)
Capital projects construction	1,086,586	9,586,586	4,509,065	5,077,521
Debt service				
Interest	450,000	456,500	160,555	295,945
Debt issuance costs	-	-	13,000	(13,000)
Intergovernmental assistance	(900,000)	(900,000)	1,800,000	(2,700,000)
Total expenditures	5,071,586	13,209,924	14,838,559	(1,628,635)
Excess of revenues over expenditures	45,263,197	37,125,156	36,260,560	(864,596)
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	3,078,908	3,078,908
Transfers in	-	-	637,500	637,500
Transfers (out)	(44,587,967)	(44,587,967)	(48,234,790)	(3,646,823)
Total other financing sources (uses)	(44,587,967)	(44,587,967)	(44,518,382)	69,585
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	675,230	(7,462,811)	(8,257,822)	(795,011)
Fund balance, beginning	15,580,072	15,580,072	15,580,072	-
Fund balance, ending	\$ 16,255,302	\$ 8,117,261	\$ 7,322,250	\$ (795,011)

See notes to required supplementary information

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

(unaudited)

	City of Huntsville, Alabama				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 9,544,911	\$ 9,331,416	\$ 9,035,848	\$ 8,901,384	\$ 8,706,017
Interest	44,131,046	42,643,112	41,057,851	39,553,505	38,201,665
Changes in benefit terms	-	-	-	-	-
Differences between actual & expected experience	(523,754)	(214,745)	(2,805,978)	2,353,694	-
Changes of assumptions	3,103,984	-	20,025,224	-	-
Benefit payments, including refunds of employee contributions	(33,261,170)	(32,159,676)	(30,814,613)	-	-
Transfers among employers	39,249	149,797	1,184,754	(33,193,884)	(26,825,501)
Net change in total pension liability	23,034,266	19,749,904	37,683,086	17,614,699	20,082,181
Total pension liability-beginning	586,063,439	566,313,535	528,630,449	511,015,750	490,933,569
Total pension liability-ending (a)	<u>609,097,705</u>	<u>586,063,439</u>	<u>566,313,535</u>	<u>528,630,449</u>	<u>511,015,750</u>
Plan fiduciary net position					
Contribution-employer	14,760,252	14,500,178	14,360,447	14,520,862	14,884,651
Contribution-employee	6,797,395	6,527,435	6,282,500	5,966,695	5,993,271
Net investment income	36,033,606	45,479,678	33,753,130	4,013,420	37,204,039
Benefit payments, including refunds of employee contributions	(33,261,170)	(32,159,676)	(30,814,613)	(33,193,884)	(26,825,501)
Transfers among employees	39,249	149,797	1,184,754	(60,873)	247,147
Net change in plan fiduciary net position-beginning	24,369,332	34,497,412	24,766,218	(8,753,780)	31,503,607
Plan fiduciary net position-beginning	395,185,918	360,688,506	335,922,287	344,676,067	313,172,459
Plan fiduciary net position-ending (b)	<u>\$ 419,555,250</u>	<u>\$ 395,185,918</u>	<u>\$ 360,688,505</u>	<u>\$ 335,922,287</u>	<u>\$ 344,676,066</u>
Net pension liability (asset)-ending (a)-(b)	189,542,455	190,877,521	205,625,030	192,708,162	166,339,684
Plan fiduciary net position as a percentage of total pension liability	68.88%	67.43%	63.69%	63.55%	67.45%
Covered payroll	114,007,129	109,418,433	106,306,514	106,742,155	101,710,815
Net pension liability (asset) as a percentage of covered payroll	166.25%	174.45%	193.43%	180.54%	163.54%

**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, ALABAMA
SCHEDULES OF EMPLOYER CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEMS OF ALABAMA
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30*
(unaudited)**

	City of Huntsville, Alabama				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 16,174,422	\$ 13,600,917	\$ 14,902,713	\$ 14,755,132	\$ 14,565,070
Contributions in relation to the actuarially determined contribution	<u>16,174,422</u>	<u>13,600,917</u>	<u>14,902,713</u>	<u>14,755,132</u>	<u>14,565,070</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 117,630,097	\$ 114,007,129	\$ 109,418,433	\$ 106,306,514	\$ 106,742,155
Contributions as a percentage of covered payroll	13.75%	11.93%	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 period	29.3 years
Asset valuation method	Five-year smoothed market
Inflation	2.75%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, 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, ALABAMA
SCHEDULES OF CHANGES IN NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEMS OF ALABAMA
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30*
(unaudited)

	Huntsville Utilities					HMC CVB				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
Total pension liability										
Service cost	\$ 3,187,477	\$ 3,143,765	\$ 2,881,884	\$ 2,687,608	\$ 2,623,427	\$ 69,410	\$ 65,944	\$ 63,774	\$ 61,732	\$ 61,421
Interest	14,952,908	14,186,335	13,601,075	12,960,654	12,461,295	245,315	232,245	202,194	193,738	180,039
Differences between actual & expected experience	537,864	3,544,165	2,212,859	1,727,828	-	(30,171)	(76,875)	(28,640)	(90,859)	-
Changes of assumptions	1,160,739	-	4,242,875	-	-	13,126	-	290,162	-	-
Benefit payments, including refunds of employee contributions	(11,767,339)	(10,298,038)	(9,554,235)	-	-	(56,480)	(48,858)	(48,858)	-	-
Transfers among employers	371,198	49,693	23,492	(9,187,428)	(8,498,045)	(64,267)	-	(9,340)	(68,967)	(71,475)
Net change in total pension liability	8,442,847	10,625,920	13,407,950	8,188,662	6,586,677	176,933	172,456	469,292	95,644	169,985
Total pension liability-beginning	198,824,423	188,198,503	174,790,553	166,601,891	160,015,214	3,193,597	3,021,141	2,551,849	2,456,205	2,286,220
Total pension liability-ending (a)	<u>\$ 207,267,270</u>	<u>\$ 198,824,423</u>	<u>\$ 188,198,503</u>	<u>\$ 174,790,553</u>	<u>\$ 166,601,891</u>	<u>\$ 3,370,530</u>	<u>\$ 3,193,597</u>	<u>\$ 3,021,141</u>	<u>\$ 2,551,849</u>	<u>\$ 2,456,205</u>
Plan fiduciary net position										
Contribution-employer	\$ 5,672,580	\$ 5,968,071	\$ 5,731,644	\$ 5,328,595	\$ 5,279,569	\$ 43,128	\$ 48,244	\$ 55,769	\$ 53,130	\$ 51,960
Contribution-employee	2,472,176	2,327,769	2,297,753	2,099,117	1,971,180	51,494	49,062	46,972	45,468	41,586
Net investment income	11,054,442	13,853,368	10,159,904	1,185,790	10,845,840	273,710	334,433	237,118	26,863	239,814
Benefit payments, including refunds of employee contributions	(11,767,339)	(10,298,038)	(9,554,235)	(9,187,428)	(8,498,045)	(56,480)	(48,858)	(48,858)	-	-
Transfers among employees	371,198	49,693	23,492	512,956	(234,344)	(64,267)	-	(9,340)	(68,967)	(71,475)
Net change in plan fiduciary net position-beginning	7,803,057	11,900,863	8,658,558	(60,970)	9,364,200	247,585	382,881	281,661	56,494	261,885
Plan fiduciary net position-beginning	121,072,195	109,171,332	100,512,774	100,573,744	91,209,544	2,970,579	2,587,698	2,306,037	2,249,543	1,987,658
Plan fiduciary net position-ending (b)	<u>\$ 128,875,252</u>	<u>\$ 121,072,195</u>	<u>\$ 109,171,332</u>	<u>\$ 100,512,774</u>	<u>\$ 100,573,744</u>	<u>\$ 3,218,164</u>	<u>\$ 2,970,579</u>	<u>\$ 2,587,698</u>	<u>\$ 2,306,037</u>	<u>\$ 2,249,543</u>
Net pension liability (asset)-ending (a)-(b)	78,392,018	77,752,228	79,027,171	74,277,779	66,028,147	152,366	223,018	433,443	245,812	206,662
Plan fiduciary net position as a percentage of total pension liability	62.18%	60.89%	58.01%	57.50%	60.37%	95.48%	93.02%	85.65%	90.37%	91.59%
Covered payroll	42,059,291	45,018,988	45,052,937	41,276,876	38,635,798	976,397	902,968	689,599	662,763	689,599
Net pension liability (asset) as a percentage of covered payroll	186.38%	172.71%	175.41%	179.95%	170.90%	15.60%	24.70%	62.85%	37.09%	29.97%

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

**CITY OF HUNTSVILLE, ALABAMA
SCHEDULES OF EMPLOYER CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEMS OF ALABAMA
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30*
(unaudited)**

	Huntsville Utilities					COMPONENT UNITS					HMC CVB				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 4,240,466	\$ 5,672,420	\$ 5,765,181	\$ 5,677,990	\$ 4,524,518	\$ 40,518	\$ 46,741	\$ 50,375	\$ 59,110	\$ 50,470	\$ 40,518	\$ 46,741	\$ 50,375	\$ 59,110	\$ 50,470
Contributions in relation to the actuarially determined contribution	4,240,466	5,672,420	5,765,181	5,677,990	4,524,518	40,518	46,741	50,375	59,110	50,470	40,518	46,741	50,375	59,110	50,470
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 42,059,291	\$ 43,182,541	\$ 45,018,988	\$ 44,375,168	\$ 41,077,004	\$ 1,086,697	\$ 967,397	\$ 902,968	\$ 689,599	\$ 686,145	\$ 1,086,697	\$ 967,397	\$ 902,968	\$ 689,599	\$ 686,145
Contributions as a percentage of covered payroll	10.08%	13.14%	12.81%	12.80%	11.01%	3.73%	4.83%	5.58%	8.57%	7.36%	3.73%	4.83%	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 2019 were based on September 30, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	12.5 - 28.5 years
Asset valuation method	Five-year smoothed market
Inflation	2.88%
Salary increases	3.75 - 5.125%, including inflation
Investment rate of return	7.875%, 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, ALABAMA
SCHEDULES OF CHANGES IN NET OPEB LIABILITY
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30*
(unaudited)

	2019	2018	2017
Total OPEB liability			
Service cost	\$ 2,193,596	\$ 2,418,816	\$ 2,666,888
Interest	3,233,708	2,816,944	2,410,714
Changes in benefit terms	-	-	-
Differences between actual & expected experience	(16,652,990)	(932,249)	-
Changes of assumptions	11,980,996	(3,385,154)	(4,758,980)
Benefit payments	(2,470,921)	(2,222,607)	(2,146,330)
Net change in total OPEB liability	(1,715,611)	(1,304,250)	(1,827,708)
Total OPEB liability-beginning	74,715,535	76,019,785	77,847,493
Total OPEB liability-ending (a)	<u>72,999,924</u>	<u>74,715,535</u>	<u>76,019,785</u>
Plan fiduciary net position			
Contribution-employer^	2,820,927	4,006,754	2,146,330
Contribution-employee	-	-	-
Net investment income	1,273,421	142,882	343,482
Benefit payments^^	(2,470,921)	(2,222,607)	(2,146,330)
Administrative expense	-	-	-
Net change in plan fiduciary net position	1,623,427	1,927,029	343,482
Plan fiduciary net position-beginning	12,552,327	10,625,298	10,281,816
Plan fiduciary net position-ending (b)	<u>\$ 14,175,754</u>	<u>\$ 12,552,327</u>	<u>\$ 10,625,298</u>
Net OPEB liability (asset)-ending (a)-(b)	58,824,170	62,163,208	65,394,487
Plan fiduciary net position as a percentage of total OPEB liability	19.42%	16.80%	13.98%
Covered payroll	113,934,639	106,471,077	106,306,514
Net OPEB liability (asset) as a percentage of covered payroll	51.63%	58.39%	61.52%

**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.*

^Employer contributions include benefit payments paid outside the Trust.

^^Benefit payments are net of participant contributions. Net benefit payments paid outside the trust are also included.

**CITY OF HUNTSVILLE, ALABAMA
SCHEDULES OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFITS PLAN
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30*
(unaudited)**

City of Huntsville, Alabama				
	2019	2018	2017	2016
Actuarially determined contribution	\$ 4,498,264	\$ 4,498,264	\$ 4,498,264	\$ 4,056,017
Contributions in relation to the actuarially determined contribution	2,820,927	4,006,754	2,146,330	2,224,131
Contribution deficiency	\$ 1,677,337	\$ 491,510	\$ 2,351,934	\$ 1,831,886
Covered payroll	\$ 113,934,639	\$ 105,518,270	\$ 105,518,270	\$ 105,518,270
Contributions as a percentage of covered payroll	2.48%	3.80%	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.*

CITY OF HUNTSVILLE, ALABAMA
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30*
(unaudited)

Component Unit:
Huntsville Utilities

Total OPEB liability	2019	2018	2017
Service cost	\$ 1,384,220	\$ 1,614,013	\$ 1,894,109
Interest	2,584,709	2,383,343	2,135,422
Changes in benefit terms	-	-	-
Differences between actual & expected experience	(4,171,033)	(290,932)	-
Changes of assumptions	(6,672,528)	(5,940,356)	(7,330,520)
Benefit payments	(1,372,454)	(1,116,077)	(1,289,316)
Net change in total OPEB liability	(8,247,086)	(3,350,009)	(4,590,305)
Total OPEB liability-beginning	60,928,644	64,278,654	68,868,961
Total OPEB liability-ending (a)	<u>52,681,558</u>	<u>60,928,647</u>	<u>64,278,654</u>
Plan fiduciary net position			
Contribution-employer	5,694,113	3,755,948	2,263,168
Contribution-employee	-	-	-
Net investment income	361,311	123,622	(3,472)
Benefit payments	(1,372,454)	(1,116,077)	-
Administrative expense	(47,369)	(65,958)	-
Net change in plan fiduciary net position	4,635,601	2,697,535	2,259,696
Plan fiduciary net position-beginning	12,650,606	9,953,072	8,982,691
Plan fiduciary net position-ending (b)	<u>\$ 17,286,207</u>	<u>\$ 12,650,607</u>	<u>\$ 11,242,387</u>
Net OPEB liability (asset)-ending (a)-(b)	35,395,351	48,278,040	53,036,267
Plan fiduciary net position as a percentage of total OPEB liability	32.81%	20.76%	17.49%
Covered payroll	36,510,053	36,701,869	36,701,869
Net OPEB liability (asset) as a percentage of covered payroll	96.95%	131.54%	144.51%

**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, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFITS PLAN
FISCAL YEARS ENDING SEPTEMBER 30
(unaudited)

	<u>Huntsville Utilities</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 3,523,040	\$ 3,523,040	\$ 3,523,040
Contributions in relation to the actuarially determined contribution	<u>5,694,113</u>	<u>3,755,948</u>	<u>2,263,168</u>
Contribution deficiency (excess)	<u>\$ (2,171,073)</u>	<u>\$ (232,908)</u>	<u>\$ 1,259,872</u>
Covered payroll	\$ 45,855,641	\$ 46,105,629	\$ 46,105,629
Contributions as a percentage of covered payroll	12.42%	8.15%	4.91%

City of Huntsville, Alabama
Notes to the Required Supplementary Information
(unaudited)

NOTE 1 – BUDGETS AND LEGAL COMPLIANCE

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgetary control is maintained at the function, department level, and fund level. Transfers of appropriations between activity categories of departments or between funds require approval of the City Council.

The following funds have annual legally adopted budgets: General Fund, Debt Service Fund, The Special Revenue Fund, 2014 Capital Improvement Fund, and Capital Projects Fund.

The amounts shown in the financial statements reflect the original budgeted amounts and all amendments and supplements approved through September 30, 2019, that are included in the final amended budget.

SUPPLEMENTARY INFORMATION

**CITY OF HUNTSVILLE, ALABAMA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
For the Year Ended September 30, 2019**

EXPENDITURES	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Current Expenditures				
<u>General Government</u>				
Administration				
Personnel	\$ 1,560,842	\$ 1,560,842	\$ 1,475,465	\$ 85,377
Operating	279,137	653,517	255,583	397,934
Total	1,839,979	2,214,359	1,731,048	483,311
City Council				
Personnel	351,729	351,729	322,661	29,068
Operating	140,000	140,000	128,994	11,006
Total	491,729	491,729	451,655	40,074
Clerk-Treasurer				
Personnel	1,525,680	1,525,680	1,527,187	(1,507)
Operating	155,700	195,700	879,933	(684,233)
Total	1,681,380	1,721,380	2,407,120	(685,740)
Finance				
Personnel	2,585,461	2,585,461	2,458,821	126,640
Operating	390,900	390,900	328,486	62,414
Capital	789,003	715,357	230,280	485,077
Total	3,765,364	3,691,718	3,017,587	674,131
Fleet Management				
Personnel	3,484,938	3,484,938	3,470,236	14,702
Operating	4,192,150	3,998,570	5,128,747	(1,130,177)
Capital	15,000	20,000	19,719	281
Total	7,692,088	7,503,508	8,618,702	(1,115,194)
General Expenses				
Personnel	1,661,200	1,661,200	6,305,841	(4,644,641)
Operating	1,515,000	1,515,000	1,338,041	176,959
Total	3,176,200	3,176,200	7,643,882	(4,467,682)
Human Resources				
Personnel	1,254,892	1,254,892	1,266,967	(12,075)
Operating	1,664,350	1,618,080	1,562,619	55,461
Total	2,919,242	2,872,972	2,829,586	43,386
Information Technology Services				
Personnel	4,679,518	4,679,518	2,871,642	1,807,876
Operating	3,426,400	3,553,780	3,256,093	297,687
Capital	2,135,750	2,125,951	1,331,093	794,858
Total	10,241,668	10,359,249	7,458,828	2,900,421
Legal				
Personnel	2,067,831	2,067,831	2,028,539	39,292
Operating	1,460,000	1,467,500	1,579,140	(111,640)
Capital	7,500	-	-	-
Total	3,535,331	3,535,331	3,607,679	(72,348)
Total general government	\$ 35,342,981	\$ 35,566,446	\$ 37,766,087	\$ (2,199,641)

**CITY OF HUNTSVILLE, ALABAMA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
For the Year Ended September 30, 2019**

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current Expenditures				
<u>Public Safety</u>				
Animal Services				
Personnel	\$ 1,795,127	\$ 1,795,127	\$ 1,841,160	\$ (46,033)
Operating	505,511	507,790	498,120	9,670
Total	2,300,638	2,302,917	2,339,280	(36,363)
Emergency Management				
Personnel	681,757	681,757	648,447	33,310
Operating	132,484	344,654	254,078	90,576
Capital	65,800	39,163	36,627	2,536
Total	880,041	1,065,574	939,152	126,422
Fire and Rescue				
Personnel	33,927,455	33,927,455	34,676,911	(749,456)
Operating	2,120,954	2,222,201	2,163,144	59,057
Capital	225,000	350,203	222,916	127,287
Total	36,273,409	36,499,859	37,062,971	(563,112)
Municipal Court				
Personnel	3,835,714	3,835,714	3,695,712	140,002
Operating	411,372	417,618	189,331	228,287
Capital	69,065	62,803	44,232	18,571
Total	4,316,151	4,316,135	3,929,275	386,860
Police				
Personnel	46,406,407	46,950,339	47,323,265	(372,926)
Operating	2,420,300	2,703,571	2,448,198	255,373
Capital	25,000	1,615,273	530,394	1,084,879
Total	48,851,707	51,269,183	50,301,857	967,326
Special Appropriations	90,360	90,360	90,360	-
Total public safety	\$ 92,712,306	\$ 95,544,028	\$ 94,662,895	\$ 881,133
<u>Public Services</u>				
Cemetery				
Personnel	\$ 757,000	\$ 757,000	\$ 731,710	\$ 25,290
Operating	263,314	265,574	275,070	(9,496)
Total	1,020,314	1,022,574	1,006,780	15,794
General Services				
Personnel	3,667,422	3,667,422	3,598,548	68,874
Operating	8,339,450	8,467,870	11,016,385	(2,548,515)
Capital	2,720,499	3,796,262	79,612	3,716,650
Total	14,727,371	15,931,554	14,694,545	1,237,009
Landscape Management				
Personnel	8,348,860	8,348,860	8,874,459	(525,599)
Operating	3,018,478	3,009,543	3,188,909	(179,366)
Total	11,367,338	11,358,403	12,063,368	(704,965)
Parking				
Personnel	1,463,541	1,463,541	1,473,048	(9,507)
Operating	385,220	368,220	356,035	12,185
Capital	169,040	186,040	42,451	143,589
Total	\$ 2,017,801	\$ 2,017,801	\$ 1,871,534	\$ 146,267

**CITY OF HUNTSVILLE, ALABAMA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
For the Year Ended September 30, 2019**

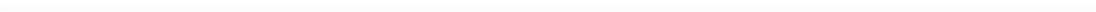
EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current Expenditures				
Parks & Recreation				
Personnel	\$ 6,943,317	\$ 6,943,317	\$ 6,953,125	\$ (9,808)
Operating	546,952	718,513	488,709	229,804
Capital	2,093	9,093	12,833	(3,740)
Total	7,492,362	7,670,923	7,454,667	216,256
Public Transit				
Personnel	3,202,137	3,202,137	3,588,412	(386,275)
Operating	1,037,775	1,125,775	1,042,041	83,734
Capital	689,000	2,481,590	1,490,001	991,589
Total	4,928,912	6,809,502	6,120,454	689,048
Public Works				
Personnel	13,248,962	13,248,962	13,497,157	(248,195)
Operating	4,883,750	4,891,645	5,168,557	(276,912)
Capital	28,750	55,197	37,042	18,155
Total	18,161,462	18,195,804	18,702,756	(506,952)
Special Appropriations	7,935,981	11,206,795	6,629,137	4,577,658
Total public services	\$ 67,651,541	\$ 74,213,356	\$ 68,543,241	\$ 5,670,115
Urban Development				
Engineering				
Personnel	\$ 3,144,960	\$ 3,144,960	\$ 2,981,130	\$ 163,830
Operating	56,350	56,350	56,070	280
Capital	-	-	-	-
Total	3,201,310	3,201,310	3,037,200	164,110
Inspection				
Personnel	2,547,823	2,547,823	2,488,264	59,559
Operating	55,800	814,038	74,096	739,942
Total	2,603,623	3,361,861	2,562,360	799,501
Natural Resources				
Personnel	\$ 732,272	\$ 732,272	\$ 706,502	\$ 25,770
Operating	181,600	106,600	87,101	19,499
Capital	2,500	77,500	73,260	4,240
Total	916,372	916,372	866,863	49,509
Planning				
Personnel	3,636,771	3,636,775	3,932,930	(296,155)
Operating	278,650	423,950	226,966	196,984
Total	3,915,421	4,060,725	4,159,896	(99,171)
Traffic Engineering				
Personnel	2,767,886	2,767,886	2,478,414	289,473
Operating	310,750	325,755	302,562	23,193
Capital	30,000	30,000	25,702	4,298
Total	3,108,636	3,123,641	2,806,678	316,964
Special Appropriations	583,320	587,070	762,070	(175,000)
Total urban development	\$ 14,328,682	\$ 15,250,979	\$ 14,195,067	\$ 1,055,913
Capital Projects Construction	\$ 125,000	\$ 125,000	\$ 118,110	\$ (118,110)

**CITY OF HUNTSVILLE, ALABAMA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
For the Year Ended September 30, 2019**

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current Expenditures				
Intergovernmental Assistance				
Huntsville Board of Education	\$ 55,000	\$ 55,000	\$ 55,000	\$ -
Jail Diversion Program	50,000	50,000	50,000	-
Madison County Health Department	1,334,700	1,334,700	1,334,881	(181)
Madison County Jail Operations	2,100,000	2,100,000	2,100,000	-
Neaves Center for Children	873,800	873,800	873,800	-
Total	4,413,500	4,413,500	4,413,681	(181)
TOTAL EXPENDITURES	\$ 214,449,010	\$ 224,988,309	\$ 219,699,081	\$ 5,289,229
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,629,582	\$ 2,629,582	\$ -	\$ (2,629,582)
Transfers out	(22,904,705)	(29,070,960)	(28,318,601)	752,359
Total other financing sources (uses)	(20,275,123)	(26,441,378)	(28,318,601)	(1,877,223)
TOTAL EXPENDITURES AND OFS/OFU	\$ 194,173,887	\$ 198,546,931	\$ 191,380,480	\$ 3,412,006

CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF SPECIAL APPROPRIATIONS – BUDGET AND ACTUAL
For the Year Ended September 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety				
Huntsville Community Watch Association	\$ 21,510	\$ 21,510	\$ 21,510	\$ -
Huntsville/Madison County Rescue Squad, Inc.	4,320	4,320	4,320	-
Partnership for Drug Free Community	64,530	64,530	64,530	-
	<u>90,360</u>	<u>90,360</u>	<u>90,360</u>	<u>-</u>
Public Services				
Arts Council, Inc.	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	-
Fantasy Playhouse	200,000	200,000	200,000	-
First Stop, Inc.	138,830	138,830	138,830	-
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 Sports Commission, Inc.	733,308	1,335,058	776,844	558,214
Huntsville Symphony Orchestra	89,510	99,510	99,510	-
Huntsville/Madison Co Botanical Gardens, Inc.	218,000	218,000	218,000	-
Huntsville/Madison Co.Conv & Vis. Bureau	3,554,583	5,728,977	3,293,603	2,435,374
Huntsville/Madison County Senior Center, Inc.	390,000	390,000	390,000	-
International Serv Cncl 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	-
Other Appropriations	1,099,400	1,584,070	-	1,584,070
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 Co	25,000	25,000	25,000	-
Weeden House Museum	37,000	37,000	37,000	-
	<u>8,172,981</u>	<u>11,443,795</u>	<u>6,866,137</u>	<u>4,577,658</u>
Urban Development				
Business Tech. Development Center, Inc. ("BizTech")	87,750	87,750	262,750	(175,000)
Chamber of Commerce of Huntsville/Madison County	275,000	275,000	290,000	(15,000)
Downtown Huntsville, Inc.	90,000	90,000	90,000	-
North Alabama African-American Chamber of Commerce	15,000	15,000	-	15,000
North Alabama Coalition for the Homeless, Inc.	40,000	40,000	40,000	-
North Huntsville Business Association	15,000	18,750	18,750	-
The Land Trust of Huntsville and North Alabama, Inc.	60,570	60,570	60,570	-
	<u>583,320</u>	<u>587,070</u>	<u>762,070</u>	<u>(175,000)</u>
	<u>\$ 8,846,661</u>	<u>\$ 12,121,225</u>	<u>\$ 7,718,567</u>	<u>\$ 4,402,658</u>



Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are operating funds used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes other than special assessments or major capital projects.

Community Development accounts for those funds received from federal Community Development Block Grants and expended for approved community development projects.

Community Development Rehabilitation Loan accounts for funds received from the federal community development grants and is used for financing of the rehabilitation of privately owned properties as part of the City's Community Development program.

Public Building Authority accounts for the payment of debt service and related leasing arrangement in respect to construction of the jail facilities owned by the PBA.

Public Library accounts for funds received from the City, donations and other governmental entities to be used for the operations of the public libraries in the City.

Burritt Museum accounts for the operations of a park and museum. Financing is provided by the City, admission fees and public donations.

Alabama Constitution Village accounts for the operation of historical tourist attractions in the City. Financing is provided by the City, admission fees and public donations.

Art Museum accounts for the operation of the art museum in the City. Financing is provided by the City, admission fees and public donations.

Huntsville Tennis Center accounts for the operation of a tennis center in the City. Financing is provided by the City and admission fees.

Federal Building Authority accounts for the economic development activities related to federal programs, financed primarily through state grant assistance.

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

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Cummings Research Park accounts for the land sales, purchases and development cost of research park in the City.

**CITY OF HUNTSVILLE, ALABAMA
NONMAJOR GOVERNMENTAL FUNDS (by fund type)
COMBINING BALANCE SHEET
September 30, 2019**

	Special Revenue Funds										Capital Projects Fund	Total Nonmajor Governmental Funds	
	Community Development	Community Development Rehabilitation	Public Building Authority	Public Library	Burritt Museum	Constitution Village	Art Museum	Huntsville Tennis Center	Federal Building Authority	Perpetual Care	Cummings Research Park		
ASSETS													
Cash & investments	\$ 568,452	\$ 538,598	\$ -	\$ 5,980,908	\$ 3,365	\$ 82,889	\$ 122,606	\$ 244,319	\$ 451,967	\$ 2,500,247	\$ 1,772,459	\$ 12,265,810	
Receivables (net of allowances)													
Accounts	430,506	-	-	8,028	2,338	76,050	20,236	-	-	11,000	-	548,158	
Notes	690,582	1,221,152	-	-	-	-	-	-	-	-	-	1,911,734	
Due from other funds	1,435,831	-	1,283	-	-	13,091	-	-	-	497,262	1,529,803	3,477,270	
Due from governmental entities	259,768	33,900	-	-	-	-	73,454	-	-	-	-	367,122	
Inventories	-	-	-	-	-	39,871	30,316	3,439	-	-	-	73,626	
Prepaid items	5,151	-	2,454,325	46,419	573	-	58,138	-	-	-	-	2,564,606	
Total assets	\$ 3,390,290	\$ 1,793,650	\$ 2,455,608	\$ 6,035,355	\$ 6,276	\$ 211,901	\$ 304,750	\$ 247,758	\$ 451,967	\$ 3,008,509	\$ 3,302,262	\$ 21,208,326	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE													
Liabilities													
Accounts payable	\$ 41,436	\$ 51,586	\$ -	\$ 75,637	\$ 4,869	97,315	\$ 90,940	\$ 1,148	\$ -	\$ 161	\$ 8,401	\$ 371,493	
Accrued liabilities	-	-	-	433,830	-	-	74,343	3,855	-	-	-	512,028	
Due to other funds	2,197,249	135,073	-	-	-	577,090	-	-	-	-	-	2,909,412	
Unearned revenue	-	-	-	13,385	-	-	226,948	-	-	-	10,000	250,333	
Total liabilities	2,238,685	186,659	-	522,852	4,869	674,405	392,231	5,003	-	161	18,401	4,043,266	
Deferred inflows of resources													
Unavailable revenue	368,550	-	629	-	-	-	-	-	-	-	-	369,179	
Total deferred inflows of resources	368,550	-	629	-	-	-	-	-	-	-	-	369,179	
Fund balances													
Nonspendable	5,151	-	2,454,325	440,493	-	-	88,454	3,439	-	-	-	2,991,862	
Restricted	777,904	-	654	2,256,963	-	-	-	-	451,967	-	-	3,487,488	
Committed	-	1,606,991	-	-	-	-	-	-	-	-	3,283,861	4,890,852	
Assigned	-	-	-	2,815,047	1,407	-	-	239,316	-	3,008,348	-	6,064,118	
Unassigned	-	-	-	-	-	(462,504)	(175,935)	-	-	-	-	(638,439)	
Total fund balance (deficit)	783,055	1,606,991	2,454,979	5,512,503	1,407	(462,504)	(87,481)	242,755	451,967	3,008,348	3,283,861	16,795,881	
Total liabilities, deferred inflows of resources, and fund balance	\$ 3,390,290	\$ 1,793,650	\$ 2,455,608	\$ 6,035,355	\$ 6,276	\$ 211,901	\$ 304,750	\$ 247,758	\$ 451,967	\$ 3,008,509	\$ 3,302,262	\$ 21,208,326	

CITY OF HUNTSVILLE, ALABAMA
NONMAJOR GOVERNMENTAL FUNDS (by fund type)
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2019

	Special Revenue Funds										Capital Projects Fund	Total
	Community Development	Community Development Rehabilitation	Public Building Authority	Public Library	Burritt Museum	Constitution Village	Art Museum	Huntsville Tennis Center	Federal Building Authority	Perpetual Care	Cummings Research Park	Nonmajor Governmental Funds
REVENUE												
Taxes and payments in lieu of taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines & forfeitures	-	53	-	341,677	-	-	-	-	-	-	-	341,730
Revenues from money & property	146,908	7,628	-	146,268	-	1,027,227	515,491	235,843	83	541,397	949,772	3,570,617
Charges for services	-	-	-	-	18,316	-	-	-	-	-	-	18,316
Intergovernmental	1,999,390	575,699	-	3,207,673	-	90,000	171,541	-	358,474	-	-	6,402,777
Gifts & donations	-	-	-	82,208	625,079	3,208	1,205,471	-	-	-	-	1,915,966
Other revenues	-	24,705	1,485	190,796	-	6,450	-	175,323	700	-	-	399,459
Total revenues	2,146,298	608,085	1,485	3,968,622	643,395	1,126,885	1,892,503	411,166	359,257	541,397	949,772	12,648,865
EXPENDITURES												
Current												
Public services	-	-	-	6,068,738	1,091,418	2,223,928	2,643,087	615,979	85,059	58,680	-	12,786,889
Urban development	3,051,094	834,127	-	-	-	-	-	-	-	-	227,389	4,112,610
Debt service												
Principal	-	-	2,145,000	-	-	-	-	-	-	-	-	2,145,000
Interest	-	-	2,230,825	-	-	-	-	-	-	-	-	2,230,825
Capital projects construction	-	-	-	-	-	-	-	-	-	22,800	326,490	349,290
Intergovernmental assistance	-	-	-	-	-	-	-	-	298,472	-	-	298,472
Total expenditures	3,051,094	834,127	4,375,825	6,068,738	1,091,418	2,223,928	2,643,087	615,979	383,531	81,480	553,879	21,923,086
Excess (deficiency) of revenues over expenditures	(904,796)	(226,042)	(4,374,340)	(2,100,116)	(448,023)	(1,097,043)	(750,584)	(204,813)	(24,274)	459,917	395,893	(9,274,221)
OTHER FINANCING SOURCES (USES)												
Transfers in	326,864	150,000	3,553,650	3,886,131	445,000	725,000	710,000	195,400	-	-	-	9,992,045
Transfers (out)	-	(16,864)	-	(1,456,990)	-	-	-	-	-	-	-	(1,473,854)
Total other financing sources (uses)	326,864	133,136	3,553,650	2,429,141	445,000	725,000	710,000	195,400	-	-	-	8,518,191
Net change in fund balance	(577,932)	(92,906)	(820,690)	329,025	(3,023)	(372,043)	(40,584)	(9,413)	(24,274)	459,917	395,893	(756,030)
Fund balance (deficit), beginning - restated	1,360,987	1,699,897	3,275,669	5,183,478	4,430	(90,461)	(46,897)	252,168	476,241	2,548,431	2,887,968	17,551,911
Fund balance (deficit), ending	\$ 783,055	\$ 1,606,991	\$ 2,454,979	\$ 5,512,503	\$ 1,407	\$ (462,504)	\$ (87,481)	\$ 242,755	\$ 451,967	\$ 3,008,348	\$ 3,283,861	\$ 16,795,881

**CITY OF HUNTSVILLE, ALABAMA
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BY ACTIVITY
For the Year Ended September 30, 2019**

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>4/5 Cent Gas Tax Fund</u>				
Revenues				
Taxes and payments in lieu of taxes	\$ 1,642,199	\$ 1,642,199	\$ 1,504,544	\$ (137,655)
Revenues from money and property	7,500	7,500	20,911	13,411
Total	1,649,699	1,649,699	1,525,455	(124,244)
Expenditures				
Operating	1,620,050	16,290	16,275	15
Total	1,620,050	16,290	16,275	15
Excess (Deficiency) of Revenues Over Expenditures	29,649	1,633,409	1,509,180	(124,229)
Other financing sources (uses)				
Transfers in (out)	-	-	(1,613,723)	(1,613,723)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	29,649	1,633,409	(104,543)	(1,737,952)
Fund balance, beginning	1,988,859	1,988,859	1,988,859	-
Fund balance, ending	\$ 2,018,508	\$ 3,622,268	\$ 1,884,316	\$ (1,737,952)
<u>6.5 Mill Debt Tax Fund</u>				
Revenues				
Taxes and payments in lieu of taxes	\$ 17,750,000	\$ 17,750,000	\$ 18,299,987	\$ 549,987
Revenues from money and property	-	-	1	1
Total	17,750,000	17,750,000	18,299,988	549,988
Excess (Deficiency) of Revenues Over Expenditures	17,750,000	17,750,000	18,299,988	549,988
Other financing sources (uses)				
Transfers in (out)	(17,750,000)	(17,750,000)	(18,900,000)	(1,150,000)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	-	-	(600,012)	(600,012)
Fund balance, beginning	1,780,474	1,780,474	1,780,474	-
Fund balance, ending	\$ 1,780,474	\$ 1,780,474	\$ 1,180,462	\$ (600,012)

CITY OF HUNTSVILLE, ALABAMA
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BY ACTIVITY
For the Year Ended September 30, 2019

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
6.5 Mill School Tax Fund				
Revenues				
Taxes and payments in lieu of taxes	\$ 18,984,174	\$ 18,984,174	\$ 19,418,559	\$ 434,385
Revenues from money and property	250	250	518	268
Total	<u>18,984,424</u>	<u>18,984,424</u>	<u>19,419,077</u>	<u>434,653</u>
Expenditures				
Intergovernmental assistance	(900,000)	(900,000)	1,800,000	2,700,000
Total	<u>(900,000)</u>	<u>(900,000)</u>	<u>1,800,000</u>	<u>2,700,000</u>
Excess (Deficiency) of Revenues Over Expenditures	19,884,424	19,884,424	17,619,077	(2,265,347)
Other financing sources (uses)				
Transfers in (out)	(20,431,142)	(20,431,142)	(20,431,142)	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(546,718)	(546,718)	(2,812,065)	(2,265,347)
Fund balance, beginning	6,033,676	6,033,676	6,033,676	-
Fund balance, ending	\$ 5,486,958	\$ 5,486,958	\$ 3,221,611	\$ (2,265,347)
7 Cent Gas Tax Fund				
Revenues				
Taxes and payments in lieu of taxes	\$ 2,412,829	\$ 2,412,829	\$ 2,196,011	\$ (216,818)
Revenues from money and property	9,500	9,500	26,606	17,106
Total	<u>2,422,329</u>	<u>2,422,329</u>	<u>2,222,617</u>	<u>(199,712)</u>
Expenditures				
Operating	3,060,450	3,056,383	3,322,311	(265,928)
Total	<u>3,060,450</u>	<u>3,056,383</u>	<u>3,322,311</u>	<u>(265,928)</u>
Excess (Deficiency) of Revenues Over Expenditures	(638,121)	(634,054)	(1,099,694)	(465,640)
Other financing sources (uses)				
Transfers in (out)	637,500	637,500	637,500	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(621)	3,446	(462,194)	(465,640)
Fund balance, beginning	58,633	58,633	58,633	-
Fund balance, ending	\$ 58,012	\$ 62,079	\$ (403,561)	\$ (465,640)

CITY OF HUNTSVILLE, ALABAMA
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BY ACTIVITY
For the Year Ended September 30, 2019

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Seizure Fund				
Revenues				
Fines and forfeitures	\$ 350,000	\$ 350,297	\$ 235,058	\$ (115,239)
Total	350,000	350,297	235,058	(115,239)
Expenditures				
Operating	382,639	886,892	366,089	520,803
Total	382,639	886,892	366,089	520,803
Excess (Deficiency) of Revenues Over Expenditures	(32,639)	(536,595)	(131,031)	405,564
Fund balance, beginning	652,964	652,964	652,964	-
Fund balance, ending	\$ 620,325	\$ 116,369	\$ 521,933	\$ 405,564
TIF 2 Fund				
Revenues				
Taxes and payments in lieu of taxes	\$ 1,263,659	\$ 1,263,659	\$ 1,263,313	\$ (346)
Revenues from money and property	-	-	569	569
Total	1,263,659	1,263,659	1,263,882	223
Expenditures				
Operating	-	-	127	(127)
Total	-	-	127	(127)
Excess (Deficiency) of Revenues Over Expenditures	1,263,659	1,263,659	1,263,755	96
Other financing sources (uses)				
Transfers in (out)	(1,223,140)	(1,223,140)	(1,263,840)	(40,700)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	40,519	40,519	(85)	(40,604)
Fund balance, beginning	15,959	15,959	15,959	-
Fund balance, ending	\$ 56,478	\$ 56,478	\$ 15,874	\$ (40,604)

CITY OF HUNTSVILLE, ALABAMA
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BY ACTIVITY
For the Year Ended September 30, 2019

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
TIF 3A Fund				
Revenues				
Taxes and payments in lieu of taxes	\$ 3,450,943	\$ 3,450,943	\$ 3,451,102	\$ 159
Revenues from money and property	-	-	8,126	8,126
Total	<u>3,450,943</u>	<u>3,450,943</u>	<u>3,459,228</u>	<u>8,285</u>
Excess (Deficiency) of Revenues Over Expenditures	3,450,943	3,450,943	3,459,228	8,285
Other financing sources (uses)				
Transfers in (out)	(1,763,682)	(1,763,682)	(1,763,682)	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,687,261	1,687,261	1,695,546	8,285
Fund balance, beginning	7,345,086	7,345,086	7,345,086	-
Fund balance, ending	\$ 9,032,347	\$ 9,032,347	\$ 9,040,632	\$ 8,285
TIF 4 Fund				
Revenues				
Taxes and payments in lieu of taxes	\$ 2,344,141	\$ 2,344,141	\$ 2,341,581	\$ (2,560)
Revenues from money and property	5,000	5,000	4,470	(530)
Total	<u>2,349,141</u>	<u>2,349,141</u>	<u>2,346,051</u>	<u>(3,090)</u>
Expenditures				
Operating	-	-	130	(130)
Total	<u>-</u>	<u>-</u>	<u>130</u>	<u>(130)</u>
Excess (Deficiency) of Revenues Over Expenditures	2,349,141	2,349,141	2,345,921	(3,220)
Other financing sources (uses)				
Transfers in (out)	(2,140,356)	(2,140,356)	(2,345,256)	(204,900)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	208,785	208,785	665	(208,120)
Fund balance, beginning	376	376	376	-
Fund balance, ending	\$ 209,161	\$ 209,161	\$ 1,041	\$ (208,120)

CITY OF HUNTSVILLE, ALABAMA
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BY ACTIVITY
For the Year Ended September 30, 2019

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
TIF 5 Fund				
Revenues				
Taxes and payments in lieu of taxes	\$ 857,469	\$ 857,469	\$ 962,147	\$ 104,678
Revenues from money and property	500	500	2,233	1,733
Total	<u>857,969</u>	<u>857,969</u>	<u>964,380</u>	<u>106,411</u>
Expenditures				
Operating	-	9,659,822	4,651,007	5,008,815
Capital	7,980,354	9,673,854	4,509,065	5,164,789
Debt Service	450,000	456,500	173,555	282,945
Total	<u>8,430,354</u>	<u>19,790,176</u>	<u>9,333,627</u>	<u>10,456,549</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,572,385)	(18,932,207)	(8,369,247)	(10,350,138)
Other financing sources (uses)				
Long-term debt issued	-	-	3,078,908	3,078,908
Transfers in (out)	(801,591)	(801,591)	(801,591)	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(8,373,976)	(19,733,798)	(6,091,930)	13,641,868
Fund balance, beginning	307,644	307,644	307,644	-
Fund balance, ending	\$ (8,066,332)	\$ (19,426,154)	\$ (5,784,286)	\$ 13,641,868
TIF 6 Fund				
Revenues				
Taxes and payments in lieu of taxes	\$ 1,256,619	\$ 1,256,619	\$ 1,363,383	\$ 106,764
Revenues from money and property	-	-	-	-
Total	<u>1,256,619</u>	<u>1,256,619</u>	<u>1,363,383</u>	<u>106,764</u>
Excess (Deficiency) of Revenues Over Expenditures	1,256,619	1,256,619	1,363,383	106,764
Other financing sources (uses)				
Transfers in (out)	(1,115,556)	(1,115,556)	(1,115,556)	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	141,063	141,063	247,827	106,764
Fund balance, beginning	(2,887,489)	(2,887,489)	(2,887,489)	-
Fund balance, ending	\$ (2,746,426)	\$ (2,746,426)	\$ (2,639,662)	\$ 106,764

CITY OF HUNTSVILLE, ALABAMA
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BY ACTIVITY
For the Year Ended September 30, 2019

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Grand Total - The Special Revenue Fund				
Revenues				
Taxes and payments in lieu of taxes	\$ 49,962,033	\$ 49,962,033	\$ 50,800,627	\$ 838,594
Fines and forfeitures	350,000	350,297	235,058	(115,239)
Revenues from money and property	22,750	22,750	63,434	40,684
Total	<u>50,334,783</u>	<u>50,335,080</u>	<u>51,099,119</u>	<u>764,039</u>
Expenditures				
Operating	5,063,139	13,619,387	8,355,939	5,263,448
Capital	7,980,354	9,673,854	4,509,065	5,164,789
Debt service	450,000	456,500	173,555	282,945
Intergovernmental assistance	(900,000)	(900,000)	1,800,000	(2,700,000)
Total	<u>12,593,493</u>	<u>22,849,741</u>	<u>14,838,559</u>	<u>8,011,182</u>
Excess (Deficiency) of Revenues Over Expenditures	37,741,290	27,485,339	36,260,560	8,775,221
Other financing sources (uses)				
Long-term debt issued	-	-	3,078,908	3,078,908
Transfers in (out)	(44,587,967)	(44,587,967)	(47,597,290)	(3,009,323)
	<u>(44,587,967)</u>	<u>(44,587,967)</u>	<u>(44,518,382)</u>	<u>69,585</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(6,846,677)	(17,102,628)	(8,257,822)	8,844,806
Fund balance, beginning	15,580,072	15,580,072	15,580,072	-
Fund balance, ending	\$ 8,733,395	\$ (1,522,556)	\$ 7,322,250	\$ 8,844,806

**CITY OF HUNTSVILLE, ALABAMA
OTHER GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BY ACTIVITY
For the Year Ended September 30, 2019**

	2014 Capital Improvements			
	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$ 44,549,693	\$ 44,549,693	\$ 46,891,016	\$ 2,341,323
Revenues from money and property	175,000	175,000	1,840,393	1,665,393
Intergovernmental	3,190,280	7,515,261	69,829	(7,445,432)
Charges for services	-	7,009,557	16,146,402	9,136,845
Other revenues	-	-	304,676	304,676
Total revenues	47,914,973	59,249,511	65,252,316	6,002,805
EXPENDITURES				
Capital	131,245,735	202,927,330	59,452,430	143,474,900
Debt service	-	-	202,669	(202,669)
Total expenditures	131,245,735	202,927,330	59,655,099	143,272,231
Excess of revenues over expenditures	(83,330,762)	(143,677,819)	5,597,217	149,275,036
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	27,000,000	27,000,000	31,130,000	4,130,000
Premium on debt issue	-	-	7,080,918	7,080,918
Transfers out	(4,074,378)	(4,074,378)	(8,887,544)	(4,813,166)
Total other financing sources (uses)	22,925,622	22,925,622	29,323,374	6,397,752
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(60,405,140)	(120,752,197)	34,920,591	155,672,788
Fund balance, beginning	104,948,271	104,948,271	104,948,271	-
Fund balance, ending	44,543,131	(15,803,926)	\$ 139,868,862	\$ 155,672,788

**CITY OF HUNTSVILLE, ALABAMA
OTHER GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BY ACTIVITY
For the Year Ended September 30, 2019**

	Capital Improvements			
	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$ 54,508,200	\$ 54,508,200	\$ 57,361,880	\$ 2,853,680
Revenues from money and property	535,095	535,095	2,463,361	1,928,266
Intergovernmental	21,474,478	21,815,817	5,974,441	(15,841,376)
Gifts and donations	100,000	100,000	1,471,640	1,371,640
Other revenues	284,175	284,175	1,262,362	978,187
Total revenues	76,901,948	77,243,287	68,533,684	(8,709,603)
EXPENDITURES				
Capital	142,220,109	198,006,422	86,206,460	111,799,962
Debt service	700,000	700,000	298,633	401,367
Total expenditures	142,920,109	198,706,422	86,505,093	112,201,329
Excess of revenues over expenditures	(66,018,161)	(121,463,135)	(17,971,409)	103,491,726
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	52,225,000	52,225,000	45,870,000	(6,355,000)
Premium on debt issue	-	-	10,433,720	10,433,720
Transfer to debt escrow agent	-	-	-	-
Transfers in	(4,183,394)	(4,183,394)	7,462,073	11,645,467
Transfers out	(13,460,868)	(13,460,868)	(12,380,867)	1,080,001
Total other financing sources (uses)	34,580,738	34,580,738	51,384,926	16,804,188
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(31,437,423)	(86,882,397)	33,413,517	120,295,914
Fund balance, beginning	92,007,212	92,007,212	92,007,212	-
Fund balance, ending	\$ 60,569,789	\$ 5,124,815	\$ 125,420,729	\$ 120,295,914

**CITY OF HUNTSVILLE, ALABAMA
OTHER GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BY ACTIVITY
For the Year Ended September 30, 2019**

	Cummings Research Park Capital Projects Fund			
	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues from money and property	\$ 15,000	\$ 15,000	\$ 949,772	\$ 934,772
Total revenues	15,000	15,000	949,772	934,772
EXPENDITURES				
Urban development	60,365	563,446	227,389	(336,057)
Capital	-	325,000	326,490	1,490
Total expenditures	60,365	888,446	553,879	(334,567)
Excess of revenues over expenditures	(45,365)	(873,446)	395,893	1,269,339
Fund balance, beginning	2,887,968	2,887,968	2,887,968	-
Fund balance, ending	\$ 2,842,603	\$ 2,014,522	\$ 3,283,861	\$ 1,269,339

**CITY OF HUNTSVILLE, ALABAMA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BY ACTIVITY
For the Year Ended September 30, 2019**

	Debt Service			
	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues from money and property	\$ 20,000	\$ 20,000	\$ 10,939	\$ (9,061)
Total revenues	20,000	20,000	10,939	(9,061)
EXPENDITURES				
Debt service				
Principal	35,317,146	35,317,146	35,317,146	-
Interest	31,649,987	31,649,987	31,649,986	1
Fiscal charges	-	-	724	-
Total expenditures	66,967,133	66,967,133	66,967,856	1
Excess of revenues over expenditures	(66,947,133)	(66,947,133)	(66,956,917)	(9,784)
OTHER FINANCING SOURCES (USES)				
Transfers in	66,967,132	66,967,132	66,967,131	1
Transfers out	-	-	-	-
Total other financing sources (uses)	66,967,132	66,967,132	66,967,131	1
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	19,999	19,999	10,214	(9,785)
Fund balance, beginning	(1,348)	(1,348)	(1,348)	-
Fund balance, ending	\$ 18,651	\$ 18,651	\$ 8,866	\$ (9,785)



STATISTICAL SECTION

This part of the City of Huntsville’s comprehensive annual financial report presents detailed information about the government’s economic condition. This section aids in understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents	Page
Financial Trends	124
<i>These schedules contain trend information to help the reader understand and assess how the government’s financial position has changed over time.</i>	
Revenue Capacity	129
<i>These schedules contain information to help the reader assess the government’s most significant revenue source, sales and property taxes.</i>	
Debt Capacity	134
<i>These schedules contain information to help the reader assess the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	139
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information	141
<i>These schedules contain information to help the reader understand the government’s operations and resources.</i>	

Sources: Unless otherwise noted, the information in this section is derived from the comprehensive annual financial reports for the relevant year.

CITY OF HUNTSVILLE, ALABAMA
NET POSITION BY COMPONENT

Last Ten Fiscal Years
 Unaudited

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental activities										
Net investment in capital assets	\$551,007,949	\$544,768,278	\$845,513,121	\$942,884,115	\$797,217,611	\$833,092,652	\$831,725,887	\$809,527,915	\$806,901,120	\$802,221,037
Restricted	281,375,373	236,973,783	41,377,635	96,222,800	56,606,417	36,683,825	53,102,659	92,060,940	69,827,306	59,953,224
Unrestricted	(367,381,198)	(361,804,446)	(443,964,319)	(597,400,654)	(423,145,927)	(262,498,673)	(180,968,702)	(191,382,729)	(134,886,509)	(115,487,088)
Total net position	\$465,002,124	\$419,937,615	\$442,926,437	\$441,706,261	\$430,678,101	\$607,277,804	\$703,859,844	\$710,206,126	\$741,841,917	\$746,687,173
Business-type activities										
Net investment in capital assets	\$331,320,679	\$309,021,803	\$302,449,760	\$296,962,340	\$286,013,940	\$274,288,062	\$266,661,604	\$261,861,356	\$257,197,485	\$229,307,244
Restricted	10,824	9,124	143,098	0	0	554,023	6,858,123	14,820,632	9,998,784	10,802,923
Unrestricted	28,182,034	18,979,336	23,127,600	17,918,489	17,545,100	33,425,775	23,590,425	11,684,296	13,797,524	21,960,699
Total net position	\$359,513,537	\$328,010,263	\$325,720,458	\$314,880,829	\$303,559,040	\$308,267,860	\$297,110,152	\$288,366,284	\$280,993,793	\$262,070,866
Primary government										
Net investment in capital assets	\$882,328,628	\$853,790,081	\$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
Restricted	281,386,197	236,982,907	41,520,733	96,222,800	56,606,417	37,237,848	59,960,782	106,881,572	79,826,090	70,756,147
Unrestricted	(339,199,164)	(342,825,110)	(420,836,719)	(579,482,165)	(405,600,827)	(229,072,898)	(157,378,277)	(179,698,433)	(121,088,985)	(93,526,389)
Total primary government net position	\$824,515,661	\$747,947,878	\$768,646,895	\$756,587,090	\$734,237,141	\$915,545,664	\$1,000,969,996	\$998,572,410	\$1,022,835,710	\$1,008,758,039

Source: Comprehensive annual financial reports

CITY OF HUNTSVILLE, ALABAMA
CHANGES IN NET POSITION
 Last Ten Fiscal Years
 Unaudited

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses										
Governmental activities:										
General government	\$50,520,319	\$40,753,794	\$34,640,871	\$34,361,989	\$29,989,299	\$29,153,904	\$26,715,719	\$26,733,928	\$24,420,239	\$22,148,340
Public safety	106,544,062	109,340,713	101,454,111	89,867,060	89,257,242	88,372,786	85,724,764	83,352,893	82,143,685	82,875,148
Public services	141,692,196	131,024,399	144,445,066	164,347,739	168,284,768	237,413,535	128,811,922	137,948,724	108,810,956	109,197,353
Urban development	45,601,798	39,928,608	27,486,329	22,412,512	43,242,563	36,683,268	28,867,478	39,156,948	38,663,677	26,455,675
Interest on long-term debt	41,627,006	29,840,153	29,881,615	29,852,643	26,224,071	26,658,311	25,455,799	25,462,843	22,976,363	20,727,443
Unallocated depreciation*	-	30,364,378	30,071,644	32,372,585	31,002,001	30,740,478	30,455,028	29,882,021	29,467,360	29,328,626
Total governmental activities expenses	385,985,381	381,252,045	367,979,636	373,214,528	387,999,944	449,022,282	326,030,710	342,537,357	306,482,280	290,732,585
Business-type activities:										
Water pollution control	30,912,511	37,403,132	27,991,809	29,173,955	28,593,512	27,244,801	27,720,695	30,318,335	31,138,113	27,061,582
Civic Center	15,002,905	13,987,414	12,989,031	12,542,916	12,043,936	11,842,331	10,961,440	11,128,503	10,125,697	9,728,536
Ice Complex	1,338,944	1,238,619	1,290,010	1,310,499	1,615,154	1,581,104	1,482,712	1,395,951	1,207,208	1,056,821
Total business-type activities expenses	47,254,360	52,629,165	42,270,850	43,027,370	42,252,602	40,668,236	40,164,847	42,842,789	42,471,018	37,846,939
Total primary government expenses	433,239,741	433,881,210	410,250,486	416,241,898	430,252,546	489,690,518	366,195,557	385,380,146	348,953,298	328,579,524
Program Revenues										
Governmental activities:										
Charges for services:										
General government	30,152,032	29,595,713	24,055,896	22,777,167	22,052,325	22,021,774	21,925,264	20,777,576	20,090,489	19,546,315
Public Safety	4,124,976	4,048,868	4,122,334	4,531,621	4,681,849	4,642,898	4,116,642	3,920,660	4,042,948	4,206,968
Public Services	19,435,940	19,077,338	19,410,439	18,821,416	18,328,708	17,988,274	18,388,361	18,116,407	18,024,375	16,467,291
Urban Development	4,958,250	4,866,768	3,841,420	3,220,276	2,732,673	3,093,173	3,307,178	2,492,147	2,632,710	2,979,979
Operating grants and contributions	38,101,102	37,398,120	12,484,743	28,466,937	24,437,539	26,850,683	21,199,994	12,395,570	10,087,125	9,607,076
Capital grants and contributions	2,090,510	2,051,939	5,524,756	14,359,350	21,290,616	21,349,944	23,956,342	24,501,646	23,279,382	11,477,997
Total governmental activities program revenues	98,862,810	97,038,746	69,439,588	92,176,767	93,523,710	95,946,746	92,893,781	82,204,006	78,157,029	64,285,626
Business-type activities:										
Charges for services:										
Water pollution control	40,942,608	39,824,923	40,049,926	38,940,571	37,680,083	36,032,232	35,792,089	36,141,264	37,321,532	33,518,016
Civic Center	10,975,341	9,962,346	8,980,112	9,133,213	8,202,625	8,358,106	7,361,245	7,212,347	6,839,392	6,514,808
Ice Complex	1,371,504	1,253,898	1,160,985	1,163,060	1,423,171	1,518,105	1,414,996	1,405,130	1,089,071	1,002,102
Operating grants and contributions	1,287	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	9,090	-	2,409,031	3,525,530	1,341,687	2,980,046	2,147,144	1,787,827
Total business-type activities program revenues	53,290,740	51,041,167	50,200,113	49,236,844	49,714,910	49,433,973	45,910,017	47,738,787	47,397,139	42,822,753
Total primary government program revenues	152,153,550	148,079,913	119,639,701	141,413,611	143,238,620	145,380,719	138,803,798	129,942,793	125,554,168	107,108,379
Net(expense)revenue										
Governmental activities	(287,122,571)	(284,213,299)	(298,540,048)	(281,037,761)	(294,476,234)	(353,075,536)	(233,136,929)	(260,333,351)	(228,325,251)	(226,446,959)
Business-type activities	6,036,380	(1,587,998)	7,929,263	6,209,474	7,462,308	8,765,737	5,745,170	4,895,998	4,926,121	4,975,814
Total primary government net expenses	(281,086,191)	(285,801,297)	(290,610,785)	(274,828,287)	(287,013,926)	(344,309,799)	(227,391,759)	(255,437,353)	(223,399,130)	(221,471,145)

CITY OF HUNTSVILLE, ALABAMA

CHANGES IN NET POSITION

Last Ten Fiscal Years

Unaudited

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales & use taxes	\$ 226,685,473	\$ 208,966,293	\$ 195,327,025	\$ 190,546,050	\$ 181,057,346	\$ 159,401,801	\$ 135,099,924	\$ 132,772,011	\$ 127,235,936	\$ 123,934,078
Property taxes	65,167,286	66,083,001	59,604,053	57,850,973	54,748,223	54,253,368	53,241,717	54,699,340	58,861,760	57,285,006
Other taxes	52,525,318	47,855,650	43,967,500	45,203,819	41,737,789	41,039,618	39,075,002	39,691,873	39,795,730	39,451,787
Interest on Investments	4,832,242	2,383,639	585,804	704,590	450,481	672,898	775,306	1,124,316	969,805	798,035
Other	3,330,072	2,703,551	2,270,299	1,478,946	1,951,356	1,180,504	1,305,543	944,235	1,172,264	20,071,808
Gains (losses) on sales of assets	-	580,750	863,000	1,350,500	(304,271)	2,263,811	205,554	1,893,432	232,794	1,142,410
Extraordinary impairment loss	-	-	-	-	-	-	-	-	-	(27,067,437)
Transfers	(14,236,907)	(10,716,842)	(2,857,457)	(5,068,957)	(2,726,833)	(2,318,504)	(2,912,399)	(2,427,647)	(14,909,852)	(17,794,065)
Total governmental activities	338,303,484	317,856,042	299,760,224	292,065,921	276,914,091	256,493,496	226,790,647	228,697,560	213,358,437	197,821,622
Business-type activities										
Interest on Investments	134,194	81,117	52,909	43,358	63,140	73,467	86,299	48,846	44,439	70,160
Gains (losses) on sales of assets	(39)	-	-	-	-	-	-	-	-	-
Transfers	14,236,907	8,202,574	2,857,457	5,068,957	2,726,833	2,318,504	2,912,399	2,427,647	14,909,852	17,794,065
Total business-type activities	14,371,062	8,283,691	2,910,366	5,112,315	2,789,973	2,391,971	2,998,698	2,476,493	14,954,291	17,864,225
Total primary government	352,674,546	326,139,733	302,670,590	297,178,236	279,704,064	258,885,467	229,789,345	231,174,053	228,312,728	215,685,847
<u>Change in Net Position</u>										
Governmental activities	51,180,913	33,642,743	1,220,176	11,028,160	(17,562,143)	(96,582,040)	(6,346,282)	(31,635,791)	(14,966,814)	(28,625,337)
Business-type activities	20,407,442	6,695,693	10,839,629	11,321,789	10,252,281	11,157,708	8,743,868	7,372,491	19,880,412	22,840,039
Total primary government	\$71,588,355	\$40,338,436	\$12,059,805	\$22,349,949	(\$7,309,862)	(\$85,424,332)	\$2,397,586	(\$24,263,300)	\$4,913,598	(\$5,785,298)

Source: Comprehensive annual financial reports.

CITY OF HUNTSVILLE, ALABAMA
FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
Unaudited

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Fund										
Nonspendable	\$ 459,009	\$ 502,254	\$ 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	4,310,285	4,310,285	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	1,000,000	1,000,000	4,634,414	6,333,577	8,331,843	6,869,250	5,757,645	-
Unassigned	53,996,464	53,497,651	43,456,951	37,738,528	26,014,291	31,082,957	30,630,183	31,151,798	29,227,404	-
Reserved	-	-	-	-	-	-	-	-	-	\$ 452,658
Unreserved	-	-	-	-	-	-	-	-	-	37,387,163
Total general fund	59,765,758	59,310,190	49,667,181	45,829,454	35,417,113	40,591,384	40,025,051	38,783,903	38,293,669	37,839,821
All other governmental funds										
Nonspendable	2,991,862	3,915,322	3,257,915	2,937,642	2,957,461	1,934,453	1,257,751	1,230,972	992,765	-
Restricted	281,375,373	236,973,783	41,377,635	88,919,640	87,154,198	76,162,879	76,162,879	124,922,741	73,184,953	-
Committed	4,890,852	2,887,968	142,362,101	80,848,838	32,691,643	30,615,652	30,615,652	37,375,254	42,403,656	-
Assigned	6,064,118	5,672,188	5,307,031	5,845,167	5,309,942	6,032,259	5,898,703	5,216,839	4,259,078	-
Unassigned	(5,950,414)	(15,776,565)	(1,117,573)	(215,316)	(236,961)	(362,755)	(236,855)	(1,102,991)	(182,686)	-
Reserved	-	-	-	-	-	-	-	-	-	55,597,074
Unreserved, reported in:										
Debt Service fund	-	-	-	-	-	-	-	-	-	3,449,602
Special revenue funds	-	-	-	-	-	-	-	-	-	(2,149,120)
Permanent funds	-	-	-	-	-	-	-	-	-	1,264,302
Capital project funds	-	-	-	-	-	-	-	-	-	88,159,398
Total all other governmental funds	289,371,791	233,672,696	191,187,109	178,335,971	127,876,283	114,382,488	113,698,130	167,642,815	120,657,766	146,321,256
Total fund balance	\$349,137,549	\$ 292,982,886	\$240,854,290	\$224,165,425	\$ 163,293,396	\$154,973,872	\$153,723,181	\$206,426,718	\$158,951,435	\$184,161,077

Source: Comprehensive annual financial reports.

CITY OF HUNTSVILLE, ALABAMA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
 Unaudited

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
Sales and Use Tax	\$226,685,473	\$208,966,293	\$195,384,836	\$190,729,980	\$181,057,346	\$159,781,025	\$135,057,237	\$132,503,675	\$126,470,618	\$123,934,078
Property Tax	65,167,286	66,083,001	59,517,420	57,850,973	54,748,223	54,253,368	53,241,717	54,699,340	58,861,760	57,285,006
Other taxes	52,525,318	47,796,692	43,907,918	45,465,453	41,977,292	41,090,211	39,075,002	39,691,873	39,795,730	39,451,787
Licenses and permits	29,448,382	28,208,646	26,499,649	24,901,908	23,679,897	23,819,364	23,850,640	22,033,292	21,389,753	21,739,746
Fines and forfeitures	3,507,915	3,826,040	4,003,972	4,466,875	3,754,603	3,473,013	3,129,923	3,240,931	3,485,908	3,730,949
Revenues from money and property	9,717,987	6,972,716	5,299,539	4,919,314	4,744,704	6,461,335	4,511,397	6,211,960	4,470,530	5,694,484
Charges for services	37,161,056	42,349,949	17,993,904	17,333,314	16,947,087	16,549,021	16,215,457	15,071,641	14,849,097	13,355,299
Intergovernmental	17,595,641	11,244,579	18,343,577	32,320,686	29,747,386	27,987,674	30,395,247	21,380,475	18,328,789	18,848,842
Gifts and donations	3,408,869	2,440,644	2,460,757	6,907,406	2,922,892	3,275,381	5,817,108	3,911,580	6,440,919	9,105,851
Other revenues	3,330,072	1,806,477	1,668,794	1,268,490	1,831,703	2,486,427	1,450,476	2,122,359	1,663,967	4,029,865
Total Revenues	448,547,999	419,695,037	375,080,366	386,164,399	361,411,133	339,176,819	312,744,204	300,867,126	295,757,071	297,175,907
Expenditures										
General government	39,733,663	29,488,028	30,718,856	31,372,454	29,170,852	28,227,710	26,200,191	28,697,542	23,065,197	23,540,359
Public safety	95,034,927	92,865,616	89,362,560	90,332,831	83,826,858	82,331,558	80,070,974	80,502,982	76,605,943	77,047,963
Public services	106,397,516	88,173,064	78,125,664	121,919,036	128,975,662	74,322,641	72,239,663	77,422,057	67,250,778	70,201,183
Urban development	26,419,907	20,403,337	20,658,265	18,328,725	18,806,466	27,725,654	17,562,142	16,288,150	20,107,047	16,476,084
Debt service										
Principal	37,462,146	37,243,956	29,770,224	28,657,088	43,323,319	34,054,729	50,829,052	32,412,110	32,242,118	35,498,028
Interest	34,041,366	26,716,331	28,179,262	26,167,860	24,800,838	24,753,072	23,912,271	23,527,397	22,400,482	22,828,178
Fiscal charges	724	624	507	711	2,149	849	17,087	15,804	21,546	13,304
Debt issuance costs	514,302	1,269,946	1,185,748	723,615	621,319	1,414,594	249,956	1,246,871	6,500	1,148,689
Capital projects construction and outlay	95,846,575	166,255,294	66,860,745	36,777,565	55,563,121	28,117,331	29,658,555	20,600,429	23,300,805	32,578,946
Intergovernmental assistance	34,137,648	29,670,223	52,910,501	49,110,279	44,913,309	165,783,884	63,366,078	83,144,550	54,835,373	43,747,892
Total expenditures	469,588,774	492,086,420	397,772,332	403,390,164	430,003,893	466,732,022	364,105,969	363,857,892	319,835,789	323,080,626
Excess of revenues over (under) expenditures	(21,040,775)	(72,391,383)	(22,691,966)	(17,225,765)	(68,592,760)	(127,555,203)	(51,361,765)	(62,990,766)	(24,078,718)	(25,904,719)
Other financing sources(uses)										
Long-term debt issued	80,078,908	166,609,194	103,482,451	121,175,789	69,718,637	196,870,969	27,770,132	151,704,893	13,778,928	145,244,100
Premium on debt issue	17,514,638	27,882,248	10,700,582	27,065,510	9,925,229	24,816,375	311,879	17,425,336	-	7,106,178
Payment to escrow agent	(44,797)	(55,291,484)	(71,944,745)	(65,074,549)	-	(95,982,662)	(20,988,033)	(56,303,167)	-	(76,308,888)
Transfers in	85,058,749	77,083,967	72,761,360	48,054,906	79,797,073	79,517,324	91,546,692	90,282,567	89,431,120	92,329,571
Transfers (out)	(99,295,656)	(87,800,809)	(75,618,816)	(53,123,863)	(82,590,783)	(82,037,527)	(94,361,027)	(92,643,580)	(104,340,972)	(110,173,348)
Total other financing sources(uses)	83,311,842	128,483,116	39,380,832	78,097,793	76,850,156	123,184,479	4,279,643	110,466,049	(1,130,924)	58,197,613
Net change in fund balances	\$62,271,067	\$56,091,733	\$16,688,866	\$60,872,028	\$8,257,396	(\$4,370,724)	(\$47,082,122)	\$47,475,283	(\$25,209,642)	\$32,292,894
Debt service as a percentage of noncapital expenditures	26.9%	27.7%	26.5%	20.9%	26.1%	27.7%	38.1%	27.6%	29.2%	31.2%

Source: Comprehensive annual financial reports.

CITY OF HUNTSVILLE, ALABAMA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

Last Ten Fiscal Years
Unaudited

Fiscal Year	Sales and Use Tax	Property Tax	Rental and Leasing	City Liquor	City Lodging	City Gasoline	City Wine	City Tobacco	State Gasoline	Huntsville Utilities P.I.L.O.T.	TVA P.I.L.O.T.	State Beverage	State Tobacco	All Other	Total
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	\$1,988,315	\$298,898,578
2018	\$208,966,293	\$66,083,001	\$3,707,198	\$3,490,644	\$12,407,344 *	\$1,347,117	\$221,543	\$1,215,787	\$3,578,788	\$15,095,329	\$2,829,553	\$1,710,566	\$302,714	\$1,949,066	\$322,904,944
2019	\$226,685,473	\$65,067,286	\$4,039,834	\$3,575,726	\$14,247,977	\$1,361,321	\$225,678	\$1,172,419	\$3,661,721	\$19,051,519	\$2,494,464	\$1,790,735	\$144,940	\$758,984	\$344,278,077

Source: Comprehensive annual financial reports

* In fiscal year 2017 the City increased Lodging taxes by 2% and added \$1 surcharge per room.

CITY OF HUNTSVILLE, ALABAMA

SALES & PROPERTY TAX RATES

Last Ten Fiscal Years

Unaudited

SALES TAX				
Fiscal Year	City	County	State	Total
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*	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%
2018	4.5%	0.5%	4.0%	9.0%
2019	4.5%	0.5%	4.0%	9.0%

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

* A 1.0% Sales Tax increase was inacted on March 1, 2014.

PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS

(Per \$1000 of Assessed Value)

Fiscal Year	City of Huntsville			Total	County			Total
	General Fund	City School Funds	Debt Service Funds		School District	County	State	
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
2018	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2019	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, ALABAMA
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years
Unaudited

Fiscal Year	Total Tax Levy	Total Tax Collections (a)	Percent of Total Tax Collections to Tax Levy
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%
2017-2018	\$207,873,791	\$210,989,952	101.5%
2018-2019	\$227,645,704	\$229,210,607	100.7%

(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

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, ALABAMA

PROPERTY TAXES

ESTIMATED ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (thousands)

Last Ten Fiscal Years

Unaudited

Assessment Date	Real and Personal Property										Total Assessed	Total Actual	Assessed Value To Total Estimated Actual Value	
	Class 1		Class 2		Class 3		Penalties Assessed	Exempt Assessed	Class 4					
October 1,	Assessed	Actual	Assessed	Actual	Assessed	Actual			Assessed	Assessed	Actual	Assessed	Actual	Assessed
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%	
2017	\$21,170	\$70,565	\$2,366,167	\$11,830,836	\$980,301	\$9,803,010	\$3,975	(\$500,689)	\$285,518	\$1,903,451	\$3,156,441	\$23,607,862	13.4%	
2018	\$18,658	\$62,194	\$2,582,436	\$12,912,178	\$1,045,444	\$10,454,436	\$5,872	(\$576,856)	\$295,427	\$1,969,515	\$3,370,980	\$25,398,323	13.3%	

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, ALABAMA
PRINCIPAL TAXPAYERS - SALES & PROPERTY TAXES

Last Ten Fiscal Years
Unaudited

SALES & USE TAXES

Fiscal Year	Top 100 Taxpayers (approximate)	Total Tax	% of Total Tax
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%
2018	\$112,459,986	\$205,955,365	54.6%
2019	\$117,991,316	\$220,062,938	53.6%

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

Note: Information prior to 2006 is not available.

PROPERTY TAXES

Name	2019			2010		
	City Assessed Valuation	Rank	Percentage of Total Assessed Value	City Assessed Valuation	Rank	Percentage of Total Assessed Value
Toyota Motor Manufacturing Alabama	\$120,692,640	1	4.1%	\$65,314,780	1	2.6%
Huntsville NYL LLC	\$25,374,300	2	0.9%	\$27,884,180	2	1.1%
ADTRAN Inc	\$23,879,180	3	0.8%	\$21,741,060	4	0.9%
BASF Catalysts LLC	\$21,682,680	4	0.7%	\$16,364,840	7	0.7%
IMI Huntsville LLC	\$21,451,040	5	0.7%			
Dynetics Inc	\$21,072,120	6	0.7%			
Vintage Pharmaceuticals LLC	\$16,173,260	7	0.5%			
Crestwood Healthcare LP	\$13,275,480	8	0.5%			
Sir Properties Trust	\$11,926,180	9	0.4%			
Redstone Federal Credit Union	\$10,724,540	10	0.4%	\$11,014,280	8	0.4%
Bell South Telecommunications Inc				\$27,304,100	3	1.1%
Cinram Inc				\$16,711,620	6	0.7%
Huntsville Shores LLC				\$17,373,200	5	0.7%
Metal Working Products				\$9,328,700	9	0.4%
Parkway Place Limited Partnership				\$8,814,440	10	0.4%
Top 10 subtotal	\$286,251,420		9.7%	\$221,851,200		9.0%
Other taxpayers	\$2,660,147,580		90.3%	\$2,251,463,800		91.0%
Totals	\$2,946,399,000		100.0%	\$2,473,315,000		100.0%

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.

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 2010 will be levied on October 1, 2011, and collected during the city's 2012 fiscal year.

CITY OF HUNTSVILLE, ALABAMA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita amounts)

Unaudited

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			
2010	\$469,181	\$834	\$86,628	\$120	\$72,658	\$66,865	\$696,286	\$3,866	4.31%
2011	\$434,877	\$14,613	\$86,133	\$64	\$66,719	\$61,745	\$664,151	\$3,643	3.89%
2012	\$503,719	\$29,193	\$85,619	-	\$95,968	\$42,065	\$756,564	\$4,115	4.22%
2013	\$452,459	\$35,933	\$83,759	-	\$88,120	\$37,380	\$697,651	\$3,746	3.82%
2014	\$568,664	\$45,206	\$62,697	-	\$80,799	\$32,525	\$789,891	\$4,194	4.16%
2015	\$496,159	\$41,453	\$59,490	-	\$64,980	\$27,485	\$689,567	\$3,611	3.63%
2016	\$595,632	\$45,610	\$57,310	-	\$55,948	\$22,260	\$776,760	\$4,023	3.96%
2017	\$607,046	\$50,202	\$57,310	-	\$52,609	\$16,835	\$784,002	\$3,994	3.86%
2018	\$693,105	\$50,982	\$44,820	-	\$48,960	\$12,810	\$850,677	\$4,311	3.91%
2019	\$734,787	\$59,356	\$44,820	-	\$45,227	\$8,635	\$892,825	\$4,472	3.89%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements

CITY OF HUNTSVILLE, ALABAMA
RATIOS OF GENERAL OBLIGATION DEBT OUTSTANDING
(amounts expressed in thousands)
Last Ten Fiscal Years
Unaudited

Fiscal Year	General Obligation Warrants	Sewer System General Obligation Warrants	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2010	\$469,181	\$72,658	\$541,839	2.8%	\$3,008
2011	\$434,877	\$66,719	\$501,596	2.5%	\$2,751
2012	\$503,719	\$95,968	\$599,687	2.9%	\$3,262
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
2018	\$693,105	\$48,960	\$742,065	3.1%	\$3,761
2019	\$734,787	\$45,227	\$780,014	3.1%	\$3,907

CITY OF HUNTSVILLE, ALABAMA
LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years
Unaudited

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Debt limit	673,021,600	630,493,200	588,243,400	570,442,400	554,918,000	533,026,200	526,961,200	514,812,800	498,407,400	494,663,000
Total net debt applicable to limit	455,772,313	471,742,804	407,608,415	356,079,457	276,811,706	294,217,898	267,510,207	276,293,944	258,004,189	292,953,851
Legal debt margin	217,249,287	158,750,396	180,634,985	214,362,943	278,106,294	238,808,302	259,450,993	238,518,856	240,403,211	201,709,149
Total net debt applicable to limit as a percentage of debt limit	67.7%	74.8%	69.3%	62.4%	49.9%	55.2%	50.8%	53.7%	51.8%	59.2%

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

Assessed value of real and personal property, October 1, 2018 (a)		<u>\$3,365,108,000</u>
Debt limit - 20 percent of total assessed value		673,021,600
All outstanding debt of the City	<u>\$892,825,000</u>	
Less those portions not chargeable to the debt limit:		
Lease revenue bonds of the Public Building Authority	44,820,000	
Debt payable from other revenues:		
General obligation sewer warrants	45,227,000	
Sewer revenue warrants	8,635,000	
General obligation Series 2018-A Economic Development	50,590,000	
Private Placement Revenue Warrants (EUL)	59,356,274	
Warrants issued for schools	<u>217,926,836</u>	
Total not chargeable	<u>426,555,110</u>	
Total debt chargeable to debt limit	466,269,890	
Less assets available for debt service	<u>10,497,577</u>	<u>455,772,313</u>
Legal debt margin	<u>\$217,249,287</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, ALABAMA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 At September 30, 2019
Unaudited

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Huntsville (a)	Amount Applicable to City of Huntsville
City of Huntsville	\$892,825,000	100.0%	\$892,825,000
Madison County	20,951,875	66.0%	\$13,819,857
Total			\$906,644,857

(a) The Madison County percentage is the ratio of the assessed value of all taxable real and personal property, excluding motor vehicles, in the City 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 for 5.5 mills of county school district taxes. All data as of the most recently released tax abstract (2017).

CITY OF HUNTSVILLE, ALABAMA
PLEGGED REVENUE COVERAGE
WATER POLLUTION CONTROL FUND WARRANTS
Last Ten Fiscal Years
Unaudited

Fiscal Year	Gross Revenues (b)	Direct Operating Expenses (c)	Net Revenue Available for Debt Service	Debt Service Requirement (a)			Coverage
				Principal	Interest	Total	
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	\$40,067,970	\$15,001,905	\$25,066,065	\$7,694,544	\$2,895,922	\$10,590,466	2.37
2018	\$39,836,114	\$15,227,976	\$24,608,138	\$7,907,856	\$2,692,961	\$10,600,817	2.32
2019	\$40,049,926	\$18,452,775	\$21,597,151	\$8,295,714	\$2,200,931	\$10,496,645	2.06

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

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

(c) Direct operating expenses excluding depreciation and amortization.

CITY OF HUNTSVILLE, ALABAMA
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years
Unaudited

Fiscal Year	Population (a)	Total Personal Income (b)	Per Capita Personal Income (b)	Unemployment Rate (c)
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%
2018	197,318	\$21,731,100	\$47,729	3.4%
2019	199,637	\$22,947,407	\$49,595	2.1%

(a) Population estimates for the City of Huntsville. Source (previous year estimates): US Census Bureau. Source (current 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, ALABAMA
PRINCIPAL EMPLOYERS
 Current and Five Years Ago
Unaudited

Employers	2019			2014		
	Number of Employees	Rank	Percentage of Total Labor Force	Number of Employees	Rank	Percentage of Total Labor Force
US Army/Redstone Arsenal	22,600	1	10.1%	18,270	1	8.5%
Huntsville Hospital System	9,228	2	4.1%	7,129	2	3.3%
The Boeing Co	2,900	3	1.3%	2,600	4	1.2%
SAIC(Science Applications Internation Co	2,746	4	1.2%	2,229	5	1.0%
NASA/Marshall Space Flight Center	2,400	5	1.1%	4,260	3	2.0%
Dynetics, Inc.	2,030	6	0.9%	1,400	8	0.7%
ADTRAN, INC	1,549	7	0.7%	1,522	6	0.7%
CINRAM, INC/Technicolor	1,450	8	0.6%	1,450	7	0.7%
Toyota Motor Manufacturing Alabama	1,350	9	0.6%			
Intergraph Corporation/Hexagon US Fed	1,325	10	0.6%			
Qualitest				1,350	9	0.6%
Sanmina-SCI Corporation				1,336	10	0.6%
Total Employees of 10 Principal Employe	47,578		21.2%	41,546		19.4%
Employees of Other Employers	176,596		78.8%	172,185		80.6%
Total City Employment	224,174		100.0%	213,731		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, ALABAMA
CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Unaudited

Function	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government										
Administration	14	16	15	14	12	13	12	12	13	15
City Council	10	7	8	8	8	8	10	10	10	10
Clerk-Treasurer	19	19	18	18	18	18	18	18	18	18
Finance	30	35	35	35	33	31	33	33	33	31
Human Resources	16	16	16	13	13	13	13	13	13	13
I.T.S.	43	47	46	48	48	48	47	47	47	46
Legal	18	17	16	16	16	16	16	16	16	16
Total	150	157	154	152	148	147	149	149	150	149
Public Safety										
Animal Services	35	34	32	31	31	28	28	28	28	28
EMA	8	9	9	9	9	9	9	9	9	9
Fire and Rescue	428	439	439	408	396	395	395	400	387	377
Municipal Court	50	53	52	48	48	48	48	47	46	48
Police	727	725	702	642	632	632	628	628	628	629
Total	1,248	1,260	1,234	1,138	1,116	1,112	1,108	1,112	1,098	1,091
Public Services										
Cemetery	13	13	12	12	12	24	24	23	23	24
General Services	52	52	52	52	53	64	63	81	83	90
Fleet Services	51	49	50	49	46	47	47	47	49	52
Parks & Recreation	203	197	196	197	191	185	185	182	181	180
Landscape Management	149	151	149	143	133	132	232	232	190	229
Parking	49	53	51	52	54	54	54	54	54	55
Public Transportation	98	80	80	77	75	73	73	67	68	68
Public Works	249	241	238	237	246	245	246	258	256	287
Water Pollution Control	140	184	133	127	125	124	124	123	123	123
Total	1,004	1,020	961	946	935	948	1,048	1,067	1,027	1,108
Urban Development										
Community Development	29	42	43	44	44	44	44	44	40	40
Engineering	34	46	45	46	46	45	45	45	45	47
Inspection	31	34	30	29	29	29	28	28	28	28
Natural Resources	10	8	7	7	7	7	7	7	7	7
Planning	47	50	47	45	45	47	46	47	45	43
Traffic Engineering	40	39	39	39	39	39	39	39	38	33
Total	191	219	211	210	210	211	209	210	203	198
Total for all departments	2,593	2,656	2,560	2,446	2,409	2,418	2,514	2,538	2,478	2,546

Source: Headcount by department provided by payroll at year-end.

CITY OF HUNTSVILLE, ALABAMA
OPERATING INDICATORS AND CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years
Unaudited

Function	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Public Safety										
Fire and Rescue										
Number of fire stations	19	19	19	19	19	18	17	17	16	16
Fire insurance rating	1	1	1	1	3/9	3/9	3/9	3/9	3/9	4/9
Number of calls answered	22,966	21,684	21,159	18,723	17,021	16,587	15,036	14,418	14,749	21,279
Inspections	8,290	7,772	6,171	5,387	5,715	4,829	5,464	4,928	4,540	5,438
Police										
Number of police stations	5	5	5	4	4	4	4	4	4	4
Physical arrests	10,753	11,281	10,793	12,390	12,371	13,040	12,499	11,253	11,849	15,045
Parking violations	12,403	31,066	12,213	10,029	10,469	10,535	9,674	11,870	11,645	13,472
Traffic violations	25,735	11,168	29,338	34,455	39,908	44,256	33,488	31,508	33,280	43,906
Public Services										
Recreation Services										
Admissions to Aquatic Facilities	144,779	103,043	95,791	81,218	100,011	99,180	101,992	101,091	87,582	88,058
Participants in Community Center programs	8,029	5,025	5,688	4,548	5,480	3,521	2,477	2,986	2,989	3,030
Participants in Youth Athletic programs	4,765	4,633	4,967	5,418	5,836	5,883	5,730	6,062	6,438	6,573
Participants in Adult Athletic programs	1,451	661	1,691	1,245	1,954	3,084	3,853	6,442	5,897	6,263
Number of parks	64	64	64	64	64	63	62	62	62	63
Baseball fields	48	48	48	48	48	48	48	50	49	57
Softball fields	48	48	48	48	48	48	48	42	41	41
Soccer fields & Multi-purpose fields	41	41	41	41	41	41	41	59	58	50
Football fields	2	2	2	2	2	2	2	2	2	4
Golf courses	0	0	0	1	1	1	1	1	1	1
Tennis courts	56	56	56	56	56	56	55	66	53	66
Recreation centers	11	11	12	12	12	13	13	13	13	12
Enclosed swimming pools	4	4	4	3	3	3	3	3	3	3
Public Works										
Streets (Beginning 2011 - Lane Miles)	3,370	3,329	3,302	3,280	3,244	3,200	3,170	3,151	3,048	3,423
Street lights	23,526	23,552	23,101	22,938	22,535	22,410	22,169	21,923	21,890	21,820
Signalized street intersections	387	382	381	377	369	366	359	356	350	350
Controlled intersections	11,854	11,809	11,761	11,698	11,648	11,620	11,553	11,540	11,500	11,250
Major storm sewers (miles)	1,138	1,088	1,068	1,027	1,013	998	975	951	892	892
Major storm sewers (miles) - Total for Year	50	20	40	14	15	23	24	19		
Potholes repaired	18,510	11,542	13,503	14,567	13,012	7,312	9,408	8,638	10,804	13,662
Sanitation										
Refuse collected (tons/day)	310	266	237	269	286	267	266	258	240	236
Trash collected (tons/day)	230	163	153	113	165	174	167	174	197	157
Water Pollution Control										
Avg daily sewage treatment(M gallon/day)	41	36.04	34.27	35.15	36.59	33.19	40.64	37.03	41.04	34.11
Sanitary sewers (miles)	1,532	1,502	1,463	1,450	1,430	1,420	1,365	1,365	1,290	1,290
Utilities										
New connections	712	1,133	1,418	1,497	1,312	850	889	1,107	752	648
Water main breaks	9	87	64	114	95	79	85	64	74	115
Average daily consumption (000 gallons)	45,121	43,797	42,954	45,582	40,518	38,406	37,364	41,347	40,216	41,508
Water meters in use	100,139	97,189	95,657	94,501	92,919	91,513	90,802	89,280	88,195	85,437

Sources:
Various city departments

