

CITY OF HUNTSVILLE, ALABAMA



HUNTSVILLE

Tommy Battle
Mayor

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2014

**Fiscal Year Ended
September 30, 2014**

**Prepared by
Finance Department**

City of Huntsville

Comprehensive Annual Financial Report

SEPTEMBER 30, 2014

TABLE OF CONTENTS

Part I - Introductory Section:	Page
Letter of Transmittal	5
GFOA Certificate of Achievement	10
Organizational Chart	11
List of Elected Officials	12
 Part II - Financial Section:	
Independent Auditor's Report	14
Management's Discussion and Analysis	17
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	32
Statement of Activities	33
 Fund Financial Statements:	
Balance Sheet – Governmental Funds	34
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	35
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	36
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.....	37
Statement of Net Position –Proprietary Funds	39
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	40
Statement of Cash Flows – Proprietary Funds.....	41
Statement of Fiduciary Net Position – Fiduciary Funds	43
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	44
Combining Statement of Net Position – Discretely Presented Component Units	46
Combining Statement of Activities – Discretely Presented Component Units	47
Notes to the Financial Statements.....	49
 Supplementary Information:	
Combining and Individual Fund Financial Statements:	
Balance Sheet – General Fund.....	88
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual – General Fund.....	89
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual – By Activity – General Fund	90
Schedule of Special Appropriations – Budget & Actual – General Fund.....	97
Introduction of Nonmajor Governmental Funds	99
Combining Balance Sheet – Nonmajor Governmental Funds.....	100
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	101
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – By Activity - The Special Revenue Fund.....	102
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – By Activity - Other Governmental Funds.....	107

City of Huntsville Comprehensive Annual Financial Report

SEPTEMBER 30, 2014

	Page
Part III - Statistical Section:	
Introduction	113
Net Position By Component	114
Changes In Net Position	115
Fund Balances Of Governmental Funds	117
Changes In Fund Balances Of Governmental Funds	118
Governmental Activities Tax Revenues By Source	119
Sales & Property Tax Rates	120
Property Tax Levies and Collections	121
Estimated Assessed and Estimated Actual Value Of Taxable Property (Thousands)	122
Principal Taxpayers – Sales & Property Taxes	123
Ratios Of Outstanding Debt By Type	124
Ratios Of General Obligation Debt Outstanding	125
Legal Debt Margin Information	126
Computation Of Direct And Overlapping Debt	127
Revenue Warrant Coverage-Water Pollution Control Fund Warrants	128
Demographic and Economic Statistics	129
Principal Employers	130
City Government Employees By Function	131
Operating Indicators and Capital Asset Statistics By Function	132

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK



March 31, 2015

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

Honorable Mayor and Council, and Citizens:

This Comprehensive Annual Financial Report of the City of Huntsville, Alabama, for the fiscal year ended September 30, 2014, is hereby presented to you. This report has been prepared to summarize the financial results of the City's operations in 2014, and to help you understand its financial condition.

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

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

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

Profile of the Government

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

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

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

The annual budget serves as the foundation for the City's financial planning and control. The Mayor is required to submit a budget proposal to the City Council for most of the City's departments and funds by September 1 of each fiscal year. The Council, after public comment and evaluation, must adopt a balanced operating budget by the beginning of the fiscal year each October 1. The budget is adopted by fund, department (e.g. urban development), division (e.g. engineering), activity (personnel, operating and capital), and object (e.g. salaries). For funds which include the City's the operating departments (e.g. General Fund), the Mayor and department heads are authorized to make budget transfers within departments' objects, but the Council must approve transfers between activities and funds. Comparisons of department and fund budgets to actual amounts are provided in this report on pages 37 through 38, 89 through 97, and 102 through 110.

Factors Affecting Financial Condition

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

Economic Conditions

The City began a period of recovery after the 2008-2010 national recession, and its financial position continued to strengthen through 2014. An important factor in managing through tough economic conditions is the City's economic development efforts. Strategic planning that focuses far into the future has helped promote revenue stability through business diversification and residential growth.

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

Mayor Tommy Battle, Members of the City Council, and Citizens of Huntsville
March 31, 2015

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

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

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

The following significant economic development projects were announced from 2013 to early 2015, due largely to incentives by the City and its valuable State and local government partners:

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

Mayor Tommy Battle, Members of the City Council, and Citizens of Huntsville
March 31, 2015

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

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

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

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

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

Management of City Resources

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

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

The City issued new debt in 2014, for a variety of capital projects, and for work at Redstone Gateway, for which private developers are providing the financing. The City also refinanced some outstanding debt to reduce interest costs.

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

Mayor Tommy Battle, Members of the City
Council, and Citizens of Huntsville
March 31, 2015

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 2014, 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 2014 were generally lower than budget plans. Financial challenges remain due to increasing demand for public services and new infrastructure as the City grows more rapidly than in recent years.

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

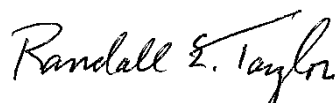
Pension and other postemployment benefits. The cost of providing benefits to City retirees is a significant commitment of current and future resources. There is a misperception that the State of Alabama provides financial assistance for these pension benefits through the Retirement Systems of Alabama, but the City pays 100 percent of benefit costs after employee contributions and plan earnings. The City has met all of its obligations and incorporates the effect of expected benefit cost increases in making annual budget decisions. Information about the retirement plans is found on pages 81 through 84 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

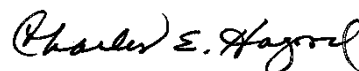
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2013. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. The Certificate of Achievement is valid for a period of one year only. Management believes that this report conforms to GFOA's requirements and is submitting it for consideration of another award.

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

Respectfully,



Randall E. Taylor, CPA, CGFO
Finance Director



Charles E. Hagood, CMC
Clerk-Treasurer



Government Finance Officers Association

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

Presented to

**City of Huntsville
Alabama**

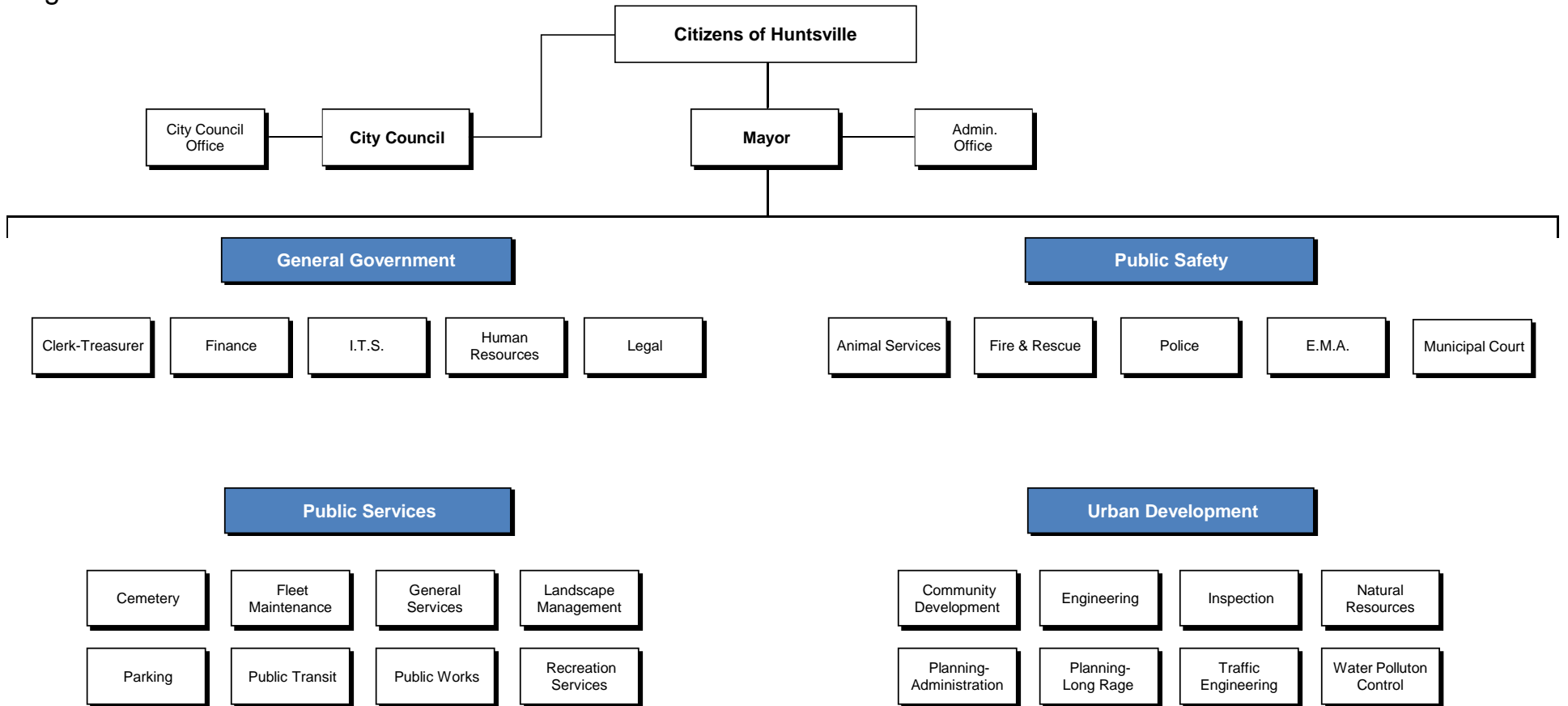
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

City of Huntsville

Organizational Structure



CITY OF HUNTSVILLE
ELECTED OFFICIALS
September 30, 2014

MAYOR

Honorable Tommy Battle

TERM OF OFFICE

November 2012 – 2016

CITY COUNCIL MEMBERS

District 1 - Richard Showers

Term Expires 2016

District 2 - Mark Russell

Term Expires 2018

District 3 - Jennie Robinson

Term Expires 2018

District 4 - Bill Kling

Term Expires 2018

District 5 - Will Culver

Term Expires 2016

FINANCIAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Huntsville, Alabama (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Huntsville Electric, Natural Gas, and Water Systems (Huntsville Utilities), and the Huntsville/Madison County Convention and Visitors Bureau, which are component units of the City, or the financial statements of the Public Library Special Revenue Fund, the Huntsville Museum of Art - Board Special Revenue Fund, the Von Braun Center Enterprise Fund, and the Municipal IcePlex Enterprise Fund. Those financial statements represent 99.9% of the total assets, and 100% of the revenues of the discretely presented component units; 8.6% of the total assets and 4.7% of the revenues of the special revenue funds; and 21.5% of the total assets and 18.3% of the operating revenues of the enterprise funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based on the reports of the other auditors.

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

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

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

Beason & Nalley, Inc.
101 Monroe Street
Huntsville, Alabama
35801-4829

(256) 533-1720
(800) 416-1946
(256) 534-8558 Fax

www.beasonnalley.com

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Huntsville, Alabama, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As also described in Note 5H to the financial statements, the City has restated beginning net position of the City of Huntsville Electric, Natural Gas, and Water Systems (Huntsville Utilities), a discretely presented component unit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, beginning on page 17, and budgetary comparison information, on pages 37 through 38, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We and the other auditors do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015, on our consideration of the City of Huntsville, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Huntsville, Alabama

March 30, 2015



Management's Discussion and Analysis

As management of the City, we offer readers this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here and in the letter of transmittal at the front of this report, and the City's financial statements that follow.

Financial Highlights

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

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

From the Government-Wide Financial Statements:

- The City's net position was \$915.6 million at the close of fiscal year 2014, a decrease of \$85.4 million from 2013 - the net position of the governmental activities decreased \$96.6 million and the net position of the business-type activities increased \$11.2 million.
- The unrestricted net position of the governmental activities are negative \$262.5 million, which means the City must meet its ongoing obligations to citizens and creditors from future revenues (see table on page 20).
- Total revenues of the governmental activities increased \$32.2 million from 2013 to 2014, or 10.0 percent, and total expenses increased \$123 million, or 37.7 percent.
- The City's business-type activities have a total net position of \$308.3 million, and \$33.4 million is unrestricted. Revenues of the business-type activities increased \$3.5 million in 2014, or 7.6 percent, and their expenses increased \$503,000, or 1.3 percent.

From the Fund Financial Statements:

- As of September 30, 2014, the governmental funds reported a combined ending fund balance of \$155 million, a decrease of \$4.4 million from the prior year, which included the following significant changes:
 - General Fund - \$566,000 surplus.
 - The Special Revenue Fund – a \$2.1 million deficit.
 - Capital Improvement Fund – a \$22.1 million deficit, because of spending money received or borrowed in prior years on capital and other activities

- 2014 Capital Improvement Fund – a \$21.1 million surplus, due to the new one percent sales and use tax levied in 2014, which will be spent in future years.
- Public Building Authority Fund – a \$3.9 million deficit, due to reporting additional debt service expenditures during the year from available fund balance.

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

- Of the \$155 million fund balance, \$124.3 million is restricted or has been allocated for certain purposes by the City Council, leaving a \$30.7 million balance (including \$27.9 million for General Fund contingencies).
- The General Fund has a fund balance of \$40.6 million, and \$3.2 million is available for any purpose.
- The net change in the principal amount of the City's debt associated with governmental activities increased \$72.4 million in 2014, representing \$218.3 million of new debt and \$145.9 million paid in principal.

Using this Annual Report

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

Reporting the City as a Whole

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

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

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

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

- **Governmental Activities** – Most of the City's basic service operations are reported here, including police, fire, public works, and the administrative departments. Taxes, business licenses and customer charges finance most of these activities.
- **Business-Type Activities** – The City charges fees to customers to cover most of the cost of certain activities, such as for sanitary sewer service and Von Braun Center events, and these activities are reported here.

- Component Units – The City includes three legally separate entities in this report, Huntsville Utilities, the Huntsville/Madison County Conventions & Visitors' Bureau and the Downtown Redevelopment Authority. Although legally separate, these “component units” are included because the City is financially accountable for them.

The government-wide financial statements can be found on pages 32 and 33 of this report.

Reporting the City's Funds

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

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

The first governmental fund financial statements appear on pages 34 to 38.

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

The proprietary fund financial statements appear on pages 39 through 42.

The City as Trustee

The City is trustee, or “fiduciary” for its retirees' post-retirement healthcare benefits. Because the assets in this trust arrangement can only be used to provide retiree benefits, and not to finance other City activities, the trust's activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position, appearing on pages 43 and 44. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49 through 85.

Other information

In addition to the financial statements and accompanying notes, this report also presents certain supplementary information. Because the City adopts an annual operating budget for certain funds, a

comparison of budget to actual by activity (i.e. personnel, operating, capital and other) is provided for the applicable funds to demonstrate compliance with this budget. This information and the information on smaller governmental funds can be found beginning on page 89.

The City as a Whole

As noted earlier, net position may serve as a useful indicator of a the City's financial position. The City's net position was \$915.6 million at the close of the most recent fiscal year, a decrease of \$85.4 million. In 2013, net position increased \$2.4 million, a significant difference from the 2014 change, much of which was due to expenses related to Huntsville City Schools that were higher in 2014.

It is important to note that this net position is largely restricted in some manner and not available to finance City activities. The most significant restriction is the \$1.1 billion invested in capital assets (e.g. land, buildings, streets, and bridges), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available as an economic resource as are other components of net position. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities. An additional \$37.2 million of the City's net position is subject to restrictions concerning its use, as required by state or federal law (not City Council restrictions).

After considering the restricted net position above, the remainder of net is position is unrestricted, which in the City's case is negative. This is because for the City's governmental activities, the unrestricted assets and deferred outflows of resources are \$262.5 million less than unrestricted liabilities. This figure is further analyzed as follows:

Unrestricted liabilities arising from governmental activities:	
Long-term debt incurred for non-City governmental activities:	
Huntsville City Schools	(\$261,626,167)
Von Braun Center	(23,279,891)
Other	(56,443,285)
Other liabilities:	
Accrued interest	(7,786,418)
Compensated absences	(21,599,000)
Accrued claims and judgments, long-term	0
Total	<u>(370,734,761)</u>
Unrestricted assets available	<u>108,236,088</u>
Unrestricted net position	<u>(\$262,498,673)</u>

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

(The rest of this page is intentionally blank)

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Net Position:						
Current and other assets	\$189,229,005	\$189,953,887	\$37,536,660	\$41,617,787	\$226,765,665	\$231,571,674
Capital assets	1,133,612,737	1,132,329,473	387,058,930	385,389,140	1,520,671,667	1,517,718,613
Total assets	1,322,841,742	1,322,283,360	424,595,590	427,006,927	1,747,437,332	1,749,290,287
Deferred outflows of resources	22,950,725	16,890,552	2,163,749	1,338,765	25,114,474	18,229,317
Long-term liabilities	698,685,356	593,658,701	114,440,827	4,630,100	813,126,183	598,288,801
Other liabilities	39,829,307	41,655,367	4,050,652	126,605,440	43,879,959	168,260,807
Total liabilities	738,514,663	635,314,068	118,491,479	131,235,540	857,006,142	766,549,608
Net position:						
Net invest. in capital assets	833,092,652	831,725,887	274,288,062	266,661,604	1,107,380,714	1,098,387,491
Restricted	36,683,825	53,102,659	554,023	6,858,123	37,237,848	59,960,782
Unrestricted	(262,498,673)	(180,968,702)	33,425,775	23,590,425	(229,072,898)	(157,378,277)
Total net position	\$607,277,804	\$703,859,844	\$308,267,860	\$297,110,152	\$915,545,664	\$1,000,969,996
Changes in Net Position:						
<u>Revenues</u>						
Program revenues:						
Charges for services	\$47,746,119	\$46,881,420	\$45,908,443	\$44,568,330	\$93,654,562	\$91,449,750
Operating grants & contrib.	26,850,683	22,056,019	0	0	26,850,683	22,056,019
Capital grants & contrib.	21,349,944	23,956,342	3,525,530	1,341,687	24,875,474	25,298,029
General revenues:						
Sales taxes	159,401,801	135,099,924	0	0	159,401,801	135,099,924
Property taxes	54,253,368	53,241,717	0	0	54,253,368	53,241,717
Other taxes	41,039,618	39,075,002	0	0	41,039,618	39,075,002
Interest on investments	672,898	775,306	73,467	86,299	746,365	861,605
Other	1,180,504	1,305,543	0	0	1,180,504	1,305,543
Gains on sales of assets	2,263,811	205,554	0	0	2,263,811	205,554
Total revenues	354,758,746	322,596,827	49,507,440	45,996,316	404,266,186	368,593,143
<u>Expenses</u>						
General government	29,153,904	26,715,719	0	0	29,153,904	26,715,719
Public safety	88,372,786	85,724,764	0	0	88,372,786	85,724,764
Public services	237,413,535	128,811,922	0	0	237,413,535	128,811,922
Urban development	36,683,268	28,867,478	0	0	36,683,268	28,867,478
Interest on long-term debt	26,658,311	25,455,799	0	0	26,658,311	25,455,799
Unallocated depreciation	30,740,478	30,455,028	0	0	30,740,478	30,455,028
Water pollution control	0	0	27,244,801	27,720,695	27,244,801	27,720,695
Other	0	0	13,423,435	12,444,152	13,423,435	12,444,152
Total expenses	449,022,282	326,030,710	40,668,236	40,164,847	489,690,518	366,195,557
Net change before transfers	(94,263,536)	(3,433,883)	8,839,204	5,831,469	(85,424,332)	2,397,586
Transfers	(2,318,504)	(2,912,399)	2,318,504	2,912,399	0	0
Change in net position	(96,582,040)	(6,346,282)	11,157,708	8,743,868	(85,424,332)	2,397,586
Net position, begin., restated	703,859,844	710,206,126	297,110,152	288,366,284	1,000,969,996	998,572,410
Net position, ending	\$607,277,804	\$703,859,844	\$308,267,860	\$297,110,152	\$915,545,664	\$1,000,969,996

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Change in Net Position by Component:						
<u>Invested in capital assets</u>						
Net additions of capital assets	\$45,628,545	\$45,072,215	\$14,039,880	\$12,672,804	\$59,668,425	\$57,745,019
Depreciation of capital assets	(44,345,281)	(44,278,005)	(12,370,090)	(12,358,123)	(56,715,371)	(56,636,128)
Change in capital-related debt	83,501	21,403,762	7,059,999	6,432,236	7,143,500	27,835,998
Change in SRF drawdowns	0	0	(1,103,331)	(1,946,669)	(1,103,331)	(1,946,669)
	1,366,765	22,197,972	7,626,458	4,800,248	8,993,223	26,998,220
<u>Other restrictions</u>						
Capital projects	(9,643,201)	(19,747,695)	(6,304,100)	(7,962,509)	(15,947,301)	(27,710,204)
Debt service	(7,673,297)	(19,275,246)	0	0	(7,673,297)	(19,275,246)
City schools	1,954,514	(140,661)	0	0	1,954,514	(140,661)
Other restrictions	(1,056,850)	205,321	0	0	(1,056,850)	205,321
	(16,418,834)	(38,958,281)	(6,304,100)	(7,962,509)	(22,722,934)	(46,920,790)
<u>Unrestricted</u>						
General Fund	(21,151)	127,916	0	0	(21,151)	127,916
The Special Revenue Fund	0	909,556	0	0	0	909,556
Capital Improvement Fund	(879,207)	250,413	0	0	(879,207)	250,413
Cummings Res. Park Fund	1,528,072	0	0	0	1,528,072	0
Water Pollution Control Fund	0	0	8,672,134	12,141,565	8,672,134	12,141,565
Change in non-capital related liabilities	(89,617,900)	11,786,757	0	0	(89,617,900)	11,786,757
Change in deferred outflows	6,060,173	(843,970)	824,984	(697,222)	6,885,157	(1,541,192)
Other	1,400,042	(1,816,645)	338,232	461,786	1,738,274	(1,354,859)
	(81,529,971)	10,414,027	9,835,350	11,906,129	(71,694,621)	22,320,156
Change in net position	(\$96,582,040)	(\$6,346,282)	\$11,157,708	\$8,743,868	(\$85,424,332)	\$2,397,586

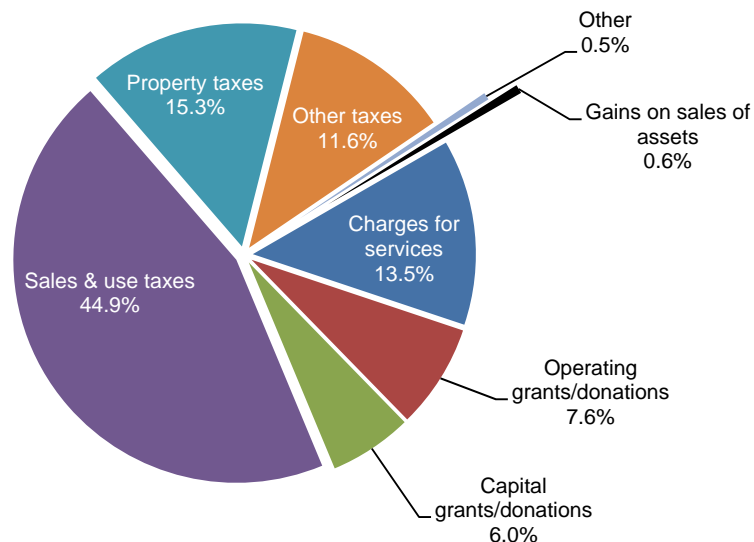
Governmental Activities:

Total revenues from governmental activities were \$32.2 million more in 2014 compared to 2013, and the most significant changes were as follows:

<u>Charges for services</u>	
Building permits (-5.9%)	(123,139)
Municipal Court fines (+8.5%)	125,537
Court corrections fee (+15.5%)	141,534
Sanitation charges (+1.7%)	194,539
<u>Capital grants and donations</u>	
Intergovernmental capital grants	1,416,707
U.S. D.O.T. grant for fleet building expansion	(1,652,666)
Contributions for Twickenham Square project	(3,558,520)
Alabama Trust Fund	(2,521,463)
Donated subdivision infrastructure	4,209,476
<u>Operating grants and donations</u>	
FEMA grant for 2011 tornado damage cleanup	990,511
Funds received from Huntsville City Schools to pay debt service on school debt (new in 2013, and offset by increased transfers to schools from City property tax revenues used to pay debt service in 2013 and 2014)	1,813,020
FTA grants for transit activities	(526,100)
Perpetual care donation	1,386,600
<u>General revenues</u>	
Sales/use taxes (+2.3%)	3,182,363
New 1% sales/use tax	21,119,514
2013 1% lodgings tax	660,208
5% lodgings tax (+8.1%)	335,890

Utilities Water payments (+21.2%)	331,357
State financial excise tax (+81%)	269,559
Gains on sales of assets – sales of Cummings Research Park lot	2,049,765

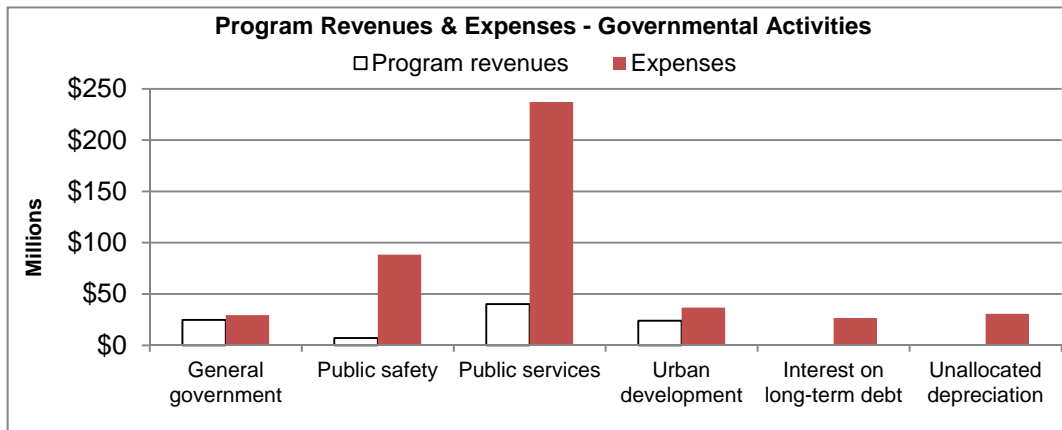
Revenues from governmental activities can be illustrated as follows:



Expenses were \$123 million higher in 2014, and the most significant changes were as follows:

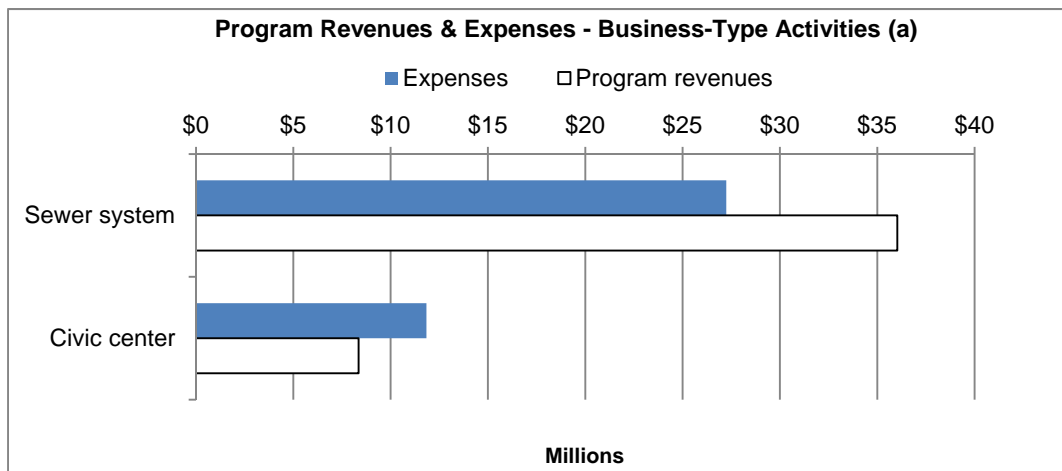
<u>General Government activities – \$2.5 million increase, 9.1%</u>	
One-time cost-of-living increase for retirees	598,000
Debt issuance costs	1,200,000
ITS hardware and software	257,000
<u>Public Safety activities –\$2.6 million increase, 3.1%</u>	
Police personnel increased 3.4%, reflecting general increases	955,000
Fire & Rescue overtime increased 32.7%, primarily related to paying employees to work additional hours to address vacancies in required positions	220,000
Fire & Rescue other personnel increase 2.7%, reflecting general increases	735,000
<u>Public Services activities – \$108.6 million increase, 84.3%</u>	
Transfer of debt proceeds to Huntsville City Schools for school construction	104,110,000
Street resurfacing	802,000
Transfer of 6.5 mill school property tax to Huntsville City Schools, to offset the contribution from schools to pay debt service (see above revenues)	1,813,020
Transfer of 6.5 mill school property tax to Huntsville City Schools for operating assistance	(2,500,000)
City facility utilities (+14%)	432,000
Landscape Management temporary labor	501,000
Botanical Gardens appropriation for project completed in 2013	(300,000)
Public Works personnel costs increase	410,000
Increased drainage maintenance work (not capitalized)	580,000
Sales tax distribution to Huntsville City Schools based on sales tax growth	459,000
Landscape Management equipment (not capitalized)	300,000
<u>Urban Development activities – \$7.8 million increase, 27.1%</u>	
Planning Department salaries, reflecting new personnel and general increases	252,000
Chamber of Commerce appropriations	127,000
Big Spring Partners appropriation, costs related to Holiday Inn closing	216,000
Economic development incentive, Remington project	9,500,000
2013 cost associated with Holiday Inn debt write-off not occurring in 2014	(650,000)
City spending on State roads (not City owned)	(787,000)
City spending on Martin Road on Redstone Arsenal (not City owned)	2,223,000
City spending on Redstone Arsenal projects (not City owned)	1,276,000
2013 Twickenham Square utilities relocation not occurring in 2014	(254,000)
City spending on TIF 5 EUL projects substantially completed in 2013 (not City owned)	(4,055,000)

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



Business-Type Activities:

Total revenues increased \$3.5 million, or 7.6%. Operating revenues did not change significantly, but donated subdivision sewer assets increased \$2.2 million. Expenses for all activities increased \$503,000, or 1.3%, including a \$858,000 increase in Von Braun Center operating costs due higher facility activity in 2014.



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

The City's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information about financial resources that can be spent in the near future to finance the City's activities. The combined fund balances of the City's

governmental funds as of September 30, 2014, was \$155 million. This amount is available for spending but is subject to certain restrictions or limitations, as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form or for which there are obligations to keep the amounts intact.	\$2,229,800
Restricted – amounts that are restricted for specific purposes by federal or state law, or contractual obligations.	76,657,472
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.	33,000,562
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.	12,365,836
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.	30,720,202
Total	\$154,973,872

More detail concerning the above fund balances may be found on page 76. The total fund balances of the governmental funds decreased \$4.4 million in 2014, and the significant changes were as follows:

General Fund. The General Fund, as the City's primary operating fund, accounts for many diverse activities, and the 2014 highlights were:

- The fund balance of the General Fund increased \$566,333 in 2014, to \$40.6 million at year-end, which includes a \$31.1 million unassigned balance, although \$27.9 million of this amount is held for contingencies.
- The original revenue budget was \$241.1 million and expenditures were \$240.5 million, a \$604,000 planned surplus. Significant changes were made to the budget totaling \$7.1 million (see page 27), so the final budget reflected a \$6.5 million deficit. The changes, in total, were supported by available fund balance from the prior year, and mostly consisted of re-establishing the budgets for unfinished capital expenditures from 2013, or for new capital items.
- Actual revenues were \$1.3 million less than the final revenue budget, and the significant deviations from the budget were as follows:

	Over (Under) Budget
Sales/use taxes - 2.7% higher than 2013 but 0.4% less than budget	(\$546,489)
Licenses/permits - about the same as 2013 but 2.5% less than budget	(605,536)
Sanitation fees - 1.7% higher than 2013 and 2.0% more than budget	234,876
Fines/forfeitures - 12.0% higher than 2013 and 11.2% more than budget	280,354
FEMA disaster assistance - unexpected final payment for 2011 storm claims	1,215,990
Cemetery land sales - newly-planned lot sales were added to the budget late during the year, to pay for cemetery improvements, but will begin to occur next year	(1,525,900)
Other grants - unrealized revenue is expected next year	(1,490,833)
All other accounts - none individually significant	1,062,754
Total	(\$1,374,784)

(The rest of this page is intentionally blank)

- Actual expenditures were \$8.4 million less than the final budget, and the significant deviations from the budget were as follows:

	(Over) Under Budget
Fire & Rescue salaries - for additional overtime and staffing levels above the budget expectations	(\$552,087)
Landscape Management salaries - reflecting a transition to contract temporaries	243,932
Police salaries - for staffing levels above expectations	(895,905)
Public Works salaries - additional personnel and overtime	(289,839)
Healthcare costs	2,240,189
All other nongrant personnel costs	(50,356)
Claims for legal settlements	(186,700)
Landscape outside contract costs - higher service demands and more temporary labor costs	(499,274)
Police vehicle repairs - aging fleet	(187,660)
Public Works vehicle repairs - aging fleet	(304,807)
All other operating costs	1,112,611
Capital expenditures - new and continued projects from 2013:	
Finance software - project commenced in 2014 to be continued next year	1,437,078
Public Transit vehicle purchases - commenced in 2014 to be continued next year	1,283,261
Cemetery expansion - begun in late 2014 and to be continued next year	1,459,920
All other capital expenditures - to be continued in next year	1,243,235
Transfer to Early Works	
Appropriations of the 2013 1% lodgings tax - to be continued next year	447,960
Transfer to Capital Fund - sales tax formula related	390,635
All grants - to be continued in next year	992,705
All other costs - none individually significant	513,012
Total	\$8,397,910

Capital Improvement Fund – reported a \$22 million deficit, primarily because of spending money received or borrowed in prior years on capital and other costs. Generally, the fund will report an increase when new debt is issued is more than the spending of such in subsequent years.

2014 Capital Improvement Fund – reported a \$21.1 million surplus, due to collection of the new one percent sales/taxes in 2014, which will be spent on capital and economic development projects in future years.

Public Building Authority Fund – reported a \$3.9 million deficit, due to additional debt service expenditures made during the year from available fund balance

Proprietary Funds

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

The net position of the enterprise funds increased \$11.2 million in 2014. The Water Pollution Control Fund net position increased \$12.1 million; operating revenues and expenses did not change significantly, but donated subdivision sewer assets increased \$1.0 million and government capital grants increased \$1.1 million. A significant amount of the unrestricted net position, including the 2014 surplus, is budgeted for ongoing system capital improvements.

The Von Braun Center Fund net position decreased \$916,000. While operating revenues and liquor/lodging tax transfers from the General Fund more than cover operating expenses, depreciation expense of \$2.4 million is not covered by such, which is a continuing matter for future consideration (i.e. maintaining the condition of the Center's assets at acceptable levels). Given this reality, the City has often constructed improvements to Center's assets using other City resources.

General Fund Budgetary Highlights

Variations between General Fund budget and actual amounts is described on page 25, and the net differences between the original and final budget is summarized below. An amount shown in the "Net Change to Budget" column was an increase or (decrease) in the net budget.

	<u>Offsetting Budget Changes</u>	<u>Net Change to Budget</u>
New grants received during year	\$820,771	
Re-appropriation of prior year incomplete grant programs and related revenues		(\$341,854)
Re-appropriation of prior year incomplete capital expenditures		3,324,374
Decrease debt service due to additional 6.5 mill tax funds available		(541,178)
Increase for one-time retiree cost-of-living-adjustment		598,058
Increase for outside legal costs		300,000
Increase for one-time Early Works supplemental transfer		545,000
Appropriation of fund balances for one-time needs/projects		3,107,308
All other appropriations		69,029
Total change		\$7,060,737

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2014, totals \$1.5 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, curbs and gutters, streets and sidewalks, greenways, drainage and sewer systems. Total capital assets increased \$2.9 million in 2014 - \$59.6 million of net additions less \$56.7 million of depreciation.

The largest capital acquisitions during the year were as follows:

<u>Purchased by the City</u>	
WPC various sewer line rehabilitation	\$3,125,522
Twickenham Square parking garage	3,069,280
North Police precinct	2,090,654
Fire station #6 relocation to Drake Avenue	2,078,439
Downtown Gateway Road	2,030,258
Weatherly Road extension	1,911,635
Holladay Drive	1,712,539
Gateway greenway	1,173,811
Washington Street streetscape	1,048,493
Fire station #19 (Old Big Cove Road)	912,954
Church Street improvements	908,363
CRP West Lake 5 expansion	875,398
Munis Financial Software	829,957
Redstone Gateway sewer forcemain	755,976
Old Highway 20	633,803
Burgreen & County Line sewer line	559,827
Police cruisers (23)	556,278
Various facilities LED lighting improvements	463,124
<u>Donated to the City</u>	
Vintage Park @ Moores Mill Road	1,452,500
Weatherly Road extension land	1,188,500
Donated subdivision infrastructure	14,773,914
Total	\$42,151,225

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

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$85,575,016	\$85,366,936	\$7,229,025	\$7,229,025	\$92,804,041	\$92,595,961
Construction in process	20,105,820	29,899,518	197,315	457,997	20,303,135	30,357,515
Land improvements	20,658,846	20,533,661	0	0	20,658,846	20,533,661
Buildings and improvements	171,084,142	157,451,065	375,410,964	374,577,413	546,495,106	532,028,478
Infrastructure	812,747,786	813,192,038	0	0	812,747,786	813,192,038
Other	23,441,127	25,886,255	4,221,626	3,124,705	27,662,753	29,010,960
Total	\$1,133,612,737	\$1,132,329,473	\$387,058,930	\$385,389,140	\$1,520,671,667	\$1,517,718,613

Additional information on the City's capital assets can be found in Note 4B on pages 63 through 65.

Long-term debt. As of September 30, 2014, the City had \$733.9 million of long-term debt outstanding. Of this amount, \$594.6 million is debt backed by the full faith and credit of the City, and \$139.3 million is comprised of revenue bonds and warrants secured solely by specific revenue sources (e.g. sewer system charges).

City of Huntsville's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation warrants	\$521,252,603	\$423,390,986	\$73,382,397	\$82,044,014	\$594,635,000	\$505,435,000
Revenue warrants	45,206,622	35,933,053	32,525,000	37,380,000	77,731,622	73,313,053
Lease revenue bonds	61,575,000	82,805,000	0	0	61,575,000	82,805,000
Total	\$628,034,225	\$542,129,039	\$105,907,397	\$119,424,014	\$733,941,622	\$661,553,053

In 2014, the City issued \$106.9 million of debt to refinance old debt (for interest rate savings), \$77.1 million for Huntsville City School projects, \$25 million for City capital projects and \$1.1 million of revenue warrants to fund the continuing development of the City's TIF-5-EUL district. Accrued interest on TIF-5-EUL revenue warrants totaling \$8.2 million was added to principal. \$145.9 million of debt was refinanced or paid (net increase of \$72.4 million).

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, 2014, the City's allocable debt outstanding was \$238.8 million less than the legal debt limit.

Additional information regarding the City's long-term debt can be found in Note 4E on pages 67 through 75.

2015 Budget

The Mayor and City Council considered many factors when developing the fiscal year 2015 budget. Huntsville's revenues were affected during the national recession such that reductions in expenditures and capital projects were necessary, and a more conservative revenue approach has been adopted. A 2015 General Fund recurring revenue budget of \$245.9 million was adopted, which is \$3.8 million, or

1.6% more than 2014 actual recurring revenues. Expenditures in the 2015 budget were balanced within revenues. As of March 31, 2015, revenues and expenditures are within budgetary goals.

Request for Information

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

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

CITY OF HUNTSVILLE
STATEMENT OF NET POSITION
September 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash & investments, at cost	\$140,775,648	\$13,234,196	\$154,009,844	\$153,300,436
Receivables (net of allowances)	22,217,338	4,938,850	27,156,188	63,498,911
Due from governmental entities	2,871,210	0	2,871,210	0
Inventories	117,518	192,360	309,878	13,578,163
Prepaid items	404,858	80,607	485,465	106,090
Internal balances	(19,090,647)	19,090,647	0	0
Restricted assets:				
Cash & investments, at cost	41,933,080	0	41,933,080	20,446,179
Capital assets:				
Land, collections and construction in process	105,680,836	7,426,340	113,107,176	25,682,759
Other assets, net of accum. depreciation	1,027,931,901	379,632,590	1,407,564,491	487,929,046
Other assets:				
Regulatory asset - bond issuance costs	0	0	0	1,355,858
Total assets	1,322,841,742	424,595,590	1,747,437,332	765,897,442
DEFERRED OUTFLOWS OF RESOURCES				
Losses on debt refundings	22,950,725	2,163,749	25,114,474	254,479
LIABILITIES				
Accounts payable	10,183,329	1,987,880	12,171,209	48,656,909
Accrued liabilities	19,816,038	756,204	20,572,242	10,994,414
Contract retainages	6,382,119	90,565	6,472,684	0
Due to governmental entities	1,062,170	0	1,062,170	0
Unearned revenue	842,094	1,216,003	2,058,097	9,167,147
Other	1,543,557	0	1,543,557	0
Liabilities payable from restricted assets:				
Other	0	0	0	1,199,919
Noncurrent liabilities				
Due within one year	38,043,085	13,896,251	51,939,336	5,365,000
Due in more than one year	660,642,271	100,544,576	761,186,847	116,911,704
Total liabilities	738,514,663	118,491,479	857,006,142	192,295,093
NET POSITION				
Net investment in capital assets	833,092,652	274,288,062	1,107,380,714	436,043,730
Restricted for:				
Capital projects	25,082,517	554,023	25,636,540	6,644,416
City schools	2,915,310	0	2,915,310	0
Debt service	2,704,541	0	2,704,541	14,050,466
Other	5,981,457	0	5,981,457	208,450
Unrestricted	(262,498,673)	33,425,775	(229,072,898)	116,909,766
Total net position	\$607,277,804	\$308,267,860	\$915,545,664	\$573,856,828

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

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	\$29,153,904	\$22,021,774	\$1,215,990	\$1,527,613	(\$4,388,527)	\$0	(\$4,388,527)	\$0
Public safety	88,372,786	4,642,898	2,232,003	269,039	(81,228,846)	0	(81,228,846)	0
Public services	237,413,535	17,988,274	21,002,765	1,128,441	(197,294,055)	0	(197,294,055)	0
Urban development	36,683,268	3,093,173	2,399,925	18,424,851	(12,765,319)	0	(12,765,319)	0
Interest on long-term debt	26,658,311	0	0	0	(26,658,311)	0	(26,658,311)	0
Unallocated depreciation	30,740,478	0	0	0	(30,740,478)	0	(30,740,478)	0
Total governmental activities	449,022,282	47,746,119	26,850,683	21,349,944	(353,075,536)	0	(353,075,536)	0
Business-type activities								
Water pollution control	27,244,801	36,032,232	0	3,525,530	0	12,312,961	12,312,961	0
Civic center	11,842,331	8,358,106	0	0	0	(3,484,225)	(3,484,225)	0
Ice complex	1,581,104	1,518,105	0	0	0	(62,999)	(62,999)	0
Total business-type activities	40,668,236	45,908,443	0	3,525,530	0	8,765,737	8,765,737	0
Total primary government	\$489,690,518	\$93,654,562	\$26,850,683	\$24,875,474	(353,075,536)	8,765,737	(344,309,799)	0
Component Units								
All	\$573,584,076	\$586,350,253	\$40,000	\$3,650,551	0	0	0	16,456,728
Total component units	\$573,584,076	\$586,350,253	\$40,000	\$3,650,551	0	0	0	16,456,728
General Revenues								
Sales & use taxes					159,401,801	0	159,401,801	0
Property taxes					54,253,368	0	54,253,368	0
Other taxes					41,039,618	0	41,039,618	502,809
Interest on investments					672,898	73,467	746,365	262,673
Other					1,180,504	0	1,180,504	1,607,457
Gain (loss) on sales of assets					2,263,811	0	2,263,811	148,646
Transfers					(2,318,504)	2,318,504	0	0
Total general revenues & transfers					256,493,496	2,391,971	258,885,467	2,521,585
Change in net position					(96,582,040)	11,157,708	(85,424,332)	18,978,313
Net position, beginning, restated					703,859,844	297,110,152	1,000,969,996	554,878,515
Net position, ending					\$607,277,804	\$308,267,860	\$915,545,664	\$573,856,828

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2014**

	General Fund	Debt Service	The Special Revenue	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash & investments, at cost	\$94,514,190	\$7,929	\$1,190,400	\$16,739,339	\$28,323,790	\$140,775,648
Receivables (net of allowances)						
Accounts	16,444,047	0	679,421	1,996	3,827,512	20,952,976
Notes	0	0	0	0	1,220,250	1,220,250
Accrued interest	0	0	0	0	44,112	44,112
Due from other funds	211,606	0	2,184,878	23,472,728	3,828,363	29,697,575
Due from governmental entities	1,340,834	0	0	1,121,531	408,845	2,871,210
Restricted assets:						
Cash & investments, at cost	0	0	2,681,715	39,251,365	0	41,933,080
Inventories	52,365	0	0	0	65,153	117,518
Prepaid items	242,982	0	0	0	161,876	404,858
Total assets	\$112,806,024	\$7,929	\$6,736,414	\$80,586,959	\$37,879,901	\$238,017,227
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
Liabilities						
Accounts payable	\$2,763,257	\$273	\$141,631	\$6,797,433	\$480,735	\$10,183,329
Accrued liabilities	12,071,151	0	0	0	478,469	12,549,620
Contract retainages	5,690,894	0	0	691,225	0	6,382,119
Due to other funds	47,977,095	0	6,535	0	250,569	48,234,199
Due to governmental entities	1,062,170	0	0	0	0	1,062,170
Unearned revenue	459,992	0	0	75,811	306,291	842,094
Other	1,543,557	0	0	0	0	1,543,557
Payable from restricted assets:						
Due to other funds	0	0	0	554,023	0	554,023
Total liabilities	71,568,116	273	148,166	8,118,492	1,516,064	81,351,111
Deferred inflows of resources						
Deferred revenue	646,524	0	0	1,045,720	0	1,692,244
Fund balance						
Nonspendable	295,347	0	0	0	1,934,453	2,229,800
Restricted	494,593	0	6,588,248	43,364,926	26,209,705	76,657,472
Committed	2,384,910	0	0	28,057,821	2,557,831	33,000,562
Assigned	6,333,577	7,656	0	0	6,024,603	12,365,836
Unassigned	31,082,957	0	0	0	(362,755)	30,720,202
Total fund balance	40,591,384	7,656	6,588,248	71,422,747	36,363,837	154,973,872
Total liabilities, deferred inflows of resources, and fund balance	\$112,806,024	\$7,929	\$6,736,414	\$80,586,959	\$37,879,901	

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

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.	1,133,612,737
Losses on the refunding of governmental activities debt are reported as deferred outflows in the government-wide statements, but do not represent financial resource and are therefore not reported in the funds.	22,950,725
Certain receivables are reported as assets in the government-wide statements. These receivables are not available to pay current period expenditures in the funds, and are therefore not reported as revenue but as deferred inflows in the funds.	1,692,244
Long-term debt is not due and payable in the current period and are therefore not reported in the funds:	
Bonds and warrants payable, face value	(\$628,034,225)
Plus issuance premiums to be amortized as interest expense	<u>(48,532,131)</u>
(676,566,356)	(676,566,356)
Other long-term liabilities are not due and payable in the current period and are therefore not reported in the funds:	
Accrued interest payable	(7,786,418)
Compensated absences	<u>(21,599,000)</u>
Net position of governmental activities	\$607,277,804

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2014

	General Fund	Debt Service	The Special Revenue	Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUE						
Sales & use taxes	\$138,661,511	\$0	\$0	\$0	\$21,119,514	\$159,781,025
Property taxes	16,337,360	0	37,916,008	0	0	54,253,368
Other taxes	37,074,404	0	3,275,006	740,801	0	41,090,211
Licenses & permits	23,819,364	0	0	0	0	23,819,364
Fines & forfeitures	2,794,054	0	346,913	0	332,046	3,473,013
Revenues from money & property	1,244,536	3,560	7,000	438,189	4,768,050	6,461,335
Charges for services	16,549,021	0	0	0	0	16,549,021
Intergovernmental	6,192,263	14,491,838	0	3,568,821	3,734,752	27,987,674
Gifts & donations	94,127	0	0	113,072	3,068,182	3,275,381
Other revenues	2,088,492	0	0	0	397,935	2,486,427
Total revenues	244,855,132	14,495,398	41,544,927	4,860,883	33,420,479	339,176,819
EXPENDITURES						
Current						
General government	28,163,398	0	274	63,886	152	28,227,710
Public safety	80,965,713	0	211,602	1,154,243	0	82,331,558
Public services	54,952,348	0	2,995,035	5,222,872	11,152,386	74,322,641
Urban development	12,789,375	0	0	10,244,368	4,691,911	27,725,654
Debt service						
Principal	0	30,159,729	0	0	3,895,000	34,054,729
Interest	0	19,184,083	122,964	0	5,446,025	24,753,072
Fiscal charges	0	849	0	0	0	849
Debt issuance costs	0	0	0	1,414,594	0	1,414,594
Capital projects construction and outlay	0	0	0	27,009,450	1,107,881	28,117,331
Intergovernmental assistance	24,107,553	0	16,796,541	123,481,559	1,398,231	165,783,884
Total expenditures	200,978,387	49,344,661	20,126,416	168,590,972	27,691,586	466,732,022
Excess (deficiency) of revenues over expenditures	43,876,745	(34,849,263)	21,418,511	(163,730,089)	5,728,893	(127,555,203)
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	0	0	1,075,969	195,795,000	0	196,870,969
Premium on debt issue	0	0	0	24,816,375	0	24,816,375
Transfer to refunding escrow agent	0	0	(360,720)	(95,621,942)	0	(95,982,662)
Transfers in	0	34,862,974	865,809	28,865,738	14,922,803	79,517,324
Transfers (out)	(43,310,412)	0	(25,142,767)	(12,143,642)	(1,440,706)	(82,037,527)
Total other financing sources (uses)	(43,310,412)	34,862,974	(23,561,709)	141,711,529	13,482,097	123,184,479
Net change in fund balance	566,333	13,711	(2,143,198)	(22,018,560)	19,210,990	(4,370,724)
Fund balance, beginning	40,025,051	(6,055)	8,731,446	93,441,307	17,152,847	159,344,596
Fund balance, ending	\$40,591,384	\$7,656	\$6,588,248	\$71,422,747	\$36,363,837	\$154,973,872

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

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

Net change in fund balances - total governmental funds (\$4,370,724)

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	\$30,346,531	
Depreciation expense	<u>(44,345,281)</u>	(13,998,750)

In the Statement of Activities, the value of capital assets contributed to the government are reported as revenue from capital contributions, but these are not reported as revenue in the governmental funds. 15,746,931

In the Statement of Activities, only the gain(loss) on the disposal of capital assets are reported, but in the governmental funds, the proceeds from the disposals are reported. Thus, the difference is the carrying value of the disposed assets. (666,616)

Governmental funds report transfers of current financial resources to other funds as an expenditure, and only report transfers in of current financial resources as revenue. In the Statement of Activities for governmental activities, however, transfers of capital assets (net of related debt) from and to business-type activities are recorded as revenue and expenditures, respectively. This amount is the net amount of transfers of capital assets (net of related debt) to/from governmental activities to/from business-type activities, which is included in transfers in the Statement of Activities. 201,699

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	(195,795,000)	
Premiums received on long-term debt issued	(24,816,375)	
Principal repayments	34,054,729	
Amortization of premium as interest expense	<u>3,538,921</u>	(183,017,725)

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

Transfers to escrow agent on refunded debt	94,906,693	
Amortization of refunding gain/loss as interest expense	<u>(2,046,850)</u>	92,859,843

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. 501,612

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	(3,397,310)	
Change in compensated absences liability	(741,000)	
Change in long-term claims liability	<u>300,000</u>	(3,838,310)

Change In Net Position Of Governmental Activities (\$96,582,040)

**CITY OF HUNTSVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET & ACTUAL
For the Year Ended September 30, 2014**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$192,148,400	\$192,148,400	\$192,073,275	(\$75,125)
Licenses and permits	24,424,900	24,424,900	23,819,364	(605,536)
Fines and forfeitures	2,513,700	2,513,700	2,794,054	280,354
Revenues from money and property	1,128,300	2,671,400	1,244,536	(1,426,864)
Charges for services	16,117,200	16,218,015	16,549,021	331,006
Intergovernmental	3,575,481	6,467,106	6,192,263	(274,843)
Gifts and donations	0	76,664	94,127	17,463
Other revenues	1,184,300	1,709,731	2,088,492	378,761
Total revenues	241,092,281	246,229,916	244,855,132	(1,374,784)
EXPENDITURES				
Current				
General government	26,658,081	30,111,106	28,163,398	1,947,708
Public safety	79,309,160	81,807,039	80,965,713	841,326
Public services	55,933,725	59,552,098	54,952,348	4,599,750
Urban development	12,485,035	13,128,093	12,789,375	338,718
Capital projects construction	0	70,000	0	70,000
Intergovernmental assistance	24,115,100	24,238,439	24,107,553	130,886
Total expenditures	198,501,101	208,906,775	200,978,387	7,928,388
Excess of revenues over expenditures	42,591,180	37,323,141	43,876,745	6,553,604
OTHER FINANCING SOURCES (USES)				
Transfers out	(41,987,236)	(43,779,934)	(43,310,412)	469,522
Total other financing sources (uses)	(41,987,236)	(43,779,934)	(43,310,412)	469,522
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	603,944	(6,456,793)	566,333	7,023,126
Fund balance, beginning	40,025,051	40,025,051	40,025,051	0
Fund balance, ending	\$40,628,995	\$33,568,258	\$40,591,384	\$7,023,126

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
THE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET & ACTUAL
For the Year Ended September 30, 2014**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and payments in lieu of taxes	\$41,398,773	\$41,521,738	\$41,191,014	(\$330,724)
Fines and forfeitures	0	0	346,913	346,913
Revenues from money and property	0	550	7,000	6,450
Total revenues	41,398,773	41,522,288	41,544,927	22,639
EXPENDITURES				
Current				
General government	0	548	274	274
Public safety	0	0	211,602	(211,602)
Public services	2,906,000	2,981,039	2,995,035	(13,996)
Debt service	0	122,965	122,964	1
Intergovernmental assistance	7,000,000	9,012,561	16,796,541	(7,783,980)
Total expenditures	9,906,000	12,117,113	20,126,416	(8,009,303)
Excess of revenues over expenditures	31,492,773	29,405,175	21,418,511	(7,986,664)
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	0	0	1,075,969	1,075,969
Transfer to refunding escrow agent	0	0	(360,720)	(360,720)
Transfers in	956,000	956,000	865,809	(90,191)
Transfers (out)	(28,338,410)	(34,155,259)	(25,142,767)	9,012,492
Total other financing sources (uses)	(27,382,410)	(33,199,259)	(23,561,709)	9,637,550
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	4,110,363	(3,794,084)	(2,143,198)	1,650,886
Fund balance, beginning	8,731,446	8,731,446	8,731,446	0
Fund balance, ending	\$12,841,809	\$4,937,362	\$6,588,248	\$1,650,886

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 September 30, 2014**

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
ASSETS				
Current assets				
Cash & investments, at cost	\$9,707,710	\$3,294,744	\$231,742	\$13,234,196
Receivables (net of allowance)				
Accounts	3,913,985	744,006	280,859	4,938,850
Due from other funds	18,536,624	0	0	18,536,624
Inventories, at cost	0	184,110	8,250	192,360
Prepaid items	0	62,027	18,580	80,607
Total current assets	<u>32,158,319</u>	<u>4,284,887</u>	<u>539,431</u>	<u>36,982,637</u>
Noncurrent assets				
Restricted assets:				
Due from other funds	554,023	0	0	554,023
Capital assets:				
Land	4,002,328	3,226,697	0	7,229,025
Buildings	205,100,339	78,284,915	4,332,392	287,717,646
Improvements other than buildings	297,857,872	11,513,697	0	309,371,569
Furniture & equipment	9,699,448	3,514,273	772,056	13,985,777
Construction work in progress	0	197,315	0	197,315
Less accumulated depreciation	<u>(202,659,485)</u>	<u>(25,803,531)</u>	<u>(2,979,386)</u>	<u>(231,442,402)</u>
Total noncurrent assets	<u>314,554,525</u>	<u>70,933,366</u>	<u>2,125,062</u>	<u>387,612,953</u>
Total assets	<u>346,712,844</u>	<u>75,218,253</u>	<u>2,664,493</u>	<u>424,595,590</u>
DEFERRED OUTFLOWS OF RESOURCES				
Losses on debt refundings	2,163,749	0	0	2,163,749
Total deferred outflows of resources	<u>2,163,749</u>	<u>0</u>	<u>0</u>	<u>2,163,749</u>
LIABILITIES				
Current liabilities				
Accounts payable	1,493,164	462,353	32,363	1,987,880
Accrued liabilities	559,280	167,682	29,242	756,204
Contract retainages	90,565	0	0	90,565
Compensated absences	73,500	380,936	0	454,436
General obligations warrants payable - current	8,401,815	0	0	8,401,815
Revenue warrants payable - current	5,040,000	0	0	5,040,000
Unearned revenue	0	792,354	423,649	1,216,003
Total current liabilities	<u>15,658,324</u>	<u>1,803,325</u>	<u>485,254</u>	<u>17,946,903</u>
Noncurrent liabilities				
General obligation warrants payable (net of unamortized premium)	72,398,076	0	0	72,398,076
Revenue warrants payable	27,485,000	0	0	27,485,000
Compensated absences	661,500	0	0	661,500
Total noncurrent liabilities	<u>100,544,576</u>	<u>0</u>	<u>0</u>	<u>100,544,576</u>
Total liabilities	<u>116,202,900</u>	<u>1,803,325</u>	<u>485,254</u>	<u>118,491,479</u>
NET POSITION				
Net investment in capital assets	201,229,634	70,933,366	2,125,062	274,288,062
Restricted for capital projects	554,023	0	0	554,023
Unrestricted	30,890,036	2,481,562	54,177	33,425,775
Total net position	<u>\$232,673,693</u>	<u>\$73,414,928</u>	<u>\$2,179,239</u>	<u>\$308,267,860</u>

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

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
 For the Year Ended September 30, 2014**

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
Operating revenue				
Charges for services	\$36,032,232	\$8,358,106	\$1,518,105	\$45,908,443
Total operating revenue	36,032,232	8,358,106	1,518,105	45,908,443
Operating expenses				
Personnel, operations & maintenance	10,475,963	8,024,954	1,188,628	19,689,545
Utilities	2,963,384	1,394,794	219,166	4,577,344
Depreciation and amortization	9,845,917	2,359,338	173,561	12,378,816
Total operating expenses	23,285,264	11,779,086	1,581,355	36,645,705
Operating income (loss)	12,746,968	(3,420,980)	(63,250)	9,262,738
Nonoperating revenue (expenses)				
Interest income	24,324	48,338	805	73,467
Interest expense	(3,835,712)	0	0	(3,835,712)
Miscellaneous revenue (expense)	(123,825)	(63,245)	251	(186,819)
Total nonoperating revenue (expenses)	(3,935,213)	(14,907)	1,056	(3,949,064)
Income before contributions, transfers & special items	8,811,755	(3,435,887)	(62,194)	5,313,674
Capital contributions	2,464,336	0	0	2,464,336
Intergovernmental grants-capital	1,061,194	0	0	1,061,194
Transfers in	0	2,520,203	0	2,520,203
Transfers (out)	(201,699)	0	0	(201,699)
Change in net position	12,135,586	(915,684)	(62,194)	11,157,708
Total net position, beginning	220,538,107	74,330,612	2,241,433	297,110,152
Total net position, ending	\$232,673,693	\$73,414,928	\$2,179,239	\$308,267,860

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

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Year Ended September 30, 2014**

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
Operating activities				
Receipts from customers and users	\$35,701,537	\$9,165,324	\$1,595,493	\$46,462,354
Payments to suppliers	(5,867,743)	(7,408,649)	(938,911)	(14,215,303)
Payments to employees	(7,532,858)	(3,483,466)	(553,284)	(11,569,608)
Other	(123,825)	(63,245)	13,307	(173,763)
Net cash provided (used) by operating activities	22,177,111	(1,790,036)	116,605	20,503,680
Noncapital financing activities				
Transfers in	0	2,520,203	0	2,520,203
Transfers (out)	(19,225,620)	0	0	(19,225,620)
Net cash provided (used) by noncapital financing activities	(19,225,620)	2,520,203	0	(16,705,417)
Capital and related financing activities				
Acquisition and construction of capital assets	(10,283,799)	(1,173,370)	(46,167)	(11,503,336)
Temporary advance for capital fundraising	0	0	(130,000)	(130,000)
SRF loan fund drawdowns	1,103,331	0	0	1,103,331
Interfund transfers for capital projects	5,200,769	0	0	5,200,769
Intergovernmental grants-capital	282,844	0	0	282,844
Proceeds from issuing warrants, net	15,780,722	0	0	15,780,722
Principal payments on notes and warrants	(28,505,993)	0	0	(28,505,993)
Sale of capital assets	0	0	3,000	3,000
Interest paid on notes and warrants	(4,389,828)	0	0	(4,389,828)
Net cash provided (used) by capital and related financing activities	(20,811,954)	(1,173,370)	(173,167)	(22,158,491)
Investing activities				
Interest received	24,324	48,338	805	73,467
Net cash provided (used) by investing activities	24,324	48,338	805	73,467
Net increase (decrease) in cash and cash equivalents	(17,836,139)	(394,865)	(55,757)	(18,286,761)
Cash and cash equivalents, beginning	27,543,849	3,689,609	287,499	31,520,957
Cash and cash equivalents, ending	\$9,707,710	\$3,294,744	\$231,742	\$13,234,196

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Year Ended September 30, 2014**

	Business-Type Activities -- Enterprise Funds			Totals
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	
Operating income (loss)	\$12,746,968	(\$3,420,980)	(\$63,250)	\$9,262,738
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	9,845,917	2,359,338	173,561	12,378,816
Miscellaneous items	(323,446)	8,866	0	(314,580)
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:				
Change in assets and liabilities:				
Receivables	(330,694)	(48,061)	80,542	(298,213)
Accounts payable	283,397	(72,701)	(65,412)	145,284
Contract retainages	(37,031)	0	0	(37,031)
Prepaid items	0	(16,292)	(12,580)	(28,872)
Accrued liabilities	(8,000)	(83,513)	8,572	(82,941)
Unearned revenue	0	(397,576)	(3,154)	(400,730)
Other items	0	(119,117)	(1,674)	(120,791)
Net cash provided (used) by operating activities	\$22,177,111	(\$1,790,036)	\$116,605	\$20,503,680

Supplemental information

Noncash activities

Capital assets donated from private developers	\$2,464,336	\$0	\$0	\$2,464,336
Transfer out of net capital assets	\$201,699	\$0	\$0	\$201,699

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

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2014**

	<u>Post-Retirement Benefits Trust</u>
ASSETS	
Cash & cash equivalents	\$1,950,274
Receivables:	
Interest & dividends	46,031
Investments, at fair value:	
U.S. Treasury & agency obligations	2,950,106
Corporate bonds	2,401,131
Corporate stocks	1,576,124
Other investments	<u>596,990</u>
Total assets	<u>9,520,656</u>
LIABILITIES	
Accounts payable	<u>309,994</u>
Total liabilities	<u>309,994</u>
NET POSITION	
Held in trust for other postemployment benefits	<u><u>\$9,210,662</u></u>

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2014

	<u>Post-Retirement Benefits Trust</u>
ADDITIONS	
Contributions:	
Employer	\$3,565,158
Plan members	<u>1,262,650</u>
Total contributions	<u>4,827,808</u>
Investment earnings	453,377
Less investment expenses	<u>(33,515)</u>
Net investment earnings	<u>419,862</u>
Total additions	<u>5,247,670</u>
DEDUCTIONS	
Benefits	<u>3,467,050</u>
Total deductions	<u>3,467,050</u>
Change in net position	1,780,620
Net position, beginning	<u>7,430,042</u>
Net position, ending	<u><u>\$9,210,662</u></u>

The accompanying notes are an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF HUNTSVILLE
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
September 30, 2014**

	Business-Type Activities			Governmental Activities		Total
	Huntsville Utilities			HMC CVB	DRA	
	Electric	Water	Gas			
ASSETS						
Cash & investments, at cost	\$73,238,101	\$29,695,669	\$49,523,794	\$839,648	\$3,224	\$153,300,436
Receivables (net of allowances)	55,096,994	6,686,964	1,714,953	0	0	63,498,911
Due from governmental entities	0	0	0	0	0	0
Inventories	6,139,401	1,944,661	5,486,337	7,764	0	13,578,163
Prepaid items	32,549	5,467	2,337	65,737	0	106,090
Restricted assets						
Cash & investments, at cost	13,378,279	6,114,117	953,783	0	0	20,446,179
Capital assets						
Land and construction in process	8,359,051	10,306,104	7,017,604	0	0	25,682,759
Other assets, net of accum. depreciation	232,766,410	160,247,300	94,654,301	261,035	0	487,929,046
Other assets:						
Regulatory asset - bond issuance costs	380,516	844,396	130,946	0	0	1,355,858
Total assets	389,391,301	215,844,678	159,484,055	1,174,184	3,224	765,897,442
DEFERRED OUTFLOWS OF RESOURCES						
Losses on debt refundings	254,479	0	0	0	0	254,479
LIABILITIES						
Accounts payable	40,583,168	5,432,774	2,568,493	72,474	0	48,656,909
Accrued liabilities	6,722,044	2,059,662	2,112,175	100,533	0	10,994,414
Customer deposits	6,575,327	830,041	1,761,779	0	0	9,167,147
Liabilities payable from restricted assets:						
Other	516,058	636,417	47,444	0	0	1,199,919
Noncurrent liabilities						
Due within one year	2,440,000	2,405,000	520,000	0	0	5,365,000
Due in more than one year	66,815,594	34,964,685	15,131,425	0	0	116,911,704
Total liabilities	123,652,191	46,328,579	22,141,316	173,007	0	192,295,093
NET POSITION						
Net investment in capital assets	203,506,937	137,580,351	94,695,407	261,035	0	436,043,730
Restricted for:						
Debt service	6,982,566	6,114,117	953,783	0	0	14,050,466
Capital projects	6,395,713	0	0	248,703	0	6,644,416
Other	0	0	0	208,450	0	208,450
Unrestricted	49,108,373	25,821,631	41,693,549	282,989	3,224	116,909,766
Total net position	\$265,993,589	\$169,516,099	\$137,342,739	\$1,001,177	\$3,224	\$573,856,828

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) & Changes in Net Position					
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Business-Type Activities			Governmental Activities		Total
					Electric	Water	Gas	HMC CVB	DRA	
Component Units										
Huntsville Utilities Electric System	\$496,101,550	\$502,804,335	\$0	\$0	\$6,702,785	\$0	\$0	\$0	\$0	\$6,702,785
Huntsville Utilities Water System	29,619,079	34,832,376	0	3,191,038	0	8,404,335	0	0	0	8,404,335
Huntsville Utilities Gas System	45,475,341	48,708,801	0	459,513	0	0	3,692,973	0	0	3,692,973
HMC CVB	2,388,106	4,741	40,000	0	0	0	0	(2,343,365)	0	(2,343,365)
DRA	0	0	0	0	0	0	0	0	0	0
Total component units	\$573,584,076	\$586,350,253	\$40,000	\$3,650,551	6,702,785	8,404,335	3,692,973	(2,343,365)	0	16,456,728
General Revenues										
Other taxes					\$0	\$0	\$0	\$502,809	\$0	\$502,809
Interest on investments					181,624	30,983	49,567	497	2	262,673
Gain on the sale of capital assets					69,521	35,615	43,510	0	0	148,646
Other					0	0	0	1,607,457	0	1,607,457
Total general revenues & transfers					251,145	66,598	93,077	2,110,763	2	2,521,585
Change in net position					6,953,930	8,470,933	3,786,050	(232,602)	2	18,978,313
Net position, beginning, restated					259,039,659	161,045,166	133,556,689	1,233,779	3,222	554,878,515
Net position, ending					\$265,993,589	\$169,516,099	\$137,342,739	\$1,001,177	\$3,224	\$573,856,828

The accompanying notes are an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK

**City of Huntsville
Notes To The Financial Statements
September 30, 2014**

TABLE OF CONTENTS

Note	Page
1. Summary of Significant Accounting Policies	
A. Reporting Entity	50
B. Accounting Standards	51
C. Government-wide and Fund Financial Statements	51
D. Measurement Focus, Basis of Accounting and Basis of Presentation	52
E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity.....	54
2. Reconciliation of Government-wide and Fund Financial Statements	
A. Explanation of net position invested in capital assets of the governmental activities in the government-wide statement of net position.....	57
3. Stewardship, Compliance and Accountability	
A. Budgetary Information.....	57
B. Excess of Expenditures Over Appropriations.....	58
C. Deficit Fund Equity.....	59
D. Continuing Disclosure Matters	59
4. Detailed Notes on All Funds	
A. Deposits and Investments.....	60
B. Capital Assets	63
C. Interfund Receivables, Payables, and Transfers.....	65
D. Leases	66
E. Long-Term Debt.....	67
F. Fund Balance Classifications and Usage.....	76
G. Sales and Use Tax Revenue Earmarking	77
H. Tax Equivalents	77
5. Other Information	
A. Segment Information - Enterprise Funds	77
B. Contingent Liabilities and Commitments.....	77
C. Related Organizations	80
D. Jointly Governed Organizations.....	80
E. Pension Plans	81
F. Post-Retirement Medical Plans.....	82
G. Risk Financing Programs.....	84
H. Prior Period Restatements and Adjustments	85

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Blended Component Unit

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

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

Discretely Presented Component Units

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

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

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

Huntsville Utilities
112 Spragins Street
Huntsville, Alabama 35801

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

B. Accounting Standards

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

Statement No.	Name	Description	Adoption Year	Effect on Financial Statements
65	Items Previously Reported as Assets and Liabilities	Reclassification of certain items in the financial statements.	2013	Statements are restated and now include deferred outflows/inflows
66	Technical Corrections-2013	Corrections to various standards.	2013	None
68	Accounting and Financial Reporting for Pensions	Change in the measurement and reporting of pension-related costs.	2015	Not determined
69	Government Combinations and Disposals of Government Operations	Change in reporting disposals of certain operations	2015	None
70	Accounting and Financial Reporting for Nonexchange Financial Guarantees	Change in account and reporting of guarantees to outside organizations	2014	None
72	Fair Value Measurement and Application	Determination of fair value of certain assets and liabilities	2016	Not determined

C. Government-wide and Fund Financial Statements

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

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

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

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Government-wide Financial Statements

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

Fund Financial Statements

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

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

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

The City reports the following major governmental funds:

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major enterprise funds:

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

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

Governmental Funds:

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

Proprietary Funds:

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

Fiduciary Funds:

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

The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 in accounting and reporting for its proprietary operations that do not conflict with or contradict GASB pronouncements.

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

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

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Deposits and Investments

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

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

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

Receivables and Payables

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

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

Amounts receivable from federal, state, county, and local governments are classified as "due from other governmental entities." No individually significant amounts were due from any single entity as of September 30, 2014.

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

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

Inventories and Prepaid Items

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

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restricted Assets

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

Capital Assets

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

Whenever possible, intangible capital assets are grouped and reported in the same manner as related tangible assets, e.g. computer software is reported with “equipment” and property easements are reported with “infrastructure.” Only significant intangible assets that cannot be grouped in this manner are reported separately, but there were not any such assets as of September 30, 2014.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed.

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

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

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

Regulatory Assets

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences

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

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

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

Deferred Outflows/Inflows of Resources

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

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds and warrants payable are reported net of the applicable premium or discount. Debt issuance costs are expensed in the year incurred

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

Restrictions of Net Position and Fund Balances

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

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

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

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

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

Governmental activities capital assets, net	\$1,133,612,737
Less debt outstanding expended for capital assets	(300,520,085)
Net position invested in capital assets	<u>\$833,092,652</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

Annually-Budgeted Governmental Funds

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

Governmental Funds Not Annually-Budgeted

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

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

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

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

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

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

Departments incorporate recommended budget changes and update budget schedules.

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

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

The Mayor presents the proposed budget to the City Council.

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

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

B. Excess of Expenditures Over Appropriations

The following funds incurred expenditures in excess of appropriations of the following amounts for the year ended September 30, 2014:

General Fund	
Current Expenditures:	
<i>General Government:</i>	
Administration – personnel	\$53,111
General expenses - operating	5,509
ITS – personnel	215,764
Legal – operating	1,868
<i>Public Safety:</i>	
Animal Services – personnel	13,042
EMA - personnel	1,025
Municipal Court – personnel	22,570
Police – personnel	362,360
<i>Public Services:</i>	
Cemetery - operating	71,708
Landscape Management - operating	486,178
Public Transit – personnel	37,157
Public Works – operating	300,515
<i>Urban Development:</i>	
Planning – personnel	21,663
Traffic Engineering – personnel	12,140
Special Appropriations – Health Department	176

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Special Revenue Fund

Current Expenditures:

<i>Public Safety</i>	
Seizure subfund- operating	211,602
<i>Public Services</i>	
6.5 Mill Tax subfund – capital	8,491,838
7 Cent Gas tax subfund – operating	66,113

The General Fund expenditures in excess of budget were largely due to expenditures occurring late in the fiscal year, some of which were not completely known until the fiscal year had ended and the budget could not be amended. There were expenditures known to less than budgeted by more than these excesses, which provided the source of those funds. The excess expenditures in the other funds were provided by either revenues or available fund balance in the funds.

C. Deficit Fund Equity

As of September 30, 2014, Art Museum Fund had a deficit fund balance of \$143,970, which is expected to be funded by future revenues or transfers from the General Fund.

D. Continuing Disclosure Matters

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

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

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

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

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

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

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

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

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

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The following information is provided to give an indication of the steps the City takes to protect its cash deposits and the level of risk assumed for certain investments. For purposes of this Note 4A, the City and its discretely-presented component units are collectively referred to as "City entities." As of September 30, 2014, the City had the following cash and investments:

	Primary Government	Discretely- Presented Component Units	Post-Retirement Benefits Trust Fiduciary Fund
Cash on hand and in banks	\$37,488,233	\$125,152,553	\$0
Investments:			
Money market mutual funds (cash equivalents)	143,513,281	45,888,634	1,950,274
U.S. Treasury obligations	14,941,410	0	2,950,106
Repurchase agreements	0	2,705,428	0
Corporate bonds	0	0	2,401,131
Corporate stocks	0	0	1,576,124
Other	0	0	596,990
Total investments	158,454,691	48,594,062	9,474,625
Total	\$195,942,924	\$173,746,615	\$9,474,625

Cash and investment policies

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

City investment policy, which is established by ordinance, requires and permits the same investments as required by state law. City policy limits deposits in financial institutions to no more than fifty percent in a single institution, and the City was in compliance with this requirement at September 30, 2014.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Interest rate risk

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

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

	Primary Government	Discretely- Presented Component Units
Less than six months	\$143,513,281	\$0
Six months to one year	0	26,333,191
One to three years	12,927,660	19,555,443
Greater than three years	2,013,750	2,705,428
Total	\$158,454,691	\$48,594,062

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

	Par Value	% of Total
Less than five years	\$3,341,000	59.3%
Five to ten years	781,087	13.9%
Ten to twenty years	214,167	3.8%
Twenty to thirty years	1,300,598	23.1%
Total	\$5,636,852	100.0%

Credit risk

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

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

	Fair Value	% of Total
Aaa (USTO included here)	\$2,037,129	34.2%
Aa1	60,470	1.0%
Aa2	58,743	1.0%
Aa3	178,468	3.0%
A1	412,279	6.9%
A2	467,485	7.9%
A3	294,035	4.9%
Baa1	529,010	8.9%
Baa2	635,854	10.7%
Other(a)	1,274,754	21.4%
Total	\$5,948,227	100.0%

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Concentration of credit risk

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

Custodial credit risk

The City requires all bank deposits, which includes USTO money market funds held by banks, be insured by federal depository insurance or the Security for Alabama Funds Enhancement, or SAFE Program, which was the case for all bank deposits as of September 30, 2014, except for minor cash deposits and cash on hand. The SAFE Program is administered by the State Treasurer according to State of Alabama statute, and any bank or financial institution in the State of Alabama accepting deposits of public funds is required to insure those funds by pledging eligible collateral to the State Treasurer for the SAFE collateral pool. The entire pool stands behind each deposit. Eligible collateral are those securities currently designated as acceptable collateral for state deposits as defined by State law. Also, the deposits with banks complied with state and City investment policies, except that regarding the City's fifty-percent limitation on deposits with any one institution, at numerous times during the year, the City was not in compliance with this requirement. The public funds deposit policies of local financial institutions has changed in the last several years, making compliance with the fifty-percent policy more difficult to administer on a daily basis, but City financial managers make all reasonable efforts to substantively comply with the policy. Deposits that exceed the requirement have only been made in the largest financial institutions.

All of the City entities' direct investments in U.S. Treasury obligations were held by bank trust departments as agents of the City entities and in the respective entity's name. The Utilities' \$2.7 million investment in a repurchase agreement is collateralized by UTSO, but the underlying securities are held by the investment's counterparty, not in the name of the Utilities. The USTO investments of the General Fund are held by a bank trust department as agent of the City in the City's name. All of the investments of the Post-Retirement Benefits Trust are held by bank trust departments as agent of the Trust in the Trust's name.

(The rest of this page is intentionally blank)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

B. Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions/ Transfers-in	Deletions/ Transfers-out	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$85,366,936	\$681,114	(\$473,034)	\$85,575,016
Construction in progress	29,899,518	17,921,536	(27,715,234)	20,105,820
Total capital assets, not being depreciated	115,266,454	18,602,650	(28,188,268)	105,680,836
Capital assets, being depreciated:				
Land improvements	41,645,507	1,518,695	0	43,164,202
Buildings and improvements	233,480,043	19,450,936	(378,179)	252,552,800
Furniture, equipment and other	96,378,207	4,827,834	(3,002,001)	98,204,040
Infrastructure	1,680,657,890	30,297,164	0	1,710,955,054
Total capital assets, being depreciated	2,052,161,647	56,094,629	(3,380,180)	2,104,876,096
Less accumulated depreciation for:				
Land improvements	(21,111,846)	(1,393,510)	0	(22,505,356)
Buildings and improvements	(76,028,978)	(5,714,053)	274,373	(81,468,658)
Furniture, equipment and other	(70,491,952)	(6,496,302)	2,225,341	(74,762,913)
Infrastructure	(867,465,852)	(30,741,416)	0	(898,207,268)
Total accumulated depreciation	(1,035,098,628)	(44,345,281)	2,499,714	(1,076,944,195)
Total capital assets, being depreciated, net	1,017,063,019	11,749,348	(880,466)	1,027,931,901
Governmental activities capital assets, net	<u>\$1,132,329,473</u>	<u>\$30,351,998</u>	<u>(\$29,068,734)</u>	<u>\$1,133,612,737</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$7,229,025	\$0	\$0	\$7,229,025
Construction in progress	457,997	181,548	(442,230)	197,315
Total capital assets, not being depreciated	7,687,022	181,548	(442,230)	7,426,340
Capital assets, being depreciated:				
Buildings and improvements	585,565,811	13,316,624	(1,793,220)	597,089,215
Furniture, equipment and other	15,847,013	1,197,155	(3,058,391)	13,985,777
Total capital assets, being depreciated	601,412,824	14,513,779	(4,851,611)	611,074,992
Less accumulated depreciation for:				
Buildings and improvements	(211,658,934)	(11,602,126)	1,582,809	(221,678,251)
Furniture, equipment and other	(12,051,772)	(767,964)	3,055,585	(9,764,151)
Total accumulated depreciation	(223,710,706)	(12,370,090)	4,638,394	(231,442,402)
Total capital assets, being depreciated, net	377,702,118	2,143,689	(213,217)	379,632,590
Business-type activities capital assets, net	<u>\$385,389,140</u>	<u>\$2,325,237</u>	<u>(\$655,447)</u>	<u>\$387,058,930</u>

(The rest of this page is intentionally blank)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

For the year ended September 30, 2014, depreciation expense and transfers-in of the primary government were as follows:

<u>Governmental activities:</u>	
General government	\$461,581
Public Safety	4,596,373
Public Services	7,961,738
Urban development	585,111
Total depreciation expense charged to functions/programs	<u>13,604,803</u>
Depreciation for infrastructure assets not allocated to the functions	<u>30,740,478</u>
Total depreciation expense	44,345,281
Transfers-in from business-type activities	<u>0</u>
Total depreciation and transfers-in – governmental activities	<u><u>\$44,345,281</u></u>
 <u>Business-type activities:</u>	
Water Pollution Control Fund	\$9,845,916
Von Braun Center Fund	2,350,613
Municipal Iceplex Fund	173,561
Total depreciation expense	<u>12,370,090</u>
Transfers-in from governmental-type activities	<u>0</u>
Total depreciation expense – business-type activities	<u><u>\$12,370,090</u></u>

Activity for the discretely presented component unit, Utilities, for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions/ Transfers-in	Deletions/ Transfers-out	Ending Balance
Utilities-Electric System:				
Capital assets, not being depreciated:				
Land	\$4,741,443	\$18,324	\$0	\$4,759,767
Construction in progress	23,155,645	0	(19,556,361)	3,599,284
Total capital assets, not being depreciated	<u>27,897,088</u>	<u>18,324</u>	<u>(19,556,361)</u>	<u>8,359,051</u>
Capital assets, being depreciated:				
Buildings and improvements	418,048,500	16,277,220	(2,432,678)	431,893,042
Furniture, equipment and other	34,470,398	11,996,011	(516,133)	45,950,276
Total capital assets, being depreciated	<u>452,518,898</u>	<u>28,273,231</u>	<u>(2,948,811)</u>	<u>477,843,318</u>
Less accumulated depreciation	<u>(227,009,350)</u>	<u>(21,016,369)</u>	<u>2,948,811</u>	<u>(245,076,908)</u>
Total capital assets, being depreciated, net	<u>225,509,548</u>	<u>7,256,862</u>	<u>0</u>	<u>232,766,410</u>
Electric System capital assets, net	<u><u>\$253,406,636</u></u>	<u><u>\$7,275,186</u></u>	<u><u>(\$19,556,361)</u></u>	<u><u>\$241,125,461</u></u>
 Utilities-Water System:				
Capital assets, not being depreciated:				
Land	\$1,746,193	\$0	\$0	\$1,746,193
Construction in progress	11,281,248	4,396,549	(7,117,886)	8,559,911
Total capital assets, not being depreciated	<u>13,027,441</u>	<u>4,396,549</u>	<u>(7,117,886)</u>	<u>10,306,104</u>
Capital assets, being depreciated:				
Buildings and improvements	252,211,773	7,552,603	(606,399)	259,157,977
Furniture, equipment and other	9,102,407	4,413,400	(158,012)	13,357,795
Total capital assets, being depreciated	<u>261,314,180</u>	<u>11,966,003</u>	<u>(764,411)</u>	<u>272,515,772</u>
Less accumulated depreciation	<u>(105,836,767)</u>	<u>(7,196,116)</u>	<u>764,411</u>	<u>(112,268,472)</u>
Total capital assets, being depreciated, net	<u>155,477,413</u>	<u>4,769,887</u>	<u>0</u>	<u>160,247,300</u>
Water System capital assets, net	<u><u>\$168,504,854</u></u>	<u><u>\$9,166,436</u></u>	<u><u>(\$7,117,886)</u></u>	<u><u>\$170,553,404</u></u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Utilities-Gas System:

Capital assets, not being depreciated:

Land	\$1,803,038	\$0	\$0	\$1,803,038
Construction in progress	3,234,686	4,240,013	(2,260,133)	5,214,566
Total capital assets, not being depreciated	<u>5,037,724</u>	<u>4,240,013</u>	<u>(2,260,133)</u>	<u>7,017,604</u>

Capital assets, being depreciated:

Buildings and improvements	137,084,693	3,571,237	(77,315)	140,578,615
Furniture, equipment and other	10,373,895	2,249,789	(227,166)	12,396,518

Total capital assets, being depreciated	147,458,588	5,821,026	(304,481)	152,975,133
Less accumulated depreciation	(53,808,810)	(4,816,503)	304,481	(58,320,832)
Total capital assets, being depreciated, net	<u>93,649,778</u>	<u>1,004,523</u>	<u>0</u>	<u>94,654,301</u>

Gas System capital assets, net	<u>\$98,687,502</u>	<u>\$5,244,536</u>	<u>(\$2,260,133)</u>	<u>\$101,671,905</u>
--------------------------------	---------------------	--------------------	----------------------	----------------------

Activity for the discretely presented component unit, the HMC CVB, for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions/ Transfers-in	Deletions/ Transfers-out	Ending Balance
Capital assets, being depreciated:				
Furniture, equipment and other	\$753,133	\$15,994	\$0	\$769,127
Less accumulated depreciation	(489,349)	(18,743)	0	(508,092)
Total capital assets, being depreciated, net	<u>263,784</u>	<u>(2,749)</u>	<u>0</u>	<u>261,035</u>
Governmental activities capital assets, net	<u>\$263,784</u>	<u>(\$2,749)</u>	<u>\$0</u>	<u>\$261,035</u>

The discretely presented component unit, DRA, does not have any capital assets as of September 30, 2014.

C. Interfund Receivables, Payables and Transfers

The amounts receivable and payable between the various funds as of September 30, 2014, were as follows:

Receivable Fund	Payable Fund	Amount	Total
<u>Governmental Funds</u>			
General	Nonmajor Governmental		\$211,606
The Special Revenue	General		2,184,878
Capital Improvement	General	\$23,427,230	
	The Special Revenue	6,535	
	Nonmajor Governmental	38,963	23,472,728
Nonmajor Governmental	General		<u>3,828,363</u>
	Total Governmental Funds		<u>29,697,575</u>
<u>Proprietary Funds</u>			
Water Pollution Control Enterprise	General	18,536,624	
	Capital	554,023	19,090,647
	Total Proprietary Funds		<u>19,090,647</u>
Total			<u>\$48,788,222</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

The amounts transferred among the various funds for the year ended September 30, 2014, were as follows:

Transferred From	Transferred To	Amount	Total
<u>Governmental Funds</u>			
General	Capital Improvement	\$24,416,765	
	Debt Service	7,098,070	
	Public Building Authority (a)	899,000	
	Other Nonmajor Governmental	7,510,565	
	The Special Revenue	865,809	
	Von Braun Center Enterprise	2,520,203	\$43,310,412
The Special Revenue	Capital Improvement	4,448,973	
	Debt Service	16,146,262	
	Public Building Authority (a)	4,547,532	25,142,767
Capital Improvements	Debt Service	11,618,642	
	Nonmajor Governmental	525,000	12,143,642
Nonmajor Governmental	Nonmajor Governmental		1,440,706
	Total Governmental Funds		

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

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

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

D. Leases

Operating Leases. The City leases buildings under non-cancelable operating leases, for which the total costs were approximately \$554,000 in 2014. The future minimum lease payments by fiscal year are as follows:

2015	\$532,895
2016	487,810
2017	427,697
2018	369,451
2019	312,876
2020	65,959
Total	<u>\$2,196,688</u>

Capital Leases. The City is not a party to any capital leases as of September 30, 2014.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt

General Obligation Warrants

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

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

Lease Revenue Bonds

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

Sewer Revenue Warrants

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

Tax Increment Financing Districts Debt – General Obligation Warrants

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

Tax Increment Financing District 5 Debt – Taxable Revenue Warrants

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

The amounts associated with each series as of September 30, 2014, were as follows:

Series	Maximum Principal Amount	Note Principal Balance	Compounded Accrued Interest	Total Note Balance
2010-A	\$10,000,000	\$9,745,213	\$2,143,487	\$11,888,700
2010-B	20,000,000	20,000,000	5,175,767	25,175,767
2012-A	3,000,000	2,997,386	524,032	3,521,418
2012-B	3,000,000	2,766,423	296,844	3,063,267
2013-A	1,500,000	1,500,000	57,470	1,557,470
Total	<u>\$37,500,000</u>	<u>\$37,009,022</u>	<u>\$8,197,600</u>	<u>\$45,206,622</u>

Repayment of the EUL Warrants is secured by a pledge of the TIF 5 tax revenue, which is reported in The Special Revenue Fund. Also, the EUL Agreement requires the City to redeem the outstanding balance, plus accrued interest, of any EUL Warrant, to the extent that TIF 5 tax revenue is sufficient as defined by a formula in the EUL Agreement. Generally, the minimum required redemption is \$5 million. When an EUL Warrant redemption is required, the City intends to issue refunding taxable debt obligations, most likely general obligations of the City. TIF 5 tax revenues were approximately \$495,000 in 2015, and the City plans to redeem approximately \$8.4 million of EUL Warrants in May 2015.

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

Source of Repayment of Long-Term Debt

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

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Utility Revenue Warrants - Huntsville Utilities Component Unit

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

Advance and Current Refundings

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

Current Refundings – In 2014, the City issued a General Obligation Refunding Warrant Series 2013E in the amount of \$6,460,000, for the purpose of currently refunding the General Obligation Refunding Warrant Series 2008A, for which there was no economic gain or loss. There are not any past current refunding transactions for which the refunded warrants are still outstanding on September 30, 2014.

Advance Refundings – Advance refunding transactions for the current year, and prior years for which the refunded warrants are still outstanding on September 30, 2014, were as follows (in thousands):

Fiscal Year	Refunding Warrants		Refunded Warrants			Debt Service Diff. (a)	Economic Gain (Loss)
	Series	Face Amount	Series	Refunded Amount	Outstanding Balance		
PRIMARY GOVERNMENT							
<u>Governmental Activities:</u>							
2012	2012A	\$35,995	2005C	\$36,255	\$36,255	\$2,476	(\$4,728)
2014	2014A	\$2,200	2005A	\$2,350	\$2,350	\$143	\$243
2014	2014A	\$4,800	2005C	\$4,805	\$4,805	\$339	(\$130)
2014	2014A	\$22,060	2007A	\$21,456	\$21,456	\$2,006	(\$2,046)
2014	2014A	\$11,865	2009A	\$12,262	\$12,262	\$971	(\$1,106)
2014	2014B	\$19,345	2007 PBA	\$17,335	\$17,335	\$1,919	(\$1,869)
2014	2014C	\$27,045	2009B	\$26,900	\$26,900	\$1,663	(\$4,473)
<u>Business-Type Activities:</u>							
2010	2010A	\$10,280	2002D	\$10,295	\$10,295	\$563	(\$2,004)
2014	2014A	\$7,830	2007A	\$8,439	\$8,439	\$704	(\$838)
2014	2014A	\$5,355	2009A	\$5,538	\$5,538	\$444	(\$433)

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt

The amount of debt outstanding at September 30, 2014, and information related to it was as follows:

Series	Face Amount	Dated	Final Maturity	Interest Rates (%)	Principal Maturities (thousands)	Ending Balance	Amount Due Within One Year
PRIMARY GOVERNMENT							
<u>Governmental Activities</u>							
G.O. Warrants (non-sewer portion)							
2005A	72,485,000	02/01/05	02/01/20	3.7 - 6.25	1,425 - 9,915	4,740,000	4,740,000
2005C(e)	68,070,000	10/01/05	10/01/31	3.0 - 5.0	715 - 4,530	8,990,000	8,990,000
2007A	31,967,145	05/01/07	10/01/28	4.0 - 5.0	325 - 1,825	6,934,492	779,629
2009A	66,838,000	03/04/09	09/01/29	2.75 - 5.0	2,077 - 7,312	24,058,111	3,398,556
2009B	71,745,000	03/04/09	09/01/29	2.25 - 5.0	2,560 - 4,735	22,365,000	3,110,000
2010A	74,300,000	09/14/10	03/01/37	3.0 - 5.0	980 - 6,315	46,980,000	3,515,000
2010B (a)	50,895,000	09/14/10	09/01/30	.61 - 5.06	365 - 1,940	45,085,000	1,480,000
2010C (a)	7,520,000	09/14/10	09/01/32	5.0	0 - 3,855	7,520,000	0
2010D (b)	11,695,000	09/14/10	09/01/27	.61 - 4.35	570 - 905	9,385,000	595,000
2011A	45,190,000	11/22/11	03/01/31	2.0 - 5.0	1,590 - 3,135	38,935,000	3,005,000
2011B	50,275,000	11/22/11	05/01/33	2.0 - 5.0	1,965 - 4,020	50,275,000	0
2012A	41,660,000	05/03/12	11/01/25	2.0 - 5.0	765 - 4,500	39,160,000	740,000
2013A	6,450,000	05/23/13	06/01/23	1.6	395 - 870	6,450,000	395,000
2013B	14,580,000	05/23/13	06/01/37	3.5 - 4.0	850 - 1,260	14,580,000	0
2013C	77,050,000	09/03/14	11/01/33	2.0 - 5.0	865 - 6,570	77,050,000	865,000
2013D	24,970,000	09/03/14	11/01/33	2.0 - 5.0	890 - 1,850	24,970,000	890,000
2013E	6,460,000	09/03/14	01/01/23	2.4	625 - 815	6,460,000	625,000
2014A	40,925,000	09/03/14	08/01/37	3.0 - 5.0	940 - 3,995	40,925,000	120,000
2014B	19,345,000	09/03/14	11/01/33	2.0 - 5.0	1,101 - 1,725	19,345,000	0
2014C	27,045,000	09/03/14	09/01/29	2.0 - 5.0	2,775 - 4,215	27,045,000	30,000
	<u>809,465,145</u>					<u>521,252,603</u>	<u>33,278,185</u>
Private Placement Taxable Revenue Warrants(d)							
2010A EUL	10,000,000	07/26/10	07/26/40	9.95	n.a.	11,888,700	0
2010B EUL	20,000,000	10/28/10	07/26/40	9.95	n.a.	25,175,767	0
2012A EUL	3,000,000	01/26/12	07/26/40	9.95	n.a.	3,521,418	0
2012B EUL	3,000,000	05/24/12	07/26/40	9.95	n.a.	3,063,267	0
2013A EUL	1,500,000	02/28/13	07/26/40	9.95	n.a.	1,557,470	0
	<u>37,500,000</u>					<u>45,206,622</u>	<u>0</u>
Lease Revenue Bonds - Public Building Authority							
2007(e)	86,415,000	9/18/07	10/01/36	4.0 - 5.0	420 - 5,700	61,575,000	2,085,000
	<u>86,415,000</u>					<u>61,575,000</u>	<u>2,085,000</u>
Total governmental activities	<u>933,380,145</u>					<u>628,034,225</u>	<u>35,363,185</u>

(continued)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt - Continued

Series	Face Amount	Dated	Final Maturity	Interest Rates (%)	Principal Maturities (thousands)	Ending Balance	Amount Due Within One Year
<u>Business-Type activities</u>							
G.O. Warrants - sewer system							
2007A	17,122,855	5/1/07	5/15/14	4.0 - 5.0	325 - 725	4,540,508	730,371
2009A	13,132,000	3/4/10	9/1/29	2.75 - 5.0	412 - 980	5,316,889	516,444
2010A	17,235,000	9/14/10	3/1/37	3.0 - 4.0	70 - 5,335	10,450,000	5,115,000
2010B (a)	11,595,000	9/14/10	9/1/30	.61 - 5.06	0 - 800	10,500,000	555,000
2011A	17,230,000	11/22/11	3/1/31	2.0 - 5.0	555 - 1,305	15,375,000	600,000
2012A	14,645,000	5/3/12	11/1/27	2.0 - 5.0	330 - 1,395	14,015,000	885,000
2014A	13,185,000	09/03/14	08/01/29	2.0 - 5.0	625 - 2,025	13,185,000	0
	<u>104,144,855</u>					<u>73,382,397</u>	<u>8,401,815</u>
Sewer Revenue Warrants - State Revolving Loan Fund							
1996	22,380,000	1/26/96	8/15/17	3.18	775 - 1,550	4,480,000	1,440,000
2010A (c)	17,435,000	1/27/98	8/15/20	2.61	595 - 1,215	6,675,000	845,000
2010B (c)	16,760,000	12/1/98	8/15/20	2.57	590 - 1,145	6,655,000	1,010,000
2010C (c)	15,180,000	12/22/99	8/15/21	2.57	515 - 1,070	6,305,000	960,000
2010D (c)	13,045,000	12/14/00	8/15/22	3.00	440 - 920	6,440,000	700,000
2012	2,130,000	11/1/11	8/15/32	2.90	80 - 140	1,970,000	85,000
	<u>86,930,000</u>					<u>32,525,000</u>	<u>5,040,000</u>
Total business-type activities	<u>191,074,855</u>					<u>105,907,397</u>	<u>13,441,815</u>
Total Primary Government	<u>1,124,455,000</u>					<u>733,941,622</u>	<u>48,805,000</u>

- (a) Series 2010B and 2010C general obligation warrants are taxable Build America Bonds and Recovery Zone Economic Development Bonds, respectively, under the Internal Revenue Code.
- (b) Series 2010D warrants are taxable general obligation warrants.
- (c) The 2010 series of State Revolving Loan Fund warrants are refunding warrants issued for the sole purpose of reducing the interest rate on the various refunded warrants. The original issue data is for the original, now refunded warrants.
- (d) The EUL warrants are taxable revenue warrants, structured as drawdown obligations not to exceed a maximum amount. The face amount shown is the maximum amount available under the warrant, while the balance shown is what is outstanding under each warrant, plus accrued interest added to the note balance. In the Changes in Long-Term Liabilities table below, the additions shown pertaining to these warrants was the amount actually drawn during the year and accrued interest added to the note balance, not the face value. Also, although approximately \$8.4 million of the 2010-A series is expected to be redeemed in May 2015, the redemption will be financed through the issuance of long-term general obligation warrants, for which the current portion is zero.
- (e) The balance reported for the Series 2005C warrants and the 2007 Lease Revenue Bonds is after the principal payment due on October 1st of the next fiscal year, since such amount was transferred to the principal & interest fund for each obligation prior to that date.

(continued)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt - Continued

COMPONENT UNIT - HUNTSVILLE UTILITIES

Business-Type Activities

Electric System Revenue Warrants

2007	\$13,195,000	12/01/07	12/01/19	4.0	705 - 2,110	9,155,000	1,205,000
2012	28,285,000	12/21/11	12/01/32	2.0 - 4.02	1,789 - 2,405	25,910,000	1,235,000
	<u>41,480,000</u>					<u>35,065,000</u>	<u>2,440,000</u>

Water System Revenue Warrants

2008	43,660,000	05/01/08	11/01/34	2.7 - 5.0	700 - 2,885	32,005,000	2,400,000
2013SRF	180,000	02/14/13	08/15/33	2.75	5 - 10	175,000	5,000
	<u>43,840,000</u>					<u>32,180,000</u>	<u>2,405,000</u>

Gas System Revenue Warrants

2005	11,025,000	08/01/05	08/01/25	3.25 - 4.38	380 - 780	7,060,000	520,000
	<u>11,025,000</u>					<u>7,060,000</u>	<u>520,000</u>

**Total Component
Units**

<u>\$96,345,000</u>	<u>\$74,305,000</u>	<u>\$5,365,000</u>
----------------------------	----------------------------	---------------------------

Future Debt Service

The City's future debt service requirements on its outstanding warrants and bonds as of September 30, 2014 are shown below. There is \$2,704,537 available in The Special Revenue Fund to service general obligation debt.

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

PRIMARY GOVERNMENT

<u>Governmental activities:</u>	G.O. Warrants		Lease Rev. Bonds	
	Principal	Interest	Principal	Interest
2015	\$33,278,185	\$21,872,823	\$2,085,000	\$2,949,775
2016	23,942,088	21,075,223	2,180,000	2,845,525
2017	26,697,099	20,276,589	2,280,000	2,758,325
2018	27,814,447	19,269,208	2,385,000	2,644,325
2019	29,235,556	18,190,290	1,625,000	2,548,925
2020-2024	145,924,701	71,901,221	9,405,000	11,492,225
2025-2029	133,315,527	40,054,573	13,335,000	8,914,400
2030-2034	92,240,000	12,050,066	17,145,000	5,408,000
2035-2039	8,805,000	618,475	11,135,000	799,663
Total governmental activities	<u>\$521,252,603</u>	<u>\$225,308,468</u>	<u>\$61,575,000</u>	<u>\$40,361,163</u>

(continued)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Future Debt Service - Continued

<u>Business-type activities:</u>	G.O. Warrants		Revenue Warrants	
	Principal	Interest	Principal	Interest
2015	8,401,815	3,146,026	5,040,000	867,884
2016	8,742,912	2,880,912	5,225,000	729,443
2017	3,517,901	2,550,317	5,425,000	585,950
2018	3,660,553	2,406,440	4,025,000	436,938
2019	3,744,444	2,243,131	4,175,000	333,368
2020-2024	21,305,299	8,487,217	7,630,000	469,449
2025-2029	20,659,473	3,307,768	600,000	111,795
2030-2034	3,350,000	169,472	405,000	23,780
Total business-type activities	73,382,397	25,191,283	32,525,000	3,558,607

Total Primary Government (a)

\$688,735,000 \$294,419,521

COMPONENT UNITS

<u>Business-Type Activities - Huntsville Utilities</u>	Electric Rev. Warrants		Water Rev. Warrants	
	Principal	Interest	Principal	Interest
2015	\$2,440,000	\$1,505,550	\$2,405,000	\$1,488,400
2016	2,530,000	1,415,650	2,495,000	1,387,150
2017	2,620,000	1,319,350	2,620,000	1,259,525
2018	2,735,000	1,215,625	2,760,000	1,125,400
2019	2,840,000	1,104,125	2,895,000	984,525
2020-2024	8,070,000	4,288,325	4,920,000	3,977,500
2025-2029	7,990,000	2,353,200	6,220,000	2,675,801
2030-2034	5,840,000	368,825	7,865,000	1,016,875
Total	<u>\$35,065,000</u>	<u>\$13,570,650</u>	<u>\$32,180,000</u>	<u>\$13,915,176</u>

<u>Business-Type Activities - Huntsville Utilities</u>	Gas Rev. Warrants	
	Principal	Interest
2015	\$520,000	\$293,394
2016	545,000	273,244
2017	565,000	251,444
2018	585,000	228,844
2019	610,000	205,444
2020-2024	3,455,000	625,707
2025-2029	780,000	34,125
Total	<u>\$7,060,000</u>	<u>\$1,912,202</u>

(a) does not include the EUL Warrants as of September 30, 2014, 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.

(The rest of this page is intentionally blank)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2014, was as follows:

PRIMARY GOVERNMENT	Beginning Balance	Additions(a)	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General obligation warrants	\$423,390,986	\$195,795,000	(\$97,933,383)	\$521,252,603	\$33,278,185
EUL revenue warrants	35,933,053	9,273,569	0	45,206,622	0
Lease revenue bonds	82,805,000	0	(21,230,000)	61,575,000	2,085,000
Subtotal	542,129,039	205,068,569	(119,163,383)	628,034,225	35,363,185
Issue discounts & premiums	30,021,662	24,816,375	(6,305,906)	48,532,131	
Total warrant, bonds, & notes	572,150,701	229,884,944	(125,469,289)	676,566,356	35,363,185
Capitalized leases	0	0	0	0	0
Compensated absences	20,858,000	13,231,429	(12,490,429)	21,599,000	2,159,900
Claims & judgments	650,000	556,700	(686,700)	520,000	520,000
Governmental activities long-term liabilities	\$593,658,701	\$243,673,073	(\$138,646,418)	\$698,685,356	\$38,043,085

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

Business-Type Activities:

General obligation warrants	\$82,044,014	\$13,185,000	(\$21,846,617)	\$73,382,397	\$8,401,815
Sewer revenue warrants	37,380,000	0	(4,855,000)	32,525,000	5,040,000
Subtotal	119,424,014	13,185,000	(26,701,617)	105,907,397	13,441,815
Issue discounts & premiums	6,076,085	2,681,482	(1,340,073)	7,417,494	
Total warrants	125,500,099	15,866,482	(28,041,690)	113,324,891	13,441,815
Capitalized leases	0	0	0	0	0
Compensated absences	1,105,341	617,868	(607,273)	1,115,936	454,436
Business-type activities long-term liabilities	\$126,605,440	\$16,484,350	(\$28,648,963)	\$114,440,827	\$13,896,251

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

(The rest of this page is intentionally blank)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Changes in Long-Term Liabilities – Continued

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Electric System</u>					
Revenue warrants	\$37,420,000	\$0	(\$2,355,000)	\$35,065,000	\$2,440,000
Issue discounts & premiums	2,845,851	0	(173,390)	2,672,461	
Total warrants	40,265,851	0	(2,528,390)	37,737,461	2,440,000
Noncurrent customer deposits	39,357,836	5,285,159	(6,549,535)	38,093,460	6,575,327
Total Electric System long-term liabilities	\$79,623,687	\$5,285,159	(\$9,077,925)	\$75,830,921	\$9,015,327
<u>Water System</u>					
Revenue warrants	\$34,515,000	\$0	(\$2,335,000)	\$32,180,000	\$2,405,000
Issue discounts & premiums	1,053,488	0	(52,457)	1,001,031	
Total warrants	35,568,488	0	(2,387,457)	33,181,031	2,405,000
Noncurrent customer deposits	3,961,238	1,750,620	(693,163)	5,018,695	830,041
Total Water System long-term liabilities	\$39,529,726	\$1,750,620	(\$3,080,620)	\$38,199,726	\$3,235,041
<u>Gas System</u>					
Revenue warrants	\$7,565,000	\$0	(\$505,000)	\$7,060,000	\$520,000
Total warrants	7,565,000	0	(505,000)	7,060,000	520,000
Noncurrent customer deposits	9,794,924	2,031,657	(1,473,377)	10,353,204	1,761,779
Total Gas System long-term liabilities	\$17,359,924	\$2,031,657	(\$1,978,377)	\$17,413,204	\$2,281,779

Uses of Governmental Activities Long-Term Debt

The carrying value of outstanding debt for governmental activities as of September 30, 2014, and the purpose for which this amount has been or will be expended was as follows:

Debt issued for capital asset purposes:	
Invested in assets as of year-end	\$300,520,085
Not yet invested in assets as of year-end	34,696,928
Debt issued for non-capital asset purposes:	
Huntsville City Schools	261,626,167
Von Braun Center	23,279,891
Intergovernmental	56,443,285
Total	<u>\$676,566,356</u>

Subsequent Debt Issuance

The City plans to issue about \$77.6 million of general obligation warrants in May 2015, including \$8.4 million to redeem EUL Warrants presented above.

Derivative Financial Instruments

The City was not a party to any derivative financial instruments as of September 30, 2014, or during the year then ended.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

F. Fund Balance Classifications

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

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

Not in spendable form:	
Inventories, prepaid expenses and long-term receivables	\$1,843,563
Spendable:	
Endowment funds required by donors to remain intact	386,237
Total	\$2,229,800

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	\$1,420,957
1% lodging tax committed for recreation projects	963,953
Unexpended revenues of the Capital Improvement Fund committed for capital improvements	28,057,821
Unexpended revenues of the Cummings Research Park Fund committed for research park development	2,490,643
Other	67,188
Total	\$33,000,562

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

Cemetery improvements	\$2,204,459
Joint jail capital maintenance	1,000,000
General Fund appropriations subsequent to year-end	3,129,118
Debt Service fund	7,656
Long-term care of city cemeteries	2,685,529
Development of industrial parks	827,257
Board-managed activities	2,511,817
Total	\$12,365,836

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

City contingency reserve of the General Fund	\$27,859,170
Unassigned balance of the General Fund	3,223,787
Balances of the board-managed entities	(362,755)
Total	\$30,720,202

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Usage Policy

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

G. Sales and Use Tax Revenue Earmarking

Certain City sales and use taxes levied prior to March 1, 2014, which are General Fund revenues, are earmarked by City Council ordinance, as follows:

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

These do not represent restrictions on the fund balance of the City at September 30, 2014, but represent designations of future revenue which will be considered in determining budget appropriations for future years.

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

H. Tax Equivalents

The Utilities, component units of the City, are required to pay to the City a tax equivalent which is determined by applying the current property tax rates to the Utilities' net plant in service at the end of the preceding year. The amount of tax equivalents paid to the City by the Utilities during 2013 was \$11,613,743 by the Electric System, \$2,713,398 by the Natural Gas System, and \$1,895,381 by the Water System. These amounts are reported as payments in lieu of taxes in the General Fund of the City and as operating expenses in the financial statements of the Utilities.

NOTE 5 – OTHER INFORMATION

A. Segment Information - Enterprise Funds

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

B. Contingent Liabilities and Commitments

Litigation. The City is a defendant in a number of claims and lawsuits. The outcome of these matters is uncertain as of the date of this report. The City Attorney estimates the total liability with respect to these claims and lawsuits that is not covered by insurance will not exceed \$520,000, \$520,000 of which is estimated to be currently payable and has been accrued as a liability in the City's General Fund at September 30, 2014. These amounts plus all other estimated claims and lawsuits are summarized as follows:

Description	Reported In:	
	General Fund Financial Statements	Government-Wide Statement of Net Position
Filed claims and lawsuits, general	\$520,000	\$520,000
Estimated unfiled claims and lawsuits	0	0
Total	\$520,000	\$520,000

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 5 – OTHER INFORMATION– CONTINUED

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

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

Grants. The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other government units. Except as described next, as of September 30, 2014, significant amounts of grant expenditures have not been audited by the grantor agencies but the City believes that future disallowed expenditures related to the unaudited grant programs, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

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

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

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

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

The City has been working, and intends to continue working, with OIG and HUD on these matters. The amounts that may ultimately be payable to HUD cannot be determined as of March 31, 2015, and the financial statements as of September 30, 2014, do not include a liability related to this matter.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 5 – OTHER INFORMATION– CONTINUED

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

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

Encumbrances. The City had outstanding purchase orders related to operating needs and contractual commitments as of September 30, 2014, which represent an encumbrance on resources at year-end, the most significant of which were as follows:

General Fund	\$4,055,848
Capital Improvement Fund	<u>13,462,382</u>
Total	<u>\$17,518,230</u>

These encumbrances are already included in the classifications of net position and fund balances in the financial statements as of September 30, 2014.

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

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

Joint Jail Construction Costs. As described above, the City constructed the expansion to the former city jail now operated as the Huntsville-Madison County Jail. In 2006 significant architectural, engineering design, and structural problems were discovered in the construction of the expansion, which cost a significant amount to remedy. The remediation cost and cost to complete was \$50 million more than originally planned for the \$30 million project. The City sued the architect, the structural engineer, the former general contractor, and a number of subcontractors to recover damages, hoping to recover a portion of the additional cost. The contractor counter-sued the City for damages relating to its termination by the City. The matter is presently in mediation, with partial settlements having been effected among some of the parties. While the final outcome is uncertain, the City's exposure to additional costs has been limited to a maximum of \$200,000. It is unlikely the City will recover additional sums of money in the form of damages from remaining defendants, although the possibility exists for the City to recover a nominal amount of money and its outcome is uncertain as of March 31, 2014, and the financial statements do not include a liability with respect to this matter.

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

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 5 – OTHER INFORMATION– CONTINUED

Economic Development Commitments. As of September 30, 2014, the City made the following significant economic development commitments to private entities:

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

C. Related Organizations

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

Huntsville Housing Authority

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

Solid Waste Disposal Authority

The Solid Waste Disposal Authority is a legally separate organization which is governed by a five member board appointed by the City. The City has no ability to influence the operations of the Authority nor has any financial obligations related to the Authority. The City is obligated to use the Authority for its waste disposal through a contract with the Authority. However, this is considered to be an exchange transaction between two entities and is not considered a manifestation of a financial benefit or burden relationship between the entities. Fees paid to the Authority by the City for the in 2014 were \$3.0 million. The City was also indebted to the Authority in the amount of \$275,000 for waste disposal fees as of September 30, 2014.

Health Care Authority

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

D. Jointly Governed Organizations

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

Huntsville-Madison County Marina and Port Authority

The Marina and Port Authority is a separate legal entity governed by a five member board to operate the marina and port facilities on the Tennessee River. The City and Madison County each appoint two of the members with one member jointly appointed. The City is partially responsible for funding the deficits of the Authority but did not appropriate funds or provide financial assistance to the Authority during 2014.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 5 – OTHER INFORMATION– CONTINUED

Huntsville-Madison County Railroad Authority

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

Huntsville-Madison County Airport Authority

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

Madison County Communications District

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

E. Pension Plans

The City and its separately-managed Von Braun Center Board of Control provide a defined-benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to employee plan members and beneficiaries. Huntsville Utilities Systems and Huntsville-Madison County Convention and Visitors Bureau (“HMC CVB”), discretely-presented component units of the City, offer the same plan. Each of these plans is affiliated with the Employees’ Retirement System of Alabama (“State System”), an agent multiple-employer pension plan administered by the Retirement System of Alabama (“RSA”). The City and Von Braun Center plans are combined as one plan by RSA. RSA assigns the authority to establish and amend the benefit provisions of the plans that participate in the State System to the respective employer entities. For the City and Von Braun Center, that authority rests with the City Council, and for the Utilities and HMC CVB, that authority rests with the entities’ boards. RSA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to RSA at 135 South Union Street, Montgomery, Alabama, 36130.

Employee members who are state correctional officers, certified full-time firefighters, and certified full-time law enforcement officers are required to contribute 6% of their annual covered salary. Other members are required to contribute 5% of their annual covered salary. The employer entities are required to contribute a percentage of covered payroll at actuarially determined rates, which in 2014 for Tier 1 employees (highest of two tiers) was as follows:

City of Huntsville and Von Braun Center	13.92%
Huntsville Utilities:	
Electric	17.71%
Gas	11.16%
Water	12.87%
HMC CVB	6.94%

In 2012, the Alabama Legislature enacted a new mandatory eligibility and benefit tier for employees with no creditable service and hired on or after January 1, 2013 (Tier 2), which represents about two percent of the City’s participants in 2014. The actuarial valuation includes both tiers of employees.

In 2014, annual pension cost was equal to the required and actual contributions for each entity. The required contribution was determined as part of the September 30, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75% to 7.25% per year, and (c) 0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of the System’s assets was determined using market values of instruments at September 30, 2012 and using techniques that smooth the effects of short-term volatility in the market value of investments

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 5 – OTHER INFORMATION– CONTINUED

over a five-year period in the years prior to 2012. The System's unfunded actuarial accrued liability is amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2013 was 30 years for the City, 26 years for the Gas System, 30 years for the Water System, and 28 years for the Electric System.

Trend Information for the State System (2013 is the latest available)

	Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed
City of Huntsville and Von Braun Center:	2013	12,997,129	100%
	2012	12,652,605	100%
	2011	13,411,630	100%
Huntsville Utilities: Electric	2013	1,921,933	100%
	2012	1,832,498	100%
	2011	2,022,018	100%
Gas	2013	2,362,037	100%
	2012	2,192,703	100%
	2011	2,264,102	100%
Water	2013	730,311	100%
	2012	712,254	100%
	2011	751,713	100%
HMC CVB:	2013	40,140	100%
	2012	22,064	100%
	2011	12,141	100%

Schedule of Funding Progress for the State System (2013 is the latest available)

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Huntsville and Von Braun Center	2013	298,425,174	472,979,882	174,554,708	63.1%	102,111,509	170.9%
	2012	283,426,800	454,839,582	171,412,782	62.2%	99,918,205	172.3%
	2011	287,944,875	457,727,104	169,782,229	62.9%	98,905,347	171.7%
Huntsville Utilities: Electric	2013	29,200,076	56,002,661	26,802,585	52.1%	10,780,856	248.6%
	2012	27,559,839	52,255,858	24,598,019	52.8%	10,209,663	240.9%
	2011	28,375,971	55,648,490	27,272,519	51.0%	11,324,018	240.8%
Gas	2013	42,891,485	71,275,411	28,383,926	60.2%	21,219,894	132.8%
	2012	39,365,561	65,308,773	25,943,212	60.3%	19,342,835	134.1%
	2011	39,215,009	67,952,357	28,737,348	57.7%	20,230,164	142.1%
Water	2013	14,897,124	26,834,560	11,937,436	55.5%	5,663,127	210.8%
	2012	14,105,424	24,942,041	10,836,617	56.6%	5,387,113	201.2%
	2011	14,845,549	26,204,475	11,358,926	56.7%	5,808,739	195.5%
HMC CVB	2013	1,898,137	2,209,422	311,285	85.9%	791,151	39.3%
	2012	1,705,321	1,984,876	279,555	85.9%	758,223	36.9%
	2011	1,649,636	1,932,224	282,588	85.4%	733,574	38.5%

F. Post-Retirement Medical Plans

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

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 5 – OTHER INFORMATION– CONTINUED

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

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

Annual OPEB Cost. For 2014, the City's and Utilities annual benefit costs were equal to the required contribution, determined by actuarial valuations as of September 30, 2012, and is summarized as follows:

Schedule of Annual OPEB Cost (latest available)

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
City	2013	\$3,565,158	100%	0
	2012	3,503,297	100%	0
	2011	3,503,297	100%	0
Huntsville Utilities	2013	1,737,361	100%	0
	2012	1,682,686	100%	0
	2011	2,193,181	100%	0

Funded Status and Funding Progress. The funded status of the OPEB plans as of September 30 2012, is shown in the schedule below, which also presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress for the Plans (latest available)

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Proj. Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City	9/30/12	\$6,083,605	\$49,663,792	\$43,580,187	12.25%	\$96,797,111	45.0%
	9/30/10	\$1,973,041	\$53,107,681	\$51,134,640	3.7%	\$91,530,319	55.9%
	9/30/08	734,578	38,149,694	37,415,116	1.9%	81,535,067	45.9%
Utilities (combined)	9/30/12	5,676,120	28,835,898	23,156,778	19.7%	35,227,751	65.7%
	9/30/11	5,264,905	24,769,164	19,504,259	21.3%	37,293,743	52.3%
	9/30/09	3,039,585	29,677,256	26,637,671	10.2%	35,551,843	74.9%

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

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 5 – OTHER INFORMATION– CONTINUED

The City's actuarial valuation as of September 30, 2013, was based on: (a) the projected unit credit method actuarial cost method, (b) a 4.5% investment rate of return and 3.25% inflation rate, (c) an 8.5% medical cost trend rate graded to 5.0% over 6 years, (d) a 60.0% participation rate by retirees and 55.0% participation rate by spouses of participating retirees, (e) retirement rates consistent with the City's pension plan actuarial valuation, and (f) a 30-year amortization period of the actuarial liability as a level percentage of projected payroll on an open basis.

The Utilities' actuarial valuation as of September 30, 2013, was based on: (a) the projected unit credit method actuarial cost method, (b) a 6.25% investment rate of return and 3.25% inflation rate, (c) a 8.5% medical cost trend rate graded to 5.0% over 6 years, (d) retirement rates consistent with the Utilities' pension plan actuarial valuation, and (e) a 30-year amortization period of the actuarial liability as a level percentage of projected payroll on an open basis.

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

G. Risk Financing Programs

The City has elected to retain risk related to the employees' health insurance, workers' compensation insurance and legal claims and judgments against the City. The City does maintain insurance coverage for health insurance claims in excess of \$200,000 per claim/medical event and for workers' compensation claims in excess of \$500,000 per occurrence. For legal claims and lawsuits, the State of Alabama prescribes maximum limits of liability for local government units. These limits are presently \$100,000 for bodily injury or death for one person in any single occurrence and \$300,000 for two or more persons in a single occurrence. The limit for property damage is \$100,000 per single occurrence. Anticipated insurance claims are estimated using historical data and actuarial studies. Anticipated legal claims are estimated by the City's legal counsel. All legal claims estimated to be currently payable during the fiscal year, although possibly reported to the City after September 30, 2014, have been accrued as a liability in the General Fund as of September 30, 2014. Insurance claims have been accrued as a liability in the General Fund. Insurance and legal expenditures are allocated within various departments of the General Fund and to other funds of the City based on payroll and other experience factors. No changes in insurance coverage occurred compared to the previous year nor has the City experienced any insurance settlements in excess of insurance coverage over the past three years.

Changes in the balances of claims liabilities (net of anticipated insurance coverage) for the fiscal year ended September 30, 2014 were as follows:

	<u>Employees' Health Care</u>		<u>Workers' Compensation</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Unpaid claims, beginning of year	\$1,125,000	\$933,000	\$3,500,878	\$3,500,878
Incurred claims	16,348,856	16,553,200	1,365,685	1,201,620
Less claim payments	(16,285,956)	(16,361,200)	(1,365,685)	(1,201,620)
Unpaid claims, end of year (a)	<u>\$1,187,900</u>	<u>\$1,125,000</u>	<u>\$3,500,878</u>	<u>\$3,500,878</u>
	<u>Legal Claims</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Unpaid claims, beginning of year	\$650,000	\$875,000	\$5,275,878	\$5,308,878
Incurred claims	556,700	67,595	18,271,241	17,822,415
Less claim payments	(686,700)	(292,595)	(18,338,341)	(17,855,415)
Unpaid claims, end of year (a)	<u>\$520,000</u>	<u>\$650,000</u>	<u>\$5,208,778</u>	<u>\$5,275,878</u>

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

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2014

NOTE 5 – OTHER INFORMATION – CONTINUED

H. Prior Period Restatements and Adjustments

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

	Utilities Electric System	Utilities Water System	Utilities Gas System
Beginning net position, as originally reported	\$258,588,762	\$160,156,524	\$133,413,655
<u>Restatements:</u>			
Reclassify debt issuance costs previously expensed pursuant to GASB Statement No. 65 as regulatory assets	450,897	888,642	143,034
Beginning net position, restated	<u>\$259,039,659</u>	<u>\$161,045,166</u>	<u>\$133,556,689</u>

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTARY INFORMATION

**CITY OF HUNTSVILLE
GENERAL FUND
BALANCE SHEET
September 30, 2014**

ASSETS

Cash & investments, at cost	\$94,514,190
Receivables (net of allowances)	16,444,047
Due from other funds	211,606
Due from other governmental entities	1,340,834
Inventories	52,365
Prepaid items	242,982

Total assets \$112,806,024

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

Liabilities

Accounts payable	\$2,763,257
Accrued liabilities	12,071,151
Contract retainages	5,690,894
Due to other funds	47,977,095
Due to other governmental entities	1,062,170
Unearned revenue	459,992
Other	1,543,557

Total liabilities 71,568,116

Deferred inflows of resources

Deferred revenue	646,524
------------------	---------

Total deferred inflows of resources 646,524

Fund balance

Nonspendable	295,347
Restricted	494,593
Committed	2,384,910
Assigned	6,333,577
Unassigned	31,082,957

Total fund balance 40,591,384

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

\$112,806,024

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$192,148,400	\$192,148,400	\$192,073,275	(\$75,125)
Licenses and permits	24,424,900	24,424,900	23,819,364	(605,536)
Fines and forfeitures	2,513,700	2,513,700	2,794,054	280,354
Revenues from money and property	1,128,300	2,671,400	1,244,536	(1,426,864)
Charges for services	16,117,200	16,218,015	16,549,021	331,006
Intergovernmental	3,575,481	6,467,106	6,192,263	(274,843)
Gifts and donations	0	76,664	94,127	17,463
Other revenues	1,184,300	1,709,731	2,088,492	378,761
Total revenues	241,092,281	246,229,916	244,855,132	(1,374,784)
EXPENDITURES				
Current				
General government	26,658,081	30,111,106	28,163,398	1,947,708
Public safety	79,309,160	81,807,039	80,965,713	841,326
Public services	55,933,725	59,552,098	54,952,348	4,599,750
Urban development	12,485,035	13,128,093	12,789,375	338,718
Capital projects construction	0	70,000	0	70,000
Intergovernmental assistance	24,115,100	24,238,439	24,107,553	130,886
Total expenditures	198,501,101	208,906,775	200,978,387	7,928,388
Excess of revenues over expenditures	42,591,180	37,323,141	43,876,745	6,553,604
OTHER FINANCING SOURCES (USES)				
Transfers out	(41,987,236)	(43,779,934)	(43,310,412)	469,522
Total other financing sources (uses)	(41,987,236)	(43,779,934)	(43,310,412)	469,522
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	603,944	(6,456,793)	566,333	7,023,126
Fund balance, beginning	40,025,051	40,025,051	40,025,051	0
Fund balance, ending	\$40,628,995	\$33,568,258	\$40,591,384	\$7,023,126

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes				
Sales and use	\$139,208,000	\$139,208,000	\$138,661,511	(\$546,489)
Ad valorem	16,320,000	16,320,000	16,337,360	17,360
Other	36,620,400	36,620,400	37,074,404	454,004
Total	192,148,400	192,148,400	192,073,275	(75,125)
Licenses and permits				
Privilege	20,373,000	20,373,000	20,229,494	(143,506)
Building permits	2,237,000	2,237,000	1,978,045	(258,955)
Other	1,814,900	1,814,900	1,611,825	(203,075)
Total	24,424,900	24,424,900	23,819,364	(605,536)
Fines and forfeitures	2,513,700	2,513,700	2,794,054	280,354
Revenues from money and property				
Interest	275,000	275,000	394,238	119,238
Recreational receipts	620,700	621,700	630,130	8,430
Other	232,600	1,774,700	220,168	(1,554,532)
Total	1,128,300	2,671,400	1,244,536	(1,426,864)
Charges for current services				
Sanitation charges	11,689,000	11,689,000	11,923,876	234,876
Parking revenue	2,120,900	2,120,900	2,151,867	30,967
Other	2,307,300	2,408,115	2,473,278	65,163
Total	16,117,200	16,218,015	16,549,021	331,006
Intergovernmental	3,575,481	6,467,106	6,192,263	(274,843)
Gifts and donations	0	76,664	94,127	17,463
Other revenues	1,184,300	1,709,731	2,088,492	378,761
TOTAL REVENUES	241,092,281	246,229,916	244,855,132	(1,374,784)

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
EXPENDITURES				
Current Expenditures				
<u>General Government</u>				
Administration				
Personnel	1,234,075	1,234,075	1,287,186	(53,111)
Operating	131,840	169,055	164,138	4,917
Capital	0	0	0	0
Total	1,365,915	1,403,130	1,451,324	(48,194)
City Council				
Personnel	460,996	460,996	385,468	75,528
Operating	28,760	29,761	24,567	5,194
Capital	0	0	0	0
Total	489,756	490,757	410,035	80,722
Clerk-Treasurer				
Personnel	1,267,924	1,267,924	1,212,284	55,640
Operating	257,450	257,450	169,687	87,763
Capital	0	6,700	6,612	88
Total	1,525,374	1,532,074	1,388,583	143,491
Finance				
Personnel	2,461,652	2,461,652	2,422,814	38,838
Operating	235,770	230,186	196,603	33,583
Capital	0	2,505,584	1,062,922	1,442,662
Total	2,697,422	5,197,422	3,682,339	1,515,083
Fleet Management				
Personnel	2,954,266	2,955,476	2,914,311	41,165
Operating	310,600	369,966	349,243	20,723
Capital	0	0	0	0
Total	3,264,866	3,325,442	3,263,554	61,888
General expenses				
Personnel	5,223,158	5,821,216	5,674,328	146,888
Operating	2,823,700	3,166,335	3,171,844	(5,509)
Capital	0	0	0	0
Total	8,046,858	8,987,551	8,846,172	141,379

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Human Resources				
Personnel	785,018	785,018	761,345	23,673
Operating	245,300	245,300	225,310	19,990
Capital	0	0	0	0
Total	1,030,318	1,030,318	986,655	43,663
Information Technology Services				
Personnel	3,374,490	3,179,600	3,395,364	(215,764)
Operating	3,152,700	3,248,430	3,052,148	196,282
Capital	0	0	0	0
Total	6,527,190	6,428,030	6,447,512	(19,482)
Legal				
Personnel	1,642,582	1,642,582	1,611,556	31,026
Operating	67,800	73,800	75,668	(1,868)
Capital	0	0	0	0
Total	1,710,382	1,716,382	1,687,224	29,158
Total general government	26,658,081	30,111,106	28,163,398	1,947,708
 <u>Public Safety</u>				
Animal Services				
Personnel	1,723,380	1,507,040	1,520,082	(13,042)
Operating	284,250	314,260	283,735	30,525
Capital	0	0	0	0
Total	2,007,630	1,821,300	1,803,817	17,483
Emergency Management				
Personnel	1,779,314	1,783,684	1,784,709	(1,025)
Operating	58,040	476,135	243,470	232,665
Capital	0	45,000	42,525	2,475
Total	1,837,354	2,304,819	2,070,704	234,115
Fire and Rescue				
Personnel	28,555,358	29,183,168	29,177,690	5,478
Operating	2,098,700	2,303,208	2,293,719	9,489
Capital	0	843,916	76,028	767,888
Total	30,654,058	32,330,292	31,547,437	782,855

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Municipal court				
Personnel	2,971,038	3,019,548	3,042,118	(22,570)
Operating	199,850	241,350	234,638	6,712
Capital	0	11,710	10,661	1,049
Total	3,170,888	3,272,608	3,287,417	(14,809)
Police				
Personnel	37,914,070	37,812,761	38,175,121	(362,360)
Operating	3,634,800	3,948,423	3,909,254	39,169
Capital	0	226,476	81,603	144,873
Total	41,548,870	41,987,660	42,165,978	(178,318)
Special appropriations	90,360	90,360	90,360	0
<i>Total public safety</i>	79,309,160	81,807,039	80,965,713	841,326
<u>Public Services</u>				
Cemetery				
Personnel	775,694	754,888	712,278	42,610
Operating	68,000	127,594	199,302	(71,708)
Capital	0	1,587,937	126,002	1,461,935
Total	843,694	2,470,419	1,037,582	1,432,837
General Services				
Personnel	3,026,924	3,057,714	2,927,081	130,633
Operating	5,736,100	5,816,415	5,679,796	136,619
Capital	0	18,730	14,995	3,735
Total	8,763,024	8,892,859	8,621,872	270,987
Landscape Management				
Personnel	7,798,454	7,458,220	6,947,652	510,568
Operating	2,281,900	2,729,233	3,215,411	(486,178)
Capital	0	68,927	11,178	57,749
Total	10,080,354	10,256,380	10,174,241	82,139

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Parking				
Personnel	1,356,972	1,233,032	1,203,165	29,867
Operating	330,200	330,200	309,764	20,436
Capital	0	0	0	0
Total	1,687,172	1,563,232	1,512,929	50,303
Parks & Recreation				
Personnel	5,852,034	5,857,854	5,655,550	202,304
Operating	632,480	633,480	497,861	135,619
Capital	0	0	0	0
Total	6,484,514	6,491,334	6,153,411	337,923
Public Transit				
Personnel	2,703,232	2,703,232	2,740,389	(37,157)
Operating	1,150,400	1,253,400	1,190,327	63,073
Capital	983,421	1,988,202	254,956	1,733,246
Total	4,837,053	5,944,834	4,185,672	1,759,162
Public Works				
Personnel	12,151,014	12,422,804	12,392,410	30,394
Operating	6,047,200	6,132,090	6,432,605	(300,515)
Capital	0	357,124	171,311	185,813
Total	18,198,214	18,912,018	18,996,326	(84,308)
Special appropriations	5,039,700	5,021,022	4,270,315	750,707
<i>Total public services</i>	55,933,725	59,552,098	54,952,348	4,599,750
<u>Urban Development</u>				
Engineering				
Personnel	2,997,876	3,030,496	2,994,328	36,168
Operating	101,800	101,800	78,907	22,893
Capital	0	0	0	0
Total	3,099,676	3,132,296	3,073,235	59,061
Inspection				
Personnel	1,940,928	1,981,008	1,917,384	63,624
Operating	164,300	166,153	136,862	29,291
Capital	0	16,300	7,394	8,906
Total	2,105,228	2,163,461	2,061,640	101,821

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Natural Resources				
Personnel	655,774	655,774	635,782	19,992
Operating	41,500	35,900	31,981	3,919
Capital	0	14,600	14,358	242
Total	697,274	706,274	682,121	24,153
Planning				
Personnel	3,099,150	3,099,150	3,120,813	(21,663)
Operating	233,200	321,055	181,977	139,078
Capital	0	0	0	0
Total	3,332,350	3,420,205	3,302,790	117,415
Traffic Engineering				
Personnel	2,341,827	2,217,997	2,230,137	(12,140)
Operating	358,400	398,000	349,592	48,408
Capital	0	0	0	0
Total	2,700,227	2,615,997	2,579,729	36,268
Special appropriations	550,280	1,089,860	1,089,860	0
<i>Total urban development</i>	12,485,035	13,128,093	12,789,375	338,718
Capital Projects Construction	0	70,000	0	70,000
Intergovernmental Assistance				
Huntsville Board of Education	20,506,600	20,506,600	20,375,994	130,606
Madison County Commission	2,273,800	2,397,139	2,396,683	456
Madison County Health Department	1,334,700	1,334,700	1,334,876	(176)
Total	24,115,100	24,238,439	24,107,553	130,886
TOTAL EXPENDITURES	198,501,101	208,906,775	200,978,387	7,928,388

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of revenues over expenditures	42,591,180	37,323,141	43,876,745	6,553,604
OTHER FINANCING SOURCES (USES)				
Transfers out	(41,987,236)	(43,779,934)	(43,310,412)	469,522
Total other financing sources (uses)	(41,987,236)	(43,779,934)	(43,310,412)	469,522
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	603,944	(6,456,793)	566,333	7,023,126
Fund balance, beginning	40,025,051	40,025,051	40,025,051	0
Fund balance, ending	\$40,628,995	\$33,568,258	\$40,591,384	\$7,023,126

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF SPECIAL APPROPRIATIONS - BUDGET AND ACTUAL
For the Year Ended September 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Safety				
Huntsville Community Watch Association	\$21,510	\$21,510	\$21,510	\$0
Huntsville/Madison County Rescue Squad, Inc.	4,320	4,320	4,320	0
Partnership for Drug Free Community	64,530	64,530	64,530	0
	<u>90,360</u>	<u>90,360</u>	<u>90,360</u>	<u>0</u>
Public Services				
Arts Council, Inc.	238,600	238,600	238,600	0
Boys & Girls Club, Inc.	43,830	87,660	87,660	0
Community Action Agency	87,750	87,750	87,750	0
First Stop, Inc.	83,830	83,830	83,830	0
Heals, Inc.	21,960	21,960	21,960	0
Human Relations Commission	900	900	900	0
Huntsville Beautification Committee	4,410	4,410	4,410	0
Huntsville Child Care Center, Inc.	13,140	13,140	13,140	0
Huntsville Hospital	150,000	150,000	150,000	0
Huntsville Jaycees	2,160	2,160	2,160	0
Huntsville Sports Commission, Inc.	245,280	455,835	320,535	135,300
Huntsville Symphony Orchestra	49,510	49,510	49,510	0
Huntsville/Madison County Botanical Gardens, Inc.	214,380	214,380	214,380	0
Huntsville/Madison County Convention & Vis. Bureau	1,599,360	1,696,107	1,589,630	106,477
Huntsville/Madison County Senior Center, Inc.	342,180	342,180	342,180	0
International Services Council of Huntsville/Madison Co.	26,280	26,280	26,280	0
Legal Services of Alabama, Inc.	17,550	17,550	17,550	0
LIFT Housing, Inc.	11,210	11,210	11,210	0
Madison County Mental Retardation Board, Inc.	35,100	35,100	35,100	0
Meadow Hills Initiative, Inc.	3,960	3,960	0	3,960
Mental Health Board, Inc. (Mental Health Center)	813,380	813,380	813,380	0
Northwest Huntsville Community Services Org., Inc.	26,280	57,010	0	57,010
Second Mile Development, Inc.	21,960	21,960	21,960	0
Tennessee Valley Jazz Society, Inc.	0	2,500	2,500	0
U.S. Space & Rocket Center Foundation, inc.	75,000	75,000	75,000	0
United Cerebral Palsy of Huntsville/Madison County, Inc.	30,690	30,690	30,690	0
Weeden House Museum	30,000	30,000	30,000	0
Budgetary 1% Lodging Tax Appropriations	851,000	447,960	0	447,960
	<u>5,039,700</u>	<u>5,021,022</u>	<u>4,270,315</u>	<u>750,707</u>
Urban Development				
Big Spring Partners, Inc.	0	383,274	383,274	0
Business Tech. Development Center, Inc. ("BizTech")	87,750	87,750	87,750	0
Chamber of Commerce of Huntsville/Madison County	250,000	403,100	403,100	0
Downtown Huntsville, Inc.	90,000	90,000	90,000	0
North Alabama African-American Chamber of Commerce	21,960	23,460	23,460	0
North Alabama Coalition for the Homeless, Inc.	40,000	41,706	41,706	0
The Land Trust of Huntsville and North Alabama, Inc.	60,570	60,570	60,570	0
	<u>550,280</u>	<u>1,089,860</u>	<u>1,089,860</u>	<u>0</u>
	<u>\$5,680,340</u>	<u>\$6,201,242</u>	<u>\$5,450,535</u>	<u>\$750,707</u>

THIS PAGE INTENTIONALLY LEFT BLANK

OTHER GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CITY OF HUNTSVILLE
NONMAJOR GOVERNMENTAL FUNDS (by fund type)
COMBINING BALANCE SHEET
September 30, 2014**

	Special Revenue Funds										Capital Projects Funds		Total Nonmajor Governmental Funds	
	2014 Capital Improvements	Community Development	Community Development Rehabilitation	Public Building Authority	Public Library	Burritt Museum	Alabama Constitution Village	Art Museum	Huntsville Tennis Center	Federal Building Authority	Perpetual Care	Cummings Research Park		Industrial Park
ASSETS														
Cash & investments, at cost	\$14,914,010	\$671,200	\$345,940	\$4	\$2,991,495	\$2,343	\$91,303	\$30,032	\$445,774	\$698,050	\$2,685,425	\$5,448,214	\$0	\$28,323,790
Receivables (net of allowances)														
Accounts	3,222,159	0	0	0	31,016	0	545,000	29,233	0	0	104	0	0	3,827,512
Notes	0	733,135	487,115	0	0	0	0	0	0	0	0	0	0	1,220,250
Accrued interest	0	44,112	0	0	0	0	0	0	0	0	0	0	0	44,112
Due from other funds	2,985,776	0	0	0	0	15,330	0	0	0	0	0	0	827,257	3,828,363
Due from governmental entities	0	231,245	128,100	0	0	0	0	49,500	0	0	0	0	0	408,845
Inventories	0	0	0	0	0	0	46,432	10,506	8,215	0	0	0	0	65,153
Prepaid items	0	5,747	0	0	1,060	0	0	155,069	0	0	0	0	0	161,876
Total assets	\$21,121,945	\$1,685,439	\$961,155	\$4	\$3,023,571	\$17,673	\$682,735	\$274,340	\$453,989	\$698,050	\$2,685,529	\$5,448,214	\$827,257	\$37,879,901
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE														
Liabilities														
Accounts payable	\$0	\$121,071	\$193,439	\$0	\$56,270	\$5,945	\$0	\$72,420	\$0	\$0	\$0	\$31,590	\$0	\$480,735
Accrued liabilities	0	0	0	0	390,937	0	0	86,682	850	0	0	0	0	478,469
Due to other funds	38,963	67,093	0	0	0	0	144,513	0	0	0	0	0	0	250,569
Unearned revenue	0	0	0	0	37,083	0	0	259,208	0	0	0	10,000	0	306,291
Total liabilities	38,963	188,164	193,439	0	484,290	5,945	144,513	418,310	850	0	0	41,590	0	1,516,064
Fund balances														
Nonspendable	0	782,994	0	0	386,237	0	591,432	165,575	8,215	0	0	0	0	1,934,453
Restricted	21,082,982	714,281	767,716	4	30,691	0	0	0	0	698,050	0	2,915,981	0	26,209,705
Committed	0	0	0	0	67,188	0	0	0	0	0	0	2,490,643	0	2,557,831
Assigned	0	0	0	0	2,055,165	11,728	0	0	444,924	0	2,685,529	0	827,257	6,024,603
Unassigned	0	0	0	0	0	0	(53,210)	(309,545)	0	0	0	0	0	(362,755)
Total fund balance (deficit)	21,082,982	1,497,275	767,716	4	2,539,281	11,728	538,222	(143,970)	453,139	698,050	2,685,529	5,406,624	827,257	36,363,837
Total liabilities, deferred inflows of resources, and fund balance	\$21,121,945	\$1,685,439	\$961,155	\$4	\$3,023,571	\$17,673	\$682,735	\$274,340	\$453,989	\$698,050	\$2,685,529	\$5,448,214	\$827,257	\$37,879,901

CITY OF HUNTSVILLE
NONMAJOR GOVERNMENTAL FUNDS (by fund type)
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2014

	Special Revenue Funds										Capital Projects Funds		Total Nonmajor Governmental Funds	
	2014 Capital Improvements	Community Development	Community Development Rehabilitation	Public Building Authority	Public Library	Burritt Museum	Alabama Constitution Village	Art Museum	Huntsville Tennis Center	Federal Building Authority	Perpetual Care	Cummings Research Park		Industrial Park
REVENUE														
Taxes and payments in lieu of taxes	\$21,119,514	\$0	\$0	\$0	\$0	\$0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$21,119,514
Fines & forfeitures	0	0	0	0	332,046	0	0	0	0	0	0	0	0	332,046
Revenues from money & property	2,457	283,602	11,011	16	216,685	16,383	689,756	396,443	475,479	660	6,373	2,669,185	0	4,768,050
Intergovernmental	0	1,471,064	703,158	0	1,393,030	0	70,000	97,500	0	0	0	0	0	3,734,752
Gifts & donations	0	0	0	0	92,525	455,723	272,551	860,783	0	0	1,386,600	0	0	3,068,182
Other revenues	0	0	366,560	0	27,124	0	132	0	0	0	4,119	0	0	397,935
Total revenues	21,121,971	1,754,666	1,080,729	16	2,061,410	472,106	1,032,439	1,354,726	475,479	660	1,397,092	2,669,185	0	33,420,479
EXPENDITURES														
Current														
General government	26	0	0	0	0	0	0	0	0	0	0	126	0	152
Public services	0	0	0	0	5,756,933	907,747	1,756,024	2,083,984	647,698	0	0	0	0	11,152,386
Urban development	0	3,322,746	1,258,398	0	0	0	0	0	0	38,698	0	72,069	0	4,691,911
Debt service														
Principal	0	0	0	3,895,000	0	0	0	0	0	0	0	0	0	3,895,000
Interest	0	0	0	5,446,025	0	0	0	0	0	0	0	0	0	5,446,025
Capital projects construction	38,963	0	0	0	0	0	0	0	0	0	0	1,068,918	0	1,107,881
Intergovernmental assistance	0	0	0	0	0	0	0	0	0	1,398,231	0	0	0	1,398,231
Total expenditures	38,989	3,322,746	1,258,398	9,341,025	5,756,933	907,747	1,756,024	2,083,984	647,698	1,436,929	0	1,141,113	0	27,691,586
Excess (deficiency) of revenues over expenditures	21,082,982	(1,568,080)	(177,669)	(9,341,009)	(3,695,523)	(435,641)	(723,585)	(729,258)	(172,219)	(1,436,269)	1,397,092	1,528,072	0	5,728,893
OTHER FINANCING SOURCES (USES)														
Transfers in	0	1,392,476	375,000	5,446,532	3,800,000	444,895	1,211,895	658,375	195,400	1,398,230	0	0	0	14,922,803
Transfers (out)	0	0	(42,476)	0	0	0	0	0	0	0	0	(1,398,230)	0	(1,440,706)
Total other financing sources (uses)	0	1,392,476	332,524	5,446,532	3,800,000	444,895	1,211,895	658,375	195,400	1,398,230	0	(1,398,230)	0	13,482,097
Net change in fund balance	21,082,982	(175,604)	154,855	(3,894,477)	104,477	9,254	488,310	(70,883)	23,181	(38,039)	1,397,092	129,842	0	19,210,990
Fund balance (deficit), beginning	0	1,672,879	612,861	3,894,481	2,434,804	2,474	49,912	(73,087)	429,958	736,089	1,288,437	5,276,782	827,257	17,152,847
Fund balance (deficit), ending	\$21,082,982	\$1,497,275	\$767,716	\$4	\$2,539,281	\$11,728	538,222	(\$143,970)	\$453,139	\$698,050	\$2,685,529	\$5,406,624	\$827,257	\$36,363,837

**CITY OF HUNTSVILLE
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2014**

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	\$1,279,000	\$1,279,000	\$1,308,220	\$29,220
Revenues from money and property	0	100	1,159	1,059
Total	1,279,000	1,279,100	1,309,379	30,279
Expenditures				
Operating	0	75,139	22,987	52,152
Total	0	75,139	22,987	52,152
Excess (Deficiency) of Revenues Over Expenditures	1,279,000	1,203,961	1,286,392	82,431
Other financing sources (uses)				
Transfers in(out)	(1,279,000)	(1,429,000)	(1,429,000)	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	(225,039)	(142,608)	82,431
Fund balance, beginning	258,349	258,349	258,349	0
Fund balance, ending	\$258,349	\$33,310	\$115,741	\$82,431
<u>6.5 Mill Tax Fund</u>				
Revenues				
Taxes and payments in lieu of taxes	\$16,320,000	\$16,320,000	\$16,342,367	\$22,367
Revenues from money and property	0	250	83	(167)
Total	16,320,000	16,320,250	16,342,450	22,200
Expenditures				
Operating	0	250	78	172
Total	0	250	78	172
Excess (Deficiency) of Revenues Over Expenditures	16,320,000	16,320,000	16,342,372	22,372
Other financing sources (uses)				
Transfer to refunding escrow agent	0	0	(360,720)	(360,720)
Transfers in(out)	(16,320,000)	(16,861,178)	(16,437,885)	423,293
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	(541,178)	(456,233)	84,945
Fund balance, beginning	479,055	479,055	479,055	0
Fund balance, ending	\$479,055	(\$62,123)	\$22,822	\$84,945

**CITY OF HUNTSVILLE
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2014**

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
6.5 Mill School Tax Fund				
Revenues				
Taxes and payments in lieu of taxes	17,187,000	17,187,000	17,170,942	(16,058)
Revenues from money and property	0	0	1,126	1,126
Total	17,187,000	17,187,000	17,172,068	(14,932)
Expenditures				
Capital	7,000,000	7,000,000	15,491,838	(8,491,838)
Total	7,000,000	7,000,000	15,491,838	(8,491,838)
Excess (Deficiency) of Revenues Over Expenditures	10,187,000	10,187,000	1,680,230	(8,506,770)
Other financing sources (uses)				
Transfers in(out)	(6,566,104)	(8,206,915)	274,284	8,481,199
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	3,620,896	1,980,085	1,954,514	(25,571)
Fund balance, beginning	960,796	960,796	960,796	0
Fund balance, ending	\$4,581,692	\$2,940,881	\$2,915,310	(\$25,571)
7 Cent Gas Tax Fund				
Revenues				
Taxes and payments in lieu of taxes	\$1,950,000	\$1,950,000	\$1,966,786	\$16,786
Revenues from money and property	0	0	1,823	1,823
Total	1,950,000	1,950,000	1,968,609	18,609
Expenditures				
Operating	2,906,000	2,906,000	2,972,113	(66,113)
Total	2,906,000	2,906,000	2,972,113	(66,113)
Excess (Deficiency) of Revenues Over Expenditures	(956,000)	(956,000)	(1,003,504)	(47,504)
Other financing sources (uses)				
Transfers in(out)	956,000	956,000	956,000	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	0	(47,504)	(47,504)
Fund balance, beginning	205,462	205,462	205,462	0
Fund balance, ending	\$205,462	\$205,462	\$157,958	(\$47,504)

**CITY OF HUNTSVILLE
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2014**

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Seizure Fund				
Revenues				
Fines and forfeitures	\$0	\$0	\$346,913	\$346,913
Revenues from money and property	0	0	1,218	1,218
Total	0	0	348,131	348,131
Expenditures				
Operating	0	0	211,602	(211,602)
Total	0	0	211,602	(211,602)
Excess (Deficiency) of Revenues Over Expenditures	0	0	136,529	136,529
Other financing sources (uses)				
Transfers in(out)	0	0	(90,191)	(90,191)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	0	46,338	46,338
Fund balance, beginning	407,531	407,531	407,531	0
Fund balance, ending	\$407,531	\$407,531	\$453,869	\$46,338
TIF 2 Fund				
Revenues				
Taxes and payments in lieu of taxes	\$924,009	\$924,009	\$926,219	\$2,210
Revenues from money and property	0	100	0	(100)
Total	924,009	924,109	926,219	2,110
Expenditures				
Operating	0	100	74	26
Total	0	100	74	26
Excess (Deficiency) of Revenues Over Expenditures	924,009	924,009	926,145	2,084
Other financing sources (uses)				
Transfers in(out)	(1,072,642)	(1,072,642)	(1,072,642)	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(148,633)	(148,633)	(146,497)	2,084
Fund balance, beginning	148,944	148,944	148,944	0
Fund balance, ending	\$311	\$311	\$2,447	\$2,084

**CITY OF HUNTSVILLE
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2014**

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
TIF 3A Fund				
Revenues				
Taxes and payments in lieu of taxes	\$2,592,000	\$2,592,000	\$2,223,331	(\$368,669)
Revenues from money and property	0	0	0	0
Total	2,592,000	2,592,000	2,223,331	(368,669)
Excess (Deficiency) of Revenues Over Expenditures	2,592,000	2,592,000	2,223,331	(368,669)
Other financing sources (uses)				
Transfers in(out)	(1,511,490)	(5,011,490)	(4,903,376)	108,114
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,080,510	(2,419,490)	(2,680,045)	(260,555)
Fund balance, beginning	5,359,093	5,359,093	5,359,093	0
Fund balance, ending	\$6,439,603	\$2,939,603	\$2,679,048	(\$260,555)
TIF 4 Fund				
Revenues				
Taxes and payments in lieu of taxes	\$1,146,764	\$1,146,764	\$1,130,185	(\$16,579)
Revenues from money and property	0	100	718	618
Total	1,146,764	1,146,864	1,130,903	(15,961)
Expenditures				
Operating	0	98	57	41
Total	0	98	57	41
Excess (Deficiency) of Revenues Over Expenditures	1,146,764	1,146,766	1,130,846	(15,920)
Other financing sources (uses)				
Transfers in(out)	(1,589,174)	(1,574,034)	(1,574,148)	(114)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(442,410)	(427,268)	(443,302)	(16,034)
Fund balance, beginning	443,522	443,522	443,522	0
Fund balance, ending	\$1,112	\$16,254	\$220	(\$16,034)

**CITY OF HUNTSVILLE
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2014**

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
TIF 5 Fund				
Revenues				
Taxes and payments in lieu of taxes	\$0	\$122,965	\$122,964	(\$1)
Revenues from money and property	0	0	873	873
Total	0	122,965	123,837	872
Expenditures				
Capital	0	2,135,526	1,427,667	707,859
Total	0	2,135,526	1,427,667	707,859
Excess (Deficiency) of Revenues Over Expenditures	0	(2,012,561)	(1,303,830)	708,731
Other financing sources (uses)				
Long-term debt issued	0	0	1,075,969	1,075,969
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	(2,012,561)	(227,861)	1,784,700
Fund balance, beginning	468,694	468,694	468,694	0
Fund balance, ending	\$468,694	(\$1,543,867)	\$240,833	\$1,784,700
Grand Total - The Special Revenue Fund				
Revenues				
Taxes and payments in lieu of taxes	\$41,398,773	\$41,521,738	\$41,191,014	(\$330,724)
Fines and forfeitures	0	0	346,913	346,913
Revenues from money and property	0	550	7,000	6,450
Total	41,398,773	41,522,288	41,544,927	22,639
Expenditures				
Operating	2,906,000	2,981,587	3,206,911	(225,324)
Capital	7,000,000	9,135,526	16,919,505	(7,783,979)
Total	9,906,000	12,117,113	20,126,416	(8,009,303)
Excess (Deficiency) of Revenues Over Expenditures	31,492,773	29,405,175	21,418,511	(7,986,664)
Other financing sources (uses)				
Long-term debt issued	0	0	1,075,969	1,075,969
Transfer to refunding escrow agent	0	0	(360,720)	(360,720)
Transfers in(out)	(27,382,410)	(33,199,259)	(24,276,958)	8,922,301
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	4,110,363	(3,794,084)	(2,143,198)	1,650,886
Fund balance, beginning	8,731,446	8,731,446	8,731,446	0
Fund balance, ending	\$12,841,809	\$4,937,362	\$6,588,248	\$1,650,886

**CITY OF HUNTSVILLE
OTHER GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2014**

	2014 Capital Improvements Special Revenue Fund			
	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$0	\$120,576	\$21,119,514	\$20,998,938
Revenues from money and property	0	0	2,457	2,457
Total revenues	0	120,576	21,121,971	21,001,395
EXPENDITURES				
Capital	0	120,576	38,989	81,587
Total expenditures	0	120,576	38,989	81,587
Excess of revenues over expenditures	0	0	21,082,982	21,082,982
Fund balance, beginning	0	0	0	0
Fund balance, ending	\$0	\$0	\$21,082,982	\$21,082,982

**CITY OF HUNTSVILLE
OTHER GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2014**

Page 2 of 4

	Capital Improvments Special Revenue Fund			
	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$0	\$740,800	\$740,801	\$1
Revenues from money and property	\$485,000	\$653,493	\$438,189	(215,304)
Intergovernmental	0	28,217,432	3,568,821	(24,648,611)
Gifts and donations	0	369,252	113,072	(256,180)
Total revenues	485,000	29,980,977	4,860,883	(25,120,094)
EXPENDITURES				
Capital	35,979,000	256,529,196	167,176,378	89,352,818
Debt service	0	1,414,594	1,414,594	0
Total expenditures	35,979,000	257,943,790	168,590,972	89,352,818
Excess of revenues over expenditures	(35,494,000)	(227,962,813)	(163,730,089)	64,232,724
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	33,666,313	195,795,000	195,795,000	0
Premium on debt issue	0	24,816,375	24,816,375	0
Transfer to debt escrow agent	0	(95,621,942)	(95,621,942)	0
Transfers in	23,871,400	29,256,258	28,865,738	(390,520)
Transfers out	(12,900,714)	(12,436,996)	(12,143,642)	293,354
Total other financing sources (uses)	44,636,999	141,808,695	141,711,529	(97,166)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	9,142,999	(86,154,118)	(22,018,560)	64,135,558
Fund balance, beginning	93,441,307	93,441,307	93,441,307	0
Fund balance, ending	\$102,584,306	\$7,287,189	\$71,422,747	\$64,135,558

**CITY OF HUNTSVILLE
OTHER GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2014**

Cummings Research Park Capital Projects Fund				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES				
Revenues from money and property	\$0	\$1,136,350	\$2,669,185	\$1,532,835
Total revenues	0	1,136,350	2,669,185	1,532,835
EXPENDITURES				
Capital	0	3,273,303	1,141,113	2,132,190
Total expenditures	0	3,273,303	1,141,113	2,132,190
Excess of revenues over expenditures	0	(2,136,953)	1,528,072	3,665,025
OTHER FINANCING SOURCES (USES)				
Transfers out	0	(2,377,961)	(1,398,230)	979,731
Total other financing sources (uses)	0	(2,377,961)	(1,398,230)	979,731
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	(4,514,914)	129,842	4,644,756
Fund balance, beginning	5,276,782	5,276,782	5,276,782	0
Fund balance, ending	\$5,276,782	\$761,868	\$5,406,624	\$4,644,756

**CITY OF HUNTSVILLE
OTHER GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2014**

	Industrial Park Capital Projects Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Total revenues	\$0	\$0	\$0	\$0
EXPENDITURES				
Total expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Fund balance, beginning	827,257	827,257	827,257	0
Fund balance, ending	\$827,257	\$827,257	\$827,257	\$0

STATISTICAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

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

Subsection	Page
Financial Trends - These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. Included are government-wide summaries of net position, and revenue, expenses, and fund balances of governmental funds and their revenue and expenditures.	114
Revenue Capacity - These schedules contain information to help the reader assess the government's most significant local revenue sources – sales and property taxes. Included are a 10-year tax revenue summary, property values and tax collections, and principal taxpayers.	119
Debt Capacity - These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	124
Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	129
Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	131

**CITY OF HUNTSVILLE
NET POSITION BY COMPONENT**

	2014	2013 (b)	2012 (b)	2011 (b)	2010 (a)	2009 (a)	2008	2007	2006	2005
Governmental activities										
Net investment in capital assets	\$833,092,652	\$831,725,887	\$809,527,915	\$806,901,120	\$802,221,037	\$845,268,444	\$677,876,604	\$676,752,598	\$662,489,220	\$681,056,759
Restricted	36,683,825	53,102,659	92,060,940	69,827,306	59,953,224	49,434,712	58,692,417	64,781,469	72,084,583	22,362,732
Unrestricted	(262,498,673)	(180,968,702)	(191,382,729)	(134,886,509)	(115,487,088)	(119,390,646)	(49,782,330)	(59,903,462)	(79,759,378)	(66,905,526)
Total net position	\$607,277,804	\$703,859,844	\$710,206,126	\$741,841,917	\$746,687,173	\$775,312,510	\$686,786,691	\$681,630,605	\$654,814,425	\$636,513,965
Business-type activities										
Net investment in capital assets	\$274,288,062	\$266,661,604	\$261,861,356	\$257,197,485	\$229,307,244	\$205,036,558	\$133,673,199	\$132,100,127	\$130,856,625	\$122,249,521
Restricted	554,023	6,858,123	14,820,632	9,998,784	10,802,923	12,046,366	0	0	0	0
Unrestricted	33,425,775	23,590,425	11,684,296	13,797,524	21,960,699	22,147,903	28,086,038	20,183,620	10,807,675	10,103,791
Total net position	\$308,267,860	\$297,110,152	\$288,366,284	\$280,993,793	\$262,070,866	\$239,230,827	\$161,759,237	\$152,283,747	\$141,664,300	\$132,353,312
Primary government										
Net investment in capital assets	\$1,107,380,714	\$1,098,387,491	\$1,071,389,271	\$1,064,098,605	\$1,031,528,281	\$1,050,305,002	\$811,549,803	\$808,852,725	\$793,345,845	\$803,306,280
Restricted	37,237,848	59,960,782	106,881,572	79,826,090	70,756,147	61,481,078	58,692,417	64,781,469	72,084,583	22,362,732
Unrestricted	(229,072,898)	(157,378,277)	(179,698,433)	(121,088,985)	(93,526,389)	(97,242,743)	(21,696,292)	(39,719,842)	(68,951,703)	(56,801,735)
Total primary government net position	\$915,545,664	\$1,000,969,996	\$998,572,410	\$1,022,835,710	\$1,008,758,039	\$1,014,543,337	\$848,545,928	\$833,914,352	\$796,478,725	\$768,867,277

Source: Comprehensive annual financial reports

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

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

**CITY OF HUNTSVILLE
CHANGES IN NET POSITION**

	2014	2013 (c)	2012 (c)	2011 (c)	2010 (a)	2009 (a)	2008	2007	2006	2005
Expenses										
Governmental activities:										
General government	\$29,153,904	\$26,715,719	\$26,733,928	\$24,420,239	\$22,148,340	\$28,684,548	\$24,413,094	\$21,850,177	\$18,899,918	\$18,296,047
Public safety	88,372,786	85,724,764	83,352,893	82,143,685	82,875,148	78,799,511	76,952,205	68,430,602	62,262,521	58,301,177
Public services	237,413,535	128,811,922	137,948,724	108,810,956	109,197,353	163,161,869	99,059,863	92,368,138	89,603,382	67,240,627
Urban development	36,683,268	28,867,478	39,156,948	38,663,677	26,455,675	18,492,051	24,467,222	24,078,509	18,320,523	15,550,825
Intergovernmental assistance (a)	0	0	0	0	0	0	0	0	0	32,746,511
Interest on long-term debt	26,658,311	25,455,799	25,462,843	22,976,363	20,727,443	21,534,346	22,416,453	22,140,985	20,238,610	20,141,437
Unallocated depreciation	30,740,478	30,455,028	29,882,021	29,467,360	29,328,626	28,549,209	26,015,619	25,728,773	26,276,581	27,796,700
Total governmental activities expenses	449,022,282	326,030,710	342,537,357	306,482,280	290,732,585	339,221,534	273,324,456	254,597,184	235,601,535	240,073,324
Business-type activities:										
Water pollution control	27,244,801	27,720,695	30,318,335	31,138,113	27,061,582	26,875,881	26,765,661	23,399,766	20,899,980	20,929,126
Civic Center	11,842,331	10,961,440	11,128,503	10,125,697	9,728,536	9,966,778	9,690,975	9,357,380	8,475,896	7,955,705
Ice Complex	1,581,104	1,482,712	1,395,951	1,207,208	1,056,821	1,047,050	1,107,937	1,182,323	1,034,614	953,920
Total business-type activities expenses	40,668,236	40,164,847	42,842,789	42,471,018	37,846,939	37,889,709	37,564,573	33,939,469	30,410,490	29,838,751
Total primary government expenses	489,690,518	366,195,557	385,380,146	348,953,298	328,579,524	377,111,243	310,889,029	288,536,653	266,012,025	269,912,075
Program Revenues										
Governmental activities:										
Charges for services:										
General government	22,021,774	21,925,264	20,777,576	20,090,489	19,546,315	18,777,070	18,976,662	18,425,046	15,800,779	14,647,634
Public Safety	4,642,898	4,116,642	3,920,660	4,042,948	4,206,968	4,051,824	3,671,778	3,415,790	3,564,980	2,735,906
Public Services	17,988,274	18,388,361	18,116,407	18,024,375	16,467,291	16,758,939	16,610,479	15,757,762	15,216,215	14,833,147
Urban Development	3,093,173	3,307,178	2,492,147	2,632,710	2,979,979	3,688,251	4,381,380	5,991,224	4,507,747	3,760,184
Operating grants and contributions	26,850,683	21,199,994	12,395,570	10,087,125	9,607,076	5,534,331	6,041,500	7,634,443	8,555,901	6,826,703
Capital grants and contributions	21,349,944	23,956,342	24,501,646	23,279,382	11,477,997	35,454,871	8,916,135	11,735,527	8,112,379	12,397,682
Total governmental activities program revenues	95,946,746	92,893,781	82,204,006	78,157,029	64,285,626	84,265,286	58,597,934	62,959,792	55,758,001	55,201,256
Business-type activities:										
Charges for services:										
Water pollution control	36,032,232	35,792,089	36,141,264	37,321,532	33,518,016	32,905,736	33,149,416	33,370,745	30,434,720	23,909,535
Civic Center	8,358,106	7,361,245	7,212,347	6,839,392	6,514,808	7,146,456	7,085,111	6,685,865	5,330,606	5,246,093
Ice Complex	1,518,105	1,414,996	1,405,130	1,089,071	1,002,102	917,173	967,984	927,874	922,102	832,920
Parking facilities	0	0	0	0	0	0	0	0	0	0
Sanitation	0	0	0	0	0	0	0	0	0	0
Operating grants and contributions	0	0	0	0	0	0	0	0	0	0
Capital grants and contributions	3,525,530	1,341,687	2,980,046	2,147,144	1,787,827	5,293,814	2,361,822	0	41,822	1,108,069
Total business-type activities program revenues	49,433,973	45,910,017	47,738,787	47,397,139	42,822,753	46,263,179	43,564,333	40,984,484	36,729,250	31,096,617
Total primary government program revenues	145,380,719	138,803,798	129,942,793	125,554,168	107,108,379	130,528,465	102,162,267	103,944,276	92,487,251	86,297,873
Net(expense)revenue										
Governmental activities	(353,075,536)	(233,136,929)	(260,333,351)	(228,325,251)	(226,446,959)	(254,956,248)	(214,726,522)	(191,637,392)	(179,843,534)	(184,872,068)
Business-type activities	8,765,737	5,745,170	4,895,998	4,926,121	4,975,814	8,373,470	5,999,760	7,045,015	6,318,760	1,257,866
Total primary government net expenses	(344,309,799)	(227,391,759)	(255,437,353)	(223,399,130)	(221,471,145)	(246,582,778)	(208,726,762)	(184,592,377)	(173,524,774)	(183,614,202)

**CITY OF HUNTSVILLE
CHANGES IN NET POSITION**

	2014	2013 (c)	2012 (c)	2011 (c)	2010 (a)	2009 (a)	2008	2007	2006	2005
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales & use taxes	159,401,801	135,099,924	132,772,011	127,235,936	123,934,078	122,161,198	127,565,012	125,723,726	114,580,803	104,962,909
Property taxes	54,253,368	53,241,717	54,699,340	58,861,760	57,285,006	54,078,571	50,210,471	43,153,397	40,235,507	33,176,517
Other taxes	41,039,618	39,075,002	39,691,873	39,795,730	39,451,787	38,537,905	37,537,970	37,319,663	35,719,573	32,148,984
Interest on Investments	672,898	775,306	1,124,316	969,805	798,035	1,116,673	6,150,108	7,979,874	6,253,502	2,867,311
Other	1,180,504	1,305,543	944,235	1,172,264	20,071,808	3,899,387	2,724,336	5,479,430	1,429,408	1,949,043
Gains (losses) on sales of assets	2,263,811	205,554	1,893,432	232,794	1,142,410	3,897,397	1,010,961	2,295,338	5,341,938	5,893,780
Extraordinary impairment loss	0	0	0	0	(27,067,437)	0	0	0	0	0
Transfers	(2,318,504)	(2,912,399)	(2,427,647)	(14,909,852)	(17,794,065)	(3,406,942)	(5,316,250)	(3,026,808)	(2,753,377)	(4,511,031)
Total governmental activities	256,493,496	226,790,647	228,697,560	213,358,437	197,821,622	220,284,189	219,882,608	218,924,620	200,807,354	176,487,513
Business-type activities										
Interest on Investments	73,467	86,299	48,846	44,439	70,160	102,738	404,992	547,624	238,851	186,824
Gains (losses) on sales of assets	0	0	0	0	0	30,000	0	0	0	0
Transfers	2,318,504	2,912,399	2,427,647	14,909,852	17,794,065	3,406,942	3,070,738	3,026,808	2,753,377	4,511,031
Total business-type activities	2,391,971	2,998,698	2,476,493	14,954,291	17,864,225	3,539,680	3,475,730	3,574,432	2,992,228	4,697,855
Total primary government	258,885,467	229,789,345	231,174,053	228,312,728	215,685,847	223,823,869	223,358,338	222,499,052	203,799,582	181,185,368
<u>Change in Net Position</u>										
Governmental activities	(96,582,040)	(6,346,282)	(31,635,791)	(14,966,814)	(28,625,337)	(34,672,059)	5,156,086	27,287,228	20,963,820	(8,384,555)
Business-type activities	11,157,708	8,743,868	7,372,491	19,880,412	22,840,039	11,913,150	9,475,490	10,619,447	9,310,988	5,955,721
Total primary government	(\$85,424,332)	\$2,397,586	(\$24,263,300)	\$4,913,598	(\$5,785,298)	(\$22,758,909)	\$14,631,576	\$37,906,675	\$30,274,808	(\$2,428,834)

Source: Comprehensive annual financial reports.

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

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

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

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Nonspendable	295,347	103,136	100,429	156,555	-	-	-	-	-	-
Restricted	494,593	336,926	244,449	211,399	-	-	-	-	-	-
Committed	2,384,910	622,963	417,977	2,940,666	-	-	-	-	-	-
Assigned	6,333,577	8,331,843	6,869,250	5,757,645	-	-	-	-	-	-
Unassigned	31,082,957	30,630,183	31,151,798	29,227,404	-	-	-	-	-	-
Reserved	-	-	-	-	452,658	2,268,657	2,535,938	10,642,444	209,272	205,376
Unreserved	-	-	-	-	37,387,163	41,623,212	53,444,399	59,095,252	48,597,754	39,941,975
Total general fund	40,591,384	40,025,051	38,783,903	38,293,669	37,839,821	43,891,869	55,980,337	69,737,696	48,807,026	40,147,351
All other governmental funds										
Nonspendable	1,934,453	1,257,751	1,230,972	992,765	-	-	-	-	-	-
Restricted	76,162,879	76,162,879	124,922,741	73,184,953	-	-	-	-	-	-
Committed	30,615,652	30,615,652	37,375,254	42,403,656	-	-	-	-	-	-
Assigned	6,032,259	5,898,703	5,216,839	4,259,078	-	-	-	-	-	-
Unassigned	(362,755)	(236,855)	(1,102,991)	(182,686)	-	-	-	-	-	-
Reserved	-	-	-	-	55,597,074	76,818,638	63,566,881	54,246,282	9,453,684	11,575,447
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Debt Service fund	-	-	-	-	3,449,602	3,412,682	3,232,744	3,350,116	3,234,567	21,760
Special revenue funds	-	-	-	-	(2,149,120)	(1,644,735)	1,351,011	31,720,227	26,197,393	17,376,072
Permanent funds	-	-	-	-	1,264,302	1,246,187	1,225,666	1,177,400	1,098,569	1,038,227
Capital project funds	-	-	-	-	88,159,398	28,143,542	38,361,839	57,887,452	67,383,192	24,489,475
Total all other governmental funds	114,382,488	113,698,130	167,642,815	120,657,766	146,321,256	107,976,314	107,738,141	148,381,477	107,367,405	54,500,981
Total fund balance	\$154,973,872	\$153,723,181	\$206,426,718	\$158,951,435	\$184,161,077	\$151,868,183	\$163,718,478	\$218,119,173	\$156,174,431	\$94,648,332

Source: Comprehensive annual financial reports.

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Sales and Use Tax	\$159,781,025	\$135,057,237	\$132,503,675	\$126,470,618	\$123,934,078	\$122,161,198	\$127,565,012	\$125,723,726	\$114,580,803	\$104,962,909
Property Tax	54,253,368	53,241,717	54,699,340	58,861,760	57,285,006	54,078,571	50,210,471	43,153,397	40,235,507	33,176,517
Other taxes	41,090,211	39,075,002	39,691,873	39,795,730	39,451,787	38,537,905	37,537,970	37,319,663	35,633,301	32,070,521
Licenses and permits	23,819,364	23,850,640	22,033,292	21,389,753	21,739,746	22,216,726	23,054,259	24,131,627	20,192,700	18,321,231
Fines and forfeitures	3,473,013	3,129,923	3,240,931	3,485,908	3,730,949	3,909,186	3,535,338	3,333,458	3,416,351	2,670,807
Revenues from money and property	6,461,335	4,511,397	6,211,960	4,470,530	5,694,484	9,375,326	9,866,155	14,137,444	16,507,127	14,706,142
Charges for services	16,549,021	16,215,457	15,071,641	14,849,097	13,355,299	13,352,783	13,265,357	12,772,475	12,256,065	12,094,099
Intergovernmental	27,987,674	30,395,247	21,380,475	18,328,789	18,848,842	18,311,488	14,838,735	20,075,214	12,145,124	18,860,466
Gifts and donations	3,275,381	5,817,108	3,911,580	6,440,919	9,105,851	1,982,596	2,147,148	1,783,533	1,414,325	1,539,417
Other revenues	2,486,427	1,450,476	2,122,359	1,663,967	4,029,865	1,669,735	2,948,574	1,862,393	2,073,152	1,689,342
Total Revenues	339,176,819	312,744,204	300,867,126	295,757,071	297,175,907	285,595,514	284,969,019	284,292,930	258,454,455	240,091,451
Expenditures										
General government	28,227,710	26,200,191	28,697,542	23,065,197	23,540,359	27,076,571	19,954,377	20,526,138	18,457,838	17,763,621
Public safety	82,331,558	80,070,974	80,502,982	76,605,943	77,047,963	73,422,216	74,106,520	68,560,726	60,234,292	58,427,522
Public services	74,322,641	72,239,663	77,422,057	67,250,778	70,201,183	71,145,870	73,786,496	75,449,975	66,626,701	69,248,718
Urban development	27,725,654	17,562,142	16,288,150	20,107,047	16,476,084	16,663,058	17,334,448	20,923,861	16,929,088	15,302,050
Debt service										
Principal	34,054,729	50,829,052	32,412,110	32,242,118	35,498,028	107,287,240	28,125,603	27,712,653	25,445,585	108,221,154
Interest	24,753,072	23,912,271	23,527,397	22,400,482	22,828,178	23,859,727	20,713,975	20,788,626	20,288,933	19,682,483
Fiscal charges	849	17,087	15,804	21,546	13,304	11,449	53,471	52,789	73,236	69,980
Debt issuance costs	1,414,594	249,956	1,246,871	6,500	1,148,689	1,116,280	0	1,935,175	778,962	1,052,682
Capital projects construction and outlay	28,117,331	29,658,555	20,600,429	23,300,805	32,578,946	39,807,540	61,960,481	31,786,986	31,152,674	44,012,462
Intergovernmental assistance	165,783,884	63,366,078	83,144,550	54,835,373	43,747,892	90,864,329	30,688,444	26,564,854	22,857,303	32,746,511
Total expenditures	466,732,022	364,105,969	363,857,892	319,835,789	323,080,626	451,254,280	326,723,815	294,301,783	262,844,612	366,527,183
Excess of revenues over (under) expenditures	(127,555,203)	(51,361,765)	(62,990,766)	(24,078,718)	(25,904,719)	(165,658,766)	(41,754,796)	(10,008,853)	(4,390,157)	(126,435,732)
Other financing sources(uses)										
Long-term debt issued	196,870,969	27,770,132	151,704,893	13,778,928	145,244,100	147,538,000	0	129,135,000	68,070,000	83,610,000
Premium on debt issue	24,816,375	311,879	17,425,336	0	7,106,178	9,662,918	0	2,491,409	3,030,036	4,724,090
Payment to escrow agent	(95,982,662)	(20,988,033)	(56,303,167)	0	(76,308,888)	0	0	(56,168,927)	0	0
Capital lease proceeds	0	0	0	0	0	0	0	0	232,957	2,250,427
Transfers in	79,517,324	91,546,692	90,282,567	89,431,120	92,329,571	160,826,423	86,590,155	87,250,263	92,454,496	78,138,533
Transfers (out)	(82,037,527)	(94,361,027)	(92,643,580)	(104,340,972)	(110,173,348)	(164,218,870)	(99,236,054)	(90,283,102)	(95,207,873)	(82,601,692)
Total other financing sources(uses)	123,184,479	4,279,643	110,466,049	(1,130,924)	58,197,613	153,808,471	(12,645,899)	72,424,643	68,579,616	86,121,358
Net change in fund balances	(\$4,370,724)	(\$47,082,122)	\$47,475,283	(\$25,209,642)	\$32,292,894	(\$11,850,295)	(\$54,400,695)	\$62,415,790	\$64,189,459	(\$40,314,374)
Debt service as a percentage of noncapital expenditures (a) (b)	17.3%	18.9%	20.4%	22.3%	22.0%	24.4%	18.9%	19.7%	20.3%	20.8%

Source: Comprehensive annual financial reports.

(a) For purposes of this calculation, the amounts exclude the debt service related to current refunding transactions.

(b) Intergovernmental assistance includes debt-financed expenditures by the City to construct capital assets owned by other governments, including Huntsville City Schools, the State of Alabama, and the U.S. Government. Noncapital expenditures excludes these costs as they cause significant variances in total expenditures from year to year.

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

Fiscal Year	Sales and Use Tax	Property Tax	City Leasing	City Liquor	City Lodging	City Gasoline	City Wine	City Tobacco	State Gasoline	Huntsville Utilities P.I.L.O.T.	T.V.A. P.I.L.O.T.	State Beverage	State Tobacco	All Other	Total
2005	\$104,962,909	\$33,176,517	\$2,769,099	\$1,492,209	\$4,005,912	\$1,038,002	\$138,177	\$1,291,129	\$3,233,160	\$12,452,961	\$2,377,323	\$1,656,314	\$284,836	\$1,331,399	\$170,209,947
2006	\$114,580,803	\$40,235,507	\$2,786,309	\$1,722,226	\$4,445,996	\$1,006,452	\$138,289	\$1,378,086	\$3,170,148	\$14,036,975	\$2,569,143	\$1,663,442	\$302,046	\$2,500,461	\$190,535,883
2007	\$125,723,726	\$43,153,397	\$2,970,016	\$1,831,422	\$5,351,353	\$1,067,227	\$160,878	\$1,387,160	\$3,202,542	\$14,266,958	\$3,070,588	\$1,754,201	\$317,580	\$1,939,738	\$206,196,786
2008	\$127,565,012	\$50,210,471	\$2,945,100	\$2,077,439	\$5,924,004	\$1,072,348	\$166,983	\$1,354,237	\$3,109,810	\$14,648,826	\$3,080,532	\$1,788,958	\$306,172	\$1,063,561	\$215,313,453
2009	\$122,161,198	\$54,078,571	\$2,724,440	\$2,238,761	\$5,691,836	\$1,059,697	\$158,869	\$1,345,472	\$3,113,969	\$15,544,289	\$3,061,800	\$1,763,041	\$298,603	\$1,537,129	\$214,777,675
2010	\$123,934,078	\$57,285,006	\$2,709,184	\$2,385,303	\$5,806,607	\$1,082,108	\$158,953	\$1,384,660	\$3,171,632	\$16,654,708	\$2,874,444	\$1,751,714	\$286,959	\$1,185,515	\$220,670,871
2011	\$126,470,618	\$58,861,760	\$2,868,384	\$2,337,309	\$6,144,514	\$1,074,319	\$178,512	\$1,342,972	\$3,146,176	\$16,387,516	\$3,195,236	\$1,631,263	\$318,969	\$1,170,559	\$225,128,108
2012	\$132,503,675	\$54,699,340	\$2,996,122	\$2,445,579	\$6,129,998	\$1,188,538	\$179,981	\$1,236,213	\$3,304,230	\$15,531,412	\$3,328,060	\$1,724,802	\$263,188	\$1,363,750	\$226,894,888
2013	\$135,057,237	\$53,241,717	\$2,719,021	\$2,369,026	\$6,191,970	\$1,202,412	\$178,378	\$1,183,813	\$3,254,180	\$15,765,419	\$3,072,492	\$1,604,197	\$230,914	\$1,303,180	\$227,373,956
2014	\$159,781,025	\$54,253,368	\$2,631,568	\$2,522,257	\$7,303,150	\$1,265,771	\$180,806	\$1,229,518	\$3,275,006	\$16,222,522	\$2,908,572	\$1,649,427	\$144,987	\$1,756,627	\$255,124,604

Source: Comprehensive annual financial reports

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

SALES TAX

Fiscal Year	City	County	State	Total
2005	3.5%	0.5%	4.0%	8.0%
2006	3.5%	0.5%	4.0%	8.0%
2007	3.5%	0.5%	4.0%	8.0%
2008	3.5%	0.5%	4.0%	8.0%
2009	3.5%	0.5%	4.0%	8.0%
2010	3.5%	0.5%	4.0%	8.0%
2011	3.5%	0.5%	4.0%	8.0%
2012	3.5%	0.5%	4.0%	8.0%
2013	3.5%	0.5%	4.0%	8.0%
2014 (1.0% increase 3/1/14)	4.5%	0.5%	4.0%	9.0%

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

PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS

(Per \$1000 of Assessed Value)

Fiscal Year	City of Huntsville				Total	County		State	Total
	General Fund	School Funds	City Debt Service Funds	County School District		County			
2005	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0	
2006	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0	
2007	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0	
2008	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0	
2009	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0	
2010	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0	
2011	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0	
2012	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0	
2013	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0	
2014	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0	

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

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

	Total Tax Levy	Total Tax Collections (a)	Percent of Total Tax Collections to Tax Levy
2004-2005	\$118,723,634	\$116,636,738	98.2%
2005-2006	\$140,488,139	\$138,268,426	98.4%
2006-2007	\$149,465,737	\$148,620,312	99.4%
2007-2008	\$168,234,235	\$166,393,544	98.9%
2008-2009	\$179,688,391	\$179,104,699	99.7%
2009-2010	\$188,576,265	\$187,648,619	99.5%
2010-2011	\$190,572,100	\$190,108,734	99.8%
2011-2012	\$190,241,294	\$190,022,859	99.9%
2012-2013	\$194,614,998	\$194,498,556	99.9%
2013-2014	\$197,403,885	\$197,526,366	100.1%

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

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

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

Assessment Date October 1,	Real and Personal Property						Penalties Assessed	Exempt Assessed	Class 4		Total Assessed	Total Actual	Assessed Value To Total Estimated Actual Value
	Class 1		Class 2		Class 3				Assessed	Actual			
	Assessed	Actual	Assessed	Actual	Assessed	Actual							
2004	\$35,712	\$119,040	\$1,606,282	\$8,031,410	\$591,458	\$5,914,580	\$2,842	(\$537,974)	\$194,488	\$1,296,587	\$1,892,808	\$15,361,617	12.3%
2005	\$33,832	\$112,774	\$1,628,923	\$8,144,616	\$631,620	\$6,316,200	\$4,184	(\$526,903)	\$204,144	\$1,360,960	\$1,975,800	\$15,934,550	12.4%
2006	\$33,146	\$110,488	\$1,814,243	\$9,071,215	\$697,207	\$6,972,072	\$5,601	(\$557,311)	\$214,374	\$1,426,160	\$2,207,260	\$17,579,935	12.6%
2007	\$33,626	\$112,086	\$1,921,701	\$9,608,503	\$744,423	\$7,444,226	\$6,751	(\$591,001)	\$221,997	\$1,479,980	\$2,337,497	\$18,644,795	12.5%
2008	\$33,417	\$111,391	\$1,980,302	\$9,901,509	\$786,525	\$7,865,245	\$5,106	(\$562,663)	\$227,114	\$1,514,093	\$2,469,801	\$19,392,238	12.7%
2009	\$30,191	\$100,637	\$1,981,468	\$9,907,339	\$811,896	\$8,118,963	\$3,496	(\$560,668)	\$206,932	\$1,379,547	\$2,473,315	\$19,506,486	12.7%
2010	\$26,732	\$89,106	\$1,916,313	\$9,581,567	\$839,571	\$8,395,710	\$2,095	(\$517,010)	\$224,336	\$1,495,573	\$2,492,037	\$19,561,956	12.7%
2011	\$27,581	\$91,937	\$1,948,313	\$9,741,566	\$863,786	\$8,637,862	\$1,830	(\$507,132)	\$241,516	\$1,610,107	\$2,575,894	\$20,081,472	12.8%
2012	\$28,591	\$95,302	\$1,955,237	\$9,776,187	\$878,514	\$8,785,143	\$2,334	(\$484,267)	\$256,731	\$1,711,543	\$2,637,140	\$20,368,175	12.9%
2013	\$26,818	\$89,393	\$1,977,673	\$9,888,366	\$878,858	\$8,788,580	\$3,031	(\$478,909)	\$260,691	\$1,737,940	\$2,668,162	\$20,504,279	13.0%

Assessment Date Note:

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

Valuation Note:

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

Class and Assessment % Note:

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

Tax Rate Note:

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

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

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

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	2014			2005		
	City Assessed Valuation	Rank	Percentage of Total Assessed Value	City Assessed Valuation	Rank	Percentage of Total Assessed Value
Toyota Motor Manufacturing Alabama	\$102,649,780	1	3.8%			
Huntsville NYL LLC	\$26,782,160	2	1.0%			
Bell South Telecommunications Inc	\$21,264,500	3	0.8%	\$39,917,380	1	2.1%
BASF Catalysts LLC	\$20,868,600	4	0.8%			
ADTRAN Inc	\$17,646,580	5	0.7%			
Dynetics Inc.	\$14,166,900	6	0.5%			
IMI Huntsville LLC	\$13,912,420	7	0.5%			
Generics International US Inc	\$12,681,380	8	0.5%			
Crestwood Healthcare LP	\$12,175,640	9	0.5%			
Redstone Federal Credit Union	\$10,353,800	10	0.4%	\$8,171,960	6	
Siemens VDO Automotive				12,213,620	5	0.6%
Intergraph Corporation				13,802,040	4	0.7%
Parkway Place Limited				8,083,220	8	0.4%
Knology of Huntsville Inc				\$7,546,260	10	0.4%
Colonial Realty LP				\$20,398,640	2	1.1%
Madison Square Assco LTD				\$7,719,700	9	0.4%
Engelhard Corp.				\$16,324,460	3	0.9%
Inland Southeast Hsv LLC				\$8,126,560	7	0.4%
Top 10 subtotal	\$252,501,760		9.5%	\$142,303,840		7.4%
Other taxpayers	\$2,415,660,240		90.5%	\$1,772,053,140		92.6%
Totals	\$2,668,162,000		100.0%	\$1,914,356,980		100.0%

CITY OF HUNTSVILLE
RATIOS OF OUTSTANDING DEBT BY TYPE

(amounts expressed in thousands, except per capita amounts)

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Per Capita	Debt as % of Personal Income
	General Obligation Warrants	Revenue Warrants	PBA Lease Revenue Bonds	Capital Leases	Sewer System General Obligation Warrants	Sewer System Revenue Warrants	Capital Leases			
2005	\$345,032	\$0	\$56,078	\$2,653	\$49,108	\$67,795	\$168	\$520,834	\$3,104	4.58%
2006	\$392,235	\$0	\$54,798	\$1,865	\$45,581	\$64,245	\$106	\$558,830	\$3,282	4.59%
2007	\$409,609	\$0	\$87,607	\$1,323	\$52,038	\$75,980	\$29	\$626,586	\$3,618	4.78%
2008	\$373,868	\$0	\$87,568	\$763	\$55,293	\$76,560	\$4	\$594,056	\$3,396	4.26%
2009	\$423,606	\$0	\$87,108	\$234	\$64,763	\$71,800	\$0	\$647,511	\$3,621	4.31%
2010	\$469,181	\$834	\$86,628	\$120	\$72,658	\$66,865	\$0	\$696,286	\$3,876	4.50%
2011	\$434,877	\$14,613	\$86,133	\$64	\$66,719	\$61,745	\$0	\$664,151	\$3,688	4.11%
2012	\$503,719	\$29,193	\$85,619	\$0	\$95,968	\$42,065	\$0	\$756,564	\$4,135	4.43%
2013	\$452,459	\$35,933	\$83,759	\$0	\$88,120	\$37,380	\$0	\$697,651	\$3,731	3.89%
2014	\$568,664	\$45,206	\$62,697	\$0	\$80,799	\$32,525	\$0	\$789,891	\$4,198	4.33%

Source: Comprehensive annual financial reports.
See the Schedule of Demographic and Economic Statistics for median family income and population data.

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

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

Fiscal Year	General Obligation Warrants	Sewer System General Obligation Warrants	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2005	\$345,032	\$49,108	\$394,140	2.5%	\$2,349
2006	\$392,235	\$45,581	\$437,816	2.5%	\$2,572
2007	\$409,609	\$52,038	\$461,647	2.5%	\$2,666
2008	\$373,868	\$55,293	\$429,161	2.2%	\$2,400
2009	\$423,606	\$64,763	\$488,369	2.5%	\$2,718
2010	\$469,181	\$72,658	\$541,839	2.8%	\$3,008
2011	\$434,877	\$66,719	\$501,596	2.5%	\$2,742
2012	\$503,719	\$95,968	\$599,687	2.9%	\$3,207
2013	\$452,459	\$88,120	\$540,579	2.6%	\$2,873
2014	\$568,664	\$80,799	\$649,463	Not available	Not available

Source: Comprehensive annual financial reports.

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

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

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

**CITY OF HUNTSVILLE
LEGAL DEBT MARGIN INFORMATION**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Debt limit	533,026,200	526,961,200	514,812,800	498,407,400	494,663,000	493,960,200	467,499,200	441,452,000	395,160,000	378,561,600
Total net debt applicable to limit	294,217,898	267,510,207	276,293,944	258,004,189	292,953,851	248,535,628	236,541,190	269,238,480	259,259,048	216,556,124
Legal debt margin	238,808,302	259,450,993	238,518,856	240,403,211	201,709,149	245,424,572	230,958,010	172,213,520	135,900,952	162,005,476
Total net debt applicable to limit as a percentage of debt limit	55.2%	50.8%	53.7%	51.8%	59.2%	50.3%	50.6%	61.0%	65.6%	57.2%

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

Assessed value of real and personal property, October 1, 2013 (a)		<u>\$2,665,131,000</u>
Debt limit - 20 percent of total assessed value		533,026,200
All outstanding debt of the City	<u>\$733,941,622</u>	
Less those portions not chargeable to the debt limit:		
Lease revenue bonds of the Public Building Authority	61,575,000	
Debt payable from other revenues:		
General obligation sewer warrants	73,382,397	
Sewer revenue warrants	32,525,000	
Private placement revenue warrants	45,206,622	
Warrants issued for schools	<u>225,060,657</u>	
Total not chargeable	<u>437,749,676</u>	
Total debt chargeable to debt limit	296,191,946	
Less assets available for debt service	<u>1,974,048</u>	<u>294,217,898</u>
Legal debt margin		<u><u>\$238,808,302</u></u>

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

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

**CITY OF HUNTSVILLE
COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

Jurisdiction	Net Debt Outstanding (a)	Percentage Applicable to City of Huntsville (b)	Amount Applicable to City of Huntsville
City of Huntsville	\$674,592,308	100.0%	\$674,592,308
Madison County	5,849,497	64.9%	<u>\$3,796,324</u>
Total			<u><u>\$678,388,632</u></u>

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

(b) The Madison County percentage is the ratio of the assessed value of all taxable real and personal property, excluding motor vehicles, in the City (\$2,572,072,020) for 22 mills of city school district taxes, to the assessed value of all taxable real and personal property, excluding motor vehicles, in Madison County (\$3,965,421,840) for 5.5 mills of county school district taxes. All data as of the most recently released tax abstract (October 1, 2013).

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

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

Fiscal Year	Gross Revenues (b)	Direct Operating Expenses (c)	Net Revenue Available for Debt Service	Debt Service Requirements(a)			Coverage
				Principal(d)	Interest	Total	
2005	\$24,057,652	\$10,854,430	\$13,203,222	\$6,670,000	\$5,025,777	\$11,695,777	1.13
2006	\$30,633,229	\$10,869,617	\$19,763,612	\$6,935,000	\$4,768,338	\$11,703,338	1.69
2007	\$33,893,278	\$12,813,710	\$21,079,568	\$7,790,000	\$4,852,048	\$12,642,048	1.67
2008	\$33,515,315	\$15,632,820	\$17,882,495	\$8,430,000	\$5,487,061	\$13,917,061	1.28
2009	\$32,975,967	\$12,788,101	\$20,187,866	\$9,193,100	\$5,493,372	\$14,686,472	1.37
2010	\$33,556,946	\$12,799,431	\$20,757,515	\$10,008,646	\$5,208,679	\$15,217,325	1.36
2011	\$37,332,443	\$17,532,204	\$19,800,239	\$10,508,858	\$4,692,755	\$15,201,613	1.30
2012	\$36,153,998	\$16,246,846	\$19,907,152	\$11,661,625	\$4,610,899	\$16,272,524	1.22
2013	\$35,835,744	\$13,149,771	\$22,685,973	\$11,700,948	\$4,720,969	\$16,421,917	1.38
2014	\$36,056,556	\$13,439,347	\$22,617,209	\$13,441,815	\$4,013,909	\$17,455,724	1.30

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

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

(c) Direct operating expenses excluding depreciation and amortization.

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

**CITY OF HUNTSVILLE
DEMOGRAPHIC AND ECONOMIC STATISTICS**

Fiscal Year	Population (a)	Total Personal Income (b)	Per Capita Personal Income (b)	Unemployment Rate (c)
2004	167,787	\$11,363,017	\$31,318	4.1%
2005	170,251	\$12,174,073	\$32,949	3.0%
2006	173,189	\$13,114,483	\$34,689	2.8%
2007	174,938	\$13,951,201	\$36,084	2.6%
2008	178,819	\$15,010,000	\$37,938	3.7%
2009	179,653	\$15,476,000	\$38,090	7.2%
2010	180,105	\$16,148,000	\$38,523	7.4%
2011	182,956	\$17,073,000	\$40,126	7.6%
2012	187,000	\$17,916,554	\$41,595	6.7%
2013	188,142	\$18,256,805	\$41,899	5.5%

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

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

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

**CITY OF HUNTSVILLE
PRINCIPAL EMPLOYERS**

Employers	2014			2009		
	Number of Employees	Rank	Percentage of Total Labor Force	Number of Employees	Rank	Percentage of Total Labor Force
US Army/Redstone Arsenal	18,270	1	8.5%	16,317	1	8.0%
Huntsville Hospital System	7,129	2	3.3%	5,126	2	2.5%
NASA/Marshall Space Flight Center	4,260	3	2.0%	2,555	5	1.3%
The Boeing Co	2,600	4	1.2%	3,200	3	1.6%
SAIC(Science Applications Internation Corp)	2,229	5	1.0%	2,120	6	1.0%
ADTRAN, INC	1,522	6	0.7%	1,700	8	0.8%
CINRAM, INC	1,450	7	0.7%	2,800	4	1.4%
Dynetics	1,400	8	0.7%			
Qualitest	1,350	9	0.6%			
Sanmina-SCI Corp	1,336	10	0.6%	1,971	7	1.0%
Intergraph Corporation				1,350	9	0.7%
Verizon Wireless				1,300	10	0.6%
Total Employees of 10 Principal Employers	41,546		19.3%	38,439		18.9%
Employees of Other Employers	172,185		80.7%	164,440		81.1%
Total Civilian Labor Force	213,731		100.0%	202,879		100.0%

Source:

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

Note:

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

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

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government										
Administration	13	12	12	13	15	15	11	16	15	15
City Council	8	10	10	10	10	10	10	10	10	10
Clerk-Treasurer	18	18	18	18	18	18	18	18	20	21
Finance	31	33	33	33	31	31	31	28	28	31
Human Resources	13	13	13	13	13	13	13	11	11	10
I.T.S.	48	47	47	47	46	46	47	42	40	42
Legal	16	16	16	16	16	16	17	17	16	16
Total	147	149	149	150	149	149	147	142	140	145
Public Safety										
Animal Services	28	28	28	28	28	28	28	27	27	27
EMA	9	9	9	9	9	9	9	8	8	8
Fire and Rescue	395	395	400	387	377	377	354	343	340	340
Municipal Court	48	48	47	46	48	48	48	46	46	49
Police	632	628	628	628	629	613	615	603	596	591
Total	1,112	1,108	1,112	1,098	1,091	1,075	1,054	1,027	1,017	1,015
Public Services										
Cemetery	24	24	23	23	24	24	24	22	22	22
General Services	64	63	81	83	90	90	86	79	79	79
Projects Management	0	0	0	0	0	0	9	7	7	7
Fleet Services	47	47	47	49	52	35	34	33	33	33
Parks & Recreation	185	185	182	181	180	172	172	172	172	180
Landscape Management	132	232	232	190	229	229	225	255	253	251
Parking	54	54	54	54	55	55	55	55	55	55
Public Transportation	73	73	67	68	68	68	68	43	43	41
Public Works	245	246	258	256	287	268	272	287	284	273
Water Pollution Control	124	124	123	123	123	123	120	115	113	108
Total	948	1,048	1,067	1,027	1,108	1,064	1,065	1,068	1,061	1,049
Urban Development										
Community Development	44	44	44	40	40	40	40	42	42	42
Engineering	45	45	45	45	47	48	49	49	70	69
Inspection	29	28	28	28	28	28	28	30	28	28
Natural Resources	7	7	7	7	7	7	7	7	7	7
Planning	47	46	47	45	43	43	43	39	36	33
Traffic Engineering	39	39	39	38	33	34	31	29	0	0
Total	211	209	210	203	198	200	198	196	183	179
Total for all departments	2,418	2,514	2,538	2,478	2,546	2,488	2,464	2,433	2,401	2,388

Source: City of Huntsville Annual Budget

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

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public Safety										
Fire and Rescue										
Number of fire stations	18	17	17	16	16	16	16	16	16	16
Fire insurance rating	3/9	3/9	3/9	3/9	4/9	4/9	3/9	3	3	3
Number of calls answered	16,587	15,036	14,418	14,749	21,279	20,689	21,442	23,472	22,675	6,078
Inspections	4,829	5,464	4,928	4,540	5,438	5,250	5,375	4,500	3,900	3,450
Police										
Number of police stations	4	4	4	4	4	4	4	4	4	4
Physical arrests	13,040	12,499	11,253	11,849	15,045	14,179	13,625	14,020	13,148	11,653
Parking violations	10,535	9,674	11,870	11,645	13,472	13,586	16,587	15,392	9,631	8,343
Traffic violations	44,256	33,488	31,508	33,280	43,906	42,173	37,932	31,554	37,792	24,860
Public Services										
Recreation Services										
Admissions to Aquatic Facilities	99,180	101,992	101,091	87,582	88,058	87,009	99,440	88,194	78,546	79,474
Participants in Community Center programs	3,521	2,477	2,986	2,989	3,030	3,780	2,881	4,724	5,272	7,073
Participants in Youth Athletic programs	5,883	5,730	6,062	6,438	6,573	6,771	6,709	7,246	7,829	8,181
Participants in Adult Athletic programs	3,084	3,853	6,442	5,897	6,263	6,282	6,684	4,678	4,357	4,333
Number of parks	63	62	62	62	63	63	63	63	60	59
Baseball fields	48	48	50	49	57	57	57	57	57	50
Softball fields	48	48	42	41	41	41	41	41	41	41
Soccer fields & Multi-purpose fields	41	41	59	58	50	50	50	50	50	107
Football fields	2	2	2	2	4	4	4	4	4	7
Golf courses	1	1	1	1	1	1	1	1	1	2
Tennis courts	56	55	66	53	66	66	65	65	59	61
Recreation centers	13	13	13	13	12	11	11	11	11	11
Enclosed swimming pools	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (Beginning 2011 - Lane Miles)	38,402	38,046	37,816	36,573	3,423	2,960	2,684	2,684	2,654	2,654
Street lights	22,410	22,169	21,923	21,890	21,820	21,720	20,631	20,631	19,762	19,762
Signalized street intersections	366	359	356	350	350	310	300	300	288	288
Controlled intersections	11,620	11,553	11,540	11,500	11,250	11,000	10,850	10,850	10,606	10,606
Major storm sewers (miles)	1,346	1,411	1,404	892	892	892	892	892	785	785
Potholes repaired	7,312	9,408	8,638	10,804	13,662	13,264	5,528	8,275	9,925	12,529
Sanitation										
Refuse collected (tons/day)	267	266	258	240	236	232	229	227	222	216
Trash collected (tons/day)	174	167	174	197	157	171	167	158	175	214
Water Pollution Control										
Avg daily sewage treatment(M gallon/day)	33.19	40.64	37.03	41.04	34.11	27.10	22.71	21.92	23.57	26.73
Sanitary sewers (miles)	1,420	1,365	1,365	1,290	1,290	1,260	1,260	1,260	1,200	1,200
Utilities										
New connections	850	889	1,107	752	648	191	228	359	357	308
Water main breaks	79	85	64	74	115	45	93	55	73	94
Average daily consumption (000 gallons)	38,406	37,364	41,347	40,216	41,508	37,674	42,010	46,124	41,098	36,572
Water meters in use	91,513	90,802	89,280	88,195	85,437	84,882	83,653	77,504	77,504	77,504

Sources:
Various city departments

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