

CITY OF HUNTSVILLE, ALABAMA



HUNTSVILLE

Tommy Battle
Mayor

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2011

**Fiscal Year Ended
September 30, 2011**

**Prepared by
Finance Department**

City of Huntsville Comprehensive Annual Financial Report

SEPTEMBER 30, 2011

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INTRODUCTORY SECTION

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March 31, 2012

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, 2011, is hereby presented to you. This report has been prepared to summarize the financial results of the City's operations in 2011, 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 "unqualified opinion," commonly known as a "clean opinion," regarding the City's financial statements, meaning the auditors have concluded the City's financial statements conform with established accounting principles.](#) Also, the City is required by federal law to conduct a "Single Audit," or audit of the City's compliance with the requirements of federal grants it has received. The auditors are required to report on the City's system of controls and the City's compliance with legal requirements, and they have issued their reports to City management.

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 214 square miles and a population of approximately 180,000. The City is empowered to levy taxes on real and personal property and to extend its corporate limits through annexation.

Mayor Tommy Battle, Members of the City Council, and Citizens of Huntsville
March 31, 2012

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 35, 36, 83 through 91, and 96 through 100.](#)

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 national recession that began in 2008 affected the City, but not as much as in other areas. The easing of the recession that began in 2010 positively affected the City, which continued in 2011, which these financial statements will illustrate. An important factor in managing through tough economic conditions is the strength of 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 affects on the City.

Mayor Tommy Battle, Members of the City Council, and Citizens of Huntsville
March 31, 2012

The local unemployment rate increased during the recession but continues to improve, and was always below state and national figures. 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.

City development efforts since 2000 have focused on tax increment financing districts (TIFs) by the City. The TIF projects funded by the City have stimulated a significant amount of business, industrial and residential investments in the City during a critical time of population growth. These investments have increased tax collections well in excess of projected amounts, lessening the City's risk with regard to debt issued for TIF projects. The TIFs have also led to \$132 million of Huntsville City School construction projects, \$65 million of which was provided by the City. TIF 3, the largest and most successful TIF initiative, was completed in February 2012, eleven years earlier than planned, with a significant boost to City property tax revenues.

The biggest economic development effort in recent years was mostly realized in 2011, as military program transfers associated with BRAC 2005 were completed, resulting in about 5,000 new employment positions at Redstone Arsenal.

Related to this, work continues at the Redstone Gateway Park, a partnership between the City, 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 strategy. Much of the public infrastructure has been completed through the City's TIF 5, and office buildings are under construction.

An area of concern is how federal deficit reduction efforts will affect the federal spending in Huntsville over the next five years. It is too early to assess this, but any decrease will be partially offset by the BRAC 2005 changes in Redstone-assigned programs.

In summary, the local economic outlook for upcoming years appears positive, but near-term financial challenges remain to continue the City's recovery from the recession's affect on City resources. 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 plan establishes spending priorities and identifies funding needs, primarily long-term debt, and is updated every year. Spending in the plan is limited within estimated future revenues based on conservative rates of growth. Additional reserves have been established in the capital plan to provide additional protection from budget shortfalls related to the TIF districts, if they occur.

The City has aggressively cultivated partnerships with state and federal agencies and as a result, a significant number of local road projects include some state and federal funding. Several new overpasses are complete on Memorial Parkway, as are many other roads for which state and federal

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March 31, 2012

money is paying a significant part. The second phase of Governors Drive widening is complete, and the City used its own resources for this state highway that is critical to our transportation system. The Cummings Research Park West road system is complete, and a return to strong demand for City property in the park will provide significant City revenue. Significant new business developments there, especially on the Hudson-Alpha Institute for Biotechnology campus, will serve to further enhance the City's business reputation as a high-technology center, continuing critical diversification.

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 plan provides the framework for managing existing debt for current and upcoming capital projects, but the plan also uses a twenty-year horizon to implement the goal of paying for considerably more projects without debt beginning in about 2013, thus reducing interest costs significantly. Capital spending pressure will remain high because of budgetary reductions necessary during the recession.

The City did not issue new debt in 2011, except for that related to continuing work at Redstone Gateway, for which private developers are providing the financing. This debt is backed by developer property investments and is not backed by the City.

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 received a AAA rating from Standard & Poor's Rating Services and Moody's Investors Service, Inc. in November 2011, the third time in a row the City has achieved this respectable accomplishment.](#) The manner in which city leaders respond to our current economic challenges will be a critical factor in maintaining this high rating.

General Fund reserves. City ordinance generally requires that at least 11.5 percent of General Fund revenue budget be kept in uncommitted fund balance, so the City has adequate working capital and can respond to unexpected financial shocks. The City met this requirement in 2011, 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 conservatively, and only in certificates of deposit, money market accounts, and Federal securities.

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 2011 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 75 through 79 of this report. [Because of benefit increases and declining plan earnings in recent years, the amount of](#)

Mayor Tommy Battle, Members of the City
Council, and Citizens of Huntsville
March 31, 2012

City pension benefits that are considered "funded" has dropped significantly, and the City's costs have risen accordingly. Future increases are expected.

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

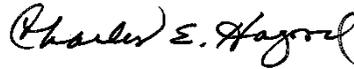
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2010, as it has for the past seventeen years. 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

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Dandson

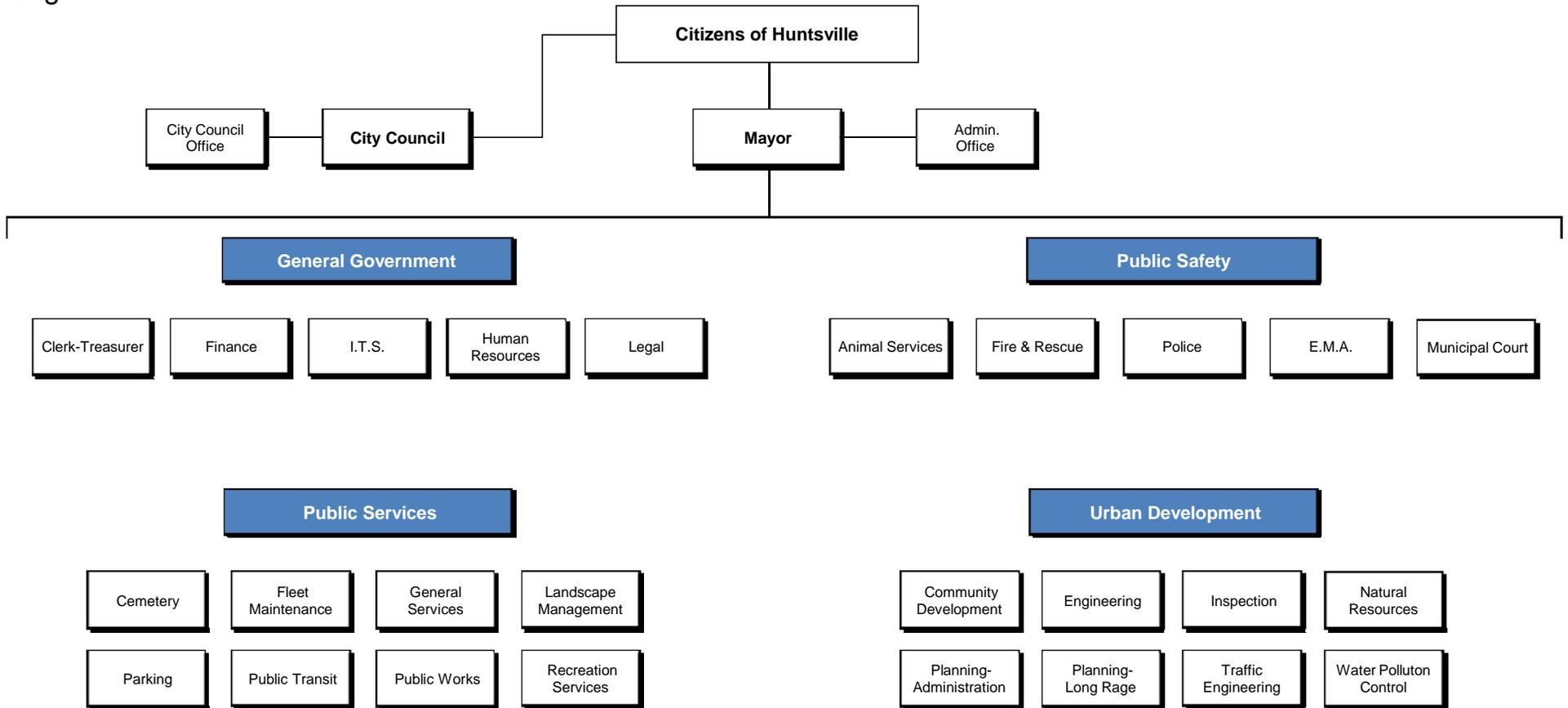
President

Jeffrey R. Emer

Executive Director

City of Huntsville

Organizational Structure



CITY OF HUNTSVILLE
ELECTED OFFICIALS
September 30, 2011

MAYOR

Honorable Tommy Battle

TERM OF OFFICE

November 2008 – 2012

CITY COUNCIL MEMBERS

District 1 - Richard Showers

Term Expires 2012

District 2 - Mark Russell

Term Expires 2014

District 3 – John Olshefski

Term Expires 2014

District 4 - Bill Kling

Term Expires 2014

District 5 - Will Culver

Term Expires 2012

FINANCIAL SECTION

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Independent Auditor's Report

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

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Huntsville, Alabama's, management. 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 99.9% of the revenues of the discretely presented component units; 7.4% of the total assets and 5.9% of the revenues of the special revenue funds; and 19.5% of the total assets and 17.5% 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Huntsville Museum of Art - Board Special Revenue Fund were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and The Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Huntsville, Alabama
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The accompanying financial statements of the Municipal IcePlex Enterprise Fund, a nonmajor proprietary fund have been prepared by other auditors, assuming the Municipal IcePlex will continue as a going concern. As discussed in Note 3C to the financial statements, the IcePlex has suffered recurring losses with a net capital deficiency in unrestricted net assets which raised substantial doubt of the other auditors about its ability to continue as a going concern. The IcePlex management's plans regarding these matters are also described in Note 3C. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Notes 4B and 5J to the financial statements, the Company has recorded prior period adjustments which affected the beginning net assets of the business-type activities of the primary government and the business-type activities of the discretely presented component units.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2012, 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* and should be considered in assessing the results of our audit.

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 35 through 36, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Huntsville, Alabama's financial statements as a whole. The introductory section, supplementary information section, and statistical information sections, 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 financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole. The introductory section and the statistical information 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 it.



Huntsville, Alabama

March 31, 2012



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, 2011. 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 total assets of the City were \$1.0 billion greater than its total liabilities at the close of fiscal year 2011.
- Net assets of the governmental activities decreased \$15.8 million, from \$746.7 million to \$730.9 million.
- The unrestricted net assets of the governmental activities are negative \$148.6 million, which means the City must meet its ongoing obligations to citizens and creditors from future revenues. The City has \$76.7 million in unrestricted assets, but this is offset by \$225.3 million that must be funded from future revenues (see table on page 20).
- Total revenues of the governmental activities decreased \$1.4 million, or 0.5 percent, and total expenses increased \$15.7 million.
- Net assets of the business-type activities increased \$19.9 million, and their net unrestricted net assets are \$13.4 million.

From the Fund Financial Statements:

- As of September 30, 2011, the governmental funds reported a combined ending fund balance of \$158.1 million, a decrease of \$26.1 million from the prior year, which included the following significant changes:
 - General Fund - a deficit of \$394,000.
 - The Special Revenue Fund – an increase of \$3.8 million.

- Capital Improvement Fund – a deficit of \$27.3 million.
- Community Development Rehabilitation Fund – a deficit of \$3.3 million.

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

- Of the \$158.1 million fund balance, \$155.5 million is restricted, or has been allocated for certain purposes by the City Council, leaving a \$2.6 million balance (the allocated amount includes \$25.8 million for General Fund contingencies).
- The General Fund has a fund balance of \$37.5 million, and \$2.6 million is available for any purpose.
- The net change in the principal amount of the City's debt associated with governmental activities decreased \$18.4 million in 2011, representing \$13.8 million of new debt issued for TIF-5-EUL projects and \$32.2 million in principal payments.

Overview of the Financial Statements

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

Government-wide financial statements

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Therefore, some revenue and expenses reported in this statement will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (*business-type activities*).

The governmental activities of the City include general government, public safety, public services, and urban development functions. The business-type activities of the City include the sanitary sewer system (Water Pollution Control), Von Braun Center, and Benton H. Wilcoxon Municipal Ice Complex operations. All of these activities are collectively referred to in the financial statements as those of the *primary government*.

As described in the letter of transmittal and notes to the financial statements, other entities' activities are included in this report because of the relationship of these legally separate entities to the City. Financial information of the Huntsville Utilities Electric, Gas and Water Systems, the Huntsville/Madison County Convention & Visitors' Bureau, and the Downtown Redevelopment Authority are collectively referred to in the financial statements as those of the *discretely-presented component units*. This discussion and

analysis focuses on the primary government and the complete financial statements (including MD&A) of the component units may be obtained from the Finance Department of the City.

The government-wide financial statements can be found on pages 30 and 31 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fifteen individual governmental funds:

- General Fund, Debt Service Fund, The Special Revenue Fund and Capital Improvements Fund are considered *major* funds, and information is presented separately in the *Governmental Fund Balance Sheet* and in the *Governmental Fund Statement Of Revenues, Expenditures, And Changes In Fund Balances* for these funds.
- The eleven other governmental funds are considered *nonmajor* governmental funds and they are combined into a single, aggregated presentation in the basic financial statements. Individual fund data for each of these funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements appear on pages 32 through 36 of this report.

Proprietary funds. The City maintains only one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for Water Pollution Control, Von Braun Center, and Benton H. Wilcoxon Municipal Ice Complex operations.

Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The basic proprietary fund financial statements provide information as follows:

- The Water Pollution Control Fund and Von Braun Center Fund are considered *major* proprietary funds of the City, and information is presented separately in the *Proprietary Fund Balance Sheet* and in the *Proprietary Fund Statement Of Revenues, Expenditures, And Changes In Fund Net Assets* for these funds

- The Benton H. Wilcoxon Municipal Ice Complex operation is considered a *nonmajor* proprietary fund, and it is presented with the major proprietary funds since it is the only nonmajor fund.

The basic proprietary fund financial statements appear on pages 37 through 40.

Fiduciary funds. The City maintains only one fiduciary fund. *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. Because the assets of this fund are held in trust for retiree benefits, they are not included in the net assets of the City as presented in the government-wide statement of net assets. The fund financial statements appear on pages 41 and 42.

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 45 through 80 of this report.

Other information

In addition to the basic 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 combining nonmajor funds statements referred to earlier can be found beginning on page 93 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. Overall, the City's assets exceeded liabilities by \$1.012 billion at the close of the most recent fiscal year, but it is important to note that this amount is largely restricted in some manner and not available to finance City activities. The most significant restriction is the \$1.064 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 for future spending. 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 \$83.4 million of the City's net assets are subject to restrictions concerning their use, as required by state or federal law (not City Council restrictions).

Restricted net assets are greater than the total net assets of the City, because the governmental activities have negative unrestricted net assets of \$148.6 million. The negative unrestricted net assets represents the fact that at the end of 2011, certain liabilities of the City exceeded the unrestricted assets available to pay them. This figure is further analyzed as follows (in thousands):

Liabilities arising from governmental activities (net of deferred costs):	
Long-term debt incurred for non-City purposes:	
Huntsville City Schools	(\$149,494)
Von Braun Center	(25,173)
Other	(23,992)
Other liabilities:	
Accrued interest	(6,542)
Compensated absences	(20,528)
Accrued claims and judgments	400
Total	<u>(225,329)</u>
Unrestricted assets available	76,720
Unrestricted net assets	<u>(\$148,609)</u>

The long-term debt detailed above was used to construct assets that are not owned by the City, but the City is 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. The other liabilities detailed above must be paid from revenues of future periods.

An overview of the City's government-wide assets, liabilities, net assets and changes to net assets is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Net Assets (in thousands):						
Current and other assets	\$198,477	\$220,855	\$40,953	\$44,099	\$239,430	\$264,954
Capital assets	1,114,099	1,119,642	374,229	360,322	1,488,328	1,479,964
Total assets	1,312,576	1,340,497	415,182	404,421	1,727,758	1,744,918
Long-term liabilities	509,224	525,938	115,474	126,167	624,698	652,105
Other liabilities	72,480	67,872	17,757	16,183	90,237	84,055
Total liabilities	581,704	593,810	133,231	142,350	714,935	736,160
Net assets:						
Invested in capital assets, net of related debt	806,082	802,221	258,536	229,308	1,064,618	1,031,529
Restricted	73,399	59,953	9,999	10,803	83,398	70,756
Unrestricted	(148,609)	(115,487)	13,416	21,961	(135,193)	(93,526)
Total net assets	\$730,872	\$746,687	\$281,951	\$262,072	\$1,012,823	\$1,008,759
Changes in Net Assets (in thousands):						
<u>Revenues</u>						
Program revenues:						
Charges for services	\$44,791	\$44,221	\$45,250	\$41,035	\$90,041	\$85,256
Operating grants & contributions	9,239	11,701	0	0	9,239	11,701
Capital grants & contributions	23,279	27,126	2,147	1,788	25,426	28,914
General revenues:						
Sales taxes	127,236	123,934	0	0	127,236	123,934
Property taxes	58,862	57,285	0	0	58,862	57,285
Other taxes	39,796	39,452	0	0	39,796	39,452
Interest on investments	970	798	44	70	1,014	868
Other	1,172	1,310	0	0	1,172	1,310
Gains on sales of assets	232	1,142	0	0	232	1,142
Total revenues	305,577	306,969	47,441	42,893	353,018	349,862
<u>Expenses</u>						
General government	24,420	22,148	0	0	24,420	22,148
Public safety	82,144	82,875	0	0	82,144	82,875
Public services	108,811	109,198	0	0	108,811	109,198
Urban development	38,664	26,456	0	0	38,664	26,456
Interest on long-term debt	22,976	20,727	0	0	22,976	20,727
Unallocated depreciation	29,467	29,329	0	0	29,467	29,329
Water pollution control	0	0	31,138	27,062	31,138	27,062
Other	0	0	11,333	10,785	11,333	10,785
Total expenses	306,482	290,733	42,471	37,847	348,953	328,580
Net asset change before transfers	(905)	16,236	4,970	5,046	4,065	21,282
Extraordinary impairment loss	0	(27,068)	0	0	0	(27,068)
Transfers	(14,910)	(17,794)	14,910	17,794	0	0
Increase (decrease) in net assets	(15,815)	(28,626)	19,880	22,840	4,065	(5,786)
Net assets - beginning of year	746,687	775,313	262,071	239,231	1,008,758	1,014,544
Net assets - end of year	\$730,872	\$746,687	\$281,951	\$262,071	\$1,012,823	\$1,008,758

The increase (decrease) in net assets shown in the above overview for the various components of net assets is as follows (in thousands):

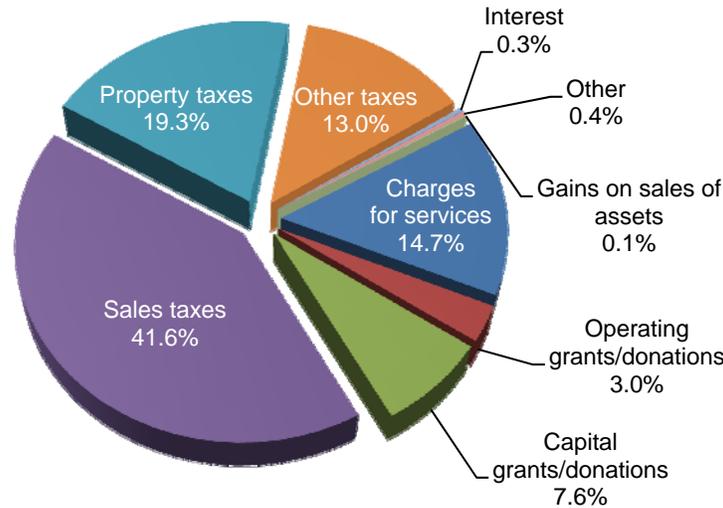
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Change in Net Assets by Component (in thousands):						
<u>Invested in capital assets</u>						
Net additions of capital assets	\$36,272	\$14,831	\$24,206	\$42,831	\$60,478	\$57,662
Depreciation of capital assets	(41,815)	(41,812)	(10,297)	(7,211)	(52,112)	(49,023)
Change in capital-related debt	9,404	(16,067)	15,320	(1,727)	24,724	(17,794)
Change in SRF drawdowns	0	0	0	(9,623)	0	(9,623)
	3,861	(43,048)	29,229	24,270	33,090	(18,778)
<u>Other restrictions</u>						
Capital projects	15,570	5,349	(804)	(1,243)	14,766	4,106
Debt service	13,668	3,146	0	0	13,668	3,146
City schools	(11,349)	0	0	0	(11,349)	0
Other restrictions	(4,443)	2,024	0	0	(4,443)	2,024
	13,446	10,519	(804)	(1,243)	12,642	9,276
<u>Unrestricted</u>						
General Fund	(3,882)	(4,236)	0	0	(3,882)	(4,236)
Public Building Authority Fund	0	19,988	0	0	0	19,988
The Special Revenue Fund	5,386	0	0	0	5,386	0
Capital Improvement Fund	(34,012)	24,913	0	0	(34,012)	24,913
Water Pollution Control Fund	0	0	(8,030)	0	(8,030)	0
Change in non-capital related liabilities	(3,729)	(32,830)	0	0	(3,729)	(32,830)
Other	3,115	(3,932)	(515)	(187)	2,600	(4,119)
	(33,122)	3,903	(8,545)	(187)	(41,667)	3,716
Total change in net assets	(\$15,815)	(\$28,626)	\$19,880	\$22,840	\$4,065	(\$5,786)

Net Asset Changes - Governmental Activities:

Total revenues from governmental activities were \$1.4 million less in 2011 compared to 2010, and the most significant of changes were as follows:

<u>Charges for services</u>	
Increased in the monthly sanitation fee	\$1,500,000
<u>Capital grants and donations</u>	
Alabama Department of Transportation, expected decline in road project spending based on project completion schedules	(1,073,000)
Department of Justice, new program for police car video cameras	720,000
Von Braun Center renovation, expected change in one-time donations	(3,510,000)
Veterans Memorial Project, donations for new project	1,395,000
<u>Operating grants and donations</u>	
Airport Authority, one-time industrial development revenue in 2010	(2,000,000)
Sales and use taxes – 2.7 % increase	3,300,000
Property taxes – 2.8% increase	1,600,000
Gains on sales of assets – closeout of cemetery lots sales in 2010	(1,200,000)

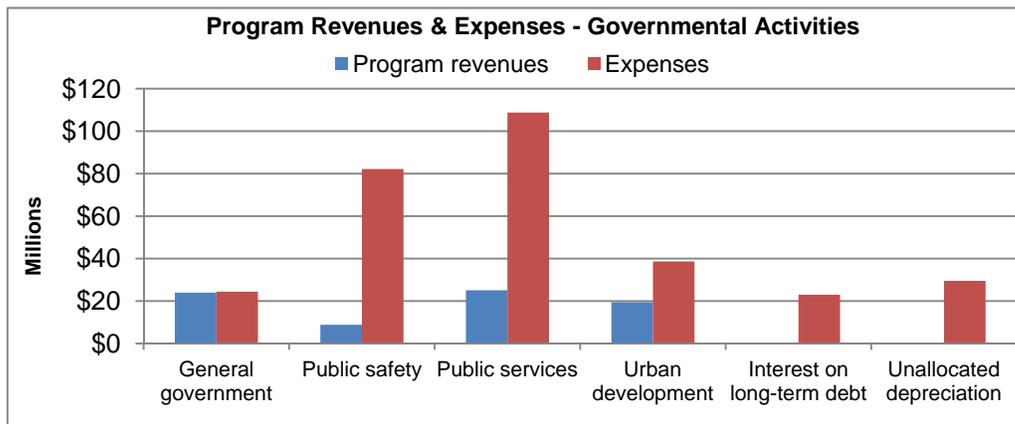
Revenues from governmental activities can be illustrated as follows:



Expenses were \$15.7 million higher in 2011, and the most significant of changes were as follows::

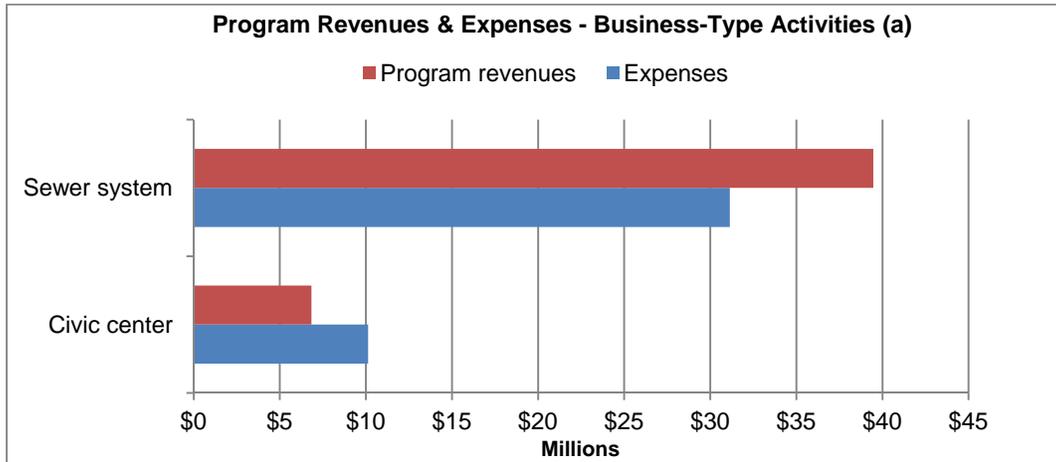
<u>Public Safety activities</u>	
Police personnel	(481,000)
E.M.A. grant activities	(530,000)
<u>Public Service activities</u>	
Transfer to Huntsville City Schools of 6.5 mill school tax fund balance	9,000,000
Reductions in transfers to Huntsville City Schools for TIF 4 construction projects, mostly complete in 2010	(8,700,000)
Reduction in public service department personnel costs	(1,526,000)
One-time appropriation to Marina & Port Authority in 2010	(350,000)
<u>Urban Development activities</u>	
Reduction in spending on Governors Drive project based on project completion schedule	(1,450,000)
One-time industrial development appropriation to Industrial Development Board in 2010	(2,000,000)
Write-down of long-term notes receivable in the Community Development Rehabilitation Fund in 2011	3,200,000
Increased spending on TIF-5-EUL project costs, which are costs incurred on U.S. Army facilities	13,122,000

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



Net Asset Changes - Business-Type Activities:

Total revenues increased \$4.5 million, or 10.6%. The rate increase in sanitary sewer fees established in 2005 and a higher water demand (to which sewer fees are attached) increased sewer revenues \$3.8 million, or 11.3%; and Von Braun Center revenues increased \$325,000, or 5.0%. Expenses for the sewer system increased \$4.1 million, primarily related to increased spending on C.M.O.M. projects.



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

Financial Analysis of the Governmental Funds

As noted earlier, the City uses fund accounting to group accounts established for various purposes, and to help ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information about spendable resources of the City. The combined fund balances of the City's governmental funds as of September 30, 2011, was \$158.1 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.	\$1,149,320
Restricted – amounts that are restricted for specific purposes by federal or state law, or contractual obligations.	73,396,352
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.	45,344,322
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.	10,016,723
Unassigned - amounts that cannot be classified otherwise, including any deficit fund balances of the Board-managed entities and the 11.5% contingency reserve of the General Fund.	28,196,637
Total	\$158,103,354

More detail concerning the above fund balances may be found on pages 71 to 72.

The total fund balances of the governmental funds decreased \$26.1 million in 2011, and the significant changes were as follows:

General Fund. The General Fund, as the City's primary operating fund, accounts for many diverse activities. An evaluation about the General Fund's financial performance should distinguish between activities that occur regularly each year (recurring), and those that do not, such as capital projects or one-time grant programs. A summary for 2011 is as follows:

	<u>Orig. Budget</u>	<u>Final Budget</u>	<u>Actual Results</u>	<u>Variance</u>
<u>Recurring activities</u>				
Revenues	\$219,585,880	\$221,767,113	\$222,236,972	\$469,859
Personnel costs	(127,785,964)	(127,253,211)	(123,709,381)	3,543,830
Operating costs	(26,906,931)	(29,399,153)	(27,137,566)	2,261,587
All other costs	(64,769,065)	(67,694,378)	(67,238,531)	455,847
	123,920	(2,579,629)	4,151,494	6,731,123
<u>Non-recurring activities</u>				
One-time transfer to WPC	0	(4,000,000)	(4,000,000)	0
All other items	(102,920)	(9,400)	(545,727)	(536,327)
	(102,920)	(4,009,400)	(4,545,727)	(536,327)
Grand Total	\$21,000	(\$6,589,029)	(\$394,233)	\$6,194,796

A narrative explanation of the above table is as follows:

- The budget originally adopted for the General Fund was basically balanced, with a \$21,000 surplus.
- Additional expenditures were added to the budget during the year, totaling \$2.6 million, primarily using available fund balance from 2010 for one-time needs, e.g. the purchase of police cars.
- Another significant budget adjustment was made, to transfer \$4 million back to the Water Pollution Control Fund, which had been transferred to the General Fund in 2010 to assist with managing the effects of the national recession on General Fund revenues, and which was no longer needed by the General Fund because of other management actions.
- The \$6.6 million additional appropriations were made from 2010 fund balances beyond the amount required to meet the City's 11.5% contingency reserve requirements.
- Revenues were 0.2% within budgetary predictions.
- Personnel costs were significantly lower than budget:
 - Active employee health care costs were \$4 million less than expected, based on 2010 cost and usage trends.
 - The required contribution for the retiree health care plan was \$759,000 more than budget requirements.
- Operating costs were \$2.3 less than expected, for which there were not any individually significant items.
- In summary, the General Fund fund balance increased \$6.2 million.

The Special Revenue Fund increased \$3.8 million. This fund includes state taxes and city property taxes restricted by law for certain purposes, including all the city TIF district accounts. The change was primarily from the following:

- The City paid the Huntsville City Schools a one-time transfer of 6.5 mill school property tax in 2011, totaling \$9.0 million (a fund balance decrease).
- TIF 2, TIF 3A and TIF4 have received advances from the Capital Improvement Fund in prior years to pay debt service until the TIF revenues fully mature. The cumulative advances were transferred to the TIFs in 2011, increasing fund balance by \$5.7 million.
- TIF 3 received revenues in excess of debt service requirements totaling \$9.1 million (a fund balance increase).

Capital Improvement Fund – decreased \$27.4 million, primarily from spending debt proceeds received in prior years for capital projects. Generally, the fund will report an increase when new debt is issued, as occurred in 2010, and a decrease in subsequent years as the money is spent.

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 assets of the enterprise funds increased \$19.9 million in 2011 - \$12.3 million from the Water Pollution Control Fund (including \$4 million transferred from the General Fund) and \$7.7 million from the Von Braun Center Fund (transfers to the VBC from the General Fund for capital projects).

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	\$2,442,000	\$0
Appropriation of fund balances for one-time needs/projects		(1,896,000)
Transfer of fund balance to WPC Fund		(4,000,000)
All other appropriations		(693,000)
Total change		(\$6,589,000)

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2011, 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 \$8.4 million in 2011 - \$60.6 million of net capital additions less \$52.2 million of depreciation.

The largest capital acquisitions made directly by the City during the year were as follows (in millions):

Von Braun Center renovation	\$9.6
Western Area sewer lines	2.4
Various sewer line rehabs	2.1
Fleet building expansion	2.0
Veterans Memorial Park	1.8
Clinton Avenue Pinhook Bridge	1.6
Nance Road project	1.5
Martin Road project	1.1
Ware Park Sewer Project	1.1
Glenn Hearn/Laracy Drive	1.0
Church Street	1.0
Total	\$25.2

The total net capital additions noted above also includes public infrastructure constructed by private developers and transferred to the City in the normal course of City development. This totaled \$13 million in 2011, \$2.1 million of which was sanitary sewer lines.

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

City of Huntsville's Capital Assets

(In thousands, net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$75,531	\$75,516	\$7,132	\$7,133	\$82,663	\$82,649
Construction in process	5,586	6,191	2,336	21,325	7,922	27,516
Land improvements	18,984	18,004	0	0	18,984	18,004
Buildings and improvements	160,352	157,392	360,361	328,328	520,713	485,720
Infrastructure	834,054	840,433	0	0	834,054	840,433
Other	19,592	22,106	4,400	3,536	23,992	25,642
Total	\$1,114,099	\$1,119,642	\$374,229	\$360,322	\$1,488,328	\$1,479,964

Additional information on the City's capital assets can be found in Note 4B on pages 56 through 57 of this report.

Long-term debt. As of September 30, 2011, the City had \$641.2 million of long-term debt outstanding. Of this amount, \$479.8 million is debt backed by the full faith and credit of the City, and \$161.4 million is comprised of revenue bonds and warrants secured solely by specific revenue sources (e.g. sewer system charges).

City of Huntsville's Outstanding Debt

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation warrants	\$416,264	\$447,995	\$63,536	\$68,926	\$479,800	\$516,921
Revenue warrants	14,613	834	61,745	66,865	76,358	67,699
Lease revenue bonds	85,100	85,555	0	0	85,100	85,555
Total	\$515,977	\$534,384	\$125,281	\$135,791	\$641,258	\$670,175

In 2011, the City issued \$13.8 million of revenue warrants to fund the continuing development of the City's TIF-5-EUL district, and \$42.7 million of debt was retired.

The City's general obligation bond rating by Standard & Poor's Corporation and Moody's Investors Service, Inc. 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, 2011, the City's allocable debt outstanding was \$240.4 million less than the legal debt limit.

Additional information regarding the City's long-term debt can be found in Note 4E on pages 65 through 70 of this report.

2012 Budget

The Mayor and City Council considered many factors when developing the fiscal year 2012 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 2012 General Fund recurring revenue budget of \$228.7 million was adopted, which is \$6.5 million, or

3.0% more than 2011 actual revenues. Expenditures in the 2012 budget were balanced within revenues. As of March 31, 2012, revenues and expenditures are mostly 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.

BASIC FINANCIAL STATEMENTS

CITY OF HUNTSVILLE
STATEMENT OF NET ASSETS
September 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash & investments, at cost	191,736,843	13,648,292	205,385,135	\$78,653,825
Receivables (net of allowances)	20,144,724	4,572,637	24,717,361	55,921,118
Due from governmental entities	2,599,930	0	2,599,930	0
Inventories	97,791	164,331	262,122	13,437,034
Prepaid items	223,820	237,342	461,162	85,625
Internal balances	(21,372,145)	21,372,145	0	0
Deferred costs	5,046,797	957,485	6,004,282	1,694,695
Restricted assets				
Cash & investments, at cost	0	0	0	21,343,945
Capital assets				
Land, collections and construction in process	81,116,790	9,555,500	90,672,290	37,809,431
Other assets, net of accum. depreciation	1,032,981,717	364,673,822	1,397,655,539	472,846,765
Total assets	1,312,576,267	415,181,554	1,727,757,821	681,792,438
LIABILITIES				
Accounts payable	14,215,458	3,968,782	18,184,240	40,472,649
Accrued liabilities	16,709,500	1,065,499	17,774,999	12,997,238
Contract retainages	5,198,190	264,945	5,463,135	0
Due to governmental entities	222,902	0	222,902	0
Customer deposits	11,200	566,524	577,724	0
Unearned revenue	1,335,988	565,998	1,901,986	0
Other	1,058,178	0	1,058,178	0
Liabilities payable from restricted assets:				
Other	0	0	0	1,012,960
Noncurrent liabilities				
Due within one year	33,728,775	11,324,697	45,053,472	9,198,725
Due in more than one year	509,223,798	115,473,831	624,697,629	107,930,327
Total liabilities	581,703,989	133,230,276	714,934,265	171,611,899
NET ASSETS				
Invested in capital assets, net of related debt	806,081,704	258,536,250	1,064,617,954	446,449,929
Restricted for:				
Capital projects	39,457,965	9,998,784	49,456,749	6,595,091
City schools	2,373,331	0	2,373,331	0
Debt service	25,076,572	0	25,076,572	11,067,822
Other	6,491,319	0	6,491,319	4,292,977
Unrestricted	(148,608,613)	13,416,244	(135,192,369)	41,774,720
Total net assets	730,872,278	281,951,278	1,012,823,556	\$510,180,539

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) & Changes in Net Assets			Component Units
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities								
General government	\$24,420,239	\$20,090,489	\$0	\$3,887,982	(441,768)	0	(441,768)	0
Public safety	82,143,685	4,042,948	3,521,192	1,258,108	(73,321,437)	0	(73,321,437)	0
Public services	108,810,956	18,024,375	3,311,412	3,747,624	(83,727,545)	0	(83,727,545)	0
Urban development	38,663,677	2,632,710	2,406,440	14,385,668	(19,238,859)	0	(19,238,859)	0
Interest on long-term debt	22,976,363	0	0	0	(22,976,363)	0	(22,976,363)	0
Unallocated depreciation	29,467,360	0	0	0	(29,467,360)	0	(29,467,360)	0
Total governmental activities	306,482,280	44,790,522	9,239,044	23,279,382	(229,173,332)	0	(229,173,332)	0
Business-type activities								
Water pollution control	31,138,113	37,321,532	0	2,147,144	0	8,330,563	8,330,563	0
Civic center	10,125,697	6,839,392	0	0	0	(3,286,305)	(3,286,305)	0
Ice complex	1,207,208	1,089,071	0	0	0	(118,137)	(118,137)	0
Total business-type activities	42,471,018	45,249,995	0	2,147,144	0	4,926,121	4,926,121	0
Total primary government	348,953,298	90,040,517	9,239,044	25,426,526	(229,173,332)	4,926,121	(224,247,211)	0
Component Units								
All	555,471,234	570,594,748	12,507	3,019,791	0	0	0	18,155,812
Total component units	\$555,471,234	\$570,594,748	\$12,507	\$3,019,791	0	0	0	18,155,812
General Revenues								
Sales & use taxes					127,235,936	0	127,235,936	0
Property taxes					58,861,760	0	58,861,760	0
Other taxes					39,795,730	0	39,795,730	404,950
Interest on investments					969,805	44,439	1,014,244	681,869
Other					1,172,264	0	1,172,264	1,437,705
Gain (loss) on sales of assets					232,794	0	232,794	0
Transfers					(14,909,852)	14,909,852	0	0
Total general revenues & transfers					213,358,437	14,954,291	228,312,728	2,524,524
Change in net assets								
					(15,814,895)	19,880,412	4,065,517	20,680,336
Net assets, beginning					746,687,173	195,413,497	942,100,670	489,683,248
Prior period adjustment					0	66,657,369	66,657,369	(183,045)
Net assets, ending					\$730,872,278	\$281,951,278	\$1,012,823,556	\$510,180,539

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2011**

	General Fund	Debt Service	The Special Revenue	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash & investments, at cost	\$78,263,040	\$3,480,455	\$24,234,424	\$72,580,108	\$13,178,816	\$191,736,843
Receivables (net of allowances)						
Accounts	14,928,760	765	632,367	2,510,878	82,062	18,154,832
Notes	0	0	0	0	1,693,961	1,693,961
Accrued interest	0	0	0	0	295,931	295,931
Due from other funds	1,724,674	0	3,883,529	23,662,204	909,382	30,179,789
Due from governmental entities	1,936,946	0	0	484,206	178,778	2,599,930
Inventories	40,529	0	0	0	57,262	97,791
Prepaid items	116,026	0	0	0	107,794	223,820
Total assets	\$97,009,975	\$3,481,220	\$28,750,320	\$99,237,396	\$16,503,986	\$244,982,897
LIABILITIES						
Accounts payable	\$6,579,794	\$0	\$3,488,314	\$3,666,542	\$480,808	\$14,215,458
Accrued liabilities	10,069,614	0	0	0	448,288	10,517,902
Contract retainages	4,600,927	0	54,227	543,036	0	5,198,190
Due to other funds	35,132,523	6,500	1,668,971	14,719,592	24,348	51,551,934
Due to governmental entities	222,902	0	0	0	0	222,902
Deferred revenue	1,900,449	0	0	1,967,185	236,145	4,103,779
Customer deposits	0	0	0	0	11,200	11,200
Other	1,058,178	0	0	0	0	1,058,178
Total liabilities	59,564,387	6,500	5,211,512	20,896,355	1,200,789	86,879,543
FUND BALANCES						
Nonspendable	156,555	0	0	588,033	404,732	1,149,320
Restricted	211,399	3,474,720	23,645,020	38,443,229	7,621,984	73,396,352
Committed	2,940,666	0	0	39,309,779	3,093,877	45,344,322
Assigned	5,757,645	0	0	0	4,259,078	10,016,723
Unassigned	28,379,323	0	(106,212)	0	(76,474)	28,196,637
Total fund balance	37,445,588	3,474,720	23,538,808	78,341,041	15,303,197	158,103,354
Total liabilities and fund balance	\$97,009,975	\$3,481,220	\$28,750,320	\$99,237,396	\$16,503,986	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,114,098,507
Long-term debt is not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and warrants payable, face value	(\$515,976,441)
Plus issuance premiums to be amortized as interest expense	(19,646,032)
Less deferred charges on refundings to be amortized as interest expense	14,011,635
Less deferred charges for issuance costs to be amortized over life of debt	<u>5,046,797</u>
	(516,564,041)
Other long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Deferred revenue	2,767,791
Accrued interest payable	(6,541,598)
Capital leases payable	(63,735)
Claims and judgments	(400,000)
Compensated absences	<u>(20,528,000)</u>
Net assets of governmental activities	<u>\$730,872,278</u>

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, 2011

	General Fund	Debt Service	The Special Revenue	Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUE						
Sales & use taxes	\$126,470,618	\$0	\$0	\$0	\$0	\$126,470,618
Property taxes	13,707,427	0	45,154,333	0	0	58,861,760
Other taxes	36,649,553	0	3,146,177	0	0	39,795,730
Licenses & permits	21,389,753	0	0	0	0	21,389,753
Fines & forfeitures	2,913,328	0	208,323	0	364,257	3,485,908
Revenues from money & property	1,463,467	3,465	69,979	883,768	2,049,851	4,470,530
Charges for services	14,849,097	0	0	0	0	14,849,097
Intergovernmental	8,819,312	0	0	4,534,308	4,127,088	17,480,708
Gifts & donations	3,018,550	0	629,998	1,631,417	1,160,954	6,440,919
Other revenues	1,499,395	0	0	0	164,572	1,663,967
Total revenues	230,780,500	3,465	49,208,810	7,049,493	7,866,722	294,908,990
EXPENDITURES						
Current						
General government	23,065,197	0	0	0	0	23,065,197
Public safety	76,526,448	0	79,495	0	0	76,605,943
Public services	50,963,336	0	4,428,966	1,858,688	9,999,788	67,250,778
Urban development	11,228,373	0	0	173,544	8,705,130	20,107,047
Debt service						
Principal	0	31,731,142	0	0	510,976	32,242,118
Interest	0	18,315,561	0	0	4,084,921	22,400,482
Fiscal charges	0	21,546	0	0	0	21,546
Debt issuance costs	0	0	6,500	0	0	6,500
Capital projects construction and outlay	1,633,936	0	48,260	21,483,267	135,342	23,300,805
Intergovernmental assistance	22,751,075	0	29,191,864	2,892,434	0	54,835,373
Total expenditures	186,168,365	50,068,249	33,755,085	26,407,933	23,436,157	319,835,789
Excess (deficiency) of revenues over expenditures	44,612,135	(50,064,784)	15,453,725	(19,358,440)	(15,569,435)	(24,926,799)
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	0	0	13,778,928	0	0	13,778,928
Transfers in	0	50,089,902	10,060,084	15,728,482	13,552,652	89,431,120
Transfers (out)	(45,006,368)	0	(35,518,227)	(23,698,965)	(117,412)	(104,340,972)
Total other financing sources (uses)	(45,006,368)	50,089,902	(11,679,215)	(7,970,483)	13,435,240	(1,130,924)
Net change in fund balance	(394,233)	25,118	3,774,510	(27,328,923)	(2,134,195)	(26,057,723)
Fund balance, beginning	37,839,821	3,449,602	19,764,298	105,669,964	17,437,392	184,161,077
Fund balance, ending	\$37,445,588	\$3,474,720	\$23,538,808	\$78,341,041	\$15,303,197	\$158,103,354

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, 2011

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

Net change in fund balances - total governmental funds (26,057,723)

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	\$25,413,204	
Depreciation expense	<u>(41,815,160)</u>	(16,401,956)

In the Statement of Activities, the value of capital assets contributed to the government are reported as revenue from capital contributions, but these are not reported as revenue in the governmental funds. 10,884,207

Carrying value of assets disposed of during the year, which is not reported in the governmental funds. (25,794)

For governmental funds, the issuance of long-term debt (e.g. warrants and leases) provide current financial resources and the repayment of long-term debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These amounts are as follows:

Debt issued or incurred:		
Issuance of general obligation and other debt	(13,772,428)	
Principal repayments:		
All debt except capital leases	32,186,142	
Payment on capital leases	55,976	
Amortization of premium and refunding loss (net)	462,205	
Deferral of issuance costs (net)	(444,272)	
Change in accrued interest	<u>(1,038,086)</u>	17,449,537

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 in question. These revenues are not included in governmental fund revenues but are included in revenue of the governmental activities in the Statement of Activities. (190,166)

For governmental funds, the liability for accrued compensated absences does not require current financial resources and is not reported. The Statement of Net Assets for governmental activities, however, reports this as a liability, and this amount is the change from the prior year, which is also reported as an expenditure in the Statement of Activities for governmental activities. (1,473,000)

Other revenue/expenses reported in the Statement of Activities that do not provide/require current financial resources. 0

Change In Net Assets Of Governmental Activities (\$15,814,895)

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET & ACTUAL
For the Year Ended September 30, 2011**

	Budget		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Taxes and payments in lieu of taxes	\$174,322,200	\$176,353,608	\$176,827,598	\$473,990
Licenses and permits	21,907,600	21,907,600	21,389,753	(517,847)
Fines and forfeitures	3,158,900	3,158,900	2,913,328	(245,572)
Revenues from money and property	1,220,400	1,269,225	1,463,467	194,242
Charges for services	14,628,800	14,628,800	14,849,097	220,297
Intergovernmental	3,527,120	11,925,877	8,819,312	(3,106,565)
Gifts and donations	0	3,686,718	3,018,550	(668,168)
Other revenues	1,511,300	1,541,300	1,499,395	(41,905)
Total revenues	220,276,320	234,472,028	230,780,500	(3,691,528)
EXPENDITURES				
Current				
General government	24,719,979	26,447,689	23,065,197	3,382,492
Public safety	73,883,550	79,229,054	76,526,448	2,702,606
Public services	49,376,210	52,790,353	50,963,336	1,827,017
Urban development	11,854,946	11,859,517	11,228,373	631,144
Debt service	530,014	0	0	0
Capital projects construction	0	2,576,139	1,633,936	942,203
Intergovernmental assistance	22,058,300	22,781,895	22,751,075	30,820
Total expenditures	182,422,999	195,684,647	186,168,365	9,516,282
Excess of revenues over expenditures	37,853,321	38,787,381	44,612,135	5,824,754
OTHER FINANCING SOURCES (USES)				
Transfers out	(37,832,321)	(45,376,410)	(45,006,368)	370,042
Total other financing sources (uses)	(37,832,321)	(45,376,410)	(45,006,368)	370,042
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	21,000	(6,589,029)	(394,233)	6,194,796
Fund balance, beginning	37,839,821	37,839,821	37,839,821	0
Fund balance, ending	\$37,860,821	\$31,250,792	\$37,445,588	\$6,194,796

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, 2011

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and payments in lieu of taxes	\$47,736,439	\$47,736,439	\$48,300,510	\$564,071
Fines and forfeitures	0	0	208,323	208,323
Revenues from money and property	0	0	69,979	69,979
Other revenues	0	629,998	629,998	0
Total revenues	47,736,439	48,366,437	49,208,810	842,373
EXPENDITURES				
Current				
Public safety	0	0	79,495	(79,495)
Public services	4,307,500	4,632,176	4,428,966	203,210
Capital projects construction	0	395,032	48,260	346,772
Debt service	0	6,500	6,500	0
Intergovernmental assistance	3,638,600	44,587,711	29,191,864	15,395,847
Total expenditures	7,946,100	49,621,419	33,755,085	15,866,334
Excess of revenues over expenditures	39,790,339	(1,254,982)	15,453,725	16,708,707
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	0	29,165,900	13,778,928	(15,386,972)
Transfers in	1,154,300	9,999,300	10,060,084	60,784
Transfers (out)	(35,324,554)	(35,515,561)	(35,518,227)	(2,666)
Total other financing sources (uses)	(34,170,254)	3,649,639	(11,679,215)	(15,328,854)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	5,620,085	2,394,657	3,774,510	1,379,853
Fund balance, beginning	19,764,298	19,764,298	19,764,298	0
Fund balance, ending	\$25,384,383	\$22,158,955	\$23,538,808	\$1,379,853

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 September 30, 2011**

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
ASSETS				
Current assets				
Cash & investments, at cost	\$10,876,243	\$2,459,960	\$312,089	\$13,648,292
Receivables (net of allowance)				
Accounts	3,217,262	1,188,980	166,395	4,572,637
Due from other funds	21,391,656	5,344	0	21,397,000
Prepaid items	0	230,965	6,377	237,342
Inventories, at cost	0	159,872	4,459	164,331
Total current assets	35,485,161	4,045,121	489,320	40,019,602
Noncurrent assets				
Deferred costs	957,485	0	0	957,485
Capital assets:				
Land	3,905,917	3,226,697	0	7,132,614
Buildings	260,810,733	78,232,731	4,238,351	343,281,815
Improvements other than buildings	7,972,465	8,557,433	0	16,529,898
Furniture & equipment	199,425,269	5,406,579	490,995	205,322,843
Construction work in progress	0	2,335,754	87,132	2,422,886
Less accumulated depreciation	(174,369,068)	(23,591,689)	(2,499,977)	(200,460,734)
Total capital assets (net of accumulated depreciation)	297,745,316	74,167,505	2,316,501	374,229,322
Total assets	334,187,962	78,212,626	2,805,821	415,206,409
LIABILITIES				
Current liabilities				
Accounts payable	2,436,518	1,472,243	60,021	3,968,782
Accrued liabilities	748,919	295,003	21,577	1,065,499
Contract retainages	264,945	0	0	264,945
Customer deposits	0	566,524	0	566,524
Compensated absences	80,400	302,672	0	383,072
General obligations warrants payable - current	5,631,625	0	0	5,631,625
Revenue warrants payable - current	5,310,000	0	0	5,310,000
Deferred revenue	23,175	118,334	424,489	565,998
Due to other funds	0	0	24,855	24,855
Total current liabilities	14,495,582	2,754,776	530,942	17,781,300
Noncurrent liabilities				
General obligation warrants payable (net of unamortized premium & deferred amount on refunding)	58,315,231	0	0	58,315,231
Revenue warrants payable	56,435,000	0	0	56,435,000
Compensated absences	723,600	0	0	723,600
Total noncurrent liabilities	115,473,831	0	0	115,473,831
Total liabilities	129,969,413	2,754,776	530,942	133,255,131
NET ASSETS				
Invested in capital assets, net of related debt	182,052,244	74,167,505	2,316,501	258,536,250
Restricted for capital projects	9,998,784	0	0	9,998,784
Unrestricted	12,167,521	1,290,345	(41,622)	13,416,244
Total net assets	\$204,218,549	\$75,457,850	\$2,274,879	\$281,951,278

(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 ASSETS
For the Year Ended September 30, 2011

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
Operating revenue				
Charges for services	\$37,321,532	\$6,839,392	\$1,089,071	\$45,249,995
Total operating revenue	37,321,532	6,839,392	1,089,071	45,249,995
Operating expenses				
Personnel, operations & maintenance	15,753,141	7,175,659	851,818	23,780,618
Utilities	1,779,063	1,488,446	207,197	3,474,706
Depreciation and amortization	8,843,738	1,442,748	148,193	10,434,679
Total operating expenses	26,375,942	10,106,853	1,207,208	37,690,003
Operating income (loss)	10,945,590	(3,267,461)	(118,137)	7,559,992
Nonoperating revenue (expenses)				
Interest income	10,911	33,471	57	44,439
Interest expense	(4,765,707)	0	0	(4,765,707)
Miscellaneous revenue (expense)	3,536	(18,844)	0	(15,308)
Total nonoperating revenue (expenses)	(4,751,260)	14,627	57	(4,736,576)
Income before contributions, transfers & special items	6,194,330	(3,252,834)	(118,080)	2,823,416
Capital contributions	2,120,057	0	0	2,120,057
Intergovernmental grants-capital	27,087	0	0	27,087
Transfers in	4,000,000	10,909,852	0	14,909,852
Change in net assets	12,341,474	7,657,018	(118,080)	19,880,412
Total net assets, beginning	125,219,706	67,800,832	2,392,959	195,413,497
Prior period adjustment	66,657,369	0	0	66,657,369
Total net assets, ending	\$204,218,549	\$75,457,850	\$2,274,879	\$281,951,278

(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, 2011**

Page 1 of 2

Business-Type Activities -- Enterprise Funds				
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
Operating activities				
Receipts from customers and users	\$37,094,102	\$7,434,745	\$1,345,897	\$45,874,744
Payments to suppliers	(10,581,966)	(5,445,149)	(652,126)	(16,679,241)
Payments to employees	(7,136,079)	(3,245,678)	(438,800)	(10,820,557)
Receipts (payments) from interfund services provided	(9,381,864)	0	0	(9,381,864)
Other	3,625	(18,843)	16,883	1,665
Net cash provided (used) by operating activities	9,997,818	(1,274,925)	271,854	8,994,747
Noncapital financing activities				
Transfers in	4,000,000	10,909,852	0	14,909,852
Net cash provided (used) by noncapital financing activities	4,000,000	10,909,852	0	14,909,852
Capital and related financing activities				
Acquisition and construction of capital assets	(12,176,424)	(9,616,868)	(28,177)	(21,821,469)
SRF loan fund drawdowns	5,000,000	0	0	5,000,000
Interfund transfers for capital projects	12,753,647	0	0	12,753,647
Intergovernmental grants-capital	50,262	0	0	50,262
Principal payments on notes and warrants	(10,508,858)	0	0	(10,508,858)
Interest paid on notes and warrants	(4,692,754)	0	0	(4,692,754)
Net cash provided (used) by capital and related financing activities	(9,574,127)	(9,616,868)	(28,177)	(19,219,172)
Investing activities				
Interest received	10,911	33,471	57	44,439
Net cash provided (used) by investing activities	10,911	33,471	57	44,439
Net increase (decrease) in cash and cash equivalents	4,434,602	51,530	243,734	4,729,866
Cash and cash equivalents, beginning	6,441,641	2,408,430	68,355	8,918,426
Cash and cash equivalents, ending	\$10,876,243	\$2,459,960	\$312,089	\$13,648,292

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, 2011**

	Business-Type Activities -- Enterprise Funds			Totals
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	
Operating income (loss)	\$10,945,590	(\$3,267,461)	(\$118,137)	\$7,559,992
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	8,843,738	1,442,748	148,193	10,434,679
Miscellaneous items	(259,666)	12,699	0	(246,967)
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:				
Change in assets and liabilities:				
Receivables	(227,430)	(222,303)	(166,395)	(616,128)
Accounts payable	213,892	1,070,192	35,694	1,319,778
Contract retainages	(205,442)	0	0	(205,442)
Prepaid items	0	4,314	(2,627)	1,687
Due to (from) other funds	(9,381,864)	0	0	(9,381,864)
Accrued liabilities	69,000	(49,836)	7,650	26,814
Deferred revenue	0	(217,045)	369,131	152,086
Other items	0	(48,233)	(1,655)	(49,888)
Net cash provided (used) by operating activities	\$9,997,818	(\$1,274,925)	\$271,854	\$8,994,747

(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 ASSETS
FIDUCIARY FUNDS
September 30, 2011**

	<u>Post-Retirement Benefits Trust</u>
ASSETS	
Cash & investments, at cost	
U.S. Treasury securities money market funds	\$1,988,256
Receivables (net of allowances)	<u>2,111,276</u>
Total assets	<u>4,099,532</u>
NET ASSETS	
Held in trust for other postemployment benefits	<u><u>\$4,099,532</u></u>

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2011

	<u>Post-Retirement Benefits Trust</u>
ADDITIONS	
Contributions:	
Employer	\$3,503,297
Plan members	<u>1,088,332</u>
Total contributions	<u>4,591,629</u>
Investment earnings:	
Interest	<u>15,215</u>
Net investment earnings	<u>15,215</u>
Total additions	<u>4,606,844</u>
DEDUCTIONS	
Benefits	<u>2,654,657</u>
Total deductions	<u>2,654,657</u>
Change in net assets	1,952,187
Net assets, beginning	<u>2,147,345</u>
Net assets, ending	<u><u>\$4,099,532</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
September 30, 2011**

	Business-Type Activities			Governmental Activities		Total
	Huntsville Utilities			HMC CVB	DRA	
	Electric	Water	Gas			
ASSETS						
Cash & investments, at cost	\$20,893,578	\$17,604,923	\$38,917,878	\$1,234,226	\$3,220	\$78,653,825
Receivables (net of allowances)	47,248,126	6,397,579	2,273,488	1,925	0	55,921,118
Inventories	6,196,458	1,552,008	5,683,725	4,843	0	13,437,034
Prepaid items	43,063	2,886	458	39,218	0	85,625
Deferred costs	548,837	977,139	167,208	1,511	0	1,694,695
Restricted assets						
Cash & investments, at cost	4,776,766	13,612,835	2,954,344	0	0	21,343,945
Capital assets						
Land and construction in process	21,214,541	10,929,274	5,665,616	0	0	37,809,431
Other assets, net of accum. depreciation	227,855,263	153,615,758	91,060,063	315,681	0	472,846,765
Total assets	328,776,632	204,692,402	146,722,780	1,597,404	3,220	681,792,438
LIABILITIES						
Accounts payable	36,442,558	1,360,037	2,580,536	89,518	0	40,472,649
Accrued liabilities	4,964,693	6,476,966	1,477,896	77,683	0	12,997,238
Liabilities payable from restricted assets:						
Other	236,282	718,929	57,749	0	0	1,012,960
Noncurrent liabilities						
Due within one year	5,249,204	2,564,880	1,384,641	0	0	9,198,725
Due in more than one year	50,704,670	40,943,883	16,281,774	0	0	107,930,327
Total liabilities	97,597,407	52,064,695	21,782,596	167,201	0	171,611,899
NET ASSETS						
Invested in capital assets, net of related debt	232,775,830	125,043,280	88,315,138	315,681	0	446,449,929
Restricted for:						
Debt service	4,121,340	5,992,138	954,344	0	0	11,067,822
Capital projects	0	6,186,388	0	408,703	0	6,595,091
Other	655,426	1,434,309	2,000,000	203,242	0	4,292,977
Unrestricted	(6,373,371)	13,971,592	33,670,702	502,577	3,220	41,774,720
Total net assets	\$231,179,225	\$152,627,707	\$124,940,184	\$1,430,203	\$3,220	\$510,180,539

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, 2011

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) & Changes in Net Assets					
		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	483,256,884	\$493,392,701	\$0	\$0	\$10,135,817	\$0	\$0	\$0	\$0	\$10,135,817
Huntsville Utilities Water System	26,090,817	26,277,206	0	2,226,539	0	2,412,928	0	0	0	2,412,928
Huntsville Utilities Gas System	44,143,155	50,920,737	0	793,252	0	0	7,570,834	0	0	7,570,834
HMC CVB	1,980,378	4,104	12,507	0	0	0	0	(1,963,767)	0	(1,963,767)
DRA	0	0	0	0	0	0	0	0	0	0
Total component units	\$555,471,234	\$570,594,748	\$12,507	\$3,019,791	10,135,817	2,412,928	7,570,834	(1,963,767)	0	18,155,812
General Revenues										
Other taxes					\$0	\$0	\$0	\$404,950	\$0	\$404,950
Interest on investments					370,382	111,172	199,434	660	221	681,869
Other					0	0	0	1,437,705	0	1,437,705
Total general revenues & transfers					370,382	111,172	199,434	1,843,315	221	2,524,524
Change in net assets					10,506,199	2,524,100	7,770,268	(120,452)	221	20,680,336
Net assets, beginning					220,891,925	150,182,179	117,055,490	1,550,655	2,999	489,683,248
Prior period adjustment					(218,899)	(78,572)	114,426	0	0	(183,045)
Net assets, ending					\$231,179,225	\$152,627,707	\$124,940,184	\$1,430,203	\$3,220	\$510,180,539

The accompanying notes are an integral part of this statement.

City of Huntsville
Notes To The Financial Statements
September 30, 2011

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Huntsville, Alabama (the "City") was incorporated December 9, 1811 under an act of the Mississippi Territorial Legislature and is operated under a Mayor-Council form of government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. 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. 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. Each blended and discretely presented component unit has a September 30 year end.

Blended Component Unit

- 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 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

- 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

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Accounting Standards

The City adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal 2011, which establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types.

The City plans to adopt GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, in fiscal 2012. Certain provisions were effective upon issuance and were adopted by the City in 2010. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The partial adoption of this Statement has no impact on the City's financial statements.

The City plans to adopt GASB Statement No. 59, Financial Instruments Omnibus, in fiscal 2011, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools.

Unless otherwise noted, management is in the process of determining the effects that the adoption of these Statements will have on the City's financial statements.

C. Government-wide and Fund Financial Statements

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

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

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental fund financial statements 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.

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. 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 Improvement 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 activities. Financing is provided by general obligation debt, a transfer from the General Fund of approximately twenty-three percent of annual sales taxes, and interest revenue.

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 types:

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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary Funds:

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

Fiduciary Funds:

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

The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 in accounting and reporting for its proprietary operations.

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.

E. Assets, Liabilities, and Net Assets 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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2011.

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 reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial 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, 2011.

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:

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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 year after 1986 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.

At September 30, vacation in excess of 260 hours and all accumulated compensatory time is accrued as a current liability in all funds since most employees would be expected to use the leave currently instead of forfeiting these amounts. Accumulated vacation and holiday up to 260 and 240 hours, respectively, and the estimated amount of sick leave payable upon retirement is considered to be and is accrued as a long-term liability.

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.

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 assets. Debt premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restrictions of Net Assets 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 assets 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 assets are restricted by enabling legislation, but rather by state law or contractual obligations.

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

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

A. Explanation of net assets invested in capital assets of the governmental activities in the government-wide statement of net assets

A portion of the net assets reported in the statement of net assets is reported as invested 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	\$1,114,098,507
Less debt outstanding expended for capital assets	(311,403,728)
Less the outstanding value of capital leases expended for capital assets	(63,735)
Plus deferred issue costs associated with debt expended for capital assets	3,450,660
Net assets invested in capital assets, net of related debt	\$806,081,704

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
- The Special Revenue Fund
- Capital Projects Funds

Governmental Funds Not Annually-Budgeted

Special Revenue Funds

- 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
- Perpetual Care Fund

Debt Service Fund

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

The Public Library Fund, Burritt Museum Fund, Art Museum Fund, Huntsville Tennis Center and Alabama Constitution Village 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 Debt Service Fund is not annually budgeted since budgetary control exists through general obligation bond indenture 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.

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, 2011:

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

General Fund

Current Expenditures:

General Government:

Administration – personnel	\$3,514
Administration – capital	709

Public Safety:

Animal Services – capital	2,997
Municipal court – personnel	4,388

Public Services:

Cemetery – personnel	57,124
Public Transit – personnel	53,110
Public Works – personnel	124,163

Urban Development:

Natural Resources – personnel	1,440
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The Special Revenue Fund

Current Expenditures:

Public Safety:

Operating	79,495
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The excess expenditures were provided by available fund balance in the funds.

C. Deficit Fund Equity

As of September 30, 2011, the Burritt Museum Fund and Art Museum Fund had a deficit fund balance of \$4,842 and \$52,457, respectively, which is expected to be funded by future revenues or transfers from the General Fund.

Also, as of September 30, 2011, the Municipal IcePlex Proprietary Fund had a deficit unrestricted net assets of \$41,622 which is expected to be funded by future revenues. Because of this deficit, the independent auditors report for this entity that is managed by separate board of the City expressed doubt about the viability of this entity as a going-concern, for which management is evaluating cost reductions and revenue increases that will be necessary to restore the entity's long-term viability.

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. As of September 30, 2011, 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	\$76,622,866	\$82,743,560	\$0
Investments:			
Money market mutual funds	128,702,916	10,339,998	1,988,256
U.S. Treasury obligations	59,353	4,208,784	0
Repurchase agreements	0	2,705,428	0
Total investments	128,762,269	17,254,210	1,988,256
Total	\$205,385,135	\$99,997,770	\$1,988,256

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Cash and investment policies

State law limits the kinds of investments that Alabama municipalities can make to: (1) accounts and certificates of deposits with banks or saving associations that are qualified public depositories; (2) direct obligations of the U.S. Department of the Treasury and certain federal agencies (collectively referred in this note as “USTO”); (3) certain qualified obligations of any state and their agencies; and (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.

City investment policy, which is established by ordinance, requires the same investments as required by state law.

Interest rate risk

The City and its discretely-presented component units (collectively referred in this note as “City entities”) manages their exposure to declines in fair values of investments due to market interest rate changes by limiting the maturity of their directly-held investments to less than one year, or by only purchasing obligations that it intends to hold to maturity. Directly-held investments having a maturity of more than one year are only purchased in connection with long-term construction projects, for which the risk having to liquidate the investments prior to maturity, and realize losses in fair value, are minimized. 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 is categorized as follows:

	Primary Government	Discretely- Presented Component Units	Post Retirement Benefits Trust Fiduciary Fund
Less than six months	\$128,702,916	\$13,132,870	\$1,988,256
Six months to one year	0	1,415,912	0
One to three years	0	0	0
Greater than three years	59,353	2,705,428	0
Total	<u>\$128,762,269</u>	<u>\$17,254,210</u>	<u>\$1,988,256</u>

Credit risk

As described above, state and City law limit the kind of investments 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.

Concentration of credit risk

Other than its investment in USTO or USTO mutual funds, the City entities did not have any single investment that had a value in excess of five percent of the their respective total investments.

Custodial credit risk

The City requires all bank deposits 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, 2011, except for minor deposits in certain credit union accounts. 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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

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 entities' names. 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.

B. Capital Assets

An adjustment was made to the beginning balances of the capital assets of the business-type activities, to correct errors and restate the amounts reported as of September 30, 2010. Sanitary sewer system assets donated to the City in prior years had not been properly identified and recorded in the financial statements, and a prior period adjustment was made to the capital asset accounts is as follows:

	Balance 2010, as originally reported	Prior Period Adjustment	Balance 2010, as adjusted
<u>Business-type activities:</u>			
Buildings and improvements	352,044,005	157,420,313	509,464,318
Accumulated depreciation	(90,373,458)	(90,762,944)	(181,136,402)
Buildings and improvement, net	<u>\$261,670,547</u>	<u>\$66,657,369</u>	<u>\$328,327,916</u>

The prior period adjustment is reported as a restatement of the beginning net assets of the business-type activities in the Statement of Activities, and a restatement of the beginning net assets of the Water Pollution Control Enterprise Fund in the Proprietary Funds Statement of Revenue, Expenses and Changes in Fund Net Assets.

Capital asset activity for the year ended September 30, 2011, after adjusting for the prior period adjustment described above, was as follows:

	Balance September 30, 2010	Additions/ Transfers-in	Deletions Transfers-out	Balance September 30, 2011
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$75,516,313	\$14,778	\$0	\$75,531,091
Construction in progress	6,191,090	5,939,074	(6,544,465)	5,585,699
Total capital assets, not being depreciated	<u>81,707,403</u>	<u>5,953,852</u>	<u>(6,544,465)</u>	<u>81,116,790</u>
Capital assets, being depreciated:				
Land improvements	34,847,092	2,185,581	(4,900)	37,027,773
Buildings and improvements	215,936,324	8,019,124	0	223,955,448
Furniture, equipment and other	82,850,135	3,608,806	(1,519,862)	84,939,079
Infrastructure	1,617,151,951	23,089,522	0	1,640,241,473
Total capital assets, being depreciated	<u>1,950,785,502</u>	<u>36,903,033</u>	<u>(1,524,762)</u>	<u>1,986,163,773</u>
Less accumulated depreciation for:				
Land improvements	(16,843,549)	(1,204,065)	3,430	(18,044,184)
Buildings and improvements	(58,544,034)	(5,058,887)	0	(63,602,921)
Furniture, equipment and other	(60,744,539)	(6,098,340)	1,495,537	(65,347,342)
Infrastructure	(776,718,733)	(29,468,876)	0	(806,187,609)
Total accumulated depreciation	<u>(912,850,855)</u>	<u>(41,830,168)</u>	<u>1,498,967</u>	<u>(953,182,056)</u>
Total capital assets, being depreciated, net	<u>1,037,934,647</u>	<u>(4,927,135)</u>	<u>(25,795)</u>	<u>1,032,981,717</u>
Governmental activities capital assets, net	<u>\$1,119,642,050</u>	<u>\$1,026,717</u>	<u>(\$6,570,260)</u>	<u>\$1,114,098,507</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Business-type activities:

Capital assets, not being depreciated:				
Land	\$7,132,614	\$0	\$0	\$7,132,614
Construction in progress	21,324,990	8,954,281	(27,943,517)	2,335,754
Total capital assets, not being depreciated	<u>28,457,604</u>	<u>8,954,281</u>	<u>(27,943,517)</u>	<u>9,468,368</u>
Capital assets, being depreciated:				
Buildings and improvements	509,464,318	41,800,199	0	551,264,517
Furniture, equipment and other	12,598,584	1,393,854	(35,267)	13,957,171
Total capital assets, being depreciated	<u>522,062,902</u>	<u>43,194,053</u>	<u>(35,267)</u>	<u>565,221,688</u>
Less accumulated depreciation for:				
Buildings and improvements	(181,136,402)	(9,780,496)	13,133	(190,903,765)
Furniture, equipment and other	(9,062,518)	(516,495)	22,044	(9,556,969)
Total accumulated depreciation	<u>(190,198,920)</u>	<u>(10,296,991)</u>	<u>35,177</u>	<u>(200,460,734)</u>
Total capital assets, being depreciated, net	<u>331,863,982</u>	<u>32,897,062</u>	<u>(90)</u>	<u>364,760,954</u>
Business-type activities capital assets, net	<u>\$360,321,586</u>	<u>\$41,851,343</u>	<u>(\$27,943,607)</u>	<u>\$374,229,322</u>

For the year ended September 30, 2011, depreciation expense and transfers-in of the primary government was as follows:

Governmental activities:

General government	\$602,401
Public Safety	4,192,647
Public Services	6,421,537
Urban development	500,632
Total depreciation expense charged to functions/programs	<u>11,717,217</u>
Depreciation for infrastructure assets not allocated to the functions	29,467,360
Total depreciation expense	<u>41,184,577</u>
Transfers-in from business-type activities	15,009
Total depreciation and transfers-in – governmental activities	<u>\$41,199,586</u>

Business-type activities:

Water Pollution Control Fund	\$8,706,050
Von Braun Center Fund	1,442,748
Municipal Iceplex Fund	148,193
Total depreciation expense	<u>10,296,991</u>
Transfers-in from governmental-type activities	0
Total depreciation expense – business-type activities	<u>\$10,296,991</u>

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Activity for the discretely presented component unit, Utilities, for the year ended September 30, 2011 was as follows:

	Balance September 30, 2010	Additions/ Transfers-in	Deletions Transfers-out	Balance September 30, 2011
Utilities-Electric System:				
Capital assets, not being depreciated:				
Land	\$4,420,473	\$0	(\$300)	\$4,420,173
Construction in progress	9,975,346	8,128,692	(1,309,670)	16,794,368
Total capital assets, not being depreciated	14,395,819	8,128,692	(1,309,970)	21,214,541
Capital assets, being depreciated:				
Buildings and improvements	388,584,616	9,822,459	(2,701,450)	395,705,625
Furniture, equipment and other	30,387,759	1,028,970	(49,229)	31,367,500
Total capital assets, being depreciated	418,972,375	10,851,429	(2,750,679)	427,073,125
Less accumulated depreciation	(185,332,593)	(16,635,948)	2,750,679	(199,217,862)
Total capital assets, being depreciated, net	233,639,782	(5,784,519)	0	227,855,263
Electric System capital assets, net	\$248,035,601	\$2,344,173	(\$1,309,970)	\$249,069,804
Utilities-Water System:				
Capital assets, not being depreciated:				
Land	\$1,746,193	\$0	\$0	\$1,746,193
Construction in progress	8,450,165	5,461,845	(4,728,929)	9,183,081
Total capital assets, not being depreciated	10,196,358	5,461,845	(4,728,929)	10,929,274
Capital assets, being depreciated:				
Buildings and improvements	231,485,032	7,849,700	(240,142)	239,094,590
Furniture, equipment and other	8,174,037	191,323	(13,315)	8,352,045
Total capital assets, being depreciated	239,659,069	8,041,023	(253,457)	247,446,635
Less accumulated depreciation	(88,072,751)	(6,011,583)	253,457	(93,830,877)
Total capital assets, being depreciated, net	151,586,318	2,029,440	0	153,615,758
Water System capital assets, net	\$161,782,676	\$7,491,285	(\$4,728,929)	\$164,545,032
Utilities-Gas System:				
Capital assets, not being depreciated:				
Land	\$1,808,035	\$0	\$0	\$1,808,035
Construction in progress	1,378,594	2,773,171	(294,184)	3,857,581
Total capital assets, not being depreciated	3,186,629	2,773,171	(294,184)	5,665,616
Capital assets, being depreciated:				
Buildings and improvements	125,017,204	3,796,152	(141,061)	128,672,295
Furniture, equipment and other	9,007,933	541,100	(1,134)	9,547,899
Total capital assets, being depreciated	134,025,137	4,337,252	(142,195)	138,220,194
Less accumulated depreciation	(43,710,202)	(3,592,124)	142,195	(47,160,131)
Total capital assets, being depreciated, net	90,314,935	745,128	0	91,060,063
Gas System capital assets, net	\$93,501,564	\$3,518,299	(\$294,184)	\$96,725,679

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Activity for the discretely presented component unit, the HMC CVB, for the year ended September 30, 2011 was as follows:

	Balance September 30, 2010	Additions/ Transfers-in	Deletions Transfers-out	Balance September 30, 2011
Capital assets, being depreciated:				
Furniture, equipment and other	\$696,025	\$41,959	\$0	\$737,984
Less accumulated depreciation	(385,185)	(37,118)	0	(422,303)
Total capital assets, being depreciated, net	310,840	4,841	0	315,681
Governmental activities capital assets, net	<u>\$310,840</u>	<u>\$4,841</u>	<u>\$0</u>	<u>\$315,681</u>

The discretely presented component unit, DRA, does not have any capital assets for the year ended September 30, 2011.

C. Interfund Receivables, Payables and Transfers

The amounts receivable and payable between the various funds as of September 30, 2011, is as follows:

Receivable Fund	Payable Fund	Amount	Total
General	Debt Service	\$6,500	
	Nonmajor Governmental	24,348	
	Nonmajor Proprietary	24,855	
	Special Revenue	1,668,971	\$1,724,674
The Special Revenue	Capital		3,883,529
Capital Improvement	General		23,662,204
Nonmajor Governmental	Capital	32,125	
	General	877,257	909,382
Water Pollution Control Enterprise	Capital	10,803,938	
	General	10,587,718	21,391,656
Total			<u>\$51,571,445</u>

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

The amounts transferred among the various funds for the year ended September 30, 2011, was as follows:

Transferred From	Transferred To	Amount	Total
General	Capital Improvement	\$15,728,482	
	Debt Service	4,069,357	
	Public Building Authority (a)	3,236,763	
	Nonmajor Governmental	6,568,479	
	The Special Revenue	1,154,300	
	Von Braun Center Enterprise	10,248,987	
	Water Pollution Control Enterprise	4,000,000	\$45,006,368
The Special Revenue	Debt Service	35,343,362	
	Von Braun Center Enterprise	174,865	35,518,227
Capital Improvements	Debt Service	10,677,183	
	The Special Revenue	8,905,784	
	Public Building Authority (a)	1,309,000	
	Other Nonmajor Governmental	2,320,998	
	Von Braun Center Enterprise	486,000	23,698,965
Nonmajor Governmental	Nonmajor Governmental		<u>117,412</u>
Subtotal			104,340,972
Transfers of net capital assets from governmental activities to business-type activities			<u>0</u>
Total			<u><u>\$104,340,972</u></u>

(a) The Public Building Authority Fund is a nonmajor governmental fund, but is shown separately here to emphasize the transfer activity with this blended component unit.

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.

D. Leases

Operating Leases

The City leases buildings under non-cancelable operating leases, for which the total costs were approximately \$469,000 in 2011. The future minimum lease payments by fiscal year are as follows:

2012	\$452,920
2013	299,972
2014	136,931
2015	31,238
2016	0
2017	0
Total	<u><u>\$921,061</u></u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Capital Leases

The City has entered into various lease agreements as lessee for financing the acquisition of equipment. These lease agreements are treated as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the basic financial statements.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Equipment	\$232,957	\$0
Less: accumulated amortization	(61,151)	0
Total	\$171,806	\$0

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2011 are as follows:

Fiscal Year	Governmental Activities	Business-Type Activities
2012	\$30,517	\$0
2013	30,517	0
2014	7,013	0
2015	0	0
2016	0	0
Thereafter	0	0
Total minimum lease payments	68,047	0
Less amount representing interest	(4,312)	0
Present value of minimum lease payments	\$63,735	\$0

The future debt service requirements of the governmental activities leases at September 30, 2011 will be provided by the Public Library Special Revenue Fund.

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).

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

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. The City imposed additional municipal court costs and pledged the revenue to pay a portion of the lease payments. 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 a 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 which 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.

Variable Rate Warrant

The City issued a G.O. variable rate warrant in 2010, in the maximum principal amount of \$30 million, for the purpose of providing temporary financing for capital projects. The warrant was issued on a private placement basis and structured as a drawdown obligation, which permits drawdowns in \$2.5 million increments, at the request of the City. The warrant matures on December 22, 2012, when the outstanding balance, if any, becomes finally payable. The City intends to refinance amounts drawn under the warrant on a longer-term basis.

The interest rate is variable, equal to 1.04% plus sixty-five percent of the 30-day LIBOR rate, adjusted on the first day of each month, and payable quarterly. In the event that interest on the warrant is no longer tax-exempt under the Internal Revenue Code, the rate will be 1.60% plus sixty-five percent of the 30-day LIBOR rate. No amounts were outstanding as of September 30, 2010 or September 30, 2011, and no amounts were drawn during 2011, so the interest rate information is not applicable.

The warrant constitutes a direct obligation and pledge of the full faith and credit of the City, and any outstanding balance is included in long-term debt.

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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

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. Through 2011, the City has issued two Warrants in the maximum principal amounts of \$10 million and \$30 million, for which the respective outstanding balances were \$4.9 million and \$9.7 million as of September 30, 2011.

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. Through 2011, TIF 5 tax revenues were zero, and the City had no obligation to redeem any portion of outstanding EUL Warrants.

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

Source of Repayment of Long-Term Debt

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

<u>Type of Debt</u>	<u>Paid From</u>	<u>Resources Provided By</u>
<u>Governmental Activities:</u>		
G.O. warrants - major capital facilities	Debt Service Fund	The Special Revenue Fund, General Fund and Capital Improvements Fund
G.O. warrants - school facilities	Debt Service Fund	The Special Revenue Fund (6.5 Mill School Tax revenue)
G.O. warrants - TIFs	Debt Service Fund	The Special Revenue Fund (TIF tax revenues)
EUL Revenue Warrants – TIF 5	Debt Service Fund	The Special Revenue Fund (TIF 5 tax revenue)
Lease revenue bonds	Public Building Authority Fund	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, 2011

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 assets. 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

For the year ended September 30, 2011, the City issued a Series 2010-D-SRF Refunding Sewer Revenue Warrant in the amount of \$8.9 million, which was issued solely to lower the interest rate applicable to the refunded 2001-SRF Sewer Revenue Warrant, and did not result in any change in the principal amount owed by the City. The par amount of the 2010-D-SRF Warrant is the same as the par amount of the refunded 2001-SRF Warrant, and there was no economic gain or loss on the refunding. The 2001-SRF Warrant was completely redeemed. There are no past refunding transactions for which the refunded warrants are still outstanding on September 30, 2011.

Advance Refundings

Advance refunding transactions for the current year, and prior years for which the refunded warrants are still outstanding on September 30, 2011, 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 09/30/11		

PRIMARY GOVERNMENT

Governmental Activities:

2007	2007PBA	\$56,325	2002PBA	\$52,815	\$47,235	not appl.	\$6,704
2010	2010A	23,430	2002A	24,050	24,050	2,814	2,792
2010	2010A	9,630	2002B	9,365	9,365	1,136	1,322
2010	2010A	14,280	2003A	18,280	17,240	975	1,686
2010	2010A	4,175	2005A	4,050	4,050	195	631
2010	2010A	2,060	2007B	2,115	1,615	63	75
2010	2010D	11,695	2002C	10,350	10,255	not appl.	1,305

Business-Type Activities:

2010	2010A	10,280	2002D	10,295	10,295	563	2,004
2010	2010A	6,955	2003B	7,095	7,095	494	673

(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, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt

The amount of debt outstanding at September 30, 2011, and information related to it was as follows:

Series	Face Amount (thousands)	Dated	Final Maturity	Interest Rates (%)	Principal Maturities (thousands)	Ending Balance (thousands)	Amount Due Within One Year (thousands)
PRIMARY GOVERNMENT							
<u>Governmental Activities</u>							
<i>G.O. Warrants (non-sewer portion)</i>							
2002A	42,130	5/1/02	5/1/22	4.0 - 5.75	1,325 - 3,270	3,965	\$1,935
2002E	18,685	5/1/02	8/1/12	4.0 - 5.5	825 - 2,145	2,145	2,145
2002F	23,465	5/1/02	8/1/13	4.0 - 5.5	895 - 2,600	3,940	2,600
2003C	53,955	2/1/03	11/1/24	2.0 - 5.0	675 - 3,115	31,345	1,830
2005A	72,485	2/1/05	2/1/20	3.7 - 6.25	1,425 - 9,915	19,790	4,000
2005C	68,070	10/1/05	10/1/31	3.0 - 5.0	715 - 4,530	58,905	2,070
2007A	31,968	5/1/07	10/01/28	4.0 - 5.0	325 - 1,825	30,566	697
2008A	8,955	12/5/08	01/1/14	3.99	205 - 615 (c)	7,660	585
2009A	66,838	3/4/09	9/1/29	2.75 - 5.0	2,077 - 7,312	53,888	6,966
2009B	71,745	3/4/09	9/1/29	2.25 - 5.0	2,560 - 4,735	63,120	4,510
2009C (a)	30,000	12/22/09	12/22/12	Variable	not appl.	0	0
2010A	74,300	9/14/10	3/1/37	3.0 - 5.0	980 - 6,315	72,870	1,475
2010B (b)	50,895	9/14/10	9/1/30	.61 - 5.06	365 - 1,940	49,435	1,440
2010C (b)	7,520	9/14/10	9/1/32	5.21	0 - 3,855	7,520	0
2010D (c)	11,695	9/14/10	9/1/27	.61 - 4.35	570 - 905	11,115	570
	<u>632,706</u>					<u>416,264</u>	<u>30,823</u>
<i>Private Placement Taxable Revenue Warrants(e)</i>							
2010A EUL	10,000	7/26/10	7/26/40	9.95	n.a.	4,884	0
2010B EUL	20,000	10/28/10	7/26/40	9.95	n.a.	9,729	0
	<u>30,000</u>					<u>14,613</u>	<u>0</u>
<i>Lease Revenue Bonds - Public Building Authority</i>							
2007	86,415	9/18/07	10/01/36	4.0 - 5.0	420 - 5,700	85,100	475
	<u>86,415</u>					<u>85,100</u>	<u>475</u>
Total governmental activities	<u>749,121</u>					<u>515,977</u>	<u>31,298</u>

(continued)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt - Continued

Series	Face Amount (thousands)	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							
2002D	35,795	08/01/02	11/01/15	4.0 - 5.5	1,290 - 3,635	5,940	2,885
2003B	19,485	04/01/03	08/01/16	2.0 - 5.25	1,220 - 1,915	1,575	1,575
2007A	17,123	05/01/07	05/15/14	4.0 - 5.0	325 - 725	14,999	647
2009A	13,132	03/04/10	09/01/29	2.75 - 5.0	412 - 980	12,287	455
2010A	17,235	09/14/10	03/01/37	3.0 - 4.0	70 - 5,335	17,140	70
2010B (b)	11,595	09/14/10	09/01/30	.61 - 5.06	0 - 800	11,595	0
	<u>114,365</u>					<u>63,536</u>	<u>5,632</u>
Sewer Revenue Warrants - State Revolving Loan Fund							
1996	22,380	01/26/96	08/15/17	3.18	775 - 1,550	8,495	1,290
2006	16,000	11/08/06	08/15/26	3.25	580 - 1,070	12,920	680
2008	5,000	05/01/09	02/15/28	3.5	175 - 340	4,455	195
2010A (d)	17,435	01/27/98	08/15/20	2.61	595 - 1,215	9,030	755
2010B (d)	16,760	12/01/98	08/15/20	2.57	590 - 1,145	9,460	900
2010C (d)	15,180	12/22/99	08/15/21	2.57	515 - 1,070	8,995	865
2010D (d)	13,045	12/14/00	08/15/22	3.00	440 - 920	8,390	625
	<u>105,800</u>					<u>61,745</u>	<u>5,310</u>
Total business-type activities	<u>220,165</u>					<u>125,281</u>	<u>11,942</u>
Total Primary Government	<u>\$969,286</u>					<u>\$641,258</u>	<u>\$42,240</u>

- (a) Series 2009C is a variable rate, private placement warrant, structured as a drawdown obligation in the maximum amount of \$30 million. The balance at September 30, 2011, was zero.
- (b) Series 2010B and 2010C general obligation warrants are taxable Build America Bonds and Recovery Zone Economic Development Bonds, respectively, under the Internal Revenue Code.
- (c) Series 2010D are taxable general obligation warrants.
- (d) 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.
- (e) The EUL warrants are taxable revenue warrants, structured as drawdown obligations not to exceed a maximum amount. The balance shown is what is outstanding under each warrant.

(continued)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt - Continued

COMPONENT UNIT - HUNTSVILLE UTILITIES

Business-Type Activities

Electric System Revenue Warrants

2002	9,920	12/1/02	12/1/22	1.35 - 5.0	260 - 1,030	4,575	295
2008	<u>13,195</u>	12/1/07	12/1/19	4.00	705 - 2,110	<u>12,490</u>	<u>1,070</u>
	<u>23,115</u>					<u>17,065</u>	<u>1,365</u>

Water System Revenue Warrants

2009	<u>43,660</u>	5/1/09	11/1/34	2.7 - 5.0	700 - 2,885	<u>38,785</u>	<u>2,190</u>
	<u>43,660</u>					<u>38,785</u>	<u>2,190</u>

Gas System Revenue Warrants

2005	<u>11,025</u>	8/1/05	8/1/25	3.25 - 4.38	380 - 780	<u>8,520</u>	<u>470</u>
	<u>11,025</u>					<u>8,520</u>	<u>470</u>

**Total Component
Units**

<u>\$77,800</u>						<u>\$64,370</u>	<u>\$4,025</u>
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Future Debt Service

The City's future debt service requirements on its outstanding warrants and bonds as of September 30, 2011 are shown below. There is \$3,474,720 and \$19,091,453 available in the Debt Service Fund and The Special Revenue Fund, respectively, to service general obligation debt, and \$2,510,399 is available in the Public Building Authority Special Revenue Fund to service the lease revenue bonds.

All interest amounts in the below tables are reported net of 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

(thousands)

<u>Governmental activities:</u>	G.O. Warrants		Lease Rev. Bonds	
	Principal	Interest	Principal	Interest
2012	\$30,824	\$17,197	\$475	\$4,061
2013	28,444	15,925	1,820	4,015
2014	28,705	14,577	1,905	3,931
2015	22,613	13,587	1,990	3,844
2016	27,302	12,585	2,085	3,752
2017-2021	108,496	49,613	11,965	17,217
2022-2026	93,518	27,066	15,125	14,049
2027-2031	54,687	10,516	19,315	9,861
2032-2036	18,525	2,710	24,720	4,458
2035-2041	3,150	119	5,700	135
Total governmental activities	<u>\$416,264</u>	<u>\$163,895</u>	<u>\$85,100</u>	<u>\$65,323</u>

(continued)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

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
2012	5,632	2,502	5,310	2,387
2013	6,461	2,228	5,505	2,262
2014	6,660	2,038	5,710	2,130
2015	6,917	1,791	5,920	1,993
2016	7,203	1,523	6,140	1,855
2017-2021	10,369	5,499	25,065	7,283
2022-2026	12,662	3,215	7,425	1,694
2027-2031	7,632	634	670	24
Total business-type activities	63,536	19,430	61,745	19,628

Total Primary Government (a)

\$626,645 \$268,276

COMPONENT UNITS

<u>Business-Type Activities - Huntsville Utilities</u>	Electric Rev. Warrants		Water Rev. Warrants	
	Principal	Interest	Principal	Interest
2012	\$1,365	\$687	\$2,190	\$1,696
2013	1,420	632	2,260	1,633
2014	1,475	574	2,330	1,563
2015	1,540	514	2,400	1,488
2016	2,215	438	2,490	1,387
2017-2021	8,095	906	10,055	5,104
2022-2026	955	71	5,365	3,477
2027-2031	0	0	6,770	2,080
2032-2036	0	0	4,925	377
Total	\$17,065	\$3,822	\$38,785	\$18,805

<u>Business-Type Activities - Huntsville Utilities</u>	Gas Rev. Warrants	
	Principal	Interest
2012	\$470	\$346
2013	485	330
2014	505	313
2015	520	293
2016	545	273
2017-2021	3,055	1,019
2022-2026	2,940	326
Total	\$8,520	\$2,900

(a) does not include the EUL Warrants as of September 30, 2011, for which, in the absence of TIF 5 tax revenue upon which repayment of the warrants and accrued interest depends, the future debt service obligations of the City are not determinable.

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2011, was as follows (in thousands):

PRIMARY GOVERNMENT	Beginning Balance	Additions(a)	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General obligation warrants	\$447,995	\$0	(\$31,731)	\$416,264	\$30,823
EUL revenue warrants	834	13,779	0	14,613	0
Lease revenue bonds	85,555	0	(455)	85,100	475
Subtotal	534,384	13,779	(32,186)	515,977	31,298
Less amounts deferred for:					
Issue discounts & premiums	22,259	0	(2,613)	19,646	0
Refunding losses	(16,163)	0	2,151	(14,012)	0
Total warrant, bonds, & notes	540,480	13,779	(32,648)	521,611	31,298
Capitalized leases	120	0	(56)	64	28
Compensated absences	19,055	1,473	0	20,528	2,053
Claims & judgments	750	648	(648)	750	350
Governmental activities long-term liabilities	\$560,405	\$15,900	(\$33,352)	\$542,953	\$33,729

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

<u>Business-Type Activities:</u>					
General obligation warrants	\$68,926	\$0	(\$5,390)	\$63,536	\$5,632
Sewer revenue warrants	66,865	0	(5,120)	61,745	5,310
Subtotal	135,791	0	(10,509)	125,281	10,942
Less amounts deferred for:					
Issue discounts & premiums	3,733	0	(550)	3,183	0
Refunding losses	(3,509)	0	736	(2,773)	0
Total warrants	136,015	0	(10,323)	125,691	10,942
Compensated absences	735	372	0	1,108	383
Business-type activities long-term liabilities	\$136,750	\$372	(\$10,323)	\$126,799	\$11,325

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Changes in Long-Term Liabilities - Continued

COMPONENT UNITS - HUNTSVILLE UTILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Business-type activities - Electric System</u>					
Revenue warrants	\$20,620	\$0	(\$3,555)	\$17,065	\$1,365
Less amounts deferred for:					
Issue discounts & premiums	(149)	0	36	(113)	0
Refunding losses	191	0	(31)	160	
Total warrants	20,662	0	(3,550)	17,112	1,365
Noncurrent customer deposits	37,553	1,289	0	38,842	3,884
Total Electric System long-term liabilities	\$58,215	\$1,289	(\$3,550)	\$55,954	\$5,249
<u>Business-type activities - Water System</u>					
Revenue warrants	\$40,905	\$0	(\$2,120)	\$38,785	\$2,190
Less amounts deferred for:					
Issue discounts & premiums	(251)	0	60	(191)	
Refunding losses	1,211	0	(45)	1,166	0
Total warrants	41,865	0	(2,105)	39,760	2,190
Noncurrent customer deposits	4,565	0	(816)	3,749	375
Total Water System long-term liabilities	\$46,430	\$0	(\$2,921)	\$43,509	\$2,565
<u>Business-type activities – Gas System</u>					
Revenue warrants	\$8,975	\$0	(\$455)	\$8,520	\$470
Total warrants	8,975	0	(455)	8,520	470
Noncurrent customer deposits	9,105	41	0	9,146	915
Total Gas System long-term liabilities	\$18,080	\$41	(\$455)	\$17,666	\$1,385

Uses of Governmental Activities Long-Term Debt

The carrying value of outstanding debt for governmental activities as of September 30, 2011, is \$521,610,838. The purposes for which this amount has been or will be expended is as follows (in thousands):

Debt issued for non-capital asset purposes:	
Huntsville City Schools	\$150,821
Von Braun Center	25,379
Intergovernmental	24,056
Debt issued for capital asset purposes:	
Invested in assets as of year-end	311,404
Not yet invested in assets as of year-end	9,951
Total	<u>\$521,611</u>

(Note the above amounts are not net of issuance costs as is similar data presented in the MD&A.)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Derivative Financial Instruments

The City was not a party to any derivative financial instruments as of September 30, 2011, or during the year then ended.

F. Fund Balance Classifications

As described in NOTE 1.E., under the heading “Restrictions of Net Assets and Fund Balances,” some of the City’s net assets and 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	\$804,685
Spendable:	
Endowment funds required by donors to remain intact	344,635
Total	\$1,149,320

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 5% lodging taxes committed for tourism development	\$1,540,617
1% lodging tax committed for recreation projects	1,400,049
Unexpended revenues of the Capital Improvement Fund committed for capital improvements	39,309,779
Unexpended revenues of the Cummings Research Park Fund committed for research park development	3,093,877
Total	\$45,344,322

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	\$1,957,292
Joint jail capital maintenance	1,000,000
General Fund appropriations subsequent to year-end	2,800,353
Long-term care of city cemeteries	1,273,481
Development of industrial parks	877,257
Board-managed activities	2,108,340
Total	\$10,016,723

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	\$25,811,210
Unassigned balance of the General Fund	2,568,113
Unassigned, deficit balance of The Special Revenue Fund	(106,212)
Deficit balances of the board-managed entities	(76,474)
Total	\$28,196,637

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

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

City sales and use taxes, which are General Fund revenues, are earmarked by City Council ordinance, as follows:

- 23.1 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, 2011, but represent designations of future revenue which will be considered in determining budget appropriations for future years.

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 2011 was \$12,107,276 by the Electric System, \$2,883,864 by the Natural Gas System, and \$1,397,542 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 \$600,000, \$350,000 of which is estimated to be currently payable and has been accrued as a liability in the City's General Fund at September 30, 2011. 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 Assets
Filed claims and lawsuits, general	\$350,000	\$600,000
Estimated unfiled claims and lawsuits	0	150,000
Total	\$350,000	\$750,000

In addition to the above, the City is a defendant in a claim filed under the Americans With Disabilities Act, for which the City may incur significant costs to modify certain facilities. While the likelihood of incurring cost is high, the amount of the cost cannot be reasonably estimated as of March 31, 2012, and the financial statements do not include a liability for such costs.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 5 – OTHER INFORMATION– CONTINUED

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, 2011, 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.

It is not certain at this time what the ultimate financial impact would be to the City if these preliminary findings and recommendations were to become final. OIG has indicated that it will conduct an exit interview with the City before final findings and recommendations are issued. This exit interview was originally scheduled for August 2011, was subsequently moved to late September 2011, and then cancelled until further notice from OIG.

HUD is also in the process of conducting 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 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, 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 has issued preliminary determinations, portions of which the City has challenged. To date, the City has not received a response from HUD on the challenged determinations.

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, 2012, and the financial statements as of September 30, 2011, do not include a liability related to this matter.

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 between 537,000 and 1,582,000 MMBtus per year through December 2026 at index less fifty-six cents.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 5 – OTHER INFORMATION– CONTINUED

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, 2011, which represent an encumbrance on resources at year-end, the most significant of which were as follows:

General Fund	\$959,000
Water Pollution Control Fund	6,471,000
Capital Improvement Fund	<u>20,433,000</u>
Total	<u>\$27,863,000</u>

These encumbrances are already included in the classifications of net assets and fund balances in the financial statements as of September 30, 2011.

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 and its outcome is uncertain as of March 31, 2012, and the financial statements do not include a liability with respect to this matter.

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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 5 – OTHER INFORMATION– CONTINUED

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 2011 were \$3.2 million. The City was also indebted to the Authority in the amount of \$257,000 for waste disposal fees as of September 30, 2011.

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 2011.

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 5 – OTHER INFORMATION– CONTINUED

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 2011 was as follows:

City of Huntsville and Von Braun Center	13.70%
Huntsville Utilities:	
Electric	17.71%
Gas	11.58%
Water	13.83%
HMC CVB	5.79%

In 2011, 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, 2008 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 4.61% to 7.75% per year, and (c) 0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.5%. The actuarial value of the System’s assets was determined using market values of instruments at September 30, 2008 and using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period in the years prior to 2009. 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, 2008 was thirty years for the City, the Gas System and the Water System, and twenty-seven years for the Electric System.

Trend Information for the State System (2010 is the latest available)

	Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	
City of Huntsville and Von Braun Center:	2010	\$12,587,525	100%	
	2009	12,106,211	100%	
	2008	10,048,062	100%	
Huntsville Utilities:				
	Electric	2010	1,815,698	100%
		2009	1,775,412	100%
2008		1,474,244	100%	
Gas	2010	2,043,247	100%	
	2009	1,973,248	100%	
	2008	1,685,679	100%	
Water	2010	646,863	100%	
	2009	634,013	100%	
	2008	521,569	100%	
HMC CVB:	2010	12,339	100%	
	2009	8,064	100%	
	2008	13,939	100%	

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 5 – OTHER INFORMATION – CONTINUED

Schedule of Funding Progress for the State System (2010 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	2010	\$293,500,392	\$450,280,650	\$156,780,258	65.2%	\$98,821,661	158.6%
	2009	298,641,061	440,469,804	141,828,743	67.8%	99,338,375	142.8%
	2008	299,292,524	419,677,964	120,385,441	71.3%	97,961,587	122.9%
Huntsville Utilities:							
Electric	2010	29,119,209	55,028,226	25,909,017	52.90%	10,636,420	243.6%
	2009	29,667,953	52,088,628	22,420,675	57.0%	10,705,886	209.4%
	2008	29,933,875	50,264,649	20,330,774	59.6%	10,087,229	201.5%
Gas	2010	39,476,087	67,058,663	27,582,576	58.90%	19,019,754	145.0%
	2009	39,481,623	61,824,224	22,342,601	63.9%	18,404,081	121.4%
	2008	39,258,315	58,009,060	18,750,745	67.7%	17,196,989	109.0%
Water	2010	15,234,380	25,480,819	10,246,439	59.80%	5,487,439	186.7%
	2009	15,822,183	24,304,373	8,482,190	65.1%	5,579,512	152.0%
	2008	15,922,622	23,140,702	7,218,080	68.8%	5,460,826	132.2%
HMC CVB	2010	1,631,903	1,755,300	123,397	93.0%	701,490	17.60%
	2009	1,588,029	1,519,726	(68,303)	104.5%	687,834	(9.9%)
	2008	1,542,632	1,360,546	(182,086)	113.4%	628,623	(29.0%)

F. Post-Retirement Medical Plans

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

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

Plan Description. The City OPEB plan was established in 1989 and 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 (1) who have completed 25 years of service in the retirement system of Alabama and are less than 65 years of age or (2) who have completed 10 years of service and are of the age 60-64 are eligible to participate. Coverage is provided for the retiree and dependents until the retiree is 65 years of age. Under the Utilities’ OPEB plan, all employees meeting retirement eligibility requirements are eligible to participate.

Funding Policy. City retirees pay about fifty percent of the annually-established benefit premium rate (active employees pay fifteen percent), and Utilities retirees pay a plan-prescribed amount (figure not available from Utilities). The City and Utilities are required to contribute the remaining cost of benefits at a rate that is based on an actuarial valuation prepared in accordance with certain parameters. In 2011, the City’s rate was 3.83% of annual covered payroll and the Utilities’ was about 5.2%.

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 5 – OTHER INFORMATION– CONTINUED

Annual OPEB Cost. For 2011, the City's and Utilities annual benefit cost was equal to the required contribution, determined by actuarial valuations as of September 30, 2010 and 2009, respectively, 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	2011	\$3,503,297	100%	0
	2010	2,744,475	100%	0
	2009	2,744,475	100%	0
Huntsville Utilities	2011	2,193,181	100%	0
	2010	2,007,975	100%	0
	2009	2,007,691	100%	0

Funded Status and Funding Progress. The funded status of the OPEB plans as of September 30, 2010, is shown in the schedule below, which also presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress for the Plans (latest available)

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Proj. Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City	9/30/2010	\$1,973,041	\$53,107,681	\$51,134,640	3.7%	\$91,530,319	55.9%
	9/30/2008	734,578	38,149,694	37,415,116	1.9%	81,535,067	45.9%
	9/30/2006	0	27,573,117	27,573,117	0.0%	72,544,474	38.0%
Utilities	9/30/2009	3,039,585	29,677,256	26,637,671	10.2%	35,551,843	74.9%
	9/30/2007	0	25,774,602	25,774,602	0.0%	31,319,219	82.3%

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

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

The City's actuarial valuation as of September 30, 2010, was based on: (a) the projected unit credit method actuarial cost method, (b) a 4.5% investment rate of return, (c) an 10.5% medical cost trend rate graded to 5.0% over eight 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 thirty-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, 2009, was based on: (a) the projected unit credit method actuarial cost method, (b) a 7.0% investment rate of return, (c) a 10.0% medical cost trend rate graded to 4.5% over seventeen years, (d) retirement rates consistent with the Utilities' pension plan actuarial valuation, and (e) a thirty-year amortization period of the actuarial liability as a level percentage of projected payroll on an open basis.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 5 – OTHER INFORMATION – CONTINUED

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, 2011, have been accrued as a liability in the General Fund as of September 30, 2011. 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, 2011 are as follows:

	Employees' Health Care		Workers' Compensation	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Unpaid claims, beginning of year	\$1,210,000	\$1,100,000	\$2,692,745	\$2,692,745
Incurred claims	14,680,856	16,011,603	1,461,354	1,335,269
Less claim payments	(14,940,856)	(15,901,603)	(1,461,354)	(1,335,269)
Unpaid claims, end of year (a)	<u>\$950,000</u>	<u>\$1,210,000</u>	<u>\$2,692,745</u>	<u>\$2,692,745</u>
	Legal Claims		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Unpaid claims, beginning of year	\$750,000	\$3,530,000	\$4,652,745	\$7,322,745
Incurred claims	647,644	740,681	16,789,854	18,087,553
Less claim payments	(647,644)	(3,520,681)	(17,049,854)	(20,757,553)
Unpaid claims, end of year (a)	<u>\$750,000</u>	<u>\$750,000</u>	<u>\$4,392,745</u>	<u>\$4,652,745</u>

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

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

H. Extraordinary Event – Tornado, April 27, 2011

On April 27, 2011, at least seven tornadoes, including an F-5 strength tornado, struck portions of the Huntsville Utilities Electric System service area. The tornadoes caused significant damage to the Electric System, including damage to 566 utility poles and 265 transformers. Repairs and replacement of damaged equipment was ninety-eight percent complete within three weeks of the damage at an approximate cost of \$5,000,000. The Electric System expects that these repairs will be funded primarily with monies from the U.S. Federal Emergency Management Agency ("FEMA"), including \$1,131,731 in funds that have already been received and another \$2,057,000 that is anticipated to be paid to the Electric System by FEMA. The remaining amount is expected to be covered out of Electric System reserves (\$531,455) and from the State of Alabama (\$531,455). Accordingly, the Electric System does not expect to incur long-term debt in order to fund

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2011

NOTE 5 – OTHER INFORMATION – CONTINUED

these repairs. Similarly, the Water System expects that these repairs will be funded primarily with monies from FEMA, including \$252,315 that is anticipated to be paid to the Water System. The remaining expenses are expected to be covered out of Water System reserves (\$42,053) and from the State of Alabama (\$42,053). Accordingly, the Water System does not expect to incur long-term debt in order to fund these repairs.

The City of Huntsville did not incur direct damage to its facilities or infrastructure, but due to a complete power outage of approximately five days, the City incurred significant costs for public safety, temporary power generation and other activities. The City filed reimbursement claims with FEMA totaling \$2.5 million, \$2.1 of which is expected to be received.

I. Subsequent Events

On October 27, 2011, the City issued a Series 2011 State Revolving Loan Fund Warrant in the amount of \$2.1 million to provide funds to pay the costs of sewer system improvements.

On November 22, 2011, the City issued Series 2012 General Obligation Warrants in the amount of \$112.7 million, for the purpose of advance refunding various warrants (\$12.4 million) and provide funds to pay the costs of improvements to City infrastructure and Huntsville City School facilities.

On December 21, 2011 the City issued Series 2011 Huntsville Utilities Electric System Revenue Warrants in the amount of \$28.3 million to pay the costs of capital improvements and advance refund the Series 2002 Warrants.

J. Prior Period Adjustments

The following prior period adjustments have been made in the financial statements, which are reported as an adjustment to beginning net assets:

Adjustments to net assets of business-type activities in the government-wide financial statements:

City of Huntsville:	
Increase the capital assets to correct errors in the carrying value of assets at the end of the prior year (a)	<u>\$66,657,369</u>
Huntsville Utilities Systems (discretely-presented component unit):	
Correct the reporting of accrued liabilities at the end of the prior year	<u>(\$183,045)</u>

Adjustments to net assets of the Water Pollution Control Fund in the fund financial statements:

City of Huntsville:	
Increase the capital assets to correct errors in the carrying value of assets at the end of the prior year (a)	<u>\$66,657,369</u>

(a) the effect of this adjustment on the various capital asset accounts is shown in Note 4B.

SUPPLEMENTARY INFORMATION

**CITY OF HUNTSVILLE
GENERAL FUND
BALANCE SHEET
September 30, 2011**

ASSETS

Cash & investments, at cost	\$78,263,040
Receivables (net of allowances)	14,928,760
Due from other funds	1,724,674
Due from other governmental entities	1,936,946
Inventories	40,529
Prepaid items	116,026
	<hr/>
	\$97,009,975
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$6,579,794
Accrued liabilities	10,069,614
Contract retainages	4,600,927
Due to other funds	35,132,523
Due to other governmental entities	222,902
Deferred revenue	1,900,449
Other	1,058,178
	<hr/>
Total liabilities	59,564,387
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FUND BALANCE

Nonspendable	156,555
Restricted	211,399
Committed	2,940,666
Assigned	5,757,645
Unassigned	28,379,323
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Total fund balance	37,445,588
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Total liabilities and fund balance	\$97,009,975
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**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$174,322,200	\$176,353,608	\$176,827,598	\$473,990
Licenses and permits	21,907,600	21,907,600	21,389,753	(517,847)
Fines and forfeitures	3,158,900	3,158,900	2,913,328	(245,572)
Revenues from money and property	1,220,400	1,269,225	1,463,467	194,242
Charges for services	14,628,800	14,628,800	14,849,097	220,297
Intergovernmental	3,527,120	11,925,877	8,819,312	(3,106,565)
Gifts and donations	0	3,686,718	3,018,550	(668,168)
Other revenues	1,511,300	1,541,300	1,499,395	(41,905)
Total revenues	220,276,320	234,472,028	230,780,500	(3,691,528)
EXPENDITURES				
Current				
General government	24,719,979	26,447,689	23,065,197	3,382,492
Public safety	73,883,550	79,229,054	76,526,448	2,702,606
Public services	49,376,210	52,790,353	50,963,336	1,827,017
Urban development	11,854,946	11,859,517	11,228,373	631,144
Debt service	530,014	0	0	0
Capital projects construction	0	2,576,139	1,633,936	942,203
Intergovernmental assistance	22,058,300	22,781,895	22,751,075	30,820
Total expenditures	182,422,999	195,684,647	186,168,365	9,516,282
Excess of revenues over expenditures	37,853,321	38,787,381	44,612,135	5,824,754
OTHER FINANCING SOURCES (USES)				
Transfers out	(37,832,321)	(45,376,410)	(45,006,368)	370,042
Total other financing sources (uses)	(37,832,321)	(45,376,410)	(45,006,368)	370,042
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	21,000	(6,589,029)	(394,233)	6,194,796
Fund balance, beginning	37,839,821	37,839,821	37,839,821	0
Fund balance, ending	\$37,860,821	\$31,250,792	\$37,445,588	\$6,194,796

**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, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes				
Sales and use	\$124,944,000	\$126,747,408	\$126,470,618	(\$276,790)
Ad valorem	13,620,000	13,620,000	13,707,427	87,427
Other	35,758,200	35,986,200	36,649,553	663,353
Total	174,322,200	176,353,608	176,827,598	473,990
Licenses and permits				
Privilege	19,013,600	19,013,600	18,321,298	(692,302)
Building permits	1,459,800	1,459,800	1,577,722	117,922
Other	1,434,200	1,434,200	1,490,733	56,533
Total	21,907,600	21,907,600	21,389,753	(517,847)
Fines and forfeitures	3,158,900	3,158,900	2,913,328	(245,572)
Revenues from money and property				
Interest	311,800	311,800	375,290	63,490
Recreational receipts	698,500	747,325	674,635	(72,690)
Other	210,100	210,100	413,542	203,442
Total	1,220,400	1,269,225	1,463,467	194,242
Charges for current services				
Sanitation charges	10,793,000	10,793,000	11,523,640	730,640
Parking revenue	2,089,100	2,089,100	1,956,741	(132,359)
Other	1,746,700	1,746,700	1,368,716	(377,984)
Total	14,628,800	14,628,800	14,849,097	220,297
Intergovernmental	3,527,120	11,925,877	8,819,312	(3,106,565)
Gifts and donations	0	3,686,718	3,018,550	(668,168)
Other revenues	1,511,300	1,541,300	1,499,395	(41,905)
TOTAL REVENUES	220,276,320	234,472,028	230,780,500	(3,691,528)

**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, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current Expenditures				
<u>General Government</u>				
Administration				
Personnel	1,288,788	1,285,123	1,288,637	(3,514)
Operating	36,840	63,141	44,145	18,996
Capital	13,450	2,324	3,033	(709)
Total	1,339,078	1,350,588	1,335,815	14,773
City Council				
Personnel	437,344	427,920	418,666	9,254
Operating	28,780	28,780	25,452	3,328
Capital	0	0	0	0
Total	466,124	456,700	444,118	12,582
Clerk-Treasurer				
Personnel	1,189,578	1,183,443	1,172,293	11,150
Operating	145,240	155,179	146,386	8,793
Capital	0	0	0	0
Total	1,334,818	1,338,622	1,318,679	19,943
Finance				
Personnel	2,323,622	2,308,463	2,276,930	31,533
Operating	234,370	234,370	230,868	3,502
Capital	0	11,000	10,108	892
Total	2,557,992	2,553,833	2,517,906	35,927
Fleet Management				
Personnel	2,909,144	2,863,796	2,800,690	63,106
Operating	188,380	205,310	174,257	31,053
Capital	0	0	0	0
Total	3,097,524	3,069,106	2,974,947	94,159
General expenses				
Personnel	4,458,500	4,458,500	2,312,420	2,146,080
Operating	2,569,812	4,025,894	3,429,364	596,530
Capital	0	0	0	0
Total	7,028,312	8,484,394	5,741,784	2,742,610

**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, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Human Resources				
Personnel	638,270	627,520	610,408	17,112
Operating	235,790	235,790	213,647	22,143
Capital	0	0	0	0
Total	874,060	863,310	824,055	39,255
Information Technology Services				
Personnel	3,297,010	3,280,633	3,244,554	36,079
Operating	3,135,935	3,385,935	3,042,452	343,483
Capital	0	86,311	60,495	25,816
Total	6,432,945	6,752,879	6,347,501	405,378
Legal				
Personnel	1,533,026	1,522,157	1,510,756	11,401
Operating	56,100	56,100	49,636	6,464
Capital	0	0	0	0
Total	1,589,126	1,578,257	1,560,392	17,865
Total general government	24,719,979	26,447,689	23,065,197	3,382,492
<u>Public Safety</u>				
Animal Services				
Personnel	1,436,576	1,410,937	1,374,975	35,962
Operating	178,140	238,506	218,423	20,083
Capital	0	23,000	25,997	(2,997)
Total	1,614,716	1,672,443	1,619,395	53,048
Emergency Management				
Personnel	627,684	635,864	629,902	5,962
Operating	56,650	1,349,540	464,338	885,202
Capital	0	560,000	353,780	206,220
Total	684,334	2,545,404	1,448,020	1,097,384
Fire and Rescue				
Personnel	27,034,056	27,176,874	27,030,739	146,135
Operating	1,881,856	1,810,173	1,678,395	131,778
Capital	0	99,046	97,595	1,451
Total	28,915,912	29,086,093	28,806,729	279,364

**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, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Municipal court				
Personnel	2,782,824	2,807,574	2,811,962	(4,388)
Operating	178,120	178,120	151,771	26,349
Capital	0	0	0	0
Total	2,960,944	2,985,694	2,963,733	21,961
Police				
Personnel	36,517,138	36,968,414	36,503,898	464,516
Operating	3,118,146	4,387,707	3,721,483	666,224
Capital	0	1,510,939	1,390,830	120,109
Total	39,635,284	42,867,060	41,616,211	1,250,849
Special appropriations	72,360	72,360	72,360	0
<i>Total public safety</i>	73,883,550	79,229,054	76,526,448	2,702,606
<u>Public Services</u>				
Cemetery				
Personnel	634,656	641,086	698,210	(57,124)
Operating	64,225	74,854	72,758	2,096
Capital	0	60,525	33,433	27,092
Total	698,881	776,465	804,401	(27,936)
General Services				
Personnel	3,388,956	3,214,524	3,117,905	96,619
Operating	4,774,140	5,025,211	4,808,340	216,871
Capital	0	0	0	0
Total	8,163,096	8,239,735	7,926,245	313,490
Landscape Management				
Personnel	6,587,902	6,556,530	6,473,262	83,268
Operating	1,942,376	2,058,963	2,033,097	25,866
Capital	0	49,805	23,775	26,030
Subtotal	8,530,278	8,665,298	8,530,134	135,164

**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, 2011**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Parking				
Personnel	1,333,576	1,309,362	1,285,309	24,053
Operating	304,665	316,833	296,993	19,840
Capital	0	59,900	59,740	160
Total	1,638,241	1,686,095	1,642,042	44,053
Public Transit				
Personnel	2,200,264	2,278,504	2,331,614	(53,110)
Operating	919,670	1,618,538	1,055,442	563,096
Capital	0	1,326,200	980,490	345,710
Total	3,119,934	5,223,242	4,367,546	855,696
Public Works				
Personnel	11,615,148	11,694,198	11,818,361	(124,163)
Operating	5,433,481	6,147,348	5,896,419	250,929
Capital	0	45,000	44,933	67
Total	17,048,629	17,886,546	17,759,713	126,833
Recreation Services				
Personnel	5,691,446	5,560,665	5,387,773	172,892
Operating	625,835	685,632	508,090	177,542
Capital	0	0	0	0
Subtotal	6,317,281	6,246,297	5,895,863	350,434
Special appropriations	3,859,870	4,066,675	4,037,392	29,283
Total public services	49,376,210	52,790,353	50,963,336	1,827,017
<u>Urban Development</u>				
Engineering				
Personnel	3,376,396	3,154,306	2,923,771	230,535
Operating	91,280	91,383	85,934	5,449
Capital	0	0	0	0
Total	3,467,676	3,245,689	3,009,705	235,984
Inspection				
Personnel	1,794,998	1,841,348	1,824,264	17,084
Operating	121,270	155,266	123,112	32,154
Capital	0	0	0	0
Total	1,916,268	1,996,614	1,947,376	49,238

**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, 2011**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Natural Resources				
Personnel	639,982	642,062	643,502	(1,440)
Operating	36,800	36,800	28,879	7,921
Capital	0	32,176	25,691	6,485
Total	676,782	711,038	698,072	12,966
Planning				
Personnel	2,757,468	2,751,459	2,607,845	143,614
Operating	234,500	327,924	246,478	81,446
Capital	0	0	0	0
Total	2,991,968	3,079,383	2,854,323	225,060
Traffic Engineering				
Personnel	2,084,972	2,030,422	1,967,871	62,551
Operating	314,530	329,037	283,692	45,345
Capital	0	0	0	0
Total	2,399,502	2,359,459	2,251,563	107,896
Special appropriations	402,750	467,334	467,334	0
<i>Total urban development</i>	11,854,946	11,859,517	11,228,373	631,144
Debt Service				
Principal	528,798	0	0	0
Interest	1,216	0	0	0
Total	530,014	0	0	0
Capital Projects Construction	0	2,576,139	1,633,936	942,203
Intergovernmental Assistance				
Huntsville Board of Education	18,399,800	19,076,535	19,045,715	30,820
Madison County Commission	2,323,800	2,370,660	2,370,660	0
Madison County Health Department	1,334,700	1,334,700	1,334,700	0
Total	22,058,300	22,781,895	22,751,075	30,820
TOTAL EXPENDITURES	182,422,999	195,684,647	186,168,365	9,516,282

**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, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of revenues over expenditures	37,853,321	38,787,381	44,612,135	5,824,754
OTHER FINANCING SOURCES (USES)				
Transfers out	(37,832,321)	(45,376,410)	(45,006,368)	370,042
Total other financing sources (uses)	(37,832,321)	(45,376,410)	(45,006,368)	370,042
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	21,000	(6,589,029)	(394,233)	6,194,796
Fund balance, beginning	37,839,821	37,839,821	37,839,821	0
Fund balance, ending	\$37,860,821	\$31,250,792	\$37,445,588	\$6,194,796

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF SPECIAL APPROPRIATIONS - BUDGET AND ACTUAL
For the Year Ended September 30, 2011**

	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	46,530	46,530	46,530	0
	<u>72,360</u>	<u>72,360</u>	<u>72,360</u>	<u>0</u>
Public Services				
Arts Council, Inc.	138,600	178,600	178,600	0
Boys & Girls Club, Inc.	43,830	43,830	43,830	0
Community Action Agency	87,750	87,750	87,750	0
First Stop, Inc.	83,830	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.	219,330	269,330	266,327	3,003
Huntsville Symphony Orchestra	39,510	39,510	39,510	0
Huntsville/Madison County Botanical Gardens, Inc.	214,380	214,380	214,380	0
Huntsville/Madison County Convention & Vis. Bureau	1,334,900	1,437,705	1,437,705	0
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	3,960	0
Mental Health Board, Inc. (Mental Health Center)	813,380	813,380	813,380	0
North Alabama Science Center, Inc.	131,580	131,580	131,580	0
Northwest Huntsville Community Services Org., Inc.	26,280	26,280	0	26,280
Second Mile Development, Inc.	21,960	21,960	21,960	0
Union Hill PB Church Personal Growth Center, Inc.	0	14,000	14,000	0
United Cerebral Palsy of Huntsville/Madison County, Inc.	30,690	30,690	30,690	0
U.S. Space & Rocket Center Foundation, inc.	45,000	45,000	45,000	0
	<u>3,859,870</u>	<u>4,066,675</u>	<u>4,037,392</u>	<u>29,283</u>
Urban Development				
Big Spring Partners, Inc.	0	64,584	64,584	0
Business Tech. Development Center, Inc. ("BizTech")	87,750	87,750	87,750	0
Chamber of Commerce Development Account	13,140	13,140	13,140	0
Chamber of Commerce of Huntsville/Madison County	219,330	219,330	219,330	0
North Alabama African-American Chamber of Commerce	21,960	21,960	21,960	0
The Land Trust of Huntsville and North Alabama, Inc.	60,570	60,570	60,570	0
	<u>402,750</u>	<u>467,334</u>	<u>467,334</u>	<u>0</u>
	<u>\$4,334,980</u>	<u>\$4,606,369</u>	<u>\$4,577,086</u>	<u>\$29,283</u>

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OTHER GOVERNMENTAL FUNDS

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

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

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

Public Building Authority Special Revenue Fund - to account for the construction and expansion of public safety facilities, and for the collection of revenues restricted for that purpose.

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.

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, 2011

	Special Revenue Funds							Capital Projects Funds			Total Nonmajor Governmental Funds	
	Community Development	Community Development Rehabilitation	Public Building Authority	Public Library	Burritt Museum	Alabama Constitution Village	Art Museum	Huntsville Tennis Center	Perpetual Care	Cummings Research Park		Industrial Park
ASSETS												
Cash & investments, at cost	\$298,720	\$404,624	\$2,510,399	\$2,443,863	\$0	\$38,635	\$74,160	\$382,888	\$1,273,481	\$5,752,046	\$0	\$13,178,816
Receivables (net of allowances)												
Accounts	0	0	0	40,016	0	0	42,046	0	0	0	0	82,062
Notes	970,458	723,503	0	0	0	0	0	0	0	0	0	1,693,961
Accrued interest	295,931	0	0	0	0	0	0	0	0	0	0	295,931
Due from other funds	0	0	0	0	0	0	0	0	0	32,125	877,257	909,382
Due from governmental entities	62,480	37,117	0	0	0	0	43,893	0	0	35,288	0	178,778
Inventories	0	0	0	0	0	48,773	2,282	6,207	0	0	0	57,262
Prepaid items	2,835	0	0	0	0	0	104,959	0	0	0	0	107,794
Total assets	\$1,630,424	\$1,165,244	\$2,510,399	\$2,483,879	\$0	\$87,408	\$267,340	\$389,095	\$1,273,481	\$5,819,459	\$877,257	\$16,503,986
LIABILITIES												
Accounts payable	\$37,652	\$105,996	\$0	\$54,439	\$0	\$15,242	\$76,222	\$963	\$0	\$190,294	\$0	\$480,808
Accrued liabilities	0	0	0	336,640	0	39,094	71,297	1,257	0	0	0	448,288
Due to other funds	18,314	0	0	0	4,842	1,192	0	0	0	0	0	24,348
Deferred revenue	0	30,900	0	8,879	0	0	161,078	0	0	35,288	0	236,145
Customer deposits	0	0	0	0	0	0	11,200	0	0	0	0	11,200
Total liabilities	55,966	136,896	0	399,958	4,842	55,528	319,797	2,220	0	225,582	0	1,200,789
FUND BALANCES												
Nonspendable	2,835	0	0	344,635	0	48,773	2,282	6,207	0	0	0	404,732
Restricted	1,571,623	1,028,348	2,510,399	11,614	0	0	0	0	0	2,500,000	0	7,621,984
Committed	0	0	0	0	0	0	0	0	0	3,093,877	0	3,093,877
Assigned	0	0	0	1,727,672	0	0	0	380,668	1,273,481	0	877,257	4,259,078
Unassigned	0	0	0	0	(4,842)	(16,893)	(54,739)	0	0	0	0	(76,474)
Total fund balance (deficit)	1,574,458	1,028,348	2,510,399	2,083,921	(4,842)	31,880	(52,457)	386,875	1,273,481	5,593,877	877,257	15,303,197
Total liabilities and fund balance	\$1,630,424	\$1,165,244	\$2,510,399	\$2,483,879	\$0	\$87,408	\$267,340	\$389,095	\$1,273,481	\$5,819,459	\$877,257	\$16,503,986

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, 2011

	Special Revenue Funds							Capital Projects Funds			Total Nonmajor Governmental Funds	
	Community Development	Community Development Rehabilitation	Public Building Authority	Public Library	Burritt Museum	Alabama Constitution Village	Art Museum	Huntsville Tennis Center	Perpetual Care	Cummings Research Park		Industrial Park
REVENUE												
Fines & forfeitures	\$0	\$0	\$0	\$364,257	\$0	0	\$0	\$0	\$0	\$0	\$0	\$364,257
Revenues from money & property	147,936	189,736	18	231,578	0	690,178	298,620	431,646	9,179	50,960	0	2,049,851
Intergovernmental	1,894,774	404,251	0	1,469,551	0	0	141,220	0	0	217,292	0	4,127,088
Gifts & donations	0	0	0	133,747	0	312,164	715,043	0	0	0	0	1,160,954
Other revenues	0	143,336	0	20,511	0	600	0	125	0	0	0	164,572
Total revenues	2,042,710	737,323	18	2,219,644	0	1,002,942	1,154,883	431,771	9,179	268,252	0	7,866,722
EXPENDITURES												
Current												
Public services	0	0	0	5,638,864	397,571	1,602,433	1,783,404	577,516	0	0	0	9,999,788
Urban development	3,857,911	4,054,597	0	0	0	0	0	0	0	792,622	0	8,705,130
Debt service												
Principal	0	0	455,000	55,976	0	0	0	0	0	0	0	510,976
Interest	0	0	4,079,863	5,058	0	0	0	0	0	0	0	4,084,921
Capital projects construction	0	0	0	0	0	0	0	0	0	135,342	0	135,342
Total expenditures	3,857,911	4,054,597	4,534,863	5,699,898	397,571	1,602,433	1,783,404	577,516	0	927,964	0	23,436,157
Excess (deficiency) of revenues over expenditures	(1,815,201)	(3,317,274)	(4,534,845)	(3,480,254)	(397,571)	(599,491)	(628,521)	(145,745)	9,179	(659,712)	0	(15,569,435)
OTHER FINANCING SOURCES (USES)												
Transfers in	1,467,412	99,419	4,545,763	3,470,630	392,760	656,060	564,480	185,130	0	2,170,998	0	13,552,652
Transfers (out)	0	(117,412)	0	0	0	0	0	0	0	0	0	(117,412)
Total other financing sources (uses)	1,467,412	(17,993)	4,545,763	3,470,630	392,760	656,060	564,480	185,130	0	2,170,998	0	13,435,240
Net change in fund balance	(347,789)	(3,335,267)	10,918	(9,624)	(4,811)	56,569	(64,041)	39,385	9,179	1,511,286	0	(2,134,195)
Fund balance (deficit), beginning	1,922,247	4,363,615	2,499,481	2,093,545	(31)	(24,689)	11,584	347,490	1,264,302	4,082,591	877,257	17,437,392
Fund balance (deficit), ending	\$1,574,458	\$1,028,348	\$2,510,399	\$2,083,921	(\$4,842)	31,880	(\$52,457)	\$386,875	\$1,273,481	\$5,593,877	\$877,257	\$15,303,197

**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, 2011**

Fund Subaccount	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property				
6.5 Mill Tax	\$13,620,000	\$13,620,000	\$13,707,883	\$87,883
6.5 Mill School Tax	16,148,000	16,148,000	16,449,290	301,290
TIF 2	881,409	881,409	956,619	75,210
TIF 3	10,800,000	10,800,000	10,887,400	87,400
TIF 3A	1,927,000	1,927,000	1,943,022	16,022
TIF 4	1,206,830	1,206,830	1,210,119	3,289
Total property tax	44,583,239	44,583,239	45,154,333	571,094
Other taxes				
Four/Five Cent State Gas Tax	1,262,500	1,262,500	1,237,523	(24,977)
Seven Cent State Gas Tax	1,890,700	1,890,700	1,908,654	17,954
Total other taxes	3,153,200	3,153,200	3,146,177	(7,023)
Total taxes	47,736,439	47,736,439	48,300,510	564,071
Fines and forfeitures				
Seizure	0	0	208,323	208,323
Total fines and forfeitures	0	0	208,323	208,323
Revenues from money and property				
Four/Five Cent State Gas Tax	0	0	3,911	3,911
Seven Cent State Gas Tax	0	0	7,006	7,006
6.5 Mill Tax	0	0	7,435	7,435
6.5 Mill School Tax	0	0	1,068	1,068
Seizure	0	0	2,135	2,135
TIF 2	0	0	1,109	1,109
TIF 3	0	0	20,911	20,911
TIF 3A	0	0	2,241	2,241
TIF 4	0	0	13,017	13,017
TIF 5	0	0	11,146	11,146
Total revenues from m&p	0	0	69,979	69,979
Other revenues				
TIF 5	0	629,998	629,998	0
Total other revenues	0	629,998	629,998	0
Total revenues	47,736,439	48,366,437	49,208,810	842,373
Expenditures				
Operating				
Street lighting/resurfacing				
Four/Five Cent State Gas Tax	1,262,500	1,587,176	1,584,422	2,754
Seven Cent State Gas Tax	3,045,000	3,045,000	2,844,544	200,456

**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, 2011**

Fund Subaccount	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Special activities				
Seizure	0	0	79,495	(79,495)
Total Operating	4,307,500	4,632,176	4,508,461	123,715
Capital				
6.5 mill School Tax	3,638,600	12,638,600	12,512,275	126,325
TIF 4	0	2,840,294	2,493,523	346,771
TIF 5	0	29,503,849	14,234,326	15,269,523
Total capital	3,638,600	44,982,743	29,240,124	15,742,619
Debt service				
TIF 5	0	6,500	6,500	0
Total debt service	0	6,500	6,500	0
Total expenditures	7,946,100	49,621,419	33,755,085	15,866,334
Excess (deficiency) of revenues over expenditures	39,790,339	(1,254,982)	15,453,725	16,708,707
Other financing sources (uses)				
Long-term debt issued				
TIF 5	0	29,165,900	13,778,928	(15,386,972)
Total long-term debt issued	0	29,165,900	13,778,928	(15,386,972)
Transfers in(out)				
Seven Cent State Gas Tax	1,154,300	1,154,300	1,154,300	0
6.5 Mill Tax	(13,620,000)	(13,620,000)	(13,623,156)	(3,156)
6.5 Mill School Tax	(15,287,214)	(15,287,214)	(15,286,674)	540
TIF 2	(1,210,650)	2,129,350	2,129,300	(50)
TIF 3	(1,767,569)	(1,767,569)	(1,767,569)	0
TIF 3A	(1,518,947)	2,669,911	2,669,912	1
TIF 4	(1,920,174)	(795,039)	(734,256)	60,783
Total transfers in(out)	(34,170,254)	(25,516,261)	(25,458,143)	58,118
Total other financing sources (uses)	(34,170,254)	3,649,639	(11,679,215)	(15,328,854)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Use	5,620,085	2,394,657	3,774,510	1,379,853
Fund balance, beginning	19,764,298	19,764,298	19,764,298	0
Fund balance, ending	\$25,384,383	\$22,158,955	\$23,538,808	\$1,379,853

**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, 2011**

	Capital Improvements Capital Projects Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
REVENUES				
Revenues from money and property	\$398,333	\$428,746	\$883,768	\$455,022
Intergovernmental	0	17,471,017	4,534,308	(12,936,709)
Gifts and donations	0	2,687,560	1,631,417	(1,056,143)
Other revenues	0	1,500,000	0	(1,500,000)
Total revenues	398,333	22,087,323	7,049,493	(15,037,830)
EXPENDITURES				
Capital	12,925,000	108,753,071	26,407,933	82,345,138
Total expenditures	12,925,000	108,753,071	26,407,933	82,345,138
Excess of revenues over expenditures	(12,526,667)	(86,665,748)	(19,358,440)	67,307,308
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	0	450,000	0	450,000
Transfers in	21,362,200	14,579,720	15,728,482	1,148,762
Transfers out	(12,368,924)	(24,368,426)	(23,698,965)	669,461
Total other financing sources (uses)	8,993,276	(9,338,706)	(7,970,483)	1,368,223
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(3,533,391)	(96,004,454)	(27,328,923)	68,675,531
Fund balance, beginning	105,669,964	105,669,964	105,669,964	0
Fund balance, ending	\$102,136,573	\$9,665,510	\$78,341,041	\$68,675,531

**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, 2011**

Cummings Research Park Capital Projects Fund				
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from money and property	\$0	\$0	\$50,960	\$50,960
Intergovernmental	0	474,334	217,292	(257,042)
Total revenues	0	474,334	268,252	(206,082)
EXPENDITURES				
Capital	0	4,785,265	927,964	3,857,301
Total expenditures	0	4,785,265	927,964	3,857,301
Excess of revenues over expenditures	0	(4,310,931)	(659,712)	3,651,219
OTHER FINANCING SOURCES (USES)				
Transfers in	0	2,500,000	2,170,998	(329,002)
Total other financing sources (uses)	0	2,500,000	2,170,998	(329,002)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	(1,810,931)	1,511,286	3,322,217
Fund balance, beginning	4,082,591	4,082,591	4,082,591	0
Fund balance, ending	\$4,082,591	\$2,271,660	\$5,593,877	\$3,322,217

**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, 2011**

Industrial Park Capital Projects Fund				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Total revenues	\$0	\$0	\$0	\$0
EXPENDITURES				
Capital	0	0	0	0
Total expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Fund balance, beginning	877,257	877,257	877,257	0
Fund balance, ending	\$877,257	\$877,257	\$877,257	\$0

STATISTICAL SECTION

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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 assets and revenue and expenses, and fund balances of governmental funds and their revenue and expenditures.	104
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.	110
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.	115
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.	120
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.	122

**CITY OF HUNTSVILLE
NET ASSETS BY COMPONENT**

	2011	2010 (a)	2009 (a)	2008	2007	2006	2005	2004	2003	2002
Governmental activities										
Invested in capital assets, net of related debt	\$806,081,704	\$802,221,037	\$845,268,444	\$677,876,604	\$676,752,598	\$662,489,220	\$681,056,759	\$697,943,619	\$666,048,980	\$686,192,636
Restricted	73,399,187	59,953,224	49,434,712	58,692,417	64,781,469	72,084,583	22,362,732	46,249,719	75,344,841	53,005,595
Unrestricted	(148,608,613)	(115,487,088)	(119,390,646)	(49,782,330)	(59,903,462)	(79,759,378)	(66,905,526)	(97,374,177)	(68,610,382)	(56,571,316)
Total governmental activities net assets	\$730,872,278	\$746,687,173	\$775,312,510	\$686,786,691	\$681,630,605	\$654,814,425	\$636,513,965	\$646,819,161	\$672,783,439	\$682,626,915
Business-type activities										
Invested in capital assets, net of related debt	\$258,536,250	\$229,307,244	\$205,036,558	\$133,673,199	\$132,100,127	\$130,856,625	\$122,249,521	\$115,045,127	\$130,955,516	\$124,611,461
Restricted	9,998,784	10,802,923	12,046,366	0	0	0	0	0	0	0
Unrestricted	13,416,244	21,960,699	22,147,903	28,086,038	20,183,620	10,807,675	10,103,791	10,563,493	22,057,010	22,366,088
Total business-type activities net assets	\$281,951,278	\$262,070,866	\$239,230,827	\$161,759,237	\$152,283,747	\$141,664,300	\$132,353,312	\$125,608,620	\$153,012,526	\$146,977,549
Primary government										
Invested in capital assets, net of related debt	\$1,064,617,954	\$1,031,528,281	\$1,050,305,002	\$811,549,803	\$808,852,725	\$793,345,845	\$803,306,280	\$812,988,746	\$797,004,496	\$810,804,097
Restricted	83,397,971	70,756,147	61,481,078	58,692,417	64,781,469	72,084,583	22,362,732	46,249,719	75,344,841	53,005,595
Unrestricted	(135,192,369)	(93,526,389)	(97,242,743)	(21,696,292)	(39,719,842)	(68,951,703)	(56,801,735)	(86,810,684)	(46,553,372)	(34,205,228)
Total primary government net assets	\$1,012,823,556	\$1,008,758,039	\$1,014,543,337	\$848,545,928	\$833,914,352	\$796,478,725	\$768,867,277	\$772,427,781	\$825,795,965	\$829,604,464

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.

**CITY OF HUNTSVILLE
CHANGES IN NET ASSETS**

	2011	2010 (a)	2009 (a)	2008	2007	2006	2005	2004	2003	2002
Expenses										
Governmental activities:										
General government	\$24,420,239	\$22,148,340	\$28,684,548	\$24,413,094	\$21,850,177	\$18,899,918	\$18,296,047	\$16,353,076	\$17,101,812	\$18,507,764
Public Safety	82,143,685	82,875,148	78,799,511	76,952,205	68,430,602	62,262,521	58,301,177	55,252,540	54,304,561	54,402,755
Public Services	108,810,956	109,197,353	163,161,869	99,059,863	92,368,138	89,603,382	67,240,627	64,075,292	45,485,290	43,747,815
Urban Development	38,663,677	26,455,675	18,492,051	24,467,222	24,078,509	18,320,523	15,550,825	14,928,629	16,465,386	11,873,802
Intergovernmental assistance (b)	0	0	0	0	0	0	32,746,511	71,688,039	22,651,520	15,552,058
Interest on long-term debt	22,976,363	20,727,443	21,534,346	22,416,453	22,140,985	20,238,610	20,141,437	19,722,229	19,465,809	16,407,825
Unallocated depreciation	29,467,360	29,328,626	28,549,209	26,015,619	25,728,773	26,276,581	27,796,700	27,544,758	27,243,756	27,131,104
Total governmental activities expenses	306,482,280	290,732,585	339,221,534	273,324,456	254,597,184	235,601,535	240,073,324	269,564,563	202,718,134	187,623,123
Business-type activities:										
Water pollution control	31,138,113	27,061,582	26,875,881	26,765,661	23,399,766	20,899,980	20,929,126	19,706,845	18,187,242	18,497,864
Civic Center	10,125,697	9,728,536	9,966,778	9,690,975	9,357,380	8,475,896	7,955,705	8,341,862	7,998,837	7,346,439
Ice Complex	1,207,208	1,056,821	1,047,050	1,107,937	1,182,323	1,034,614	953,920	866,690	853,854	958,748
Parking facilities	0	0	0	0	0	0	0	0	1,867,280	1,950,163
Sanitation	0	0	0	0	0	0	0	0	10,482,779	10,515,078
Total business-type activities expenses	42,471,018	37,846,939	37,889,709	37,564,573	33,939,469	30,410,490	29,838,751	28,915,397	39,389,992	39,268,292
Total primary government expenses	348,953,298	328,579,524	377,111,243	310,889,029	288,536,653	266,012,025	269,912,075	298,479,960	242,108,126	226,891,415
Program Revenues										
Governmental activities:										
Charges for services:										
General government	20,090,489	19,546,315	18,777,070	18,976,662	18,425,046	15,800,779	14,647,634	13,453,484	13,918,676	16,159,303
Public Safety	4,042,948	4,206,968	4,051,824	3,671,778	3,415,790	3,564,980	2,735,906	2,577,515	2,360,202	1,438,212
Public Services	18,024,375	16,467,291	16,758,939	16,610,479	15,757,762	15,216,215	14,833,147	14,507,087	2,671,710	3,047,440
Urban Development	2,632,710	2,979,979	3,688,251	4,381,380	5,991,224	4,507,747	3,760,184	3,052,063	2,114,038	2,493,627
Operating grants and contributions	9,239,044	9,607,076	5,534,331	6,041,500	7,634,443	8,555,901	6,826,703	14,342,720	7,707,848	6,984,729
Capital grants and contributions	23,279,382	11,477,997	35,454,871	8,916,135	11,735,527	8,112,379	12,397,682	4,229,022	4,955,168	6,629,334
Total governmental activities program revenues	77,308,948	64,285,626	84,265,286	58,597,934	62,959,792	55,758,001	55,201,256	52,161,891	33,727,642	36,752,645
Business-type activities:										
Charges for services:										
Water pollution control	37,321,532	33,518,016	32,905,736	33,149,416	33,370,745	30,434,720	23,909,535	19,891,376	19,546,462	20,281,455
Civic Center	6,839,392	6,514,808	7,146,456	7,085,111	6,685,865	5,330,606	5,246,093	5,893,145	5,827,648	5,419,455
Ice Complex	1,089,071	1,002,102	917,173	967,984	927,874	922,102	832,920	733,534	726,060	822,237
Parking facilities	0	0	0	0	0	0	0	0	1,996,919	1,784,238
Sanitation	0	0	0	0	0	0	0	0	9,191,450	9,224,233
Operating grants and contributions	0	0	0	0	0	0	0	0	0	0
Capital grants and contributions	2,147,144	1,787,827	5,293,814	2,361,822	0	41,822	1,108,069	219,561	429,877	0
Total business-type activities program revenues	47,397,139	42,822,753	46,263,179	43,564,333	40,984,484	36,729,250	31,096,617	26,737,616	37,718,416	37,531,618
Total primary government program revenues	124,706,087	107,108,379	130,528,465	102,162,267	103,944,276	92,487,251	86,297,873	78,899,507	71,446,058	74,284,263
Net(expense)revenue										
Governmental activities	(229,173,332)	(226,446,959)	(254,956,248)	(214,726,522)	(191,637,392)	(179,843,534)	(184,872,068)	(217,402,672)	(168,990,492)	(150,870,478)
Business-type activities	4,926,121	4,975,814	8,373,470	5,999,760	7,045,015	6,318,760	1,257,866	(2,177,781)	(1,671,576)	(1,736,674)
Total primary government net expenses	(224,247,211)	(221,471,145)	(246,582,778)	(208,726,762)	(184,592,377)	(173,524,774)	(183,614,202)	(219,580,453)	(170,662,068)	(152,607,152)

**CITY OF HUNTSVILLE
CHANGES IN NET ASSETS**

	2011	2010 (a)	2009 (a)	2008	2007	2006	2005	2004	2003	2002
General Revenues and Other Changes in Net Assets:										
Governmental activities:										
Taxes										
Sales & use taxes	127,235,936	123,934,078	122,161,198	127,565,012	125,723,726	114,580,803	104,962,909	98,302,584	93,387,783	88,382,423
Property taxes	58,861,760	57,285,006	54,078,571	50,210,471	43,153,397	40,235,507	33,176,517	31,377,131	30,806,109	27,863,125
Other taxes	39,795,730	39,451,787	38,537,905	37,537,970	37,319,663	35,719,573	32,148,984	30,978,585	28,491,869	25,424,489
Interest on Investments	969,805	798,035	1,116,673	6,150,108	7,979,874	6,253,502	2,867,311	2,324,757	2,588,241	2,084,616
Other	1,172,264	20,071,808	3,899,387	2,724,336	5,479,430	1,429,408	1,949,043	3,037,534	2,727,816	2,355,948
Gains on sales of assets	232,794	1,142,410	3,897,397	1,010,961	2,295,338	5,341,938	5,893,780	0	0	0
Extraordinary impairment loss	0	(27,067,437)	0	0	0	0	0	0	0	0
Transfers	(14,909,852)	(17,794,065)	(3,406,942)	(5,316,250)	(3,026,808)	(2,753,377)	(4,511,031)	25,417,803	(7,687,338)	(3,866,057)
Total governmental activities	213,358,437	197,821,622	220,284,189	219,882,608	218,924,620	200,807,354	176,487,513	191,438,394	150,314,480	142,244,544
Business-type activities										
Interest on Investments	44,439	70,160	102,738	404,992	547,624	238,851	186,824	191,678	226,828	447,437
Special Item	0	0	30,000	0	0	0	0	0	0	(500,000)
Transfers	14,909,852	17,794,065	3,406,942	3,070,738	3,026,808	2,753,377	4,511,031	(25,417,803)	7,687,338	3,866,057
Total business-type activities	14,954,291	17,864,225	3,539,680	3,475,730	3,574,432	2,992,228	4,697,855	(25,226,125)	7,914,166	3,813,494
Total primary government	228,312,728	215,685,847	223,823,869	223,358,338	222,499,052	203,799,582	181,185,368	166,212,269	158,228,646	146,058,038
<u>Change in Net Assets</u>										
Governmental activities	(15,814,895)	(28,625,337)	(34,672,059)	5,156,086	27,287,228	20,963,820	(8,384,555)	(25,964,278)	(18,676,012)	(8,625,934)
Business-type activities	19,880,412	22,840,039	11,913,150	9,475,490	10,619,447	9,310,988	5,955,721	(27,403,906)	6,242,590	2,076,820
Total primary government	\$4,065,517	(\$5,785,298)	(\$22,758,909)	\$14,631,576	\$37,906,675	\$30,274,808	(\$2,428,834)	(\$53,368,184)	(\$12,433,422)	(\$6,549,114)

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.

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

	2011 (a)	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund										
Nonspendable	156,555	-	-	-	-	-	-	-	-	-
Restricted	211,399	-	-	-	-	-	-	-	-	-
Committed	2,940,666	-	-	-	-	-	-	-	-	-
Assigned	5,757,645	-	-	-	-	-	-	-	-	-
Unassigned	28,379,323	-	-	-	-	-	-	-	-	-
Reserved	-	452,658	2,268,657	2,535,938	10,642,444	209,272	205,376	3,350,926	1,392,762	543,314
Unreserved	-	37,387,163	41,623,212	53,444,399	59,095,252	48,597,754	39,941,975	41,171,848	28,173,860	21,658,323
Total general fund	37,445,588	37,839,821	43,891,869	55,980,337	69,737,696	48,807,026	40,147,351	44,522,774	29,566,622	22,201,637
All other governmental funds										
Nonspendable	992,765	-	-	-	-	-	-	-	-	-
Restricted	73,184,953	-	-	-	-	-	-	-	-	-
Committed	42,403,656	-	-	-	-	-	-	-	-	-
Assigned	4,259,078	-	-	-	-	-	-	-	-	-
Unassigned	(182,686)	-	-	-	-	-	-	-	-	-
Reserved	-	55,597,074	76,818,638	63,566,881	54,246,282	9,453,684	11,575,447	83,586,896	116,109,016	18,073,396
Unreserved, reported in:										
Debt Service fund	-	3,449,602	3,412,682	3,232,744	3,350,116	3,234,567	21,760	0	0	0
Special revenue funds	-	(2,149,120)	(1,644,735)	1,351,011	31,720,227	26,197,393	17,376,072	(1,143,570)	5,181,278	25,144,148
Permanent funds	-	1,264,302	1,246,187	1,225,666	1,177,400	1,098,569	1,038,227	0	0	0
Capital project funds	-	88,159,398	28,143,542	38,361,839	57,887,452	67,383,192	24,489,475	1,785,107	1,956,057	54,132,661
Total all other governmental funds	120,657,766	146,321,256	107,976,314	107,738,141	148,381,477	107,367,405	54,500,981	84,228,433	123,246,351	97,350,205
Total fund balance	\$158,103,354	\$184,161,077	\$151,868,183	\$163,718,478	\$218,119,173	\$156,174,431	\$94,648,332	\$128,751,207	\$152,812,973	\$119,551,842

Source: Comprehensive annual financial reports.

(a) Fund balances beginning in 2011 are presented based on GASB Statement No. 54. Prior years have not been reclassified.

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<u>Revenues</u>										
Sales and Use Tax	\$126,470,618	\$123,934,078	\$122,161,198	\$127,565,012	\$125,723,726	\$114,580,803	\$104,962,909	\$98,302,584	\$93,387,783	\$88,382,423
Property Tax	58,861,760	57,285,006	54,078,571	50,210,471	43,153,397	40,235,507	33,176,517	31,377,131	30,806,109	27,863,125
Other taxes	39,795,730	39,451,787	38,537,905	37,537,970	37,319,663	35,633,301	32,070,521	30,978,585	28,491,867	25,424,489
Licenses and permits	21,389,753	21,739,746	22,216,726	23,054,259	24,131,627	20,192,700	18,321,231	16,326,852	15,800,046	17,221,695
Fines and forfeitures	3,485,908	3,730,949	3,909,186	3,535,338	3,333,458	3,416,351	2,670,807	2,500,346	2,390,167	2,530,391
Revenues from money and property	4,470,530	5,694,484	9,375,326	9,866,155	14,137,444	16,507,127	14,706,142	6,462,447	4,496,752	6,128,981
Charges for services	14,849,097	13,355,299	13,352,783	13,265,357	12,772,475	12,256,065	12,094,099	12,047,330	745,402	528,064
Intergovernmental	17,480,708	18,848,842	18,311,488	14,838,735	20,075,214	12,145,124	18,860,466	18,047,858	12,663,017	13,614,063
Gifts and donations	6,440,919	9,105,851	1,982,596	2,147,148	1,783,533	1,414,325	1,539,417	1,206,645	1,213,360	845,363
Other revenues	1,663,967	4,029,865	1,669,735	2,948,574	1,862,393	2,073,152	1,689,342	1,629,714	1,881,488	1,839,866
Total Revenues	294,908,990	297,175,907	285,595,514	284,969,019	284,292,930	258,454,455	240,091,451	218,879,492	191,875,991	184,378,460
<u>Expenditures</u>										
General government	23,065,197	23,540,359	27,076,571	19,954,377	20,526,138	18,457,838	17,763,621	15,001,333	15,552,371	19,469,290
Public safety	76,605,943	77,047,963	73,422,216	74,106,520	68,560,726	60,234,292	58,427,522	53,779,686	53,128,903	54,324,832
Public services	67,250,778	70,201,183	71,145,870	73,786,496	75,449,975	66,626,701	69,248,718	63,157,605	42,786,748	40,277,609
Urban development	20,107,047	16,476,084	16,663,058	17,334,448	20,923,861	16,929,088	15,302,050	14,746,580	16,228,288	12,313,263
Debt service										
Principal	32,242,118	35,498,028	107,287,240	28,125,603	27,712,653	25,445,585	108,221,154	23,544,762	22,143,691	42,191,266
Interest	22,400,482	22,828,178	23,859,727	20,713,975	20,788,626	20,288,933	19,682,483	19,419,478	17,520,686	15,290,177
Fiscal charges	21,546	13,304	11,449	53,471	52,789	73,236	69,980	93,033	113,392	33,601
Debt issuance costs	6,500	1,148,689	1,116,280	0	1,935,175	778,962	1,052,682	672,156	1,465,533	1,180,146
Capital projects construction and outlay	23,300,805	32,578,946	39,807,540	61,960,481	31,786,986	31,152,674	44,012,462	40,446,029	28,013,828	11,396,864
Intergovernmental assistance	54,835,373	43,747,892	90,864,329	30,688,444	26,564,854	22,857,303	32,746,511	71,688,039	22,651,520	15,552,058
Total expenditures	319,835,789	323,080,626	451,254,280	326,723,815	294,301,783	262,844,612	366,527,183	302,548,701	219,604,960	212,029,106
Excess of revenues over (under) expenditures	(24,926,799)	(25,904,719)	(165,658,766)	(41,754,796)	(10,008,853)	(4,390,157)	(126,435,732)	(83,669,209)	(27,728,969)	(27,650,646)
<u>Other financing sources(uses)</u>										
Long-term debt issued	13,778,928	145,244,100	147,538,000	0	129,135,000	68,070,000	83,610,000	53,955,000	80,055,001	120,510,001
Premium on debt issue	0	7,106,178	9,662,918	0	2,491,409	3,030,036	4,724,090	328,461	1,507,564	1,734,137
Discount on debt issue	0	0	0	0	0	0	0	0	0	(210,773)
Payment to escrow agent	0	(76,308,888)	0	0	(56,168,927)	0	0	0	(28,982,248)	(42,617,923)
Capital lease proceeds	0	0	0	0	0	232,957	2,250,427	0	0	289,184
Transfers in	89,431,120	92,329,571	160,826,423	86,590,155	87,250,263	92,454,496	78,138,533	88,265,810	70,765,968	58,017,997
Transfers (out)	(104,340,972)	(110,173,348)	(164,218,870)	(99,236,054)	(90,283,102)	(95,207,873)	(82,601,692)	(82,941,828)	(72,742,094)	(62,762,015)
Total other financing sources(uses)	(1,130,924)	58,197,613	153,808,471	(12,645,899)	72,424,643	68,579,616	86,121,358	59,607,443	50,604,191	74,960,608
Net change in fund balances	(\$26,057,723)	\$32,292,894	(\$11,850,295)	(\$54,400,695)	\$62,415,790	\$64,189,459	(\$40,314,374)	(\$24,061,766)	\$22,875,222	\$47,309,962

(continued)

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Ratios:										
Total expenditures above	\$319,835,789	\$323,080,626	\$451,254,280	\$326,723,815	\$294,301,783	\$262,844,612	\$366,527,183	\$302,548,701	\$219,604,960	\$212,029,106
Less capital outlays	(25,413,204)	(34,104,421)	(43,235,385)	(68,986,633)	(48,570,250)	(36,499,875)	(55,870,900)	(46,542,204)	(30,165,747)	(16,790,026)
Less current refunding debt service	0	0	(62,106,800)	0	0	0	(83,610,000)	0	0	(15,000,000)
Noncapital expenditures	294,422,585	288,976,205	345,912,095	257,737,182	245,731,533	226,344,737	227,046,283	256,006,497	189,439,213	180,239,080
Total debt service above	54,670,646	59,488,199	132,274,696	48,893,049	50,489,243	46,586,716	129,026,299	43,729,429	41,243,302	58,695,190
Less current refunding debt service	0	0	(62,106,800)	0	0	0	(83,610,000)	0	0	(15,000,000)
Adjusted debt service expenditures	54,670,646	59,488,199	70,167,896	48,893,049	50,489,243	46,586,716	45,416,299	43,729,429	41,243,302	43,695,190
Debt service as a percentage of noncapital expenditures	18.6%	20.6%	20.3%	19.0%	20.5%	20.6%	20.0%	17.1%	21.8%	24.2%
Total expenditures above	\$319,835,789	\$323,080,626	\$451,254,280	\$326,723,815	\$294,301,783	\$262,844,612	\$366,527,183	\$302,548,701	\$219,604,960	\$212,029,106
Less current refunding debt service	0	0	(62,106,800)	0	0	0	(83,610,000)	0	0	(15,000,000)
Adjusted expenditures	319,835,789	323,080,626	389,147,480	326,723,815	294,301,783	262,844,612	282,917,183	302,548,701	219,604,960	197,029,106
Total debt service above	54,670,646	59,488,199	132,274,696	48,893,049	50,489,243	46,586,716	129,026,299	43,729,429	41,243,302	58,695,190
Less current refunding debt service	0	0	(62,106,800)	0	0	0	(83,610,000)	0	0	(15,000,000)
Adjusted debt service expenditures	54,670,646	59,488,199	70,167,896	48,893,049	50,489,243	46,586,716	45,416,299	43,729,429	41,243,302	43,695,190
Debt service as a percentage of total expenditures	17.1%	18.4%	18.0%	15.0%	17.2%	17.7%	16.1%	14.5%	18.8%	22.2%

Source: Comprehensive annual financial reports.

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

Fiscal Year	Sales and Use Tax	Property Tax	City Leasing	City Liquor	City Lodging	City Gasoline	City Wine	City Tobacco	State Gasoline	Huntsville Utilities P.I.L.O.T.	T.V.A. P.I.L.O.T.	State Beverage	State Tobacco	All Other	Total
2002	\$88,382,423	\$27,863,125	\$2,844,875	\$1,111,901	\$2,973,312	\$902,273	\$108,768	\$0	\$2,944,349	\$11,095,643	\$2,149,699	\$0	\$306,110	\$969,559	\$141,652,037
2003	\$93,387,783	\$30,806,109	\$2,887,527	\$1,198,383	\$3,201,528	\$968,959	\$135,970	\$0	\$3,052,290	\$11,866,656	\$2,157,260	\$1,631,994	\$320,232	\$1,071,068	\$152,685,759
2004	\$98,302,584	\$31,377,131	\$2,618,337	\$1,242,385	\$3,835,426	\$1,051,231	\$126,795	\$1,280,095	\$3,151,825	\$11,949,977	\$2,219,186	\$1,622,948	\$310,045	\$1,570,335	\$160,658,300
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

Source: Comprehensive annual financial reports

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

SALES TAX

Fiscal Year	City	County	State	Total
2002	3.5%	0.5%	4.0%	8.0%
2003	3.5%	0.5%	4.0%	8.0%
2004	3.5%	0.5%	4.0%	8.0%
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%

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

PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS

(Per \$1000 of Assessed Value)

Fiscal Year	City of Huntsville				Total	County School District	County	State	Total
	General Fund	School Funds	City	Debt Service Funds					
2002	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0
2003	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0
2004	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0
2005	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0
2006	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0
2007	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0
2008	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0
2009	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0
2010	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0
2011	6.5	22.0	6.5	6.5	35.0	5.5	11.0	6.5	58.0

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
2001-2002	\$101,948,211	\$100,116,987	98.2%
2002-2003	\$108,616,346	\$105,608,839	97.2%
2003-2004	\$111,343,012	\$109,784,532	98.6%
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%

(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 during which the taxes are levied, but because of the collection policy, most are collected within the year of the levy.

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

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

Assessment Date	Real and Personal Property						Penalties Assessed	Exempt Assessed	Class 4		Total Assessed	Total Actual	Assessed Value To Total Estimated Actual Value
	Class 1		Class 2		Class 3				Assessed	Actual			
October 1,	Assessed	Actual	Assessed	Actual	Assessed	Actual							
2001	*	*	*	*	*	*	*	*	*	*	\$1,575,634	\$12,382,083	12.7%
2002	*	*	*	*	*	*	*	*	*	*	\$1,585,907	\$12,658,676	12.5%
2003	\$37,329	\$124,430	\$1,373,005	\$6,865,025	\$473,714	\$4,737,140	\$2,642	(\$490,058)	\$195,622	\$1,304,147	\$1,592,254	\$13,030,742	12.2%
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	\$2,337,496	\$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%

Assessment Date Note:

Property is initially assessed on October 1 each year for the taxes to be levied on the following October 1. Adjustments are made after the assessment until the next August, when the assessments are finalized for the upcoming October levy. Therefore, the assessed value figures above will result in tax collections beginning one year later. For example, the assessment in 2010 above will be levied on October 1, 2011, and collected during the city's 2012 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%

**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%

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	2011			2002		
	City Assessed Valuation	Rank	Percentage of Total Assessed Value	City Assessed Valuation	Rank	Percentage of Total Assessed Value
Toyota Motor Manufacturing Alabama	\$69,753,880	1	2.8%			
Huntsville NYL LLC	\$27,884,180	2	1.1%			
International Diesel of Alabama	\$25,898,060	3	1.0%	\$11,362,880	9	0.6%
Bell South Telecommunications Inc	\$24,381,500	4	1.0%	\$25,567,700	2	1.4%
BASF Catalysts LLC	\$19,345,660	5	0.8%			
ADTRAN Inc	\$18,205,220	6	0.7%	\$20,250,000	4	1.1%
Huntsville Shores LLC	\$16,228,460	7	0.7%			
Crestwood Healthcare LP	\$13,343,000	8	0.5%			
Redstone Federal Credit Union	\$9,199,900	9	0.4%			
Parkway Place Limited Partnership	\$8,810,060	10	0.4%			
Rudlofs Engine				\$45,510,040	1	2.6%
Daimler Chrysler Corporation				\$15,891,280	3	0.9%
Cinram Inc				\$16,834,500	5	1.0%
Engelhard Corp.				\$12,916,160	6	0.9%
Goodyear Dunlop Tire Corporation				\$10,257,440	7	1.0%
BBC Equipment				\$11,583,260	8	0.7%
Madison Square Assoc LTD				\$7,086,240	10	0.4%
Top 10 subtotal	\$233,049,920		9.4%	\$177,259,500		10.6%
Other taxpayers	\$2,258,987,080		90.6%	\$1,592,674,760		89.4%
Totals	\$2,492,037,000		100.0%	\$1,769,934,260		100.0%

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
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			
2002	\$324,905	\$0	\$26,350	\$3,648	\$35,795	\$97,375	\$268	\$488,341	\$3,027	4.98%
2003	\$329,195	\$0	\$55,355	\$2,449	\$53,990	\$74,525	\$683	\$516,197	\$3,135	5.04%
2004	\$360,940	\$0	\$55,355	\$1,343	\$50,875	\$71,220	\$315	\$540,048	\$3,250	5.00%
2005	\$338,105	\$0	\$55,355	\$2,653	\$47,630	\$67,795	\$168	\$511,706	\$3,050	4.50%
2006	\$383,000	\$0	\$54,105	\$1,865	\$44,245	\$64,245	\$106	\$547,566	\$3,216	4.50%
2007	\$399,840	\$0	\$86,415	\$1,323	\$50,590	\$75,980	\$29	\$614,177	\$3,546	4.68%
2008	\$365,022	\$0	\$86,415	\$763	\$53,833	\$76,560	\$4	\$582,597	\$3,330	4.18%
2009	\$406,738	\$0	\$85,995	\$234	\$62,532	\$71,800	\$0	\$627,299	\$3,508	4.18%
2010	\$447,995	\$834	\$85,555	\$120	\$68,925	\$66,865	\$0	\$670,294	\$3,731	4.33%
2011	\$416,264	\$14,613	\$85,100	\$64	\$63,536	\$61,745	\$0	\$641,322	\$3,561	3.97%

Source: Comprehensive annual financial reports.

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

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
2002	\$324,905	\$35,795	\$360,700	2.8%	\$2,236
2003	\$329,195	\$53,990	\$383,185	2.9%	\$2,327
2004	\$360,940	\$50,875	\$411,815	2.7%	\$2,478
2005	\$338,105	\$47,630	\$385,735	2.4%	\$2,299
2006	\$383,000	\$44,245	\$427,245	2.4%	\$2,510
2007	\$399,840	\$50,590	\$450,430	2.4%	\$2,601
2008	\$365,022	\$53,833	\$418,855	2.2%	\$2,394
2009	\$406,738	\$62,532	\$469,270	2.4%	\$2,624
2010	\$447,995	\$68,925	\$516,920	2.6%	\$2,877
2011	\$416,264	\$63,536	\$479,800	not available	\$2,664

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

**CITY OF HUNTSVILLE
LEGAL DEBT MARGIN INFORMATION**

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Debt limit	498,407,400	494,663,000	493,960,200	467,499,200	441,452,000	395,160,000	378,561,600	323,475,600	317,181,400	315,126,800
Total net debt applicable to limit	258,004,189	292,953,851	248,535,628	236,541,190	269,238,480	259,259,048	216,556,124	232,446,050	232,599,459	252,462,445
Legal debt margin	240,403,211	201,709,149	245,424,572	230,958,010	172,213,520	135,900,952	162,005,476	91,029,550	84,581,941	62,664,355
Total net debt applicable to limit as a percentage of debt limit	51.8%	59.2%	50.3%	50.6%	61.0%	65.6%	57.2%	71.9%	73.3%	80.1%

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

Assessed value of real and personal property, October 1, 2010		<u>\$2,492,037,000</u>
Debt limit - 20 percent of total assessed value		498,407,400
All outstanding debt of the City	<u>641,258,028</u>	
Less those portions not chargeable to the debt limit:		
Lease revenue bonds of the Public Building Authority	85,100,000	
Debt payable from other revenues:		
General obligation sewer warrants	63,536,587	
Sewer revenue warrants	61,745,000	
Private placement revenue warrants	14,613,028	
Warrants issued for schools	<u>135,693,051</u>	
Total not chargeable	<u>360,687,666</u>	
Total debt chargeable to debt limit	280,570,362	
Less assets available for debt service	<u>22,566,173</u>	<u>258,004,189</u>
Legal debt margin		<u><u>\$240,403,211</u></u>

**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	\$393,697,240	100.0%	\$393,697,240
Madison County	5,096,980	67.9%	<u>\$3,460,849</u>
Total			<u><u>\$397,158,089</u></u>

(a) City of Huntsville net debt outstanding excludes general obligation warrants reported in the Proprietary Funds, revenue bonds of the Public Building Authority, and amount available for repayment in the Debt Service Fund.

(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 (\$2,466,046,680) 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 (\$3,631,247,960) for 5.5 mills of county school district taxes. All data as of the most recently released tax abstract (October 1, 2010).

**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	Interest	Total	
2002	\$20,553,105	\$8,282,916	\$12,109,971	\$5,140,000	\$5,814,692	\$10,954,692	1.11
2003	\$19,649,405	\$8,197,715	\$11,451,690	\$4,470,000	\$4,663,020	\$9,133,020	1.25
2004	\$20,037,239	\$9,567,498	\$10,469,741	\$6,420,000	\$5,262,787	\$11,682,787	0.90
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

(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.

**CITY OF HUNTSVILLE
DEMOGRAPHIC AND ECONOMIC STATISTICS**

Fiscal Year	Population (a)	Total Personal Income (b)	Per Capita Personal Income (b)	Unemployment Rate (c)
2001	161,315	\$9,796,788	\$28,166	4.0%
2002	164,655	\$10,237,351	\$29,002	4.0%
2003	166,163	\$10,791,373	\$30,129	4.4%
2004	167,787	\$11,363,017	\$31,318	3.4%
2005	170,251	\$12,174,073	\$32,949	2.8%
2006	173,189	\$13,114,483	\$34,689	2.7%
2007	174,938	\$13,951,201	\$36,084	4.5%
2008	178,819	\$15,010,000	\$37,938	7.6%
2009	179,653	\$15,476,000	\$38,090	7.7%
2010	180,105	\$16,148,000	\$38,523	6.4%

(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 Industrial Relations.

**CITY OF HUNTSVILLE
PRINCIPAL EMPLOYERS**

Employers	2011			2006		
	Number of Employees	Rank	Percentage of Total Labor Force	Number of Employees	Rank	Percentage of Total Labor Force
US Army/Redstone Arsenal	17,400	1	8.3%	14,601	1	7.4%
Huntsville Hospital System	6,280	2	3.0%	5,126	2	2.6%
NASA/Marshall Space Flight Center	4,260	3	2.0%	2,400	7	1.2%
The Boeing Co	2,600	4	1.2%	3,300	3	1.7%
SAIC(Science Applications Internation Corp)	2,242	5	1.1%	1,716	10	0.9%
ADTRAN, INC	1,740	6	0.8%			
Sanmina-SCI Corp	1,578	7	0.8%	2,500	4	1.3%
Teledyne Brown Engineering	1,530	8	0.7%			
CINRAM, INC	1,450	9	0.7%	2,500	5	1.3%
Intergraph Corporation	1,325	10	0.6%	2,450	6	1.2%
Siemens VDO Automotive				2,000	8	1.0%
Deltacom Inc				2,000	9	1.0%
Total Employees of 10 Principal Employers	40,405		19.2%	38,593		19.6%
Employees of Other Employers	169,759		80.8%	160,007		80.4%
Total Civilian Labor Force	210,164		100.0%	198,600		100.0%

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

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	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government										
Administration	13	15	15	11	16	15	15	14	14	13
City Council	10	10	10	10	10	10	10	10	10	9
Clerk-Treasurer	18	18	18	18	18	20	21	21	21	21
Finance	33	31	31	31	28	28	31	32	32	29
Human Resources	13	13	13	13	11	11	10	10	10	12
I.T.S.	47	46	46	47	42	40	42	41	41	42
Legal	16	16	16	17	17	16	16	16	16	16
Total	150	149	149	147	142	140	145	144	144	142
Public Safety										
Animal Services	28	28	28	28	27	27	27	27	24	24
EMA	9	9	9	9	8	8	8	8	8	8
Fire and Rescue	387	377	377	354	343	340	340	342	340	340
Municipal Court	46	48	48	48	46	46	49	49	48	48
Police	628	629	613	615	603	596	591	585	649	643
Total	1,098	1,091	1,075	1,054	1,027	1,017	1,015	1,011	1,069	1,063
Public Services										
Cemetery	23	24	24	24	22	22	22	20	19	19
General Services	83	90	90	86	79	79	79	79	68	68
Projects Management	0	0	0	9	7	7	7	7	7	7
Fleet Services	49	52	35	34	33	33	33	33	33	33
Recreation Services	181	180	172	172	172	172	180	177	177	178
Landscape Management	190	229	229	225	255	253	251	218	214	214
Parking	54	55	55	55	55	55	55	55	55	55
Public Transportation	68	68	68	68	43	43	41	40	40	40
Public Works	256	287	268	272	287	284	273	281	303	302
Water Pollution Control	123	123	123	120	115	113	108	111	107	107
Total	1,027	1,108	1,064	1,065	1,068	1,061	1,049	1,021	1,023	1,023
Urban Development										
Community Development	0	40	40	40	42	42	42	42	42	42
Engineering	45	47	48	49	49	70	69	66	66	72
Inspection	28	28	28	28	30	28	28	24	24	24
Natural Resources	7	7	7	7	7	7	7	7	7	7
Planning	45	43	43	43	39	36	33	27	27	21
Traffic Engineering	38	33	34	31	29	0	0	0	0	0
Total	163	198	200	198	196	183	179	166	166	166
Total for all departments	2,438	2,546	2,488	2,464	2,433	2,401	2,388	2,342	2,402	2,394

Source: City of Huntsville Annual Budget

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

Function	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Public Safety										
Fire and Rescue										
Number of fire stations	16	16	16	16	16	16	16	16	16	16
Fire insurance rating	3/9	4/9	4/9	3/9	3	3	3	3	3	3
Number of calls answered	14,749	21,279	20,689	21,442	23,472	22,675	6,078	5,555	5,358	5,450
Inspections	18,500	21,750	21,000	21,500	18,000	15,600	13,800	14,400	12,600	11,400
Police										
Number of police stations	4	4	4	4	4	4	4	4	4	4
Physical arrests	11,849	15,045	14,179	13,625	14,020	13,148	11,653	11,317	9,539	9,939
Parking violations	11,645	13,472	13,586	16,587	15,392	9,631	8,343	9,356	8,390	*
Traffic violations	33,280	43,906	42,173	37,932	31,554	37,792	24,860	24,110	23,525	*
Public Services										
Recreation Services										
Admissions to Aquatic Facilities	87,582	88,058	87,009	99,440	88,194	78,546	79,474	90,759	90,798	87,591
Participants in Community Center programs	10,676	10,821	13,501	10,290	16,872	18,830	25,261	18,683	28,697	22,366
Participants in Youth Athletic programs	6,438	6,573	6,771	6,709	7,246	7,829	8,181	8,807	8,920	9,146
Participants in Adult Athletic programs	5,897	6,263	6,282	6,684	4,678	4,357	4,333	4,433	4,312	4,208
Number of parks	62	63	63	63	63	60	59	55	52	52
Baseball fields	49	57	57	57	57	57	50	50	50	50
Softball fields	41	41	41	41	41	41	41	41	41	41
Soccer fields & Multi-purpose fields	58	50	50	50	50	50	107	107	103	103
Football fields	2	4	4	4	4	4	7	7	7	7
Golf courses	1	1	1	1	1	1	2	2	2	2
Tennis courts	53	66	66	65	65	59	61	53	45	45
Recreation centers	13	12	11	11	11	11	11	11	11	11
Enclosed swimming pools	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (lane miles)	3,423	3,423	2,960	2,684	2,684	2,654	2,654	2,641	2,050	2,050
Street lights	21,890	21,820	21,720	20,631	20,631	19,762	19,762	19,638	17,627	17,627
Signalized street intersections	350	350	310	300	300	288	288	285	275	275
Controlled intersections	11,500	11,250	11,000	10,850	10,850	10,606	10,606	10,580	10,300	10,300
Major storm sewers (miles)	892	892	892	892	892	785	785	692	114	114
Potholes repaired	10,804	13,662	13,264	5,528	8,275	9,925	12,529	15,060	22,249	24,374
Sanitation										
Refuse collected (tons/day)	240	236	232	229	227	222	216	214	*	*
Trash collected (tons/day)	197	157	171	167	158	175	214	217	*	*
Water Pollution Control										
Avg daily sewage treatment(M gallon/day)	41.04	34.11	27.10	22.71	21.92	23.57	26.73	29.98	29.87	33.12
Sanitary sewers (miles)	1,290	1,290	1,260	1,260	1,260	1,200	1,200	1,150	1,050	1,050
Utilities										
New connections	752	648	191	228	359	357	308	203	224	256
Water main breaks	74	115	45	93	55	73	94	77	78	71
Average daily consumption (000 gallons)	40,216	41,508	37,674	42,010	46,124	41,098	36,572	35,617	33,870	35,339
Water meters in use	88,195	85,437	84,882	83,653	77,504	77,504	77,504	76,446	76,968	76,968

Sources:
Various city departments

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