

CITY OF HUNTSVILLE, ALABAMA



HUNTSVILLE

Tommy Battle
Mayor

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2012

**Fiscal Year Ended
September 30, 2012**

**Prepared by
Finance Department**

City of Huntsville Comprehensive Annual Financial Report

SEPTEMBER 30, 2012

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INTRODUCTORY SECTION

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March 29, 2013

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, 2012, is hereby presented to you. This report has been prepared to summarize the financial results of the City's operations in 2012, 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 about 214 square miles and a population of about 183,000. 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 29, 2013

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, 81 through 89, and 94 through 102.](#)

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 through 2012, 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 effects on the City.

Mayor Tommy Battle, Members of the City Council, and Citizens of Huntsville
March 29, 2013

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, and managing the effects of any federal budget reductions. 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

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March 29, 2013

overpasses are complete on Memorial Parkway, as are many other roads for which state and federal 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 issued new debt in 2012, for a variety of capital and school projects, and for work at Redstone Gateway, for which private developers are providing the financing. The City also refinanced some outstanding debt to reduce interest costs.

An important factor in assessing the economic health of the City of Huntsville, and the City's finances, is the credit rating assigned by credit rating agencies, because of their in-depth review of economic conditions and City financial performance. [The City received a AAA rating from Standard & Poor's Rating Services and a Aaa rating from Moody's Investors Service, Inc. in April 2012, the fourth 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 unassigned fund balance, so the City has adequate working capital and can respond to unexpected financial shocks. The City met this requirement in 2012, 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 2012 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 78 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 29, 2013

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

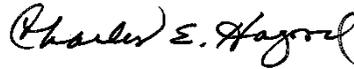
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2011. The Certificate of Achievement is a prestigious 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, 2011

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.



Christopher P. Moirill

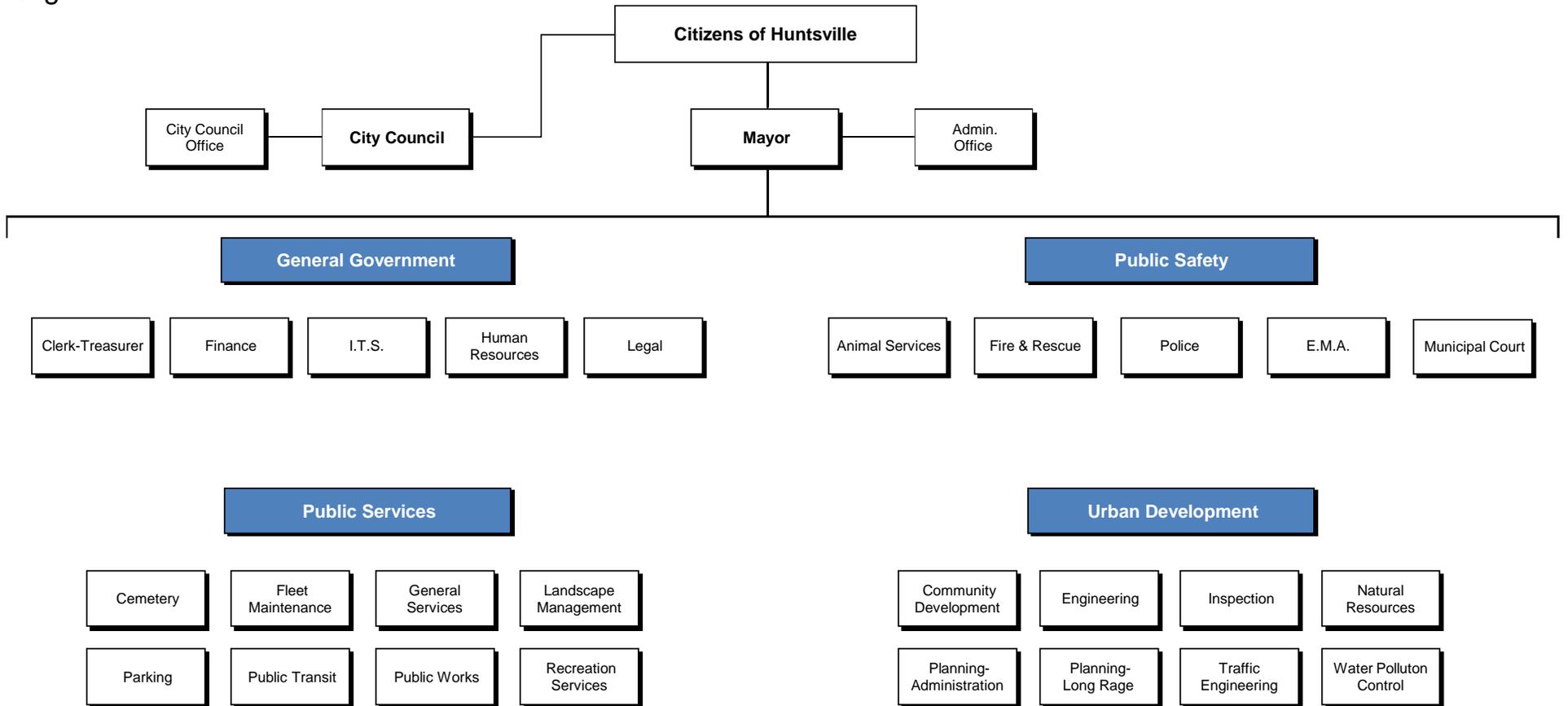
President

Jeffrey R. Emer

Executive Director

City of Huntsville

Organizational Structure



CITY OF HUNTSVILLE
ELECTED OFFICIALS
September 30, 2012

MAYOR

Honorable Tommy Battle

TERM OF OFFICE

November 2012 – 2016

CITY COUNCIL MEMBERS

District 1 - Richard Showers

Term Expires 2016

District 2 - Mark Russell

Term Expires 2014

District 3 – John Olshefski

Term Expires 2014

District 4 - Bill Kling

Term Expires 2014

District 5 - Will Culver

Term Expires 2016

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, 2012, 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 Burritt Memorial Committee Special Revenue Fund, the Huntsville Museum of Art - Board Special Revenue Fund, the Von Braun Center Enterprise Fund, and the Municipal IcePlex Enterprise Fund. Those financial statements represent 99.9% of the total assets, and 100% of the revenues of the discretely presented component units; 7.6% of the total assets and 7.0% of the revenues of the special revenue funds; and 18.6% of the total assets and 19.3% of the operating revenues of the enterprise funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, 2012, 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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(256) 534-8558 Fax

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As discussed in Note 5H to the financial statements, the City has recorded prior period adjustments which affected the beginning net assets of the governmental 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 29, 2013, 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 section, as listed in the table of contents, and collectively referred to as supplementary information as follows, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Huntsville, Alabama

March 29, 2013



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, 2012. 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 \$988.1 million greater than its total liabilities at the close of fiscal year 2012.
- Net assets of the governmental activities decreased \$32.9 million, from \$731.7 million to \$698.8 million.
- The unrestricted net assets of the governmental activities are negative \$203.1 million, which means the City must meet its ongoing obligations to citizens and creditors from future revenues. The City has \$84.5 million in unrestricted assets, but this is offset by \$287.6 million that must be funded from future revenues (see table on page 20).
- Total revenues of the governmental activities increased \$5.1 million, or 1.7 percent, and total expenses increased \$35.5 million, or 11.6 percent.
- Net assets of the business-type activities increased \$7.4 million, and their net unrestricted net assets are \$10.6 million.

From the Fund Financial Statements:

- As of September 30, 2012, the governmental funds reported a combined ending fund balance of \$206.4 million, an increase of \$47.5 million from the prior year, which included the following significant changes:
 - General Fund - a surplus of \$490,000.
 - The Special Revenue Fund – an increase of \$514,000.

- Capital Improvement Fund – a surplus of \$43.1 million.
- Cummings Research Park Fund – a surplus of \$1.8 million.

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

- Of the \$206.4 million fund balance, \$203.0 million is restricted, or has been allocated for certain purposes by the City Council, leaving a \$3.4 million balance (the allocated amount includes \$26.6 million for General Fund contingencies).
- The General Fund has a fund balance of \$38.8 million, and \$4.5 million is available for any purpose.
- The net change in the principal amount of the City's debt associated with governmental activities increased \$69.9 million in 2012, representing \$102.2 million of new debt (net of refundings) and \$32.3 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 sixteen 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 twelve 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 78 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 83 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 \$988.1 million 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 \$1.1 billion invested in capital assets (e.g. land, buildings, streets, and bridges), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available 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 \$106.1 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 \$203.1 million. The negative unrestricted net assets represents the fact that at the end of 2012, certain liabilities of the City exceeded the unrestricted assets available to pay them. This figure is further analyzed as follows:

Liabilities arising from governmental activities (net of deferred costs):	
Long-term debt incurred for non-City purposes:	
Huntsville City Schools	(\$193,811,672)
Von Braun Center	(23,068,838)
Other	(40,487,571)
Other liabilities:	
Accrued interest	(9,242,537)
Compensated absences	(20,470,000)
Accrued claims and judgments, long-term	(525,000)
Total	<u>(287,605,618)</u>
Unrestricted assets available	84,532,777
Unrestricted net assets	<u>(\$203,072,841)</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	
	2012	2011	2012	2011	2012	2011
Net Assets:						
Current and other assets	\$245,419,986	\$199,325,841	\$45,687,354	\$40,952,232	\$291,107,340	\$240,278,073
Capital assets	1,114,921,127	1,114,098,507	385,074,459	374,229,322	1,499,995,586	1,488,327,829
Total assets	1,360,341,113	1,313,424,348	430,761,813	415,181,554	1,791,102,926	1,728,605,902
Long-term liabilities	586,469,809	509,223,798	124,964,600	115,473,831	711,434,409	624,697,629
Other liabilities	75,038,626	72,480,191	16,491,342	17,756,445	91,529,968	90,236,636
Total liabilities	661,508,435	581,703,989	141,455,942	133,230,276	802,964,377	714,934,265
Net assets:						
Invested in capital assets, net of related debt	810,594,696	806,081,704	263,897,343	258,536,250	1,074,492,039	1,064,617,954
Restricted	91,310,823	69,827,306	14,820,632	9,998,784	106,131,455	79,826,090
Unrestricted	(203,072,841)	(144,188,651)	10,587,896	13,416,244	(192,484,945)	(130,772,407)
Total net assets	\$698,832,678	\$731,720,359	\$289,305,871	\$281,951,278	\$988,138,549	\$1,013,671,637
Changes in Net Assets:						
<u>Revenues</u>						
Program revenues:						
Charges for services	\$45,306,790	\$44,790,522	\$44,758,741	\$45,249,995	\$90,065,531	\$90,040,517
Operating grants & contrib.	12,395,570	10,087,125	0	0	12,395,570	10,087,125
Capital grants & contrib.	22,652,346	23,279,382	2,980,046	2,147,144	25,632,392	25,426,526
General revenues:						
Sales taxes	132,772,011	127,235,936	0	0	132,772,011	127,235,936
Property taxes	54,699,340	58,861,760	0	0	54,699,340	58,861,760
Other taxes	39,691,873	39,795,730	0	0	39,691,873	39,795,730
Interest on investments	1,124,316	969,805	48,846	44,439	1,173,162	1,014,244
Other	944,235	1,172,264	0	0	944,235	1,172,264
Gains on sales of assets	1,915,391	232,794	0	0	1,915,391	232,794
Total revenues	311,501,872	306,425,318	47,787,633	47,441,578	359,289,505	353,866,896
<u>Expenses</u>						
General government	26,881,883	24,420,239	0	0	26,881,883	24,420,239
Public safety	83,409,627	82,143,685	0	0	83,409,627	82,143,685
Public services	137,510,430	108,810,956	0	0	137,510,430	108,810,956
Urban development	38,815,102	38,663,677	0	0	38,815,102	38,663,677
Interest on long-term debt	25,462,843	22,976,363	0	0	25,462,843	22,976,363
Unallocated depreciation	29,882,021	29,467,360	0	0	29,882,021	29,467,360
Water pollution control	0	0	30,336,233	31,138,113	30,336,233	31,138,113
Other	0	0	12,524,454	11,332,905	12,524,454	11,332,905
Total expenses	341,961,906	306,482,280	42,860,687	42,471,018	384,822,593	348,953,298
Net change before transfers	(30,460,034)	(56,962)	4,926,946	4,970,560	(25,533,088)	4,913,598
Transfers	(2,427,647)	(14,909,852)	2,427,647	14,909,852	0	0
Change in net assets	(32,887,681)	(14,966,814)	7,354,593	19,880,412	(25,533,088)	4,913,598
Net assets – beginning	731,720,359	746,687,173	281,951,278	262,070,866	1,013,671,637	1,008,758,039
Net assets – ending	\$698,832,678	\$731,720,359	\$289,305,871	\$281,951,278	\$988,138,549	\$1,013,671,637

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

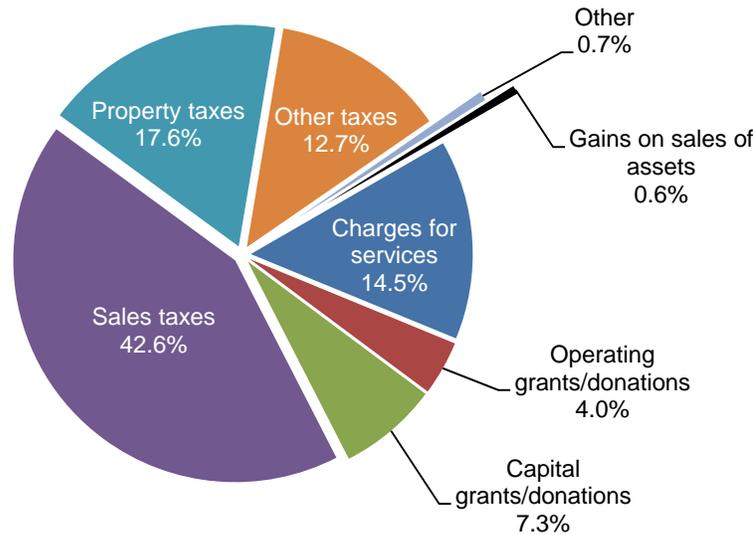
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Change in Net Assets by Component:						
<u>Invested in capital assets</u>						
Net additions of capital assets	\$43,126,416	\$36,271,616	\$22,234,860	\$24,204,727	\$65,361,276	\$60,476,343
Depreciation of capital assets	(42,303,796)	(41,815,159)	(11,389,723)	(10,296,991)	(53,693,519)	(52,112,150)
Change in capital-related debt	3,690,372	9,404,210	(5,484,044)	15,321,270	(1,793,672)	24,725,480
Change in SRF drawdowns	0	0	0	0	0	0
	4,512,992	3,860,667	5,361,093	29,229,006	9,874,085	33,089,673
<u>Other restrictions</u>						
Capital projects	18,587,329	11,997,428	4,821,848	(804,139)	23,409,177	11,193,289
Debt service	4,576,512	13,667,568	0	0	4,576,512	13,667,568
City schools	(1,271,874)	(11,348,591)	0	0	(1,271,874)	(11,348,591)
Other restrictions	(408,450)	(4,442,323)	0	0	(408,450)	(4,442,323)
	21,483,517	9,874,082	4,821,848	(804,139)	26,305,365	9,069,943
<u>Unrestricted</u>						
General Fund	1,788,962	1,460,425	0	0	1,788,962	1,460,425
The Special Revenue Fund	(803,344)	5,386,321	0	0	(803,344)	5,386,321
Capital Improvement Fund	(1,084,826)	(31,240,558)	0	0	(1,084,826)	(31,240,558)
Water Pollution Control Fund	0	0	(3,315,346)	(8,029,290)	(3,315,346)	(8,029,290)
Change in non-capital related liabilities	(61,476,301)	(3,728,718)	0	0	(61,476,301)	(3,728,718)
Other	2,691,319	(579,033)	486,998	(515,165)	3,178,317	(1,094,198)
	(58,884,190)	(28,701,563)	(2,828,348)	(8,544,455)	(61,712,538)	(37,246,018)
Change in net assets	(\$32,887,681)	(\$14,966,814)	\$7,354,593	\$19,880,412	(\$25,533,088)	\$4,913,598

Net Asset Changes - Governmental Activities:

Total revenues from governmental activities were \$5.1 million more in 2012 compared to 2011, and the most significant of changes were as follows:

<u>Charges for services</u>	
None significant	\$0
<u>Capital grants and donations</u>	
Alabama Department of Transportation grants for road projects	1,736,000
TVA in-lieu-of-tax payments for capital projects	2,821,000
U.S. Department of Transportation grant for 2011 fleet building expansion	(1,025,000)
U.S. Department of Energy grant for 2011 projects	(975,000)
Von Braun Center renovation project donations	(2,000,000)
Veterans Memorial Project donations	(998,000)
Art Museum capital project donations	(904,000)
Burritt Museum capital project donations	960,000
<u>Operating grants and donations</u>	
State agency grants for homeland security projects	949,000
State Bond Commission grant to Federal Building Authority for BRAC initiatives	750,000
Sales and use taxes – 4.4 % increase	5,500,000
Property taxes – 6.5 Mill increase due to TIF 3 closeout in 2012	1,054,000
Property taxes – TIF 3 decrease due to TIF closeout in 2012	(6,137,000)
Gains on sales of assets – sales of Cummings Research Park lot	1,392,000

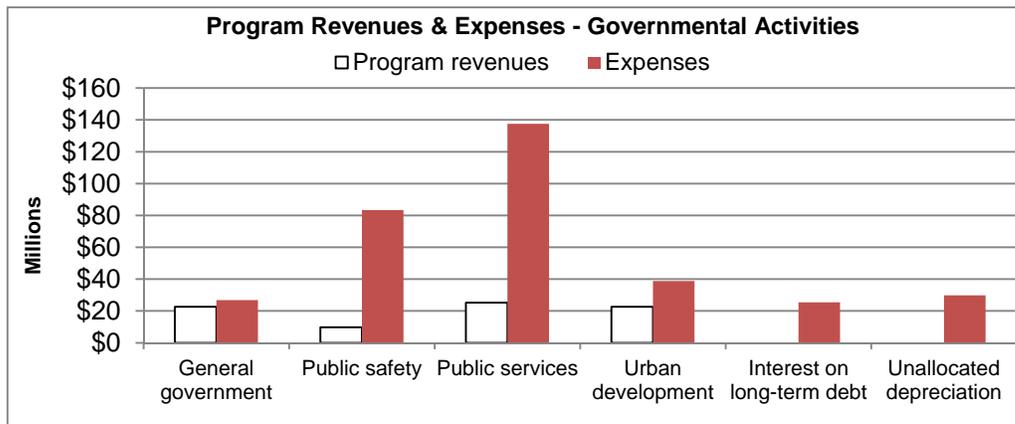
Revenues from governmental activities can be illustrated as follows:



Expenses were \$35.5 million higher in 2012, and the most significant of changes were as follows::

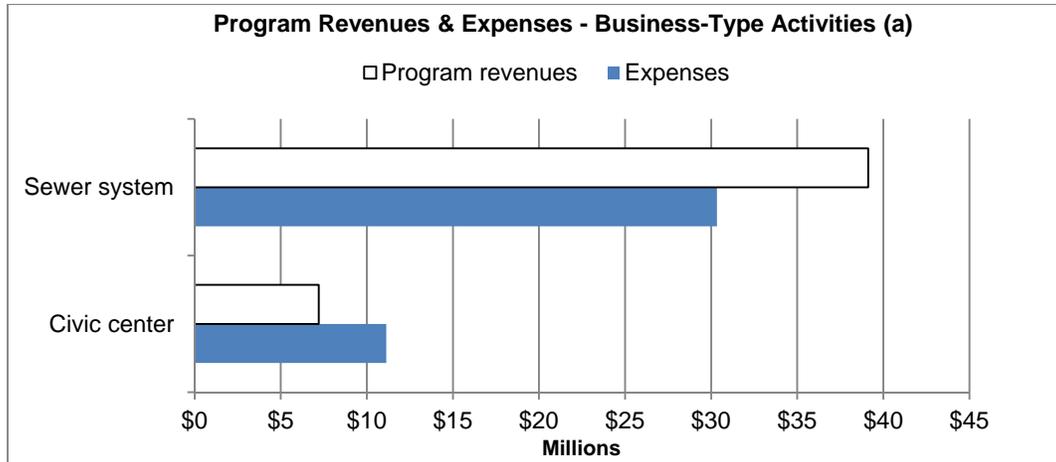
<u>General Government Activities – increase of \$2.4 million, or 10.1%</u>	
General Expenses personnel – health care variance in 2011 that did not occur in 2012.	2,821,000
Workers compensation costs – adjustment due to actuarial evaluation	616,000
<u>Public Safety activities – increase of \$1.2 million, or 1.5%</u>	
E.M.A. grant activities	949,000
Police personnel, due to vacant positions	(1,000,000)
<u>Public Services activities – increase \$28.7 million, or 26.4%</u>	
Transfer to Huntsville City Schools, related to transfers of debt proceeds for school construction, net of \$9 million transfer in 2011 that did occur in 2012.	24,700,000
Increase in street resurfacing	1,600,000
One-time appropriations to Botanical Gardens and U.S. Space & Rocket Center.	550,000
<u>Urban Development activities – increase \$151,000, or 0.4%</u>	
Write-down of long-term notes receivable in the Community Development Rehabilitation Fund in 2011 that did not occur in 2012.	(3,280,000)
Increased spending on TIF-5-EUL project costs, which are costs incurred on U.S. Army facilities	1,712,000
Spending on new Martin Road/Redstone Arsenal project	1,554,000
Spending on new state Highway 72 widening	1,526,000

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



Net Asset Changes - Business-Type Activities:

Total revenues increased \$346,000, or 0.7%. Operating revenues did not change significantly, but capital grants for the sewer system increased \$852,000. Expenses for the sewer system increased \$803,000, or 2.6%, and Von Braun Center expenses decreased \$1.0 million, or 10.0%.



(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, 2012, was \$206.4 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.	\$1,331,401
Restricted – amounts that are restricted for specific purposes by federal or state law, or contractual obligations.	125,167,190
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.	37,793,231
Assigned - amounts based on the City's intent to use them for certain purposes, including positive fund balances of the entities managed by City Council-appointed boards.	12,086,089
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.	30,048,807
Total	\$206,426,718

More detail concerning the above fund balances may be found on page 70. The total fund balances of the governmental funds increased \$47.5 million in 2012, 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 2012 is as follows:

	<u>Orig. Budget</u>	<u>Final Budget</u>	<u>Actual Results</u>	<u>Variance</u>
<u>Recurring activities</u>				
Revenues	\$227,987,483	\$228,509,564	\$229,174,961	\$665,397
Personnel costs	(129,267,682)	(128,614,009)	(127,310,586)	1,303,423
Operating costs	(28,268,833)	(31,370,489)	(29,913,629)	1,456,860
All other costs (a)	(72,362,190)	(74,101,807)	(70,901,083)	3,200,724
	(2,289,130)	(5,754,649)	1,049,663	6,804,312
<u>Non-recurring activities</u>				
All items (a)	(170,350)	(2,910,096)	(559,429)	2,350,667
	(170,350)	(2,910,096)	(559,429)	2,350,667
Grand Total	(\$2,459,480)	(\$8,664,745)	\$490,234	\$9,154,979

(a) the total of the variance of these items is \$5.6 million.

A narrative explanation of the above table is as follows:

- The budget originally adopted for the General Fund was balanced, although \$2.4 million of fund balance was appropriated for one-time capital projects.
- Additional expenditures were added to the budget during the year, totaling \$6.2 million, using available fund balance from 2011 primarily for one-time needs. These appropriations were made from 2011 fund balances beyond the amount required to meet the City's 11.5% contingency reserve requirements.
- Revenues were within 0.3% of budgetary predictions.
- Recurring personnel costs were \$1.3 million less than budgeted; favorable health care variances were \$1.6 million of this amount.
- Recurring operating costs were \$1.5 million less than budgeted, for which there were not any individually significant items.
- The total budget variance for all other costs and all non-recurring items of \$5.6 million (footnote (a) above) was primarily due to additional appropriations for one-time items that were not expended as budgeted.
- In summary, the General Fund fund balance increased \$490,000.

The Special Revenue Fund increased \$514,000. This fund includes state taxes and city property taxes restricted by law for certain purposes, including all the city TIF district accounts. The fund balance change was within budget expectations, but the proceeds from debt issues was \$6.8 million less than budgeted, most of which was offset by incurring less expenditures for TIF 5 EUL capital projects to which the debt proceeds pertained.

Capital Improvement Fund – increased \$43.2 million, primarily from receiving new debt proceeds received in 2012 that were not yet spent on the on the related capital projects. Generally, the fund will report an increase when new debt is issued, as occurred in 2012, and a decrease in subsequent years as the money is spent.

Federal Building Authority Fund – increased \$750,000, from grant proceeds that will be spent in subsequent years.

Cummings Research Park Fund – increased \$1.8 million, from the sale of park property, which will be spent on park improvements in subsequent years.

Proprietary Funds

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

The net assets of the enterprise funds increased \$7.4 million in 2012 - \$7.7 million from the Water Pollution Control Fund, although a significant amount of the surplus is budgeted for capital projects that will be spent in subsequent years.

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	\$1,408,000	\$0
Appropriation of fund balances for one-time needs/projects		(5,366,000)
All other appropriations		(839,000)
Total change		(\$6,205,000)

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2012, 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 \$11.7 million in 2012 - \$65.4 million of net capital additions less \$53.7 million of depreciation.

The largest capital acquisitions made directly by the City during the year were as follows:

Limestone County sewer system purchase	\$10,012,074
Digital radios for public safety	2,428,143
Burritt Museum Baron Bluff Building	2,361,646
Fleet building renovation and expansion	2,185,914
Glenn Hearn and Laracy Drive	2,030,634
Various sewer line rehabilitation\	1,761,179
Fire station #18 at Greenbrier	3,205,253
Martin Road	1,331,970
Aldridge Creek greenway Phase IV	1,331,397
Western Area sewer lines	1,246,815
Jeff Road	1,015,084
Total	\$28,910,109

The total net capital additions noted above also includes public infrastructure constructed by private developers and donated to the City in the normal course of City development. This totaled \$12.5 million in 2012, \$2.0 million of which was sanitary sewer lines.

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

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$75,325,498	\$75,531,091	\$7,132,614	\$7,132,614	\$82,458,112	\$82,663,705
Construction in process	6,002,450	5,585,699	146,557	2,335,754	6,149,007	7,921,453
Land improvements	19,856,526	18,983,590	0	0	19,856,526	18,983,590
Buildings and improvements	159,613,822	160,352,527	375,035,983	360,360,752	534,649,805	520,713,279
Infrastructure	826,440,340	834,053,865	0	0	826,440,340	834,053,865
Other	27,682,491	19,591,735	2,759,305	4,400,202	30,441,796	23,991,937
Total	\$1,114,921,127	\$1,114,098,507	\$385,074,459	\$374,229,322	\$1,499,995,586	\$1,488,327,829

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, 2012, the City had \$717.0 million of long-term debt outstanding. Of this amount, \$561.2 million is debt backed by the full faith and credit of the City, and \$155.8 million is comprised of revenue bonds and warrants secured solely by specific revenue sources (e.g. sewer system charges).

City of Huntsville's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation warrants	\$472,095,038	\$416,263,413	\$89,059,962	\$63,536,587	\$561,155,000	\$479,800,000
Revenue warrants	29,192,921	14,613,028	42,065,000	61,745,000	71,257,921	76,358,028
Lease revenue bonds	84,625,000	85,100,000	0	0	84,625,000	85,100,000
Total	\$585,912,959	\$515,976,441	\$131,124,962	\$125,281,587	\$717,037,921	\$641,258,028

In 2012, the City issued \$70.7 million of debt to refinance old debt (for interest rate savings), \$50.2 million for Huntsville City Schools capital projects, \$32.8 million for City capital projects, \$14.6 million of revenue warrants to fund the continuing development of the City's TIF-5-EUL district, \$19.3 million for sewer system projects. \$109.9 million of debt was refinanced or paid.

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, 2012, the City's allocable debt outstanding was \$238.5 million less than the legal debt limit.

Additional information regarding the City's long-term debt can be found in Note 4E on pages 61 through 69 of this report.

2013 Budget

The Mayor and City Council considered many factors when developing the fiscal year 2013 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 2013 General Fund recurring revenue budget of \$236.0 million was adopted, which is \$6.9 million, or

3.0% more than 2012 actual recurring revenues. Expenditures in the 2012 budget were balanced within revenues. As of March 29, 2013, 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, 2012

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash & investments, at cost	232,056,485	20,969,566	253,026,051	\$94,999,171
Receivables (net of allowances)	19,683,749	4,215,004	23,898,753	57,643,968
Due from governmental entities	4,473,072	0	4,473,072	0
Inventories	130,741	149,317	280,058	16,673,580
Prepaid items	120,161	78,970	199,131	119,544
Revenue warrants - drawdowns receivable	0	3,050,000	3,050,000	0
Internal balances	(16,284,910)	16,284,910	0	0
Deferred costs	5,240,688	939,587	6,180,275	1,610,267
Restricted assets				
Cash & investments, at cost	0	0	0	41,572,447
Capital assets				
Land, collections and construction in process	81,327,948	7,279,171	88,607,119	39,782,717
Other assets, net of accum. depreciation	1,033,593,179	377,795,288	1,411,388,467	471,044,457
Total assets	1,360,341,113	430,761,813	1,791,102,926	723,446,151
LIABILITIES				
Accounts payable	10,653,096	1,838,464	12,491,560	44,532,079
Accrued liabilities	20,427,936	1,110,071	21,538,007	8,033,424
Contract retainages	4,841,631	89,530	4,931,161	0
Due to governmental entities	1,007,896	0	1,007,896	0
Customer deposits	5,750	678,915	684,665	0
Unearned revenue	1,351,336	657,743	2,009,079	0
Other	1,079,924	0	1,079,924	0
Liabilities payable from restricted assets:				
Other	0	0	0	1,315,391
Noncurrent liabilities				
Due within one year	35,671,057	12,116,619	47,787,676	12,300,713
Due in more than one year	586,469,809	124,964,600	711,434,409	128,102,246
Total liabilities	661,508,435	141,455,942	802,964,377	194,283,853
NET ASSETS				
Invested in capital assets, net of related debt	810,594,696	263,897,343	1,074,492,039	423,168,314
Restricted for:				
Capital projects	54,473,413	14,820,632	69,294,045	26,297,068
City schools	1,101,457	0	1,101,457	0
Debt service	29,653,084	0	29,653,084	15,684,081
Other	6,082,869	0	6,082,869	171,343
Unrestricted	(203,072,841)	10,587,896	(192,484,945)	63,841,492
Total net assets	698,832,678	289,305,871	988,138,549	\$529,162,298

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2012

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	\$26,881,883	\$20,777,576	\$386,336	\$1,510,711	(4,207,260)	0	(4,207,260)	0
Public safety	83,409,627	3,920,660	4,561,818	1,288,947	(73,638,202)	0	(73,638,202)	0
Public services	137,510,430	18,116,407	4,836,883	2,318,609	(112,238,531)	0	(112,238,531)	0
Urban development	38,815,102	2,492,147	2,610,533	17,534,079	(16,178,343)	0	(16,178,343)	0
Interest on long-term debt	25,462,843	0	0	0	(25,462,843)	0	(25,462,843)	0
Unallocated depreciation	29,882,021	0	0	0	(29,882,021)	0	(29,882,021)	0
Total governmental activities	341,961,906	45,306,790	12,395,570	22,652,346	(261,607,200)	0	(261,607,200)	0
Business-type activities								
Water pollution control	30,336,233	36,141,264	0	2,980,046	0	8,785,077	8,785,077	0
Civic center	11,128,503	7,212,347	0	0	0	(3,916,156)	(3,916,156)	0
Ice complex	1,395,951	1,405,130	0	0	0	9,179	9,179	0
Total business-type activities	42,860,687	44,758,741	0	2,980,046	0	4,878,100	4,878,100	0
Total primary government	384,822,593	90,065,531	12,395,570	25,632,392	(261,607,200)	4,878,100	(256,729,100)	0
Component Units								
All	528,121,037	538,083,806	38,485	2,971,890	0	0	0	12,973,144
Total component units	\$528,121,037	\$538,083,806	\$38,485	\$2,971,890	0	0	0	12,973,144
General Revenues								
Sales & use taxes					132,772,011	0	132,772,011	0
Property taxes					54,699,340	0	54,699,340	0
Other taxes					39,691,873	0	39,691,873	542,102
Interest on investments					1,124,316	48,846	1,173,162	297,103
Other					944,235	0	944,235	1,570,046
Gain (loss) on sales of assets					1,915,391	0	1,915,391	0
Transfers					(2,427,647)	2,427,647	0	0
Total general revenues & transfers					228,719,519	2,476,493	231,196,012	2,409,251
Change in net assets					(32,887,681)	7,354,593	(25,533,088)	15,382,395
Net assets, beginning					730,872,278	281,951,278	1,012,823,556	510,180,539
Prior period adjustment					848,081	0	848,081	3,599,364
Net assets, ending					\$698,832,678	\$289,305,871	\$988,138,549	\$529,162,298

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2012**

	General Fund	Debt Service	The Special Revenue	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash & investments, at cost	\$77,999,738	\$2,618,533	\$26,899,900	\$107,621,105	\$16,917,209	\$232,056,485
Receivables (net of allowances)						
Accounts	15,839,364	867	644,422	987,160	48,544	17,520,357
Notes	0	0	0	0	2,129,616	2,129,616
Accrued interest	0	0	0	0	33,776	33,776
Due from other funds	475,735	0	0	29,432,595	878,259	30,786,589
Due from governmental entities	3,349,100	0	0	963,359	160,613	4,473,072
Inventories	66,835	0	0	0	63,906	130,741
Prepaid items	33,594	0	0	0	86,567	120,161
Total assets	\$97,764,366	\$2,619,400	\$27,544,322	\$139,004,219	\$20,318,490	\$287,250,797
LIABILITIES						
Accounts payable	\$3,477,174	\$0	\$2,965,324	\$4,038,168	\$172,430	\$10,653,096
Accrued liabilities	11,118,565	0	0	0	416,834	11,535,399
Contract retainages	4,324,458	0	5,972	511,201	0	4,841,631
Due to other funds	34,849,987	10,000	385,198	11,770,632	55,682	47,071,499
Due to governmental entities	1,007,896	0	0	0	0	1,007,896
Deferred revenue	3,122,459	0	135,500	1,180,452	190,473	4,628,884
Customer deposits	0	0	0	0	5,750	5,750
Other	1,079,924	0	0	0	0	1,079,924
Total liabilities	58,980,463	10,000	3,491,994	17,500,453	841,169	80,824,079
FUND BALANCES						
Nonspendable	100,429	0	0	700,267	530,705	1,331,401
Restricted	244,449	2,609,400	24,961,884	88,283,420	9,068,037	125,167,190
Committed	417,977	0	0	32,520,079	4,855,175	37,793,231
Assigned	6,869,250	0	0	0	5,216,839	12,086,089
Unassigned	31,151,798	0	(909,556)	0	(193,435)	30,048,807
Total fund balance	38,783,903	2,609,400	24,052,328	121,503,766	19,477,321	206,426,718
Total liabilities and fund balance	\$97,764,366	\$2,619,400	\$27,544,322	\$139,004,219	\$20,318,490	

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	1,114,921,127
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	(\$585,912,959)
Plus issuance premiums to be amortized as interest expense	(32,617,429)
Less deferred charges on refundings to be amortized as interest expense	17,734,522
Less deferred charges for issuance costs to be amortized over life of debt	5,240,688
	(595,555,178)
Other long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Deferred revenue	3,277,548
Accrued interest payable	(9,242,537)
Claims and judgments	(525,000)
Compensated absences	(20,470,000)
Net assets of governmental activities	\$698,832,678

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, 2012

	General Fund	Debt Service	The Special Revenue	Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUE						
Sales & use taxes	\$132,503,675	\$0	\$0	\$0	\$0	\$132,503,675
Property taxes	14,761,559	0	39,937,781	0	0	54,699,340
Other taxes	36,387,643	0	3,304,230	0	0	39,691,873
Licenses & permits	22,033,292	0	0	0	0	22,033,292
Fines & forfeitures	2,505,495	0	336,622	0	398,814	3,240,931
Revenues from money & property	1,377,366	2,759	62,264	1,104,783	3,664,788	6,211,960
Charges for services	15,071,641	0	0	0	0	15,071,641
Intergovernmental	7,956,903	0	0	9,217,116	4,206,456	21,380,475
Gifts & donations	110,062	0	0	2,285,386	1,516,132	3,911,580
Other revenues	2,041,452	0	0	0	80,907	2,122,359
Total revenues	234,749,088	2,759	43,640,897	12,607,285	9,867,097	300,867,126
EXPENDITURES						
Current						
General government	25,927,218	0	135	2,770,189	0	28,697,542
Public safety	77,233,105	0	356,446	2,913,431	0	80,502,982
Public services	52,961,665	0	4,100,429	9,829,722	10,530,241	77,422,057
Urban development	11,721,638	0	0	831,012	3,735,500	16,288,150
Debt service						
Principal	0	31,873,375	0	0	538,735	32,412,110
Interest	0	19,466,134	0	0	4,061,263	23,527,397
Fiscal charges	0	15,804	0	0	0	15,804
Debt issuance costs	0	0	13,000	1,233,871	0	1,246,871
Capital projects construction and outlay	143,329	0	474,408	19,979,956	2,736	20,600,429
Intergovernmental assistance	23,193,928	0	18,878,244	41,072,378	0	83,144,550
Total expenditures	191,180,883	51,355,313	23,822,662	78,630,559	18,868,475	363,857,892
Excess (deficiency) of revenues over expenditures	43,568,205	(51,352,554)	19,818,235	(66,023,274)	(9,001,378)	(62,990,766)
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	0	0	14,579,893	137,125,000	0	151,704,893
Premium on debt issue	0	0	0	17,425,336	0	17,425,336
Transfer to refunding escrow agent	0	0	0	(56,303,167)	0	(56,303,167)
Transfers in	120,000	50,487,234	1,484,706	24,952,510	13,238,117	90,282,567
Transfers (out)	(43,197,971)	0	(35,369,314)	(14,013,680)	(62,615)	(92,643,580)
Total other financing sources (uses)	(43,077,971)	50,487,234	(19,304,715)	109,185,999	13,175,502	110,466,049
Net change in fund balance	490,234	(865,320)	513,520	43,162,725	4,174,124	47,475,283
Fund balance, beginning	37,445,588	3,474,720	23,538,808	78,341,041	15,303,197	158,103,354
Prior period adjustment	848,081	0	0	0	0	848,081
Fund balance, ending	\$38,783,903	\$2,609,400	\$24,052,328	\$121,503,766	\$19,477,321	\$206,426,718

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, 2012

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

Net change in fund balances - total governmental funds		47,475,283
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	\$33,068,061	
Depreciation expense	<u>(42,303,796)</u>	(9,235,735)
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.		
		10,490,195
Carrying value of assets disposed of during the year, which is not reported in the governmental funds.		
		(365,206)
Governmental funds report transfers of current financial resources to other funds as an expenditure, and only report transfers in of current financial resources as revenue. In the Statement of Activities for governmental activities, however, transfers of capital assets (net of related debt) from and to business-type activities are recorded as revenue and expenditures, respectively. This amount is the net amount of transfers of capital assets (net of related debt) to/from governmental activities to/from business-type activities, which is included in transfers in the Statement of Activities.		
		(66,634)
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	(151,704,893)	
Plus premiums	(17,425,336)	
Less transfers to escrow agent on refunded debt	56,303,167	
Principal repayments:		
All debt except capital leases	32,348,375	
Payment on capital leases	63,735	
Amortization of premium and refunding loss (net)	765,493	
Deferral of issuance costs (net)	722,057	
Change in accrued interest	<u>(2,700,939)</u>	(81,628,341)
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.		
		509,757
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.		
		58,000
Other revenue/expenses reported in the Statement of Activities that do not provide/require current financial resources.		
		<u>(125,000)</u>
Change In Net Assets Of Governmental Activities		<u>(\$32,887,681)</u>

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET & ACTUAL
For the Year Ended September 30, 2012**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$181,945,200	\$181,945,200	\$183,652,877	\$1,707,677
Licenses and permits	21,693,100	21,693,100	22,033,292	340,192
Fines and forfeitures	2,985,100	2,985,100	2,505,495	(479,605)
Revenues from money and property	1,228,100	1,265,523	1,377,366	111,843
Charges for services	15,055,158	15,124,404	15,071,641	(52,763)
Intergovernmental	4,232,620	10,031,617	7,956,903	(2,074,714)
Gifts and donations	0	107,171	110,062	2,891
Other revenues	1,538,645	1,622,655	2,041,452	418,797
Total revenues	228,677,923	234,774,770	234,749,088	(25,682)
EXPENDITURES				
Current				
General government	25,908,150	28,681,269	25,927,218	2,754,051
Public safety	75,523,225	78,977,579	77,233,105	1,744,474
Public services	51,250,824	55,611,976	52,961,665	2,650,311
Urban development	11,950,154	12,159,643	11,721,638	438,005
Capital projects construction	0	242,857	143,329	99,528
Intergovernmental assistance	22,824,700	23,200,273	23,193,928	6,345
Total expenditures	187,457,053	198,873,597	191,180,883	7,692,714
Excess of revenues over expenditures	41,220,870	35,901,173	43,568,205	7,667,032
OTHER FINANCING SOURCES (USES)				
Transfers in	0	120,000	120,000	0
Transfers out	(43,680,350)	(44,685,918)	(43,197,971)	1,487,947
Total other financing sources (uses)	(43,680,350)	(44,565,918)	(43,077,971)	1,487,947
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(2,459,480)	(8,664,745)	490,234	9,154,979
Fund balance, beginning	37,445,588	37,445,588	37,445,588	0
Prior period adjustment	0	0	848,081	848,081
Fund balance, ending	\$34,986,108	\$28,780,843	\$38,783,903	\$10,003,060

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, 2012**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and payments in lieu of taxes	\$43,527,859	\$43,350,859	\$43,242,011	(\$108,848)
Fines and forfeitures	0	0	336,622	336,622
Revenues from money and property	0	160	62,264	62,104
Total revenues	43,527,859	43,351,019	43,640,897	289,878
EXPENDITURES				
Current				
General government	0	160	135	25
Public safety	0	0	356,446	(356,446)
Public services	4,472,400	4,475,280	4,100,429	374,851
Capital projects construction	0	524,771	474,408	50,363
Debt service	0	13,000	13,000	0
Intergovernmental assistance	3,572,600	24,756,532	18,878,244	5,878,288
Total expenditures	8,045,000	29,769,743	23,822,662	5,947,081
Excess of revenues over expenditures	35,482,859	13,581,276	19,818,235	6,236,959
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	0	21,386,972	14,579,893	(6,807,079)
Transfer to refunding escrow agent	(17,412,177)	0	0	0
Transfers in	2,297,700	2,423,234	1,484,706	(938,528)
Transfers (out)	(34,401,120)	(35,477,814)	(35,369,314)	108,500
Total other financing sources (uses)	(49,515,597)	(11,667,608)	(19,304,715)	(7,637,107)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(14,032,738)	1,913,668	513,520	(1,400,148)
Fund balance, beginning	23,538,808	23,538,808	23,538,808	0
Fund balance, ending	\$9,506,070	\$25,452,476	\$24,052,328	(\$1,400,148)

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 September 30, 2012**

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
ASSETS				
Current assets				
Cash & investments, at cost	\$17,941,314	\$2,687,486	\$340,766	\$20,969,566
Receivables (net of allowance)				
Accounts	3,131,890	914,746	168,368	4,215,004
Due from other funds	16,309,765	0	0	16,309,765
Prepaid items	0	71,057	7,913	78,970
Inventories, at cost	0	146,042	3,275	149,317
Revenue warrants - drawdowns receivable	3,050,000	0	0	3,050,000
Total current assets	40,432,969	3,819,331	520,322	44,772,622
Noncurrent assets				
Deferred costs	939,587	0	0	939,587
Capital assets:				
Land	3,905,917	3,226,697	0	7,132,614
Buildings	200,587,907	78,284,915	4,258,593	283,131,415
Improvements other than buildings	280,129,857	11,642,591	0	291,772,448
Furniture & equipment	8,208,221	5,901,094	634,174	14,743,489
Construction work in progress	0	146,557	0	146,557
Less accumulated depreciation	(183,404,699)	(25,796,412)	(2,650,953)	(211,852,064)
Total capital assets (net of accumulated depreciation)	309,427,203	73,405,442	2,241,814	385,074,459
Total assets	350,799,759	77,224,773	2,762,136	430,786,668
LIABILITIES				
Current liabilities				
Accounts payable	1,209,750	583,358	45,356	1,838,464
Accrued liabilities	837,837	255,563	16,671	1,110,071
Contract retainages	89,530	0	0	89,530
Customer deposits		678,915	0	678,915
Compensated absences	74,200	341,471	0	415,671
General obligations warrants payable - current	7,015,948	0	0	7,015,948
Revenue warrants payable - current	4,685,000	0	0	4,685,000
Deferred revenue	0	266,667	391,076	657,743
Due to other funds	0	0	24,855	24,855
Total current liabilities	13,912,265	2,125,974	477,958	16,516,197
Noncurrent liabilities				
General obligation warrants payable (net of unamortized premium & deferred amount on refunding)	86,916,800	0	0	86,916,800
Revenue warrants payable	37,380,000	0	0	37,380,000
Compensated absences	667,800	0	0	667,800
Total noncurrent liabilities	124,964,600	0	0	124,964,600
Total liabilities	138,876,865	2,125,974	477,958	141,480,797
NET ASSETS				
Invested in capital assets, net of related debt	188,250,087	73,405,442	2,241,814	263,897,343
Restricted for capital projects	14,820,632	0	0	14,820,632
Unrestricted	8,852,175	1,693,357	42,364	10,587,896
Total net assets	\$211,922,894	\$75,098,799	\$2,284,178	\$289,305,871

(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, 2012**

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
Operating revenue				
Charges for services	\$36,141,264	\$7,212,347	\$1,405,130	\$44,758,741
Total operating revenue	36,141,264	7,212,347	1,405,130	44,758,741
Operating expenses				
Personnel, operations & maintenance	14,137,351	7,447,834	1,031,343	22,616,528
Utilities	2,109,495	1,460,205	213,631	3,783,331
Depreciation and amortization	9,171,705	2,204,723	150,977	11,527,405
Total operating expenses	25,418,551	11,112,762	1,395,951	37,927,264
Operating income (loss)	10,722,713	(3,900,415)	9,179	6,831,477
Nonoperating revenue (expenses)				
Interest income	12,734	35,992	120	48,846
Interest expense	(4,926,532)	0	0	(4,926,532)
Miscellaneous revenue (expense)	8,850	(15,741)	0	(6,891)
Total nonoperating revenue (expenses)	(4,904,948)	20,251	120	(4,884,577)
Income before contributions, transfers & special items	5,817,765	(3,880,164)	9,299	1,946,900
Capital contributions	2,025,140	0	0	2,025,140
Intergovernmental grants-capital	954,906	0	0	954,906
Transfers in	0	3,521,113	0	3,521,113
Transfers (out)	(1,093,466)	0	0	(1,093,466)
Change in net assets	7,704,345	(359,051)	9,299	7,354,593
Total net assets, beginning	204,218,549	75,457,850	2,274,879	281,951,278
Total net assets, ending	\$211,922,894	\$75,098,799	\$2,284,178	\$289,305,871

(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, 2012**

Business-Type Activities -- Enterprise Funds				
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
Operating activities				
Receipts from customers and users	\$36,226,636	\$8,895,420	\$1,352,438	\$46,474,494
Payments to suppliers	(10,872,634)	(7,441,552)	(797,530)	(19,111,716)
Payments to employees	(7,009,385)	(3,325,046)	(468,551)	(10,802,982)
Receipts (payments) from interfund services provided	(13,628,279)	0	0	(13,628,279)
Other	6,580	(15,741)	18,490	9,329
Net cash provided (used) by operating activities	4,722,918	(1,886,919)	104,847	2,940,846
Noncapital financing activities				
Transfers in	0	3,521,113	0	3,521,113
Transfers (out)	(1,160,101)	0	0	(1,160,101)
Net cash provided (used) by noncapital financing activities	(1,160,101)	3,521,113	0	2,361,012
Capital and related financing activities				
Acquisition and construction of capital assets	(18,453,147)	(1,442,660)	(76,290)	(19,972,097)
SRF loan fund drawdowns	0	0	0	0
Interfund transfers for capital projects	18,523,310	0	0	18,523,310
Intergovernmental grants-capital	11,731	0	0	11,731
Proceeds from issuing warrants, net	36,177,879	0	0	36,177,879
Principal payments on notes and warrants	(28,161,625)	0	0	(28,161,625)
Sale of capital assets	2,270	0	0	2,270
Interest paid on notes and warrants	(4,610,898)	0	0	(4,610,898)
Net cash provided (used) by capital and related financing activities	3,489,520	(1,442,660)	(76,290)	1,970,570
Investing activities				
Interest received	12,734	35,992	120	48,846
Net cash provided (used) by investing activities	12,734	35,992	120	48,846
Net increase (decrease) in cash and cash equivalents				
	7,065,071	227,526	28,677	7,321,274
Cash and cash equivalents, beginning	10,876,243	2,459,960	312,089	13,648,292
Cash and cash equivalents, ending	\$17,941,314	\$2,687,486	\$340,766	\$20,969,566

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, 2012**

	Business-Type Activities -- Enterprise Funds			Totals
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	
Operating income (loss)	\$10,722,713	(\$3,900,415)	\$9,179	\$6,831,477
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	9,171,705	2,204,723	150,977	11,527,405
Miscellaneous items	(164,410)	(15,741)	0	(180,151)
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:				
Change in assets and liabilities:				
Receivables	85,372	273,600	(1,973)	356,999
Accounts payable	(1,226,768)	(888,885)	(14,665)	(2,130,318)
Contract retainages	(175,415)	0	0	(175,415)
Prepaid items	0	159,908	(1,536)	158,372
Due to (from) other funds	(13,628,279)	0	0	(13,628,279)
Accrued liabilities	(62,000)	(641)	(4,906)	(67,547)
Deferred revenue	0	260,724	(33,413)	227,311
Other items	0	19,808	1,184	20,992
Net cash provided (used) by operating activities	\$4,722,918	(\$1,886,919)	\$104,847	\$2,940,846

Supplemental information

Noncash activities

New debt issued - proceeds on deposit with state gov't.	\$3,050,000	\$0	\$0	\$3,050,000
Capital assets donated from private developers	2,025,140	\$0	\$0	\$2,025,140
Transfers in/(out) of net capital assets	\$66,635	\$0	\$0	\$66,635

(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, 2012**

	<u>Post-Retirement Benefits Trust</u>
ASSETS	
Cash & investments, at cost	
U.S. Treasury securities money market funds	\$5,516,860
Receivables (net of allowances)	<u>621,744</u>
Total assets	<u>6,138,604</u>
LIABILITIES	
Accounts payable	<u>54,999</u>
Total liabilities	<u>54,999</u>
NET ASSETS	
Held in trust for other postemployment benefits	<u><u>\$6,083,605</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>986,726</u>
Total contributions	<u>4,490,023</u>
Investment earnings:	
	<u>28,605</u>
Net investment earnings	<u>28,605</u>
Total additions	<u>4,518,628</u>
DEDUCTIONS	
Benefits	<u>2,534,555</u>
Total deductions	<u>2,534,555</u>
Change in net assets	1,984,073
Net assets, beginning	<u>4,099,532</u>
Net assets, ending	<u><u>\$6,083,605</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, 2012**

	Business-Type Activities			Governmental Activities		Total
	Huntsville Utilities			HMC CVB	DRA	
	Electric	Water	Gas			
ASSETS						
Cash & investments, at cost	\$28,953,593	\$20,601,985	\$44,191,200	\$1,249,171	\$3,222	\$94,999,171
Receivables (net of allowances)	50,645,521	5,486,267	1,512,180	0	0	57,643,968
Inventories	8,310,405	1,640,360	6,715,864	6,951	0	16,673,580
Prepaid items	42,191	4,164	773	72,416	0	119,544
Deferred costs	521,278	932,891	155,121	977	0	1,610,267
Restricted assets						
Cash & investments, at cost	32,291,770	8,326,547	954,130	0	0	41,572,447
Capital assets						
Land and construction in process	22,438,782	13,260,460	4,083,475	0	0	39,782,717
Other assets, net of accum. depreciation	225,172,463	152,804,449	92,786,787	280,758	0	471,044,457
Total assets	368,376,003	203,057,123	150,399,530	1,610,273	3,222	723,446,151
LIABILITIES						
Accounts payable	38,179,870	4,881,182	1,358,542	112,485	0	44,532,079
Accrued liabilities	4,562,855	1,629,859	1,756,979	83,731	0	8,033,424
Liabilities payable from restricted assets:						
Other	566,092	694,292	55,007	0	0	1,315,391
Noncurrent liabilities						
Due within one year	7,706,695	2,716,563	1,877,455	0	0	12,300,713
Due in more than one year	73,283,061	38,530,762	16,288,423	0	0	128,102,246
Total liabilities	124,298,573	48,452,658	21,336,406	196,216	0	194,283,853
NET ASSETS						
Invested in capital assets, net of related debt	205,234,128	128,733,053	88,920,375	280,758	0	423,168,314
Restricted for:						
Debt service	6,403,405	8,326,546	954,130	0	0	15,684,081
Capital projects	25,888,365	0	0	408,703	0	26,297,068
Other	0	0	0	171,343	0	171,343
Unrestricted	6,551,532	17,544,866	39,188,619	553,253	3,222	63,841,492
Total net assets	\$244,077,430	\$154,604,465	\$129,063,124	\$1,414,057	\$3,222	\$529,162,298

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, 2012**

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
					Huntsville Utilities			HMC CVB	DRA	
				Electric	Water	Gas				
Component Units										
Huntsville Utilities Electric System	461,663,446	\$470,828,915	\$0	\$0	\$9,165,469	\$0	\$0	\$0	\$0	\$9,165,469
Huntsville Utilities Water System	26,556,837	25,865,486	0	2,606,082	0	1,914,731	0	0	0	1,914,731
Huntsville Utilities Gas System	37,729,104	41,385,152	0	365,808	0	0	4,021,856	0	0	4,021,856
HMC CVB	2,171,650	4,253	38,485	0	0	0	0	(2,128,912)	0	(2,128,912)
DRA	0	0	0	0	0	0	0	0	0	0
Total component units	\$528,121,037	\$538,083,806	\$38,485	\$2,971,890	9,165,469	1,914,731	4,021,856	(2,128,912)	0	12,973,144
General Revenues										
Other taxes					\$0	\$0	\$0	\$542,102	\$0	\$542,102
Interest on investments					133,372	62,027	101,084	618	2	297,103
Other					0	0	0	1,570,046	0	1,570,046
Total general revenues & transfers					133,372	62,027	101,084	2,112,766	2	2,409,251
Change in net assets					9,298,841	1,976,758	4,122,940	(16,146)	2	15,382,395
Net assets, beginning					231,179,225	152,627,707	124,940,184	1,430,203	3,220	510,180,539
Prior period adjustment					3,599,364	0	0	0	0	3,599,364
Net assets, ending					\$244,077,430	\$154,604,465	\$129,063,124	\$1,414,057	\$3,222	\$529,162,298

The accompanying notes are an integral part of this statement.

**City of Huntsville
Notes To The Financial Statements
September 30, 2012**

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

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, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Accounting Standards

The City's financial statements are prepared in accordance with standards promulgated by the Governmental Accounting Standards Board ("GASB"). The status of the City's adoption of recently-issued GASB standards is as follows:

Standard No.	Name	Description	Adoption Year	Effect on Financial Statements
61	The Financial Reporting Entity: Omnibus	Updates standards regarding reporting entity.	2013	Not determined
63	Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position	Primarily modifies the presentation of deferred-related items	2013	Not determined
64	Derivative Instruments: Application of Hedge Accounting Termination Provisions	Reporting for certain changes in interest rate swap agreements.	2012	None
65	Items Previously Reported as Assets and Liabilities	Reclassification of certain items in the financial statements.	2013	Not determined
66	Technical Corrections-2012	Corrections to various standards.	2012	None
68	Accounting and Financial Reporting for Pensions	Change in the measurement and reporting of pension-related costs.	2015	Not determined

C. Government-wide and Fund Financial Statements

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

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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, which are primarily property taxes and state gasoline taxes. This fund does not include federal and state grant revenues that pertain to the operating activities of various city departments and are accounted for in the General Fund.
- The *Capital 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:

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental Funds:

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

Proprietary Funds:

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

Fiduciary Funds:

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

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

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

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

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

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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Receivables and Payables

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

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

Amounts receivable from federal, state, county, and local governments are classified as "due from other governmental entities." No individually significant amounts were due from any single entity as of September 30, 2012.

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, 2012.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

Compensated Absences

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

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

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

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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Restrictions of Net 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	\$1,114,921,127
Less debt outstanding expended for capital assets	(307,738,214)
Plus deferred issue costs associated with debt expended for capital assets	3,411,783
Net assets invested in capital assets, net of related debt	\$810,594,696

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

Annually-Budgeted Governmental Funds

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

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
 - Federal Building Authority Fund
 - Perpetual Care Fund

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

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

1. Around May 1, instructions and budget documents are distributed to departments and a revenue estimate for the following fiscal year is prepared.

2. Between June 1 and September 1 the following steps occur:

Departments return copies of completed budget request forms to the Finance Department.

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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

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, 2012:

<u>General Fund</u>	
Current Expenditures:	
<i>General Government:</i>	
City Council-operating	\$1,625
General Expenses-personnel	377,940
Legal-operating	2,455
<i>Public Services:</i>	
Cemetery – operating	1,096
<i>Urban Development:</i>	
Planning – personnel	14,020
<u>Special Revenue Fund</u>	
Current Expenditures:	
<i>Public Safety</i>	
Seizure subfund- Operating	356,446

The excess expenditures were provided by available fund balance in the funds.

C. Deficit Fund Equity

As of September 30, 2012, the Burritt Museum Fund and Art Museum Fund had a deficit fund balance of \$15,880 and \$76,446, respectively, which is expected to be funded by future revenues or transfers from the General Fund.

D. Continuing Disclosure Matters

The City must comply with a variety of covenants and continuing disclosure requirements pertaining to its outstanding debt obligations. With respect to continuing disclosure requirements, the City did not issue its 2011 financial statements by March 31, 2012, the required date, and remedied this on April 2, 2012, the first business day after the required date.

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

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, 2012, 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	\$64,841,448	\$86,718,021	\$0
Investments:			
Money market mutual funds	188,184,603	47,148,169	0
U.S. Treasury obligations	0	0	5,516,860
Repurchase agreements	0	2,705,428	0
Total investments	188,184,603	49,853,597	5,516,860
Total	\$253,026,051	\$136,571,618	\$5,516,860

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

Except for the City’s Post-Retirement Benefits Trust, 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 or debt service reserves, for which the risk of 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 are categorized as follows:

	Primary Government	Discretely- Presented Component Units	Post-Retirement Benefits Trust Fiduciary Fund
Less than six months	\$188,184,603	\$47,148,169	\$0
Six months to one year	0	0	0
One to three years	0	0	5,516,860
Greater than three years	0	2,705,428	0
Total	\$188,184,603	\$49,853,597	\$5,516,860

Credit risk

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Concentration of credit risk

Other than its investment in USTO or USTO mutual funds, the City entities 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, 2012, 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.

All of the City entities' and the Utilities 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

Capital asset activity for the year ended September 30, 2012, after adjusting for the prior period adjustment described above, was as follows:

	Beginning Balance	Additions/ Transfers-in	Deletions/ Transfers-out	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$75,531,091	\$20,424	(\$226,017)	\$75,325,498
Construction in progress	5,585,699	6,134,104	(5,717,353)	6,002,450
Total capital assets, not being depreciated	81,116,790	6,154,528	(5,943,370)	81,327,948
Capital assets, being depreciated:				
Land improvements	37,027,773	2,128,740	0	39,156,513
Buildings and improvements	223,955,448	4,453,316	0	228,408,764
Furniture, equipment and other	84,939,079	14,797,591	(3,370,181)	96,366,489
Infrastructure	1,640,241,473	22,270,014	0	1,662,511,487
Total capital assets, being depreciated	1,986,163,773	43,649,661	(3,370,181)	2,026,443,253
Less accumulated depreciation for:				
Land improvements	(18,044,183)	(1,255,804)	0	(19,299,987)
Buildings and improvements	(63,602,921)	(5,192,021)	0	(68,794,942)
Furniture, equipment and other	(65,347,344)	(5,972,432)	2,635,778	(68,683,998)
Infrastructure	(806,187,608)	(29,883,539)	0	(836,071,147)
Total accumulated depreciation	(953,182,056)	(42,303,796)	2,635,778	(992,850,074)
Total capital assets, being depreciated, net	1,032,981,717	1,345,865	(734,403)	1,033,593,179
Governmental activities capital assets, net	\$1,114,098,507	\$7,500,393	(\$6,677,773)	\$1,114,921,127

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

	Beginning Balance	Additions/ Transfers-in	Deletions/ Transfers-out	Ending Balance
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$7,132,614	\$0	\$0	\$7,132,614
Construction in progress	2,335,754	379,436	(2,568,633)	146,557
Total capital assets, not being depreciated	9,468,368	379,436	(2,568,633)	7,279,171
Capital assets, being depreciated:				
Buildings and improvements	553,022,468	23,680,114	(17,432)	576,685,150
Furniture, equipment and other	12,199,220	762,982	0	12,962,202
Total capital assets, being depreciated	565,221,688	24,443,096	(17,432)	589,647,352
Less accumulated depreciation for:				
Buildings and improvements	(190,903,765)	(10,762,834)	17,432	(201,649,167)
Furniture, equipment and other	(9,556,969)	(645,928)	0	(10,202,897)
Total accumulated depreciation	(200,460,734)	(11,408,762)	17,432	(211,852,064)
Total capital assets, being depreciated, net	364,760,954	13,034,334	0	377,795,288
Business-type activities capital assets, net	\$374,229,322	\$13,413,770	(\$2,568,633)	\$385,074,459

For the year ended September 30, 2012, depreciation expense and transfers-in of the primary government was as follows:

<u>Governmental activities:</u>	
General government	\$717,113
Public Safety	4,171,269
Public Services	7,021,926
Urban development	511,467
Total depreciation expense charged to functions/programs	12,421,775
Depreciation for infrastructure assets not allocated to the functions	29,882,021
Total depreciation expense	42,303,796
Transfers-in from business-type activities	0
Total depreciation and transfers-in – governmental activities	\$42,303,796
<u>Business-type activities:</u>	
Water Pollution Control Fund	\$9,034,024
Von Braun Center Fund	2,204,723
Municipal Iceplex Fund	150,976
Total depreciation expense	11,389,723
Transfers-in from governmental-type activities	19,039
Total depreciation expense – business-type activities	\$11,408,762

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Activity for the discretely presented component unit, Utilities, for the year ended September 30, 2012 was as follows:

	Beginning Balance	Additions/ Transfers-in	Deletions/ Transfers-out	Ending Balance
Utilities-Electric System:				
Capital assets, not being depreciated:				
Land	\$4,420,172	\$321,271	\$0	\$4,741,443
Construction in progress	16,794,368	6,077,247	(5,174,276)	17,697,339
Total capital assets, not being depreciated	<u>21,214,540</u>	<u>6,398,518</u>	<u>(5,174,276)</u>	<u>22,438,782</u>
Capital assets, being depreciated:				
Buildings and improvements	395,705,626	11,799,300	(2,000,184)	405,504,742
Furniture, equipment and other	31,367,500	2,204,439	(799,368)	32,772,571
Total capital assets, being depreciated	427,073,125	14,003,739	(2,799,552)	438,277,313
Less accumulated depreciation	(199,217,861)	(16,686,541)	2,799,552	(213,104,850)
Total capital assets, being depreciated, net	<u>227,855,264</u>	<u>(2,682,802)</u>	<u>0</u>	<u>225,172,463</u>
Electric System capital assets, net	<u>\$249,069,804</u>	<u>\$3,715,716</u>	<u>(\$5,174,276)</u>	<u>\$247,611,245</u>
Utilities-Water System:				
Capital assets, not being depreciated:				
Land	\$1,746,193	\$0	\$0	\$1,746,193
Construction in progress	9,183,081	3,338,659	(1,007,473)	11,514,267
Total capital assets, not being depreciated	<u>10,929,274</u>	<u>3,338,659</u>	<u>(1,007,473)</u>	<u>13,260,460</u>
Capital assets, being depreciated:				
Buildings and improvements	239,094,590	4,544,047	(203,347)	243,435,290
Furniture, equipment and other	8,352,045	809,148	(167,113)	8,994,080
Total capital assets, being depreciated	247,446,635	5,353,195	(370,460)	252,429,370
Less accumulated depreciation	(93,830,877)	(6,164,504)	370,460	(99,624,921)
Total capital assets, being depreciated, net	<u>153,615,758</u>	<u>(811,309)</u>	<u>0</u>	<u>152,804,449</u>
Water System capital assets, net	<u>\$164,545,032</u>	<u>\$2,527,350</u>	<u>(\$1,007,473)</u>	<u>\$166,064,909</u>
Utilities-Gas System:				
Capital assets, not being depreciated:				
Land	\$1,803,038	\$0	\$0	\$1,803,038
Construction in progress	3,857,581	0	(1,577,144)	2,280,437
Total capital assets, not being depreciated	<u>5,660,619</u>	<u>0</u>	<u>(1,577,144)</u>	<u>4,083,475</u>
Capital assets, being depreciated:				
Buildings and improvements	128,674,290	4,758,338	(145,868)	133,286,760
Furniture, equipment and other	9,550,901	690,792	(390,442)	9,851,251
Total capital assets, being depreciated	138,225,191	5,449,130	(536,310)	143,138,011
Less accumulated depreciation	(47,160,131)	(3,727,403)	536,310	(50,351,224)
Total capital assets, being depreciated, net	<u>91,065,060</u>	<u>1,721,727</u>	<u>0</u>	<u>92,786,787</u>
Gas System capital assets, net	<u>\$96,725,679</u>	<u>\$1,721,727</u>	<u>(\$1,577,144)</u>	<u>\$96,870,262</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Activity for the discretely presented component unit, the HMC CVB, for the year ended September 30, 2012 was as follows:

	Beginning Balance	Additions/ Transfers-in	Deletions/ Transfers-out	Ending Balance
Capital assets, being depreciated:				
Furniture, equipment and other	\$737,984	\$0	\$0	\$737,984
Less accumulated depreciation	(422,303)	(34,923)	0	(457,226)
Total capital assets, being depreciated, net	315,681	(34,923)	0	280,758
Governmental activities capital assets, net	\$315,681	(\$34,923)	\$0	\$280,758

The discretely presented component unit, DRA, does not have any capital assets for the year ended September 30, 2012.

C. Interfund Receivables, Payables and Transfers

The amounts receivable and payable between the various funds as of September 30, 2012, is as follows:

Receivable Fund	Payable Fund	Amount	Total
<u>Governmental Funds</u>			
General	Debt Service	\$10,000	
	Nonmajor Governmental	55,682	
	Nonmajor Proprietary	24,855	
	Special Revenue	385,198	\$475,735
Capital Improvement	General		29,432,595
Nonmajor Governmental	General		878,259
	Total Governmental Funds		\$30,786,589
<u>Proprietary Funds</u>			
Water Pollution Control Enterprise	Capital	11,770,632	
	General	4,539,133	16,309,765
	Total Proprietary Funds		16,309,765
Total			\$47,096,354

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

The amounts transferred among the various funds for the year ended September 30, 2012, was as follows:

Transferred From	Transferred To	Amount	Total
<u>Governmental Funds</u>			
General	Capital Improvement	\$23,912,410	
	Debt Service	7,482,338	
	Public Building Authority (a)	1,108,162	
	Nonmajor Governmental	6,824,776	
	The Special Revenue	349,172	
	Von Braun Center Enterprise	3,521,113	\$43,197,971
The Special Revenue	Debt Service	30,605,752	
	Public Building Authority (a)	4,763,562	35,369,314
Capital Improvements	Debt Service	12,399,144	
	The Special Revenue	1,135,534	
	Other Nonmajor Governmental	479,002	14,013,680
Nonmajor Governmental	Nonmajor Governmental		<u>62,615</u>
	Total Governmental Funds		<u>92,643,580</u>
<u>Proprietary Funds</u>			
Water Pollution Control Enterprise	Capital Improvement Fund	1,040,100	
	General Fund	53,366	<u>1,093,466</u>
	Total Proprietary Funds		<u>1,093,466</u>
Subtotal			93,737,046
Transfers of net capital assets from governmental activities to business-type activities			<u>66,634</u>
Total			<u>\$93,803,680</u>

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

In the fund financial statements, total transfers in of \$93,803,680 are greater than total transfers out of \$93,737,046 because net capital asset transfers in of \$66,634 in the Water Pollution Control Enterprise Fund is not reported as a transfer out in the Governmental Funds fund financial statements.

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 \$453,000 in 2012. The future minimum lease payments by fiscal year are as follows:

2013	\$299,972
2014	136,931
2015	31,238
2016	0
2017	0
2018	0
Total	<u>\$468,140</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Capital Leases. The City is not a party to any capital leases as of September 30, 2012.

E. Long-Term Debt

General Obligation Warrants

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

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

Lease Revenue Bonds

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

Sewer Revenue Warrants

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

Tax Increment Financing Districts Debt – General Obligation Warrants

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

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

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 2012, the City has issued four Warrants in the maximum principal amounts of \$10 million, \$30 million, \$3 million and \$3 million, for which the respective outstanding balances were \$6.3 million, \$20.0 million, \$2.6 million and \$331,219 as of September 30, 2012.

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 2012, 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	The Special Revenue Fund (6.5 Mill Tax revenue), General Fund and Capital Improvements Fund
<u>Business-Type Activities:</u>		
G.O. warrants (sewer) and SRF sewer revenue warrants	Water Pollution Control Fund	Water Pollution Control Fund

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

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

There were no current refundings in the year ended September 30, 2012, nor are there any past refunding transactions for which the refunded warrants are still outstanding on September 30, 2012.

Advance Refundings

Advance refunding transactions for the current year, and prior years for which the refunded warrants are still outstanding on September 30, 2012, were as follows (in thousands):

Fiscal Year	Refunding Warrants		Refunded Warrants		Debt Service Diff. (a)	Economic Gain (Loss)
	Series	Face Amount	Series	Refunded Amount		

PRIMARY GOVERNMENT

Governmental Activities:

2007	2007PBA	\$56,325	2002PBA	\$52,815	\$45,700	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	16,160	975	(1,686)
2010	2010A	4,175	2005A	4,050	4,050	195	(631)
2010	2010A	2,060	2007B	2,115	1,095	63	(75)
2012	2011A	12,415	2003C	13,165	13,165	408	1,188
2012	2012A	35,995	2005C	36,255	36,255	2,476	(4,728)

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)
2012	2012A	10,795	2006SRF	12,240	12,240	1,073	(136)
2012	2012A	3,850	2008SRF	4,260	4,260	372	(51)

(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, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt

The amount of debt outstanding at September 30, 2012, and information related to it was as follows:

Series	Face Amount	Dated	Final Maturity	Interest Rates (%)	Principal Maturities (thousands)	Ending Balance	Amount Due Within One Year
PRIMARY GOVERNMENT							
<u>Governmental Activities</u>							
G.O. Warrants (non-sewer portion)							
2002A	42,130,000	5/1/02	5/1/22	4.0 - 5.75	1,325 - 3,270	2,030,000	2,030,000
2002F	23,465,000	5/1/02	8/1/13	4.0 - 5.5	895 - 2,600	1,340,000	1,340,000
2003C	53,955,000	2/1/03	11/1/24	2.0 - 5.0	675 - 3,115	16,350,000	1,050,000
2005A	72,485,000	2/1/05	2/1/20	3.7 - 6.25	1,425 - 9,915	15,790,000	4,225,000
2005C	68,070,000	10/1/05	10/1/31	3.0 - 5.0	715 - 4,530	20,580,000	2,155,000
2007A	31,967,145	5/1/07	10/1/28	4.0 - 5.0	325 - 1,825	29,868,150	726,608
2008A(e)	8,955,000	12/5/08	1/1/14	4.0	205 - 615 (e)	7,075,000	615,000
2009A	66,838,000	3/4/09	9/1/29	2.75 - 5.0	2,077 - 7,312	46,921,888	7,312,444
2009B	71,745,000	3/4/09	9/1/29	2.25 - 5.0	2,560 - 4,735	58,610,000	4,610,000
2010A	74,300,000	9/14/10	3/1/37	3.0 - 5.0	980 - 6,315	71,395,000	1,510,000
2010B (a)	50,895,000	9/14/10	9/1/30	.61 - 5.06	365 - 1,940	47,995,000	1,450,000
2010C (a)	7,520,000	9/14/10	9/1/32	5.0	0 - 3,855	7,520,000	0
2010D (b)	11,695,000	9/14/10	9/1/27	.61 - 4.35	570 - 905	10,545,000	575,000
2011A	45,190,000	11/22/11	3/1/31	2.0 - 5.0	1,590 - 3,135	44,140,000	2,305,000
2011B	50,275,000	11/22/11	5/1/33	2.0 - 5.0	1,965 - 4,020	50,275,000	0
2012A	41,660,000	5/3/12	11/1/25	2.0 - 5.0	765 - 4,500	41,660,000	1,550,000
	<u>721,145,145</u>					<u>472,095,038</u>	<u>31,454,052</u>
Private Placement Taxable Revenue Warrants(d)							
2010A EUL	10,000,000	7/26/10	7/26/40	9.95	n.a.	6,312,216	0
2010B EUL	20,000,000	10/28/10	7/26/40	9.95	n.a.	19,952,929	0
2012A EUL	3,000,000	1/26/12	7/26/40	9.95	n.a.	2,596,557	0
2012A EUL	3,000,000	5/24/12	7/26/40	9.95	n.a.	331,219	0
	<u>36,000,000</u>					<u>29,192,921</u>	<u>0</u>
Lease Revenue Bonds - Public Building Authority							
2007	86,415,000	9/18/07	10/01/36	4.0 - 5.0	420 - 5,700	84,625,000	1,820,000
	<u>86,415,000</u>					<u>84,625,000</u>	<u>1,820,000</u>
Total governmental activities	<u>843,560,145</u>					<u>585,912,959</u>	<u>33,274,057</u>

(continued)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt - Continued

Series	Face Amount	Dated	Final Maturity	Interest Rates (%)	Principal Maturities (thousands)	Ending Balance	Amount Due Within One Year
<u>Business-Type activities</u>							
G.O. Warrants - sewer system							
2002D	35,795,000	8/1/02	11/1/15	4.0 - 5.5	1,290 - 3,635	3,055,000	3,055,000
2007A	17,122,855	5/1/07	5/15/14	4.0 - 5.0	325 - 725	14,351,850	673,392
2009A	13,132,000	3/4/10	9/1/29	2.75 - 5.0	412 - 980	11,833,112	477,556
2010A	17,235,000	9/14/10	3/1/37	3.0 - 4.0	70 - 5,335	17,070,000	1,710,000
2010B (a)	11,595,000	9/14/10	9/1/30	.61 - 5.06	0 - 800	11,595,000	545,000
2011A	17,230,000	11/22/11	3/1/31	2.0 - 5.0	555 - 1,305	16,510,000	555,000
2012A	14,645,000	5/3/12	11/1/27	2.0 - 5.0	330 - 1,395	14,645,000	0
	<u>126,754,855</u>					<u>89,059,962</u>	<u>7,015,948</u>
Sewer Revenue Warrants - State Revolving Loan Fund							
1996	22,380,000	1/26/96	8/15/17	3.18	775 - 1,550	7,205,000	1,340,000
2010A (c)	17,435,000	1/27/98	8/15/20	2.61	595 - 1,215	8,275,000	785,000
2010B (c)	16,760,000	12/1/98	8/15/20	2.57	590 - 1,145	8,560,000	935,000
2010C (c)	15,180,000	12/22/99	8/15/21	2.57	515 - 1,070	8,130,000	895,000
2010D (c)	13,045,000	12/14/00	8/15/22	3.00	440 - 920	7,765,000	650,000
2011	2,130,000	11/1/11	8/15/32	2.90	80 - 140	2,130,000	80,000
	<u>86,930,000</u>					<u>42,065,000</u>	<u>4,685,000</u>
Total business-type activities	<u>213,684,855</u>					<u>131,124,962</u>	<u>11,700,948</u>
Total Primary Government	<u>\$1,057,245,000</u>					<u>\$717,037,921</u>	<u>\$44,975,000</u>

- (a) Series 2010B and 2010C general obligation warrants are taxable Build America Bonds and Recovery Zone Economic Development Bonds, respectively, under the Internal Revenue Code.
- (b) Series 2010D warrants are taxable general obligation warrants.
- (c) The 2010 series of State Revolving Loan Fund warrants are refunding warrants issued for the sole purpose of reducing the interest rate on the various refunded warrants. The original issue data is for the original, now refunded warrants.
- (d) The EUL warrants are taxable revenue warrants, structured as drawdown obligations not to exceed a maximum amount. The face amount shown is the maximum amount available under the warrant, while the the balance shown is what is outstanding under each warrant. In the Changes in Long-Term Liabilities table below, the additions shown pertaining to these warrants was the amount actually drawn during the year, not the face value.
- (e) Series 2008A is a taxable general obligation warrant and has a balloon maturity payment of \$6,460,000 on January 1, 2014.

(continued)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt - Continued

COMPONENT UNIT - HUNTSVILLE UTILITIES

Business-Type Activities

Electric System Revenue Warrants

2008	13,195,000	12/01/07	12/01/19	4.0	705 - 2,110	11,420,000	1,110,000
2011	<u>28,285,000</u>	12/21/11	12/01/32	2.0 - 4.02	1,789 - 2,405	<u>28,285,000</u>	<u>1,175,000</u>
	<u>41,480,000</u>					<u>39,705,000</u>	<u>2,285,000</u>

Water System Revenue Warrants

2009	<u>43,660,000</u>	05/01/09	11/01/34	2.7 - 5.0	700 - 2,885	<u>36,595,000</u>	<u>2,260,000</u>
	<u>43,660,000</u>					<u>36,595,000</u>	<u>2,260,000</u>

Gas System Revenue Warrants

2005	<u>11,025,000</u>	08/01/05	08/01/25	3.25 - 4.38	380 - 780	<u>8,050,000</u>	<u>485,000</u>
	<u>11,025,000</u>					<u>8,050,000</u>	<u>485,000</u>

**Total Component
Units**

<u>\$96,165,000</u>	<u>\$84,350,000</u>	<u>\$5,030,000</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, 2012 are shown below. There is \$2,618,533 and \$17,956,997 available in the Debt Service Fund and The Special Revenue Fund, respectively, to service general obligation debt, and \$3,925,881 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, without adjustment for possible reductions in such payments as a result of federal sequestration legislation (for which the potential reductions are not considered significant).

PRIMARY GOVERNMENT

<u>Governmental activities:</u>	<u>G.O. Warrants</u>		<u>Lease Rev. Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$31,454,052	\$19,458,544	\$1,820,000	\$4,015,363
2014	45,864,729	17,706,038	1,905,000	3,931,338
2015	24,283,185	16,316,394	1,990,000	3,843,913
2016	31,002,088	15,253,766	2,085,000	3,751,988
2017	24,282,099	14,307,559	2,180,000	3,656,263
2018-2022	119,544,949	57,300,891	12,530,000	16,649,331
2023-2027	103,791,742	32,904,052	15,875,000	13,298,888
2028-2032	73,432,194	12,605,151	20,290,000	8,890,088
2033-2037	<u>18,440,000</u>	<u>2,138,219</u>	<u>25,950,000</u>	<u>3,225,163</u>
Total governmental activities	<u>\$472,095,038</u>	<u>\$187,990,614</u>	<u>\$84,625,000</u>	<u>\$61,262,335</u>

(continued)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

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
2013	7,015,948	3,597,504	4,685,000	1,116,884
2014	7,870,271	3,377,902	4,855,000	1,001,223
2015	8,401,815	3,084,677	5,040,000	867,884
2016	8,742,912	2,765,914	5,225,000	729,443
2017	3,517,901	2,440,093	5,425,000	585,950
2018-2022	19,945,051	9,852,588	15,615,000	1,172,040
2023-2027	23,588,258	5,118,421	565,000	145,145
2028-2032	9,977,806	823,592	655,000	58,145
Total business-type activities	89,059,962	31,060,691	42,065,000	5,676,714

Total Primary Government (a)

\$687,845,000 \$285,990,354

COMPONENT UNITS

<u>Business-Type Activities - Huntsville Utilities</u>	Electric Rev. Warrants		Water Rev. Warrants	
	Principal	Interest	Principal	Interest
2013	\$2,285,000	\$1,664,325	\$2,260,000	\$1,632,965
2014	2,355,000	1,589,275	2,330,000	1,563,515
2015	2,440,000	1,505,550	2,400,000	1,488,400
2016	2,530,000	1,415,650	2,490,000	1,387,150
2017	2,620,000	1,319,350	2,615,000	1,259,525
2018-2022	10,470,000	5,141,100	8,410,000	4,643,500
2023-2027	7,725,000	3,123,513	5,625,000	3,217,076
2028-2032	9,280,000	1,065,487	7,100,000	1,749,150
2033-2037	0	0	3,365,000	170,375
Total	<u>\$39,705,000</u>	<u>\$16,824,250</u>	<u>\$36,595,000</u>	<u>\$17,111,656</u>

<u>Business-Type Activities - Huntsville Utilities</u>	Gas Rev. Warrants	
	Principal	Interest
2013	\$485,000	\$330,044
2014	505,000	312,584
2015	520,000	293,394
2016	545,000	273,244
2017	565,000	251,444
2018-2022	3,180,000	895,520
2023-2027	2,250,000	198,600
Total	<u>\$8,050,000</u>	<u>\$2,554,830</u>

(a) does not include the EUL Warrants as of September 30, 2012, 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, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2012, was as follows:

PRIMARY GOVERNMENT	Beginning Balance	Additions(a)	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General obligation warrants	\$416,263,413	\$137,125,000	(\$81,293,375)	\$472,095,038	\$31,454,057
EUL revenue warrants	14,613,028	14,579,893	0	29,192,921	0
Lease revenue bonds	85,100,000	0	(475,000)	84,625,000	1,820,000
Subtotal	515,976,441	151,704,893	(81,768,375)	585,912,959	33,274,057
Less amounts deferred for:					
Issue discounts & premiums	19,646,032	17,425,336	(4,453,939)	32,617,429	
Refunding losses	(14,011,635)	(5,916,203)	2,193,316	(17,734,522)	
Total warrant, bonds, & notes	521,610,838	163,214,026	(84,028,998)	600,795,866	33,274,057
Capitalized leases	63,735	0	(63,735)	0	0
Compensated absences	20,528,000	11,490,639	(11,548,639)	20,470,000	2,047,000
Claims & judgments	750,000	750,718	(625,718)	875,000	350,000
Governmental activities long-term liabilities	\$542,952,573	\$175,330,383	(\$96,267,090)	\$622,140,866	\$35,671,057

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	\$63,536,587	\$31,875,000	(\$6,351,625)	\$89,059,962	\$7,015,948
Sewer revenue warrants	61,745,000	2,130,000	(21,810,000)	42,065,000	4,685,000
Subtotal	125,281,587	34,005,000	(28,161,625)	131,124,962	11,700,948
Less amounts deferred for:					
Issue discounts & premiums	3,182,928	4,422,661	(696,816)	6,908,773	
Refunding losses	(2,772,659)	(186,860)	923,532	(2,035,987)	
Total warrants	125,691,856	38,240,801	(27,934,909)	135,997,748	11,700,948
Capitalized leases	0	0	0	0	0
Compensated absences	1,106,672	550,838	(574,039)	1,083,471	415,671
Business-type activities long-term liabilities	\$126,798,528	\$38,791,639	(\$28,508,948)	\$137,081,219	\$12,116,619

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Changes in Long-Term Liabilities – Continued

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Electric System</u>					
Revenue warrants	\$17,065,000	\$28,285,000	(\$5,645,000)	\$39,705,000	\$2,285,000
Less amounts deferred for:					
Issue discounts & premiums	160,363	2,858,879	0	3,019,242	
Refunding losses	(113,530)	0	(278,409)	(391,939)	
Total warrants	17,111,833	31,143,879	(5,923,409)	42,332,303	2,285,000
Noncurrent customer deposits	38,842,041	5,778,443	(5,963,031)	38,657,453	5,421,695
Total Electric System long-term liabilities	\$55,953,874	\$36,922,322	(\$11,886,440)	\$80,989,756	\$7,706,695
<u>Water System</u>					
Revenue warrants	\$38,785,000	\$0	(\$2,190,000)	\$36,595,000	\$2,260,000
Less amounts deferred for:					
Issue discounts & premiums	1,165,665	0	(59,722)	1,105,943	
Refunding losses	(190,704)	0	60,220	(130,484)	
Total warrants	39,759,961	0	(2,189,502)	37,570,459	2,260,000
Noncurrent customer deposits	3,748,802	464,660	(536,596)	3,676,866	456,563
Total Water System long-term liabilities	\$43,508,763	\$464,660	(\$2,726,098)	\$41,247,325	\$2,716,563
<u>Gas System</u>					
Revenue warrants	\$8,520,000	\$0	(\$470,000)	\$8,050,000	\$485,000
Total warrants	8,520,000	0	(470,000)	8,050,000	485,000
Noncurrent customer deposits	9,146,415	1,740,856	(771,393)	10,115,878	1,392,455
Total Gas System long-term liabilities	\$17,666,415	\$1,740,856	(\$1,241,393)	\$18,165,878	\$1,877,455

Uses of Governmental Activities Long-Term Debt

The carrying value of outstanding debt for governmental activities as of September 30, 2012, is \$600,795,866. The purpose for which this amount has been or will be expended is as follows:

Debt issued for capital asset purposes:	
Invested in assets as of year-end	\$307,738,214
Not yet invested in assets as of year-end	33,860,666
Debt issued for non-capital asset purposes:	
Huntsville City Schools	195,392,673
Von Braun Center	23,256,582
Intergovernmental	40,547,731
Total	<u>\$600,795,866</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, 2012

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, 2012, 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	\$866,412
Spendable:	
Endowment funds required by donors to remain intact	464,989
Total	\$1,331,401

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	\$359,531
1% lodging tax committed for recreation projects	58,446
Unexpended revenues of the Capital Improvement Fund committed for capital improvements	32,520,079
Unexpended revenues of the Cummings Research Park Fund committed for research park development	4,855,175
Total	\$37,793,231

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

Cemetery improvements	\$2,138,994
Joint jail capital maintenance	882,316
General Fund appropriations subsequent to year-end	3,847,940
Long-term care of city cemeteries	1,281,681
Development of industrial parks	877,257
Board-managed activities	3,057,901
Total	\$12,086,089

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	\$26,610,586
Unassigned balance of the General Fund	4,541,212
Unassigned, deficit balance of The Special Revenue Fund	(909,556)
Deficit balances of the board-managed entities	(193,435)
Total	\$30,048,807

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

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 (18.0% beginning 10/1/2012).
- 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, 2012, 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 2012 was \$11,818,433 by the Electric System, \$2,280,110 by the Natural Gas System, and \$1,428,038 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 \$825,000, \$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, 2012. 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	\$825,000
Estimated unfiled claims and lawsuits	0	50,000
Total	\$350,000	\$875,000

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 5 – OTHER INFORMATION– CONTINUED

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 financial statements do not include a liability for such costs, as the costs will be reported as incurred over several years when the capital improvements are made. The attorney's fees associated with this claim are included in the estimated claims amounts described above.

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, 2012, 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 29, 2013, and the financial statements as of September 30, 2012, do not include a liability related to this matter.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 5 – OTHER INFORMATION– CONTINUED

Huntsville Utilities Gas Purchase Commitments

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

Huntsville Utilities Electric Purchase Commitments

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

Encumbrances

The City had outstanding purchase orders related to operating needs and contractual commitments as of September 30, 2012, which represent an encumbrance on resources at year-end, the most significant of which were as follows:

General Fund	\$1,180,000
Water Pollution Control Fund	6,076,000
Capital Improvement Fund	<u>24,019,000</u>
Total	<u>\$31,275,000</u>

These encumbrances are already included in the classifications of net assets and fund balances in the financial statements as of September 30, 2012.

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 29, 2013, 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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 5 – OTHER INFORMATION– CONTINUED

Huntsville Housing Authority

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

Solid Waste Disposal Authority

The Solid Waste Disposal Authority is a legally separate organization which is governed by a five member board appointed by the City. The City has no ability to influence the operations of the Authority nor has any financial obligations related to the Authority. The City is obligated to use the Authority for its waste disposal through a contract with the Authority. However, this is considered to be an exchange transaction between two entities and is not considered a manifestation of a financial benefit or burden relationship between the entities. Fees paid to the Authority by the City for the in 2012 were \$2.9 million. The City was also indebted to the Authority in the amount of \$218,000 for waste disposal fees as of September 30, 2012.

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 2012.

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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 5 – OTHER INFORMATION– CONTINUED

E. Pension Plans

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

Employee members who are state correctional officers, certified full-time firefighters, and certified full-time law enforcement officers are required to contribute 6% of their annual covered salary. Other members are required to contribute 5% of their annual covered salary. The employer entities are required to contribute a percentage of covered payroll at actuarially determined rates, which in 2012 was as follows:

City of Huntsville and Von Braun Center	12.41%
Huntsville Utilities:	
Electric	17.71%
Gas	11.16%
Water	12.87%
HMC CVB	5.79%

In 2012, the Alabama Legislature enacted a new mandatory eligibility and benefit tier for employees with no creditable service and hired on or after January 1, 2013. The actuarial valuation of both tiers of employees will be reflected in future reports as employees subject to the new tier become participants.

In 2012, 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, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75% to 7.25% per year, and (c) 0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of the System’s assets was determined using market values of instruments at September 30, 2011 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 2011. 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, 2011 was thirty years for the City, twenty-nine years for the Gas System, thirty years for the Water System, and twenty-six years for the Electric System.

Trend Information for the State System (2011 is the latest available)

	Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed
City of Huntsville and Von Braun Center:	2011	12,106,211	100%
	2010	12,587,525	100%
	2009	12,106,211	100%
Huntsville Utilities:			
Electric	2011	2,022,018	100%
	2010	1,815,698	100%
	2009	1,775,412	100%

(continued)

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 5 – OTHER INFORMATION – CONTINUED

Trend Information for the State System (2011 is the latest available)

Gas	2011	2,264,102	100%
	2010	2,043,247	100%
	2009	1,973,248	100%
Water	2011	751,713	100%
	2010	646,863	100%
	2009	634,013	100%
HMC CVB:	2011	12,141	100%
	2010	12,339	100%
	2009	8,064	100%

Schedule of Funding Progress for the State System (2011 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	2011	287,944,875	457,727,104	169,782,229	62.9%	98,905,347	171.7%
	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%
Huntsville Utilities: Electric	2011	28,375,971	55,648,490	27,272,519	51.0%	11,324,018	240.8%
	2010	29,119,209	55,028,226	25,909,017	52.9%	10,636,420	243.6%
	2009	29,667,953	52,088,628	22,420,675	57.0%	10,705,886	209.4%
Gas	2011	39,215,009	67,952,357	28,737,348	57.7%	20,230,164	142.1%
	2010	39,476,087	67,058,663	27,582,576	58.9%	19,019,754	145.0%
	2009	39,481,623	61,824,224	22,342,601	63.9%	18,404,081	121.4%
Water	2011	14,845,549	26,204,475	11,358,926	56.7%	5,808,739	195.5%
	2010	15,234,380	25,480,819	10,246,439	59.8%	5,487,439	186.7%
	2009	15,822,183	24,304,373	8,482,190	65.1%	5,579,512	152.0%
HMC CVB	2011	1,649,636	1,932,224	282,588	85.4%	733,574	38.5%
	2010	1,631,903	1,755,300	123,397	93.0%	701,490	17.6%
	2009	1,588,029	1,519,726	-68,303	104.5%	687,834	-9.9%

F. Post-Retirement Medical Plans

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

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

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

Funding Policies. City retirees pay about fifty percent of the annually-established benefit premium rate (active employees pay fifteen percent). The City and Utilities must contribute the cost of benefits at a rate that is based on an actuarial valuation prepared in accordance with certain parameters. In 2012, the City’s rate was about 3.8% of annual covered payroll and the Utilities’ was about 4.5%.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2012

NOTE 5 – OTHER INFORMATION– CONTINUED

Annual OPEB Cost. For 2012, the City's and Utilities annual benefit costs were equal to the required contribution, determined by actuarial valuations as of September 30, 2010 and 2011, respectively, and is summarized as follows:

Schedule of Annual OPEB Cost (latest available)

	<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
City	2012	\$3,503,297	100%	0
	2011	\$3,503,297	100%	0
	2010	2,744,475	100%	0
Huntsville Utilities	2012	1,682,686	100%	0
	2011	2,193,181	100%	0
	2010	2,007,975	100%	0

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

Schedule of Funding Progress for the Plans (latest available)

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Proj. Unit Credit</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
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	9/30/2011	5,264,905	24,769,164	19,504,259	21.26%	37,293,743	52.30%
	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 and 4.5% inflation rate, (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 City's actuarial valuation as of September 30, 2012, has not been completed as of the release date of these financial statements.

The Utilities' actuarial valuation as of September 30, 2011, was based on: (a) the projected unit credit method actuarial cost method, (b) a 7.0% investment rate of return and 3.25% inflation rate, (c) a 10.0% medical cost trend rate graded to 4.5% over fourteen 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, 2012

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, 2012, have been accrued as a liability in the General Fund as of September 30, 2012. 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, 2012 are as follows:

	Employees' Health Care		Workers' Compensation	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning of year	\$950,000	\$1,210,000	\$2,692,745	\$2,692,745
Incurred claims	14,816,611	14,680,856	2,070,121	1,461,354
Less claim payments	(14,833,611)	(14,940,856)	(1,261,988)	(1,461,354)
Unpaid claims, end of year (a)	<u>\$933,000</u>	<u>\$950,000</u>	<u>\$3,500,878</u>	<u>\$2,692,745</u>
	Legal Claims		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning of year	\$750,000	\$750,000	\$4,392,745	\$4,652,745
Incurred claims	750,718	647,644	17,637,450	16,789,854
Less claim payments	(625,718)	(647,644)	(16,721,317)	(17,049,854)
Unpaid claims, end of year (a)	<u>\$875,000</u>	<u>\$750,000</u>	<u>\$5,308,878</u>	<u>\$4,392,745</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. Prior Period Adjustments

During the year ended September 30, 2012, the City received \$848,081 of federal disaster recovery assistance that pertained to cost incurred in the prior year, for which the City had submitted a reimbursement claim in the prior year. This amount should have been reported as revenue in 2011 and as due from other governments as of September 30, 2011. To correct this, a prior period adjustment has been made in the financial statements, which is reported as an adjustment to beginning fund balance in the Statement of Revenue, Expenditures and Changes in Fund Balance of the governmental funds; and the beginning net assets in the Statement of Activities in the government-wide financial statements.

Huntsville Utilities Electric System adjusted the 2011 financial statements for unbilled revenue not previously reported, in the amount of \$3,599,364, which is reported as an adjustment to beginning net assets in the Statement of Activities-Discretely Presented Component Units.

SUPPLEMENTARY INFORMATION

**CITY OF HUNTSVILLE
GENERAL FUND
BALANCE SHEET
September 30, 2012**

ASSETS

Cash & investments, at cost	\$77,999,738
Receivables (net of allowances)	15,839,364
Due from other funds	475,735
Due from other governmental entities	3,349,100
Inventories	66,835
Prepaid items	33,594
	<hr/>
	\$97,764,366
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$3,477,174
Accrued liabilities	11,118,565
Contract retainages	4,324,458
Due to other funds	34,849,987
Due to other governmental entities	1,007,896
Deferred revenue	3,122,459
Other	1,079,924
	<hr/>
Total liabilities	58,980,463
	<hr/>

FUND BALANCE

Nonspendable	100,429
Restricted	244,449
Committed	417,977
Assigned	6,869,250
Unassigned	31,151,798
	<hr/>
Total fund balance	38,783,903
	<hr/>

Total liabilities and fund balance	\$97,764,366
	<hr/> <hr/>

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2012**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$181,945,200	\$181,945,200	\$183,652,877	\$1,707,677
Licenses and permits	21,693,100	21,693,100	22,033,292	340,192
Fines and forfeitures	2,985,100	2,985,100	2,505,495	(479,605)
Revenues from money and property	1,228,100	1,265,523	1,377,366	111,843
Charges for services	15,055,158	15,124,404	15,071,641	(52,763)
Intergovernmental	4,232,620	10,031,617	7,956,903	(2,074,714)
Gifts and donations	0	107,171	110,062	2,891
Other revenues	1,538,645	1,622,655	2,041,452	418,797
Total revenues	228,677,923	234,774,770	234,749,088	(25,682)
EXPENDITURES				
Current				
General government	25,908,150	28,681,269	25,927,218	2,754,051
Public safety	75,523,225	78,977,579	77,233,105	1,744,474
Public services	51,250,824	55,611,976	52,961,665	2,650,311
Urban development	11,950,154	12,159,643	11,721,638	438,005
Capital projects construction	0	242,857	143,329	99,528
Intergovernmental assistance	22,824,700	23,200,273	23,193,928	6,345
Total expenditures	187,457,053	198,873,597	191,180,883	7,692,714
Excess of revenues over expenditures	41,220,870	35,901,173	43,568,205	7,667,032
OTHER FINANCING SOURCES (USES)				
Transfers in	0	120,000	120,000	0
Transfers out	(43,680,350)	(44,685,918)	(43,197,971)	1,487,947
Total other financing sources (uses)	(43,680,350)	(44,565,918)	(43,077,971)	1,487,947
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(2,459,480)	(8,664,745)	490,234	9,154,979
Fund balance, beginning	37,445,588	37,445,588	37,445,588	0
Prior period adjustment	0	0	848,081	848,081
Fund balance, ending	\$34,986,108	\$28,780,843	\$38,783,903	\$10,003,060

**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, 2012**

Page 1 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes				
Sales and use	\$130,158,000	\$130,158,000	\$132,503,675	\$2,345,675
Ad valorem	14,855,000	14,855,000	14,761,559	(93,441)
Other	36,932,200	36,932,200	36,387,643	(544,557)
Total	181,945,200	181,945,200	183,652,877	1,707,677
Licenses and permits				
Privilege	18,512,900	18,512,900	19,028,023	515,123
Building permits	1,695,000	1,695,000	1,506,470	(188,530)
Other	1,485,200	1,485,200	1,498,799	13,599
Total	21,693,100	21,693,100	22,033,292	340,192
Fines and forfeitures	2,985,100	2,985,100	2,505,495	(479,605)
Revenues from money and property				
Interest	362,000	362,000	274,460	(87,540)
Recreational receipts	671,200	690,123	641,637	(48,486)
Other	194,900	213,400	461,269	247,869
Total	1,228,100	1,265,523	1,377,366	111,843
Charges for current services				
Sanitation charges	11,763,900	11,763,900	11,607,905	(155,995)
Parking revenue	1,925,000	1,925,000	1,956,851	31,851
Other	1,366,258	1,435,504	1,506,885	71,381
Total	15,055,158	15,124,404	15,071,641	(52,763)
Intergovernmental	4,232,620	10,031,617	7,956,903	(2,074,714)
Gifts and donations	0	107,171	110,062	2,891
Other revenues	1,538,645	1,622,655	2,041,452	418,797
TOTAL REVENUES	228,677,923	234,774,770	234,749,088	(25,682)

**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, 2012**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
EXPENDITURES				
Current Expenditures				
<u>General Government</u>				
Administration				
Personnel	1,161,736	1,161,736	1,132,711	29,025
Operating	113,680	116,180	115,049	1,131
Capital	0	0	0	0
Total	1,275,416	1,277,916	1,247,760	30,156
City Council				
Personnel	436,528	436,528	428,848	7,680
Operating	28,760	28,760	30,385	(1,625)
Capital	0	0	0	0
Total	465,288	465,288	459,233	6,055
Clerk-Treasurer				
Personnel	1,213,062	1,196,562	1,162,855	33,707
Operating	220,450	220,450	216,861	3,589
Capital	0	0	0	0
Total	1,433,512	1,417,012	1,379,716	37,296
Finance				
Personnel	2,350,556	2,350,556	2,293,675	56,881
Operating	270,100	270,100	251,511	18,589
Capital	0	950,000	0	950,000
Total	2,620,656	3,570,656	2,545,186	1,025,470
Fleet Management				
Personnel	2,799,608	2,679,608	2,596,259	83,349
Operating	190,315	190,315	172,315	18,000
Capital	0	0	0	0
Total	2,989,923	2,869,923	2,768,574	101,349
General expenses				
Personnel	5,365,297	5,365,297	5,743,237	(377,940)
Operating	3,142,408	3,439,014	3,154,200	284,814
Capital	0	1,350,000	0	1,350,000
Total	8,507,705	10,154,311	8,897,437	1,256,874

**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, 2012**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Human Resources				
Personnel	593,542	669,542	666,340	3,202
Operating	245,198	259,198	241,833	17,365
Capital	0	0	0	0
Total	838,740	928,740	908,173	20,567
Information Technology Services				
Personnel	3,410,270	3,370,270	3,299,623	70,647
Operating	2,751,474	3,011,987	2,819,831	192,156
Capital	0	0	0	0
Total	6,161,744	6,382,257	6,119,454	262,803
Legal				
Personnel	1,556,066	1,556,066	1,540,130	15,936
Operating	59,100	59,100	61,555	(2,455)
Capital	0	0	0	0
Total	1,615,166	1,615,166	1,601,685	13,481
Total general government	25,908,150	28,681,269	25,927,218	2,754,051
 <u>Public Safety</u>				
Animal Services				
Personnel	1,385,838	1,437,838	1,417,491	20,347
Operating	214,510	288,264	266,931	21,333
Capital	0	6,000	3,220	2,780
Total	1,600,348	1,732,102	1,687,642	44,460
Emergency Management				
Personnel	646,098	1,174,098	1,121,990	52,108
Operating	58,040	2,278,881	1,786,731	492,150
Capital	0	206,639	206,604	35
Total	704,138	3,659,618	3,115,325	544,293
Fire and Rescue				
Personnel	27,754,464	27,787,464	27,582,324	205,140
Operating	1,945,385	2,016,462	1,969,874	46,588
Capital	0	1,451	0	1,451
Total	29,699,849	29,805,377	29,552,198	253,179

**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, 2012**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Municipal court				
Personnel	2,819,944	2,875,944	2,846,069	29,875
Operating	214,660	214,660	163,743	50,917
Capital	0	0	0	0
Total	3,034,604	3,090,604	3,009,812	80,792
Police				
Personnel	36,932,016	36,223,975	35,681,514	542,461
Operating	3,472,910	4,184,571	3,906,363	278,208
Capital	0	201,972	200,891	1,081
Total	40,404,926	40,610,518	39,788,768	821,750
Special appropriations	79,360	79,360	79,360	0
<i>Total public safety</i>	75,523,225	78,977,579	77,233,105	1,744,474
<u>Public Services</u>				
Cemetery				
Personnel	664,970	679,970	671,200	8,770
Operating	65,625	78,033	79,129	(1,096)
Capital	0	102,092	96,399	5,693
Total	730,595	860,095	846,728	13,367
General Services				
Personnel	2,906,636	3,112,990	3,083,775	29,215
Operating	4,914,090	5,920,782	5,707,036	213,746
Capital	0	0	0	0
Total	7,820,726	9,033,772	8,790,811	242,961
Landscape Management				
Personnel	6,616,158	6,973,158	6,882,114	91,044
Operating	2,044,879	2,291,355	2,223,733	67,622
Capital	0	16,030	0	16,030
Subtotal	8,661,037	9,280,543	9,105,847	174,696

**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, 2012**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Parking				
Personnel	1,299,882	1,299,882	1,259,521	40,361
Operating	325,815	325,815	299,430	26,385
Capital	0	15,000	14,215	785
Total	1,625,697	1,640,697	1,573,166	67,531
Parks & Recreation				
Personnel	5,516,370	5,434,016	5,302,361	131,655
Operating	627,482	671,636	540,343	131,293
Capital	0	0	0	0
Subtotal	6,143,852	6,105,652	5,842,704	262,948
Public Transit				
Personnel	2,252,348	2,375,348	2,352,133	23,215
Operating	1,094,075	1,808,919	1,310,518	498,401
Capital	791,250	1,172,490	179,471	993,019
Total	4,137,673	5,356,757	3,842,122	1,514,635
Public Works				
Personnel	11,831,126	11,831,126	11,630,859	200,267
Operating	5,806,338	6,330,338	6,160,582	169,756
Capital	0	0	0	0
Total	17,637,464	18,161,464	17,791,441	370,023
Special appropriations	4,493,780	5,172,996	5,168,846	4,150
Total public services	51,250,824	55,611,976	52,961,665	2,650,311
<u>Urban Development</u>				
Engineering				
Personnel	3,069,380	2,949,380	2,879,239	70,141
Operating	101,560	101,560	85,306	16,254
Capital	0	0	0	0
Total	3,170,940	3,050,940	2,964,545	86,395
Inspection				
Personnel	1,869,960	1,869,960	1,837,710	32,250
Operating	121,860	146,450	137,590	8,860
Capital	0	290,000	188,442	101,558
Total	1,991,820	2,306,410	2,163,742	142,668

**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, 2012**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Natural Resources				
Personnel	653,822	653,821	649,587	4,234
Operating	41,500	40,900	34,007	6,893
Capital	0	11,100	10,995	105
Total	695,322	705,821	694,589	11,232
Planning				
Personnel	2,938,560	2,938,560	2,952,580	(14,020)
Operating	230,897	221,297	171,787	49,510
Capital	0	0	0	0
Total	3,169,457	3,159,857	3,124,367	35,490
Traffic Engineering				
Personnel	2,084,235	2,033,663	1,980,350	53,313
Operating	345,630	346,202	324,857	21,345
Capital	0	0	0	0
Total	2,429,865	2,379,865	2,305,207	74,658
Special appropriations	492,750	556,750	469,188	87,562
<i>Total urban development</i>	11,950,154	12,159,643	11,721,638	438,005
Capital Projects Construction	0	242,857	143,329	99,528
Intergovernmental Assistance				
Huntsville Board of Education	19,166,200	19,489,975	19,489,975	0
Madison County Commission	2,323,800	2,375,598	2,373,169	2,429
Madison County Health Department	1,334,700	1,334,700	1,330,784	3,916
Total	22,824,700	23,200,273	23,193,928	6,345
TOTAL EXPENDITURES	187,457,053	198,873,597	191,180,883	7,692,714

**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, 2012**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of revenues over expenditures	41,220,870	35,901,173	43,568,205	7,667,032
OTHER FINANCING SOURCES (USES)				
Transfers in	0	120,000	120,000	0
Transfers out	(43,680,350)	(44,685,918)	(43,197,971)	1,487,947
Total other financing sources (uses)	(43,680,350)	(44,565,918)	(43,077,971)	1,487,947
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(2,459,480)	(8,664,745)	490,234	9,154,979
Fund balance, beginning	37,445,588	37,445,588	37,445,588	0
Prior period adjustment	0	0	848,081	848,081
Fund balance, ending	\$34,986,108	\$28,780,843	\$38,783,903	\$10,003,060

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF SPECIAL APPROPRIATIONS - BUDGET AND ACTUAL
For the Year Ended September 30, 2012**

	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	53,530	53,530	53,530	0
	<u>79,360</u>	<u>79,360</u>	<u>79,360</u>	<u>0</u>
Public Services				
Alabama A&M University	0	320,000	320,000	0
Arts Council, Inc.	138,600	138,600	138,600	0
Boys & Girls Club, Inc.	43,830	43,830	43,830	0
Community Action Agency	87,750	87,750	87,750	0
Community Ballet Association, Inc.	0	7,500	7,500	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.	238,530	238,530	238,530	0
Huntsville Symphony Orchestra	39,510	39,510	39,510	0
Huntsville/Madison County Botanical Gardens, Inc.	514,380	514,380	514,680	(300)
Huntsville/Madison County Convention & Vis. Bureau	1,519,610	1,570,046	1,570,046	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
Leadership Huntsville/Madison County, Inc.	0	25,000	25,000	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.	231,580	231,580	231,580	0
Northwest Huntsville Community Services Org., Inc.	26,280	52,560	48,110	4,450
Second Mile Development, Inc.	21,960	21,960	21,960	0
U.S. Space & Rocket Center Foundation, inc.	75,000	325,000	325,000	0
United Cerebral Palsy of Huntsville/Madison County, Inc.	30,690	30,690	30,690	0
	<u>4,493,780</u>	<u>5,172,996</u>	<u>5,168,846</u>	<u>4,150</u>
Urban Development				
Big Spring Partners, Inc.	90,000	90,000	12,475	77,525
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	259,330	249,330	10,000
North Alabama African-American Chamber of Commerce	21,960	21,960	21,960	0
North Alabama Coalition for the Homeless, Inc.	0	24,000	23,963	37
The Land Trust of Huntsville and North Alabama, Inc.	60,570	60,570	60,570	0
	<u>492,750</u>	<u>556,750</u>	<u>469,188</u>	<u>87,562</u>
	<u>\$5,065,890</u>	<u>\$5,809,106</u>	<u>\$5,717,394</u>	<u>\$91,712</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.

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

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

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

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

CITY OF HUNTSVILLE
NONMAJOR GOVERNMENTAL FUNDS (by fund type)
COMBINING BALANCE SHEET
September 30, 2012

	Special Revenue Funds								Capital Projects Funds		Total Nonmajor Governmental Funds		
	Community Development	Community Development Rehabilitation	Public Building Authority	Public Library	Burritt Museum	Alabama Constitution Village	Art Museum	Huntsville Tennis Center	Federal Building Authority	Perpetual Care		Cummings Research Park	Industrial Park
ASSETS													
Cash & investments, at cost	\$332,403	\$84,084	\$3,925,881	\$2,687,724	\$0	\$47,370	\$52,086	\$401,107	\$750,117	\$1,281,262	\$7,355,175	\$0	\$16,917,209
Receivables (net of allowances)													
Accounts	0	0	0	14,417	0	0	33,708	0	0	419	0	0	48,544
Notes	1,213,292	916,324	0	0	0	0	0	0	0	0	0	0	2,129,616
Accrued interest	33,776	0	0	0	0	0	0	0	0	0	0	0	33,776
Due from other funds	1,002	0	0	0	0	0	0	0	0	0	0	877,257	878,259
Due from governmental entities	105,954	6,009	0	0	0	0	48,650	0	0	0	0	0	160,613
Inventories	0	0	0	0	0	54,579	2,489	6,838	0	0	0	0	63,906
Prepaid items	4,299	0	0	0	0	0	82,268	0	0	0	0	0	86,567
Total assets	\$1,690,726	\$1,006,417	\$3,925,881	\$2,702,141	\$0	\$101,949	\$219,201	\$407,945	\$750,117	\$1,281,681	\$7,355,175	\$877,257	\$20,318,490
LIABILITIES													
Accounts payable	\$37,723	\$18,272	\$0	\$33,907	\$15,880	\$8,040	\$58,608	\$0	\$0	\$0	\$0	\$0	\$172,430
Accrued liabilities	0	0	0	335,633	0	0	79,456	1,745	0	0	0	0	416,834
Due to other funds	0	0	0	0	0	55,682	0	0	0	0	0	0	55,682
Deferred revenue	0	0	0	38,640	0	0	151,833	0	0	0	0	0	190,473
Customer deposits	0	0	0	0	0	0	5,750	0	0	0	0	0	5,750
Total liabilities	37,723	18,272	0	408,180	15,880	63,722	295,647	1,745	0	0	0	0	841,169
FUND BALANCES													
Nonspendable	4,299	0	0	380,232	0	54,579	84,757	6,838	0	0	0	0	530,705
Restricted	1,648,704	988,145	3,925,881	5,307	0	0	0	0	0	0	2,500,000	0	9,068,037
Committed	0	0	0	0	0	0	0	0	0	0	4,855,175	0	4,855,175
Assigned	0	0	0	1,908,422	0	0	0	399,362	750,117	1,281,681	0	877,257	5,216,839
Unassigned	0	0	0	0	(15,880)	(16,352)	(161,203)	0	0	0	0	0	(193,435)
Total fund balance (deficit)	1,653,003	988,145	3,925,881	2,293,961	(15,880)	38,227	(76,446)	406,200	750,117	1,281,681	7,355,175	877,257	19,477,321
Total liabilities and fund balance	\$1,690,726	\$1,006,417	\$3,925,881	\$2,702,141	\$0	\$101,949	\$219,201	\$407,945	\$750,117	\$1,281,681	\$7,355,175	\$877,257	\$20,318,490

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, 2012

	Special Revenue Funds									Capital Projects Funds		Total Nonmajor Governmental Funds	
	Community Development Development	Community Development Rehabilitation	Public Building Authority	Public Library	Burritt Museum	Alabama Constitution Village	Art Museum	Huntsville Tennis Center	Federal Building Authority	Perpetual Care	Cummings Research Park		Industrial Park
REVENUE													
Fines & forfeitures	\$0	\$0	\$0	\$398,814	\$0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$398,814
Revenues from money & property	250,206	103,367	80,021	244,162	34,002	684,107	349,940	474,957	117	8,200	1,435,709	0	3,664,788
Intergovernmental	1,321,599	720,033	0	1,266,721	0	27,876	82,135	0	750,000	0	38,092	0	4,206,456
Gifts & donations	0	0	0	141,591	276,254	324,287	774,000	0	0	0	0	0	1,516,132
Other revenues	0	14,734	0	63,473	0	548	0	2,152	0	0	0	0	80,907
Total revenues	1,571,805	838,134	80,021	2,114,761	310,256	1,036,818	1,206,075	477,109	750,117	8,200	1,473,801	0	9,867,097
EXPENDITURES													
Current													
Public services	0	0	0	5,529,492	782,050	1,684,971	1,880,544	653,184	0	0	0	0	10,530,241
Urban development	2,881,009	815,722	0	0	0	0	0	0	0	0	38,769	0	3,735,500
Debt service													
Principal	0	0	475,000	63,735	0	0	0	0	0	0	0	0	538,735
Interest	0	0	4,061,263	0	0	0	0	0	0	0	0	0	4,061,263
Capital projects construction	0	0	0	0	0	0	0	0	0	0	2,736	0	2,736
Total expenditures	2,881,009	815,722	4,536,263	5,593,227	782,050	1,684,971	1,880,544	653,184	0	0	41,505	0	18,868,475
Excess (deficiency) of revenues over expenditures	(1,309,204)	22,412	(4,456,242)	(3,478,466)	(471,794)	(648,153)	(674,469)	(176,075)	750,117	8,200	1,432,296	0	(9,001,378)
OTHER FINANCING SOURCES (USES)													
Transfers in	1,387,749	0	5,871,724	3,688,506	460,756	654,500	650,480	195,400	0	0	329,002	0	13,238,117
Transfers (out)	0	(62,615)	0	0	0	0	0	0	0	0	0	0	(62,615)
Total other financing sources (uses)	1,387,749	(62,615)	5,871,724	3,688,506	460,756	654,500	650,480	195,400	0	0	329,002	0	13,175,502
Net change in fund balance	78,545	(40,203)	1,415,482	210,040	(11,038)	6,347	(23,989)	19,325	750,117	8,200	1,761,298	0	4,174,124
Fund balance (deficit), beginning	1,574,458	1,028,348	2,510,399	2,083,921	(4,842)	31,880	(52,457)	386,875	0	1,273,481	5,593,877	877,257	15,303,197
Fund balance (deficit), ending	\$1,653,003	\$988,145	\$3,925,881	\$2,293,961	(\$15,880)	38,227	(\$76,446)	\$406,200	\$750,117	\$1,281,681	\$7,355,175	\$877,257	\$19,477,321

**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, 2012**

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City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>4/5 Cent Gas Tax Fund</u>				
Revenues				
Taxes and payments in lieu of taxes	1,275,100	1,275,100	1,321,066	45,966
Revenues from money and property	0	0	1,363	1,363
Total	1,275,100	1,275,100	1,322,429	47,329
Expenditures				
Operating	1,275,100	1,277,980	1,217,890	60,090
Total	1,275,100	1,277,980	1,217,890	60,090
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	(2,880)	104,539	(12,761)
Fund balance, beginning	156,582	156,582	156,582	0
Fund balance, ending	\$156,582	\$153,702	\$261,121	(\$12,761)
<u>6.5 Mill Tax Fund</u>				
Revenues				
Taxes and payments in lieu of taxes	14,855,000	14,855,000	14,762,434	(92,566)
Revenues from money and property	0	100	3,522	3,422
Total	14,855,000	14,855,100	14,765,956	(89,144)
Expenditures				
Operating	0	100	95	5
Total	0	100	95	5
Excess (Deficiency) of Revenues Over Expenditures	14,855,000	14,855,000	14,765,861	(89,149)
Other financing sources (uses)				
Transfers in(out)	(14,855,000)	(14,855,000)	(14,855,000)	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	0	(89,139)	(89,149)
Fund balance, beginning	194,894	194,894	194,894	0
Fund balance, ending	\$194,894	\$194,894	\$105,755	(\$89,149)

**CITY OF HUNTSVILLE
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
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City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
6.5 Mill School Tax Fund				
Revenues				
Taxes and payments in lieu of taxes	16,544,000	16,367,000	16,433,546	66,546
Revenues from money and property	0	0	1,110	1,110
Total	16,544,000	16,367,000	16,434,656	67,656
Expenditures				
Capital	16,681,436	17,706,530	17,706,530	0
Total	16,681,436	17,706,530	17,706,530	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(137,436)	(1,339,530)	(1,271,874)	67,656
Fund balance, beginning	2,373,331	2,373,331	2,373,331	0
Fund balance, ending	\$2,235,895	\$1,033,801	\$1,101,457	\$67,656
7 Cent Gas Tax Fund				
Revenues				
Taxes and payments in lieu of taxes	1,909,600	1,909,600	1,983,164	73,564
Revenues from money and property	0	0	10,742	10,742
Total	1,909,600	1,909,600	1,993,906	84,306
Expenditures				
Operating	3,197,300	3,197,300	2,882,539	314,761
Total	3,197,300	3,197,300	2,882,539	314,761
Excess (Deficiency) of Revenues Over Expenditures	(1,287,700)	(1,287,700)	(888,633)	(230,455)
Other financing sources (uses)				
Transfers in(out)	1,287,700	1,287,700	416,119	871,581
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	0	(472,514)	641,126
Fund balance, beginning	472,514	472,514	472,514	0
Fund balance, ending	\$472,514	\$472,514	\$0	\$641,126

**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, 2012**

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City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Seizure Fund				
Revenues				
Fines and forfeitures	0	0	336,622	336,622
Revenues from money and property	0	0	2,211	2,211
Total	0	0	338,833	338,833
Expenditures				
Operating	0	0	356,446	(356,446)
Total	0	0	356,446	(356,446)
Excess (Deficiency) of Revenues Over Expenditures	0	0	(17,613)	695,279
Other financing sources (uses)				
Transfers in(out)	0	0	(87,947)	87,947
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	0	(105,560)	783,226
Fund balance, beginning	536,404	536,404	536,404	0
Fund balance, ending	\$536,404	\$536,404	\$430,844	\$783,226
TIF 2 Fund				
Revenues				
Taxes and payments in lieu of taxes	969,512	969,512	934,327	(35,185)
Revenues from money and property	0	10	1	(9)
Total	969,512	969,522	934,328	(35,194)
Expenditures				
Operating	0	10	9	1
Total	0	10	9	1
Excess (Deficiency) of Revenues Over Expenditures	969,512	969,512	934,319	(35,195)
Other financing sources (uses)				
Transfers in(out)	(1,047,739)	(1,047,739)	(1,047,739)	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(78,227)	(78,227)	(113,420)	(35,195)
Fund balance, beginning	348,726	348,726	348,726	0
Fund balance, ending	\$270,499	\$270,499	\$235,306	(\$35,195)

**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, 2012**

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
TIF 3 Fund				
Revenues				
Taxes and payments in lieu of taxes	4,761,000	4,761,000	4,750,392	(10,608)
Revenues from money and property	0	50	33,295	33,245
Total	4,761,000	4,761,050	4,783,687	22,637
Expenditures				
Operating	0	50	31	19
Total	0	50	31	19
Excess (Deficiency) of Revenues Over Expenditures	4,761,000	4,761,000	4,783,656	22,618
Other financing sources (uses)				
Transfer to debt escrow agent	(17,412,177)	0	0	0
Transfers in(out)	(1,768,882)	(1,768,882)	(1,768,881)	(1)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(14,420,059)	2,992,118	3,014,775	22,617
Fund balance, beginning	14,423,690	14,423,690	14,423,690	0
Fund balance, ending	\$3,631	\$17,415,808	\$17,438,465	\$22,617
TIF 3A Fund				
Revenues				
Taxes and payments in lieu of taxes	1,943,022	1,943,022	1,942,200	(822)
Revenues from money and property	0	0	23	23
Total	1,943,022	1,943,022	1,942,223	(799)
Expenditures				
Total	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	1,943,022	1,943,022	1,942,223	(799)
Other financing sources (uses)				
Transfers in(out)	(1,538,489)	(1,538,489)	(1,408,989)	(129,500)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	404,533	404,533	533,234	(130,299)
Fund balance, beginning	4,087,315	4,087,315	4,087,315	0
Fund balance, ending	\$4,491,848	\$4,491,848	\$4,620,549	(\$130,299)

**CITY OF HUNTSVILLE
THE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
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For the Year Ended September 30, 2012**

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City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
TIF 4 Fund				
Revenues				
Taxes and payments in lieu of taxes	1,270,625	1,270,625	1,114,882	(155,743)
Revenues from money and property	0	0	1,990	1,990
Total	1,270,625	1,270,625	1,116,872	(153,753)
Expenditures				
Capital	0	524,771	474,408	50,363
Total	0	524,771	474,408	50,363
Excess (Deficiency) of Revenues Over Expenditures	1,270,625	745,854	642,464	(204,116)
Other financing sources (uses)				
Transfers in(out)	(1,072,174)	(925,640)	(925,641)	(1)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	198,451	(179,786)	(283,177)	(204,117)
Fund balance, beginning	1,051,564	1,051,564	1,051,564	0
Fund balance, ending	\$1,250,015	\$871,778	\$768,387	(\$204,117)
TIF 5 Fund				
Revenues				
Revenues from money and property	0	0	8,007	8,007
Total	0	0	8,007	8,007
Expenditures				
Capital	0	21,269,532	15,391,244	5,878,288
Total	0	21,269,532	15,391,244	5,878,288
Excess (Deficiency) of Revenues Over Expenditures	0	(21,269,532)	(15,383,237)	(5,870,281)
Other financing sources (uses)				
Long-term debt issued	0	21,386,972	14,579,893	(6,807,079)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	117,440	(803,344)	(12,677,360)
Fund balance, beginning	(106,212)	(106,212)	(106,212)	0
Fund balance, ending	(\$106,212)	\$11,228	(\$909,556)	(\$12,677,360)

**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, 2012**

City Subfund	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Grand Total - The Special Revenue Fund				
Revenues				
Taxes and payments in lieu of taxes	43,527,859	43,350,859	43,242,011	(108,848)
Fines and forfeitures	0	0	336,622	336,622
Revenues from money and property	0	160	62,264	62,104
Total	43,527,859	43,351,019	43,640,897	289,878
Expenditures				
Operating	4,472,400	4,475,440	4,457,010	18,430
Capital	3,572,600	25,294,303	19,365,652	5,928,651
Total	8,045,000	29,769,743	23,822,662	5,947,081
Excess (Deficiency) of Revenues Over Expenditures	35,482,859	13,581,276	19,818,235	(5,657,203)
Other financing sources (uses)				
Long-term debt issued	0	21,386,972	14,579,893	(6,807,079)
Transfer to debt escrow agent	(17,412,177)	0	0	0
Transfers in(out)	(32,103,420)	(33,054,580)	(33,884,608)	830,028
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(14,032,738)	1,913,668	513,520	(11,634,254)
Fund balance, beginning	23,538,808	23,538,808	23,538,808	0
Fund balance, ending	\$9,506,070	\$25,452,476	\$24,052,328	(\$11,634,254)

**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, 2012**

Page 1 of 3

	Capital Improvements Capital Projects Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
REVENUES				
Revenues from money and property	\$3,785,000	\$3,818,116	\$1,104,783	(\$2,713,333)
Intergovernmental	15,000,000	37,348,580	9,217,116	(28,131,464)
Gifts and donations	0	6,305,123	2,285,386	(4,019,737)
Other revenues	0	0	0	0
Total revenues	18,785,000	47,471,819	12,607,285	(34,864,534)
EXPENDITURES				
Capital	62,506,050	226,526,612	78,630,559	147,896,053
Total expenditures	62,506,050	226,526,612	78,630,559	147,896,053
Excess of revenues over expenditures	(43,721,050)	(179,054,793)	(66,023,274)	113,031,519
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	61,031,000	137,125,000	137,125,000	0
Premium on debt issue	0	17,425,336	17,425,336	0
Transfer to debt escrow agent	0	(56,303,167)	(56,303,167)	0
Transfers in	23,316,500	24,952,510	24,952,510	0
Transfers out	(14,674,539)	(14,564,923)	(14,013,680)	551,243
Total other financing sources (uses)	69,672,961	108,634,756	109,185,999	551,243
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	25,951,911	(70,420,037)	43,162,725	113,582,762
Fund balance, beginning	0	0	78,341,041	(78,341,041)
Fund balance, ending	\$25,951,911	(\$70,420,037)	\$121,503,766	\$35,241,721

**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, 2012**

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	\$1,435,709	\$1,435,709
Intergovernmental	0	38,136	38,092	(44)
Total revenues	0	38,136	1,473,801	1,435,665
EXPENDITURES				
Capital	0	2,940,145	41,505	2,898,640
Total expenditures	0	2,940,145	41,505	2,898,640
Excess of revenues over expenditures	0	(2,902,009)	1,432,296	4,334,305
OTHER FINANCING SOURCES (USES)				
Transfers in	0	329,002	329,002	0
Total other financing sources (uses)	0	329,002	329,002	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	(2,573,007)	1,761,298	4,334,305
Fund balance, beginning	5,593,877	5,593,877	5,593,877	0
Fund balance, ending	\$5,593,877	\$3,020,870	\$7,355,175	\$4,334,305

**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, 2012**

Industrial Park Capital Projects Fund				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
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.	106
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.	111
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.	116
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.	121
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.	123

**CITY OF HUNTSVILLE
NET ASSETS BY COMPONENT**

	2012	2011	2010 (a)	2009 (a)	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets, net of related debt	\$810,594,696	\$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
Restricted	91,310,823	69,827,306	59,953,224	49,434,712	58,692,417	64,781,469	72,084,583	22,362,732	46,249,719	75,344,841
Unrestricted	(203,072,841)	(144,188,651)	(115,487,088)	(119,390,646)	(49,782,330)	(59,903,462)	(79,759,378)	(66,905,526)	(97,374,177)	(68,610,382)
Total governmental activities net assets	\$698,832,678	\$731,720,359	\$746,687,173	\$775,312,510	\$686,786,691	\$681,630,605	\$654,814,425	\$636,513,965	\$646,819,161	\$672,783,439
Business-type activities										
Invested in capital assets, net of related debt	\$263,897,343	\$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
Restricted	14,820,632	9,998,784	10,802,923	12,046,366	0	0	0	0	0	0
Unrestricted	10,587,896	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
Total business-type activities net assets	\$289,305,871	\$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
Primary government										
Invested in capital assets, net of related debt	\$1,074,492,039	\$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
Restricted	106,131,455	79,826,090	70,756,147	61,481,078	58,692,417	64,781,469	72,084,583	22,362,732	46,249,719	75,344,841
Unrestricted	(192,484,945)	(130,772,407)	(93,526,389)	(97,242,743)	(21,696,292)	(39,719,842)	(68,951,703)	(56,801,735)	(86,810,684)	(46,553,372)
Total primary government net assets	\$988,138,549	\$1,013,671,637	\$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

Source: Comprehensive annual financial reports

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

**CITY OF HUNTSVILLE
CHANGES IN NET ASSETS**

	2012	2011	2010 (a)	2009 (a)	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities:										
General government	\$26,881,883	\$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
Public Safety	83,409,627	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
Public Services	137,510,430	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
Urban Development	38,815,102	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
Intergovernmental assistance (a)	0	0	0	0	0	0	0	32,746,511	71,688,039	22,651,520
Interest on long-term debt	25,462,843	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
Unallocated depreciation	29,882,021	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
Total governmental activities expenses	341,961,906	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
Business-type activities:										
Water pollution control	30,336,233	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
Civic Center	11,128,503	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
Ice Complex	1,395,951	1,207,208	1,056,821	1,047,050	1,107,937	1,182,323	1,034,614	953,920	866,690	853,854
Parking facilities	0	0	0	0	0	0	0	0	0	1,867,280
Sanitation	0	0	0	0	0	0	0	0	0	10,482,779
Total business-type activities expenses	42,860,687	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
Total primary government expenses	384,822,593	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
Program Revenues										
Governmental activities:										
Charges for services:										
General government	20,777,576	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
Public Safety	3,920,660	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
Public Services	18,116,407	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
Urban Development	2,492,147	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
Operating grants and contributions	12,395,570	10,087,125	9,607,076	5,534,331	6,041,500	7,634,443	8,555,901	6,826,703	14,342,720	7,707,848
Capital grants and contributions	22,652,346	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
Total governmental activities program revenues	80,354,706	78,157,029	64,285,626	84,265,286	58,597,934	62,959,792	55,758,001	55,201,256	52,161,891	33,727,642
Business-type activities:										
Charges for services:										
Water pollution control	36,141,264	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
Civic Center	7,212,347	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
Ice Complex	1,405,130	1,089,071	1,002,102	917,173	967,984	927,874	922,102	832,920	733,534	726,060
Parking facilities	0	0	0	0	0	0	0	0	0	1,996,919
Sanitation	0	0	0	0	0	0	0	0	0	9,191,450
Operating grants and contributions	0	0	0	0	0	0	0	0	0	0
Capital grants and contributions	2,980,046	2,147,144	1,787,827	5,293,814	2,361,822	0	41,822	1,108,069	219,561	429,877
Total business-type activities program revenues	47,738,787	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
Total primary government program revenues	128,093,493	125,554,168	107,108,379	130,528,465	102,162,267	103,944,276	92,487,251	86,297,873	78,899,507	71,446,058
Net(expense)revenue										
Governmental activities	(261,607,200)	(228,325,251)	(226,446,959)	(254,956,248)	(214,726,522)	(191,637,392)	(179,843,534)	(184,872,068)	(217,402,672)	(168,990,492)
Business-type activities	4,878,100	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)
Total primary government net expenses	(256,729,100)	(223,399,130)	(221,471,145)	(246,582,778)	(208,726,762)	(184,592,377)	(173,524,774)	(183,614,202)	(219,580,453)	(170,662,068)

**CITY OF HUNTSVILLE
CHANGES IN NET ASSETS**

	2012	2011	2010 (a)	2009 (a)	2008	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets:										
Governmental activities:										
Taxes										
Sales & use taxes	132,772,011	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
Property taxes	54,699,340	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
Other taxes	39,691,873	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
Interest on Investments	1,124,316	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
Other	944,235	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
Gains on sales of assets	1,915,391	232,794	1,142,410	3,897,397	1,010,961	2,295,338	5,341,938	5,893,780	0	0
Extraordinary impairment loss	0	0	(27,067,437)	0	0	0	0	0	0	0
Transfers	(2,427,647)	(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)
Total governmental activities	228,719,519	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
Business-type activities										
Interest on Investments	48,846	44,439	70,160	102,738	404,992	547,624	238,851	186,824	191,678	226,828
Special Item	0	0	0	30,000	0	0	0	0	0	0
Transfers	2,427,647	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
Total business-type activities	2,476,493	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
Total primary government	231,196,012	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
<u>Change in Net Assets</u>										
Governmental activities	(32,887,681)	(14,966,814)	(28,625,337)	(34,672,059)	5,156,086	27,287,228	20,963,820	(8,384,555)	(25,964,278)	(18,676,012)
Business-type activities	7,354,593	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
Total primary government	(\$25,533,088)	\$4,913,598	(\$5,785,298)	(\$22,758,909)	\$14,631,576	\$37,906,675	\$30,274,808	(\$2,428,834)	(\$53,368,184)	(\$12,433,422)

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**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Nonspendable	100,429	156,555	-	-	-	-	-	-	-	-
Restricted	244,449	211,399	-	-	-	-	-	-	-	-
Committed	417,977	2,940,666	-	-	-	-	-	-	-	-
Assigned	6,869,250	5,757,645	-	-	-	-	-	-	-	-
Unassigned	31,151,798	29,227,404	-	-	-	-	-	-	-	-
Reserved	-	-	452,658	2,268,657	2,535,938	10,642,444	209,272	205,376	3,350,926	1,392,762
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
Total general fund	38,783,903	38,293,669	37,839,821	43,891,869	55,980,337	69,737,696	48,807,026	40,147,351	44,522,774	29,566,622
All other governmental funds										
Nonspendable	1,230,972	992,765	-	-	-	-	-	-	-	-
Restricted	124,922,741	73,184,953	-	-	-	-	-	-	-	-
Committed	37,375,254	42,403,656	-	-	-	-	-	-	-	-
Assigned	5,216,839	4,259,078	-	-	-	-	-	-	-	-
Unassigned	(1,102,991)	(182,686)	-	-	-	-	-	-	-	-
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-
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
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
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
Permanent funds	-	-	1,264,302	1,246,187	1,225,666	1,177,400	1,098,569	1,038,227	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
Total all other governmental funds	167,642,815	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
Total fund balance	\$206,426,718	\$158,951,435	\$184,161,077	\$151,868,183	\$163,718,478	\$218,119,173	\$156,174,431	\$94,648,332	\$128,751,207	\$152,812,973

Source: Comprehensive annual financial reports.

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Sales and Use Tax	\$132,503,675	\$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
Property Tax	54,699,340	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
Other taxes	39,691,873	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
Licenses and permits	22,033,292	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
Fines and forfeitures	3,240,931	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
Revenues from money and property	6,211,960	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
Charges for services	15,071,641	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
Intergovernmental	21,380,475	18,328,789	18,848,842	18,311,488	14,838,735	20,075,214	12,145,124	18,860,466	18,047,858	12,663,017
Gifts and donations	3,911,580	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
Other revenues	2,122,359	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
Total Revenues	300,867,126	295,757,071	297,175,907	285,595,514	284,969,019	284,292,930	258,454,455	240,091,451	218,879,492	191,875,991
Expenditures										
General government	28,697,542	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
Public safety	80,502,982	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
Public services	77,422,057	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
Urban development	16,288,150	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
Debt service										
Principal	32,412,110	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
Interest	23,527,397	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
Fiscal charges	15,804	21,546	13,304	11,449	53,471	52,789	73,236	69,980	93,033	113,392
Debt issuance costs	1,246,871	6,500	1,148,689	1,116,280	0	1,935,175	778,962	1,052,682	672,156	1,465,533
Capital projects construction and outlay	20,600,429	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
Intergovernmental assistance	83,144,550	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
Total expenditures	363,857,892	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
Excess of revenues over (under) expenditures	(62,990,766)	(24,078,718)	(25,904,719)	(165,658,766)	(41,754,796)	(10,008,853)	(4,390,157)	(126,435,732)	(83,669,209)	(27,728,969)
Other financing sources(uses)										
Long-term debt issued	151,704,893	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
Premium on debt issue	17,425,336	0	7,106,178	9,662,918	0	2,491,409	3,030,036	4,724,090	328,461	1,507,564
Payment to escrow agent	(56,303,167)	0	(76,308,888)	0	0	(56,168,927)	0	0	0	(28,982,248)
Capital lease proceeds	0	0	0	0	0	0	232,957	2,250,427	0	0
Transfers in	90,282,567	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
Transfers (out)	(92,643,580)	(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)
Total other financing sources(uses)	110,466,049	(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
Net change in fund balances	\$47,475,283	(\$25,209,642)	\$32,292,894	(\$11,850,295)	(\$54,400,695)	\$62,415,790	\$64,189,459	(\$40,314,374)	(\$24,061,766)	\$22,875,222
Debt service as a percentage of noncapital expenditures (a)	15.7%	17.1%	18.4%	18.0%	15.0%	17.2%	17.7%	16.1%	14.5%	18.8%

Source: Comprehensive annual financial reports.

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

**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 (a)	State Gasoline	Huntsville Utilities P.I.L.O.T.	T.V.A. P.I.L.O.T.	State Beverage	State Tobacco	All Other	Total
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
2012	\$132,503,675	\$54,699,340	\$2,996,122	\$2,445,579	\$6,129,998	\$1,188,538	\$179,981	\$1,236,213	\$3,304,230	\$15,531,412	\$3,328,060	\$1,724,802	\$263,188	\$1,363,750	\$226,894,888

Source: Comprehensive annual financial reports

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

SALES TAX

Fiscal Year	City	County	State	Total
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%
2012	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					
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
2012	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
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%
2011-2012	\$190,241,294	\$190,022,859	99.9%

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

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

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

Assessment Date October 1,	Real and Personal Property						Penalties Assessed	Exempt Assessed	Class 4		Total Assessed	Total Actual	Assessed Value To Total Estimated Actual Value
	Class 1		Class 2		Class 3				Assessed	Actual			
	Assessed	Actual	Assessed	Actual	Assessed	Actual			Assessed	Actual			
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%
2011	\$27,581	\$91,937	\$1,948,313	\$9,741,566	\$863,786	\$8,637,862	\$1,830	(\$507,132)	\$241,516	\$1,610,107	\$2,575,894	\$20,081,472	12.8%

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 2011 above will be levied on October 1, 2012, and collected during the city's 2013 fiscal year.

Valuation Note:

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

Class and Assessment % Note:

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

Tax Rate Note:

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

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

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

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

Note: Information prior to 2006 is not available.

PROPERTY TAXES	2012			2003		
	City Assessed Valuation	Rank	Percentage of Total Assessed Value	City Assessed Valuation	Rank	Percentage of Total Assessed Value
Toyota Motor Manufacturing Alabama	\$95,694,820	1	3.7%			
Huntsville NYL LLC	\$27,349,580	2	1.1%			
Bell South Telecommunications Inc	\$21,918,300	3	0.9%	\$23,318,600	2	1.3%
ADTRAN Inc	\$18,151,480	4	0.7%	\$19,280,620	4	1.1%
BASF Catalysts LLC	\$19,576,100	5	0.8%			
Huntsville Shores LLC	\$13,087,340	6	0.5%			
Crestwood Healthcare LP	\$12,774,120	7	0.5%			
Redstone Federal Credit Union	\$9,489,040	8	0.4%			
Parkway Place SPE LLC	\$8,526,520	9	0.3%	\$9,981,840	9	0.5%
International Diesel	\$11,574,100	10	0.4%	\$12,424,140	7	0.7%
Rudlofs Engine				\$44,087,840	1	2.4%
Daimler Chrysler Corporation				\$16,921,740	5	0.9%
Cinram Inc				\$20,240,980	3	1.1%
Engelhard Corp.				\$13,522,180	6	0.9%
Goodyear Dunlop Tire Corporation				\$7,695,880	10	1.1%
BBC Equipment				\$11,221,300	8	0.7%
						0.0%
Top 10 subtotal	\$238,141,400		9.2%	\$178,695,120		9.8%
Other taxpayers	\$2,337,752,600		90.8%	\$1,642,073,920		90.2%
Totals	\$2,575,894,000		100.0%	\$1,820,769,040		100.0%

CITY OF HUNTSVILLE
RATIOS OF OUTSTANDING DEBT BY TYPE
(amounts expressed in thousands, except per capita amounts)

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Per Capita	Debt as % of Personal Income
	General Obligation Warrants	Revenue Warrants	PBA Lease Revenue Bonds	Capital Leases	Sewer System General Obligation Warrants	Sewer System Revenue Warrants	Capital Leases			
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%
2012	\$472,095	\$29,193	\$84,625	\$0	\$89,060	\$42,065	\$0	\$717,038	\$3,919	4.20%

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
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%	\$2,342
2009	\$406,738	\$62,532	\$469,270	2.4%	\$2,612
2010	\$447,995	\$68,925	\$516,920	2.6%	\$2,870
2011	\$416,264	\$63,536	\$479,800	2.4%	\$2,622
2012	\$472,095	\$89,060	\$561,155	not available	not available

Source: Comprehensive annual financial reports.

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

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

**CITY OF HUNTSVILLE
LEGAL DEBT MARGIN INFORMATION**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt limit	514,812,800	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
Total net debt applicable to limit	276,293,944	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
Legal debt margin	238,518,856	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
Total net debt applicable to limit as a percentage of debt limit	53.7%	51.8%	59.2%	50.3%	50.6%	61.0%	65.6%	57.2%	71.9%	73.3%

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

Assessed value of real and personal property, October 1, 2011 (a)		<u>\$2,574,064,000</u>
Debt limit - 20 percent of total assessed value		514,812,800
All outstanding debt of the City	<u>\$717,037,921</u>	
Less those portions not chargeable to the debt limit:		
Lease revenue bonds of the Public Building Authority	84,625,000	
Debt payable from other revenues:		
General obligation sewer warrants	89,059,962	
Sewer revenue warrants	42,065,000	
Private placement revenue warrants	29,192,921	
Warrants issued for schools	<u>175,225,564</u>	
Total not chargeable	<u>420,168,447</u>	
Total debt chargeable to debt limit	296,869,474	
Less assets available for debt service	<u>20,575,530</u>	<u>276,293,944</u>
Legal debt margin		<u><u>\$238,518,856</u></u>

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

**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	\$625,204,470	100.0%	\$625,204,470
Madison County	6,376,415	65.1%	<u>\$4,151,046</u>
Total			<u><u>\$629,355,516</u></u>

(a) City of Huntsville net debt outstanding includes all general obligation debt and revenue bonds of the Public Building Authority financed with general government revenues, less amounts available for debt service in the various funds. Under Alabama law, direct debt does not include general obligation debt serviced with resources from proprietary funds nor the lease revenue bonds, but these obligations are included above.

(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 (\$2,520,097,860) 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 (\$3,868,975,140) for 5.5 mills of county school district taxes. All data as of the most recently released tax abstract (October 1, 2011).

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

Fiscal Year	Gross Revenues (b)	Direct Operating Expenses (c)	Net Revenue Available for Debt Service	Debt Service Requirements(a)			Coverage
				Principal(d)	Interest	Total	
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
2012	\$36,153,998	\$16,246,846	\$19,907,152	\$11,661,625	\$4,610,899	\$16,272,524	1.22

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

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

(c) Direct operating expenses excluding depreciation and amortization.

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

**CITY OF HUNTSVILLE
DEMOGRAPHIC AND ECONOMIC STATISTICS**

Fiscal Year	Population (a)	Total Personal Income (b)	Per Capita Personal Income (b)	Unemployment Rate (c)
2002	164,655	\$10,237,351	\$29,002	4.2%
2003	166,163	\$10,791,373	\$30,129	4.3%
2004	167,787	\$11,363,017	\$31,318	4.1%
2005	170,251	\$12,174,073	\$32,949	3.0%
2006	173,189	\$13,114,483	\$34,689	2.8%
2007	174,938	\$13,951,201	\$36,084	2.6%
2008	178,819	\$15,010,000	\$37,938	3.7%
2009	179,653	\$15,476,000	\$38,090	7.2%
2010	180,105	\$16,148,000	\$38,523	7.4%
2011	182,956	\$17,073,000	\$40,126	7.6%

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

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

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

**CITY OF HUNTSVILLE
PRINCIPAL EMPLOYERS**

Employers	2012			2007		
	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	7.2%
Huntsville Hospital System	5,919	2	2.8%	5,126	2	2.5%
NASA/Marshall Space Flight Center	4,260	3	2.0%	2,555	5	1.3%
The Boeing Co	2,600	4	1.2%	2,700	4	1.3%
SAIC(Science Applications Internation Corp)	2,229	5	1.1%	1,716	8	0.8%
ADTRAN, INC	1,740	6	0.8%	1,700	9	0.8%
CINRAM, INC	1,450	9	0.7%	2,861	3	1.4%
Sanmina-SCI Corp	1,365	7	0.7%	2,500	6	1.2%
Qualitest	1,350	8	0.6%			
Intergraph Corporation	1,325	10	0.6%	2,450	7	1.2%
Siemens VDO Automotive				1,700	10	0.8%
Total Employees of 10 Principal Employers	39,638		18.8%	37,909		18.5%
Employees of Other Employers	169,574		81.2%	165,285		81.5%
Total Civilian Labor Force	209,212		100.0%	203,194		100.0%

Source:

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

Note:

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

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

Function	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government										
Administration	12	13	15	15	11	16	15	15	14	14
City Council	10	10	10	10	10	10	10	10	10	10
Clerk-Treasurer	18	18	18	18	18	18	20	21	21	21
Finance	33	33	31	31	31	28	28	31	32	32
Human Resources	13	13	13	13	13	11	11	10	10	10
I.T.S.	47	47	46	46	47	42	40	42	41	41
Legal	16	16	16	16	17	17	16	16	16	16
Total	149	150	149	149	147	142	140	145	144	144
Public Safety										
Animal Services	28	28	28	28	28	27	27	27	27	24
EMA	9	9	9	9	9	8	8	8	8	8
Fire and Rescue	400	387	377	377	354	343	340	340	342	340
Municipal Court	47	46	48	48	48	46	46	49	49	48
Police	628	628	629	613	615	603	596	591	585	649
Total	1,112	1,098	1,091	1,075	1,054	1,027	1,017	1,015	1,011	1,069
Public Services										
Cemetery	23	23	24	24	24	22	22	22	20	19
General Services	81	83	90	90	86	79	79	79	79	68
Projects Management	0	0	0	0	9	7	7	7	7	7
Fleet Services	47	49	52	35	34	33	33	33	33	33
Recreation Services	182	181	180	172	172	172	172	180	177	177
Landscape Management	232	190	229	229	225	255	253	251	218	214
Parking	54	54	55	55	55	55	55	55	55	55
Public Transportation	67	68	68	68	68	43	43	41	40	40
Public Works	258	256	287	268	272	287	284	273	281	303
Water Pollution Control	123	123	123	123	120	115	113	108	111	107
Total	1,067	1,027	1,108	1,064	1,065	1,068	1,061	1,049	1,021	1,023
Urban Development										
Community Development	44	40	40	40	40	42	42	42	42	42
Engineering	45	45	47	48	49	49	70	69	66	66
Inspection	28	28	28	28	28	30	28	28	24	24
Natural Resources	7	7	7	7	7	7	7	7	7	7
Planning	47	45	43	43	43	39	36	33	27	27
Traffic Engineering	39	38	33	34	31	29	0	0	0	0
Total	210	203	198	200	198	196	183	179	166	166
Total for all departments	2,538	2,478	2,546	2,488	2,464	2,433	2,401	2,388	2,342	2,402

Source: City of Huntsville Annual Budget

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

Function	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Public Safety										
Fire and Rescue										
Number of fire stations	17	16	16	16	16	16	16	16	16	16
Fire insurance rating	3/9	3/9	4/9	4/9	3/9	3	3	3	3	3
Number of calls answered	14,418	14,749	21,279	20,689	21,442	23,472	22,675	6,078	5,555	5,358
Inspections	18,500	18,500	21,750	21,000	21,500	18,000	15,600	13,800	14,400	12,600
Police										
Number of police stations	4	4	4	4	4	4	4	4	4	4
Physical arrests	11,253	11,849	15,045	14,179	13,625	14,020	13,148	11,653	11,317	9,539
Parking violations	11,870	11,645	13,472	13,586	16,587	15,392	9,631	8,343	9,356	8,390
Traffic violations	31,508	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	101,091	87,582	88,058	87,009	99,440	88,194	78,546	79,474	90,759	90,798
Participants in Community Center programs	2,986	2,989	3,030	3,780	2,881	4,724	5,272	7,073	5,231	8,035
Participants in Youth Athletic programs	6,062	6,438	6,573	6,771	6,709	7,246	7,829	8,181	8,807	8,920
Participants in Adult Athletic programs	6,442	5,897	6,263	6,282	6,684	4,678	4,357	4,333	4,433	4,312
Number of parks	62	62	63	63	63	63	60	59	55	52
Baseball fields	50	49	57	57	57	57	57	50	50	50
Softball fields	42	41	41	41	41	41	41	41	41	41
Soccer fields & Multi-purpose fields	59	58	50	50	50	50	50	107	107	103
Football fields	2	2	4	4	4	4	4	7	7	7
Golf courses	1	1	1	1	1	1	1	2	2	2
Tennis courts	66	53	66	66	65	65	59	61	53	45
Recreation centers	13	13	12	11	11	11	11	11	11	11
Enclosed swimming pools	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (Beginning 2011 - Lane Miles)	37,816	36,573	3,423	2,960	2,684	2,684	2,654	2,654	2,641	2,050
Street lights	21,923	21,890	21,820	21,720	20,631	20,631	19,762	19,762	19,638	17,627
Signalized street intersections	356	350	350	310	300	300	288	288	285	275
Controlled intersections	11,540	11,500	11,250	11,000	10,850	10,850	10,606	10,606	10,580	10,300
Major storm sewers (miles)	1,404	892	892	892	892	892	785	785	692	114
Potholes repaired	8,638	10,804	13,662	13,264	5,528	8,275	9,925	12,529	15,060	22,249
Sanitation										
Refuse collected (tons/day)	258	240	236	232	229	227	222	216	214	*
Trash collected (tons/day)	174	197	157	171	167	158	175	214	217	*
Water Pollution Control										
Avg daily sewage treatment(M gallon/day)	37.03	41.04	34.11	27.10	22.71	21.92	23.57	26.73	29.98	29.87
Sanitary sewers (miles)	1,365	1,290	1,290	1,260	1,260	1,260	1,200	1,200	1,150	1,050
Utilities										
New connections	1,107	752	648	191	228	359	357	308	203	224
Water main breaks	64	74	115	45	93	55	73	94	77	78
Average daily consumption (000 gallons)	41,347	40,216	41,508	37,674	42,010	46,124	41,098	36,572	35,617	33,870
Water meters in use	89,280	88,195	85,437	84,882	83,653	77,504	77,504	77,504	76,446	76,968

Sources:
Various city departments

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