

CITY OF HUNTSVILLE, ALBAMA

**2006
COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**Fiscal Year Ended
September 30, 2006**

**prepared by:
Finance Department**

**Randall E. Taylor, CPA, CGFO
Finance Director**

CITY OF HUNTSVILLE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2006

TABLE OF CONTENTS

Part I - Introductory Section:	Page
Letter of Transmittal	3
GFOA Certificate of Achievement	8
Organizational Chart	9
List of Elected Officials	10
Part II - Financial Section:	
Independent Auditor's Report.....	11
Management's Discussion and Analysis	13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	26
Statement of Activities	27
Fund Financial Statements:	
Balance Sheet – Governmental Funds	28
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.....	31
Statement of Net Assets –Proprietary Funds	33
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	34
Statement of Cash Flows – Proprietary Funds.....	35
Combining Statement of Net Assets – Discretely Presented Component Units.....	37
Combining Statement of Activities – Discretely Presented Component Units.....	38
Notes to the Financial Statements.....	39
Supplementary Information:	
Combining and Individual Fund Financial Statements:	
Balance Sheet – General Fund.....	76
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual – General Fund.....	77
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual – By Activity – General Fund	78
Schedule of Special Appropriations – Budget & Actual – General Fund	85
Introduction of Nonmajor Governmental Funds	87
Combining Balance Sheet – Nonmajor Governmental Funds.....	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	89
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – By Activity - The Special Revenue Fund.....	90
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – By Activity -Other Governmental Funds.....	93

CITY OF HUNTSVILLE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2006

	Page
Part III - Statistical Section:	
Net Assets By Component	97
Changes In Net Assets	98
Fund Balances Of Governmental Funds	100
Changes In Fund Balances Of Governmental Funds	101
Estimated Assessed and Estimated Actual Value Of Taxable Property (Thousands)	102
Governmental Activities Tax Revenues By Source	103
Principal Taxpayers - Property Taxes	104
Property Tax Levies and Collections	105
Property Tax Rates - All Direct And Overlapping Governments	106
Ratios Of Outstanding Debt By Type	107
Ratios Of General Obligation Debt Outstanding	108
Legal Debt Margin Information	109
Computation Of Direct And Overlapping Debt	110
Revenue Warrant Coverage-Water Pollution Control Fund Warrants	111
Demographic and Economic Statistics	112
Principal Employers	113
City Government Employees By Function	114
Operating Indicators and Capital Asset Statistics By Function	115

INTRODUCTORY SECTION

**Loretta Spencer
Mayor**



**"The Space to be
in the 21st Century"**

March 29, 2007

The Honorable Loretta Spencer, 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, 2006, is hereby presented to you. This report has been prepared to summarize the financial results of the City's operations in 2006, and assist you in assessing its financial condition. Many people and organizations will receive this report and it is very important to the management of the City's financial affairs.

This report consists of management's representations concerning City finances and, consequently, management is fully responsible for its completeness and reliability. To provide a reasonable basis for making these representations, management has established a city-wide internal control system that is designed to protect the City's assets from loss, theft, or misuse, and assist management to produce reliable financial information. Because the cost of internal controls should not outweigh their benefits, the City's system is intended to provide reasonable, not absolute, assurance that the City's financial statements are materially accurate. As the managers having primary responsibility for City financial matters, we assert that 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 generally accepted auditing 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 are fairly presented in conformity with generally accepted 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 adequacy of the City's internal controls and the City's compliance with legal requirements, and they have issued their reports to City management.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found on page 13.

Mayor Loretta Spencer
Members of the City Council
Citizens of Huntsville
March 31, 2006

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 189 square miles and a population of approximately 170,000. The City is empowered to levy taxes on real and personal property and to extend its corporate limits through annexation.

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

The City provides a full range of services through its various departments. Several important public services are provided by organizations for which the City has some legal oversight responsibility. The Huntsville Public Library, Art Museum, Alabama Constitution Village Museums, Burritt Museum, Huntsville Sports Commission, 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, but 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 (personal services, 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 31 and 76 through 88.

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.

Mayor Loretta Spencer
Members of the City Council
Citizens of Huntsville
March 31, 2006

Economic conditions

The national economy began to expand in 2005, and our economy has benefited from this. The City's aggressive economic development efforts have had a significant effect on City revenues, as well as promoting revenue stability through business diversification and residential growth. Because of these factors, City revenues increased at the highest rate known for many years. The unemployment rate is an economic indicator, and Madison County's 2.3 percent rate in late 2006 is less than the state and national figure, a positive sign for local business conditions and job opportunities for people in the workforce region. The median family income of Huntsville residents still substantially exceeds national and state figures.

City revenues are vulnerable to economic shifts that significantly effect consumer spending because consumption taxes (e.g. sales tax) are a substantial part of total revenue, so diversification of our major tax bases is critical. City economic development efforts, and sustained federal spending in 2006 helped provide stable local revenues. The retail and construction industry have experienced significant growth, contributing to the growth of key tax bases, as well as providing more opportunities for personal consumer spending. Local business contractors and related high-tech industries benefited by the expansion of national defense and security efforts, as did the City through the receipt of government grants.

The cornerstone of the City's recent development efforts has been the establishment of four tax increment financing districts (TIFs) by the City. The TIF projects funded by the City, all of which are complete (except for the new TIF 4), have stimulated diversified business and residential developments that are estimated to eventually exceed \$2 billion in value. The significant development of property in these districts has also increased tax collections well in excess of projected amounts, lessening the City's risk with regard to debt issued for TIF projects. The emphasis on retail business incentives has resulted in an increase of consumer spending in the City and corresponding growth in tax revenues. Also, because the quality of the Huntsville City Schools is paramount in attracting residents to the City, which in turn helps grow property values, the Mayor and Council included projects in the TIFs that facilitated \$78 million in school construction and improvements.

The local economic outlook for upcoming years appears very positive, but City managers are already noting fairly aggressive growth in the demand for public services. Given this reality, operating and spending requirements will continue to exert significant pressure on budgetary resources, and City leaders must continue to be intentional and conservative when planning.

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, 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 overpasses are under construction on Memorial Parkway; the Eastern Bypass in Hampton Cove is complete, the Northern Bypass connecting the North Huntsville Industrial Park to the interstate system is also complete. The Aldridge Creek drainage expansion is complete and significant drainage work in the downtown area

Mayor Loretta Spencer
Members of the City Council
Citizens of Huntsville
March 31, 2006

is in process. Strong demand for City property in Cummings Research Park West prompted the City's acquisition of a key tract in the middle of the park and the construction of new roads.

Long-term debt management. Most of the City's capital and schools 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 capital plan also considers a twenty-year horizon for achieving the goal of paying for more projects without debt beginning in about 2012, thus reducing interest costs significantly. Since capital spending pressure will remain very high, accomplishing this ambitious goal means City leaders must exercise considerable discipline to avoid increasing the capital spending plan in the near-term, which, while satisfying near-term demands, will eliminate greater opportunities in the long-term.

In 2006, the City mostly spent funds borrowed in prior years, but issued new debt in October 2006 for the next three years' projects.

A significant 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 is rated AA+ by Standard & Poor's Rating Services and Aa2 by Moody's Investors Service, Inc., among the highest in the nation for cities like Huntsville. These ratings were achieved a period in which the City navigated economic struggles and embarked on an aggressive economic development plan.

General Fund reserves. The fund balance of the General Fund must be maintained at a level such that the City has adequate working capital and can respond to unexpected financial shocks. Management's goal to maintain an undesignated fund balance of at least 11.5 percent of total budgeted expenditures was met in 2006, and every year since 1995.

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 Spencer has continually challenged all city departments to improve their operations and the quality of citizen services. Financial challenges remain high 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. The City provides pension benefits through the Retirement Systems of Alabama plan, and is responsible for funding 100 percent of benefit costs after mandatory 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. More information about the pension plan is found on page 70.

Mayor Loretta Spencer
Members of the City Council
Citizens of Huntsville
March 31, 2006

The City also provides medical care coverage to retired workers, and intends to annually fund current costs and the growing liability for future costs. A study was completed in April 2003 to better understand future costs, and a new study is currently being done. The cost of retiree benefits will increase, and the City's requirements to comply with funding rules will become more strict as the City becomes subject to new accounting rules in 2008. Retiree benefits may become one of the greatest financial pressures on the City in the next few years.

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, 2005, as it has for the past thirteen years. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. The Certificate of Achievement is valid for a period of one year only. Management believes that this report conforms to GFOA's requirements and is submitting it for consideration of another award.

The staff of the Finance Department and the Clerk-Treasurer Department assisted in the preparation of this report. We appreciate their hard work and for 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, 2005

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.

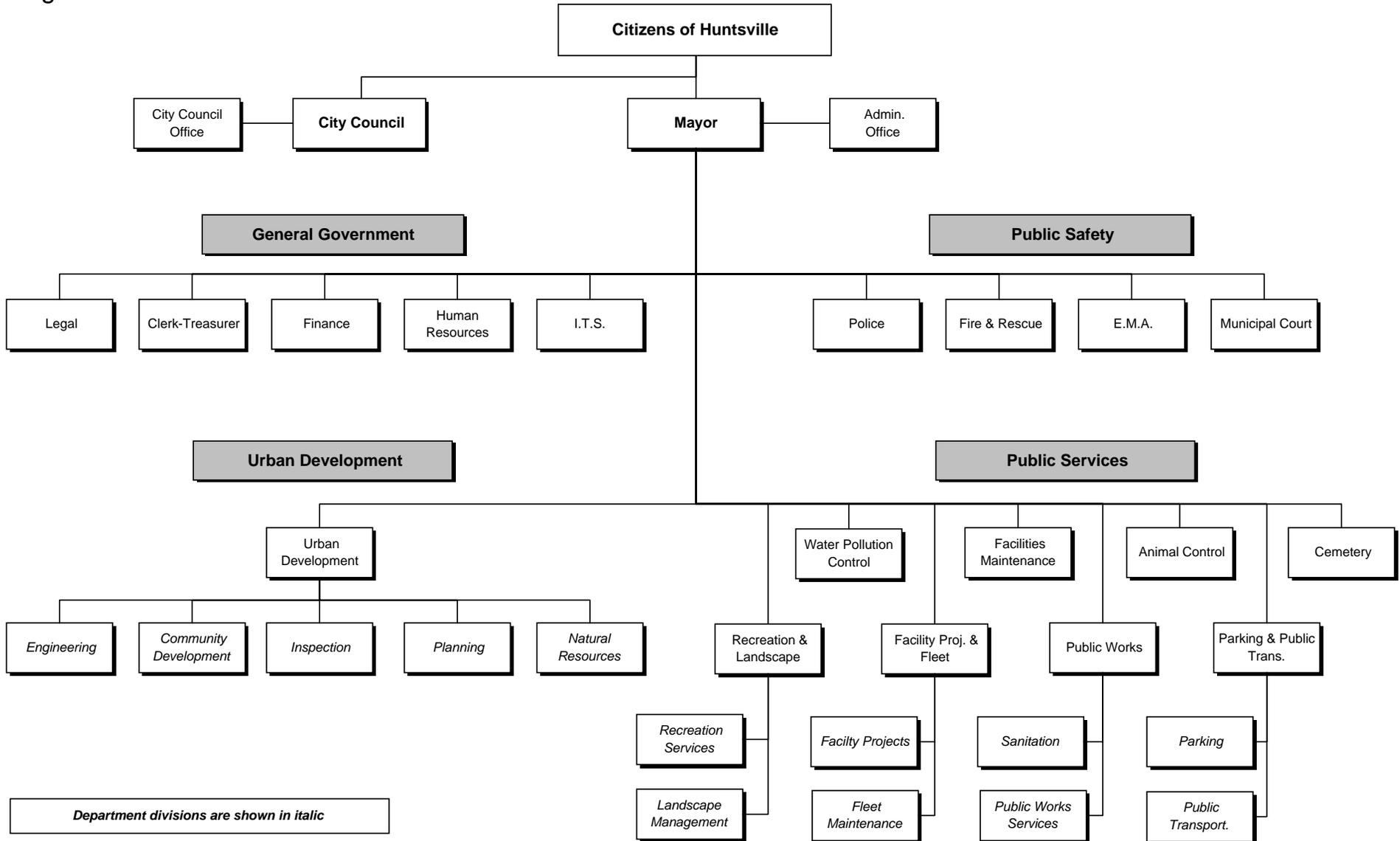


President

Executive Director

City of Huntsville

Organizational Structure



CITY OF HUNTSVILLE
ELECTED OFFICIALS
September 30, 2006

MAYOR

Honorable Loretta Spencer

TERM OF OFFICE

October 2004 – 2008

CITY COUNCIL MEMBERS

District 1 - Richard Showers

Term Expires 2008

District 2 - Mark Russell

Term Expires 2010

District 3 - Sandra Moon

Term Expires 2010

District 4 - Bill Kling

Term Expires 2010

District 5 - Glenn Watson

Term Expires 2008

FINANCIAL SECTION



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, 2006, 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's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Huntsville Electric, Natural Gas, and Water Systems (Huntsville Utilities), and the Huntsville/Madison County Convention and Visitors Bureau, which are component units of the City, or the financial statements of the Public Library Special Revenue Fund, the Huntsville Museum of Art - Board Special Revenue Fund, the Von Braun Center Enterprise Fund, and the Municipal Iceplex Enterprise Fund. Those financial statements represent 99.9% of the total assets, and 99.9% of the revenues of the discretely presented component units; 3.9% of the total assets and 7.8% of the revenues of the special revenue funds; and 20.3% of the total assets and 17.0% of the operating revenues of the enterprise funds. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Huntsville Museum of Art - Board Special Revenue Fund were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

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

Tel: 256.533.1720
800.416.1946
Fax: 256.534.8558

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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Special Revenue Fund, Capital Improvements Capital Project Fund, Cummings Research Park Capital Projects Fund and Industrial Park Capital Projects Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis beginning on page 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Huntsville's basic financial statements. The introductory section, supplementary information and the statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2007 on our consideration of the City of Huntsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Beason-Held".

Huntsville, Alabama

March 2, 2007



Management's Discussion and Analysis

As management of the City, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and the City's financial statements, which follow this section. Items of particular interest to management are highlighted.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of fiscal year 2006 by \$796.5 million.
- Net assets of the governmental activities increased \$20.9 million.
- The unrestricted net assets of the governmental activities are negative \$79.8 million, which means the City must meet its ongoing obligations to citizens and creditors from future revenues. This deficit consists of negative \$111.5 million in liabilities the City has for borrowing on behalf of the Huntsville Board of Education that are expected to be repaid from future property tax revenue collections, negative \$20.9 million in liabilities that must be settled from other future revenues, and \$52.6 million in available assets, which although they are unrestricted, there are a number of limitations as to their use.
- Total revenues of the governmental activities increased \$23.6 million, or 11.3 percent, which is the highest growth rate in many years. Of this amount, general revenues (primarily taxes) increased \$20.2 million, or 11.9 percent; grant revenues increased \$100,000; and interest revenue, increased \$3.4 million, more than double in 2005 due primarily to higher interest rates. Gains on the sale of assets, mainly from land sales in Cummings Research Park was unchanged from 2005, but remains strong at \$5.3 million.
- Net assets of the business-type activities increased \$9.3 million, and their net unrestricted net assets are \$10.8 million, which may be used to meet their ongoing obligations.
- As of September 30, 2006, the governmental funds reported a combined ending fund balance of \$156.2 million, an increase of \$64.2 million from the prior year, which included the following significant sources:
 - General Fund increase, \$8.6 million, primarily from higher sales tax revenues.
 - The Special Revenue Fund, \$4.1 million TIF accounts, from net property taxes after debt service
 - The Special Revenue Fund, TIF accounts, \$3.9 million from new debt for projects that were completed in 2005 (borrowed from the General Fund at that time).
 - Capital Improvement Fund, \$44.3 million, mainly from new debt for projects to be completed over the next several years.

Management's Discussion and Analysis- Continued

- Most of the \$156.2 ending fund balance must be spent for specific purposes. **Only \$7.8 million is not reserved by law or designated by management**, and this amount is available to finance the activities of the governmental funds.
- The General Fund reported a fund balance of \$48.8 million and \$7.8 million of this amount is available for any purpose. As described above, the fund balance increased \$8.6 million from the prior year.
- The City's debt associated with governmental activities increased \$43.6 million in 2006. **New debt in the amount of \$68.1 million was issued for capital plan, TIF and recreation projects; and \$24.5 million of debt principal was paid.**

Overview of the Financial Statements

This discussion and analysis are intended to serve as 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* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

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. Over time, 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 the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only 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, urban development, and intergovernmental functions. The intergovernmental functions of the City are those activities whereby the City provides financial resources to other governmental entities, primarily the Huntsville Board of Education for support of the city school system.

The business-type activities of the City include the sanitary sewer, 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 26 and 27 of this report.

Management's Discussion and Analysis- Continued

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

The basic governmental fund financial statements can be found on pages 28 through 32 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 its sanitary sewer (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 can be found on pages 33 through 36 of this report.

Management's Discussion and Analysis- Continued

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 39 through 74 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 76 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 \$796.5 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. In fact, the restricted net assets is greater than the total net assets, a deficit situation (see below). The most significant restriction is the \$793.3 million 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 portion of the City's net assets, \$72.1 million, represents resources that are subject to restrictions as to how they may be used, such restrictions being imposed by legal requirements other than those imposed by the City Council (e.g. state or federal law).

The remaining balance of unrestricted net assets is a negative \$68.9 million, which consisted of a negative \$79.8 million from governmental activities (the deficit situation referred to above) and a positive \$10.8 million from business-type activities. The negative unrestricted net assets represents the fact that at the end of 2006, the "non-capital asset debt" and other liabilities of the City exceeded the unrestricted assets available to pay them. This figure is further analyzed as follows (in thousands):

Liabilities arising from governmental activities:	
Long-term debt incurred to construct assets that are not owned by the City (primarily school facilities)	(\$112,372)
Other liabilities	<u>(19,993)</u>
Total	(132,365)
Unrestricted assets available	<u>52,606</u>
Unrestricted net assets	<u>(\$79,759)</u>

The long-term debt incurred to construct assets which are not owned by the City consisted of \$110.6 million to construct school facilities owned by the Huntsville Board of Education and \$1.8 million for industrial developments owned by other entities. 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.

Other liabilities primarily includes the value of compensated absences, or accrued leave owed to employees, which was \$14.8 million at year-end. This amount must be paid from revenues of future periods.

Management's Discussion and Analysis- Continued

City of Huntsville's Net Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$182,686	\$117,741	\$17,198	\$21,506	\$199,884	\$139,247
Capital assets	950,776	951,314	236,394	230,208	1,187,170	1,181,522
Total assets	1,133,462	1,069,055	253,592	251,714	1,387,054	1,320,769
Long-term liabilities outstanding	455,004	408,110	107,158	114,299	562,162	522,409
Other liabilities	23,643	27,094	4,770	5,062	28,413	32,156
Total liabilities	478,647	435,204	111,928	119,361	590,575	554,565
Net assets:						
Invested in capital assets, net of related debt	662,489	681,057	130,856	122,249	793,345	803,306
Restricted	72,085	45,362	0	0	72,085	45,362
Unrestricted	(79,759)	(92,568)	10,808	10,104	(68,951)	(82,464)
Total net assets	\$654,815	\$633,851	\$141,664	\$132,353	\$796,479	\$766,204

Net assets from governmental activities decreased \$20.9 million in fiscal year 2006 and net assets from business-type activities increased \$9.3 million. The changes in restricted and unrestricted net assets can be explained as follows (in thousands):

	Governmental Activities	Business-Type Activities
Restricted for capital assets:		
Net additions of new capital assets	\$34,700	\$12,463
Depreciation of capital assets	(35,237)	(6,276)
Net decrease (increase) in capital related debt	(18,031)	6,770
Net (decrease) in SRF drawdowns financing capital assets	0	(4,350)
	(18,568)	8,607
Other restrictions:		
Increase in restricted funds for capital projects	21,994	0
Increase in restricted funds for debt service	4,517	0
Other net expenditures subject to restrictions	212	0
	26,723	0
Unrestricted:		
Increases (decreases) in net assets:		
General Fund	8,659	0
The Special Revenue Fund	6,462	0
Cummings Research Park	(7,153)	0
Alabama Constitution Village Fund	1,847	0
Water Pollution Control Fund	0	1,315
Net (increase) decrease in non-capital related liabilities	2,813	0
All other changes	181	(611)
	12,809	704
Change in net assets	\$20,964	\$9,311

Management's Discussion and Analysis- Continued

City of Huntsville's Changes in Net Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$39,090	\$35,977	\$36,687	\$29,989	\$75,777	\$65,966
Operating grants & contributions	11,014	4,164	0	0	11,014	4,164
Capital grants & contributions	5,655	12,397	42	1,108	5,697	13,505
General revenues:						
Sales taxes	114,581	104,963	0	0	114,581	104,963
Property taxes	40,235	33,177	0	0	40,235	33,177
Other taxes	35,720	32,149	0	0	35,720	32,149
Interest on investments	6,253	2,867	239	186	6,492	3,053
Other	2,256	1,949	0	0	2,256	1,949
Gains on sales of assets	5,342	5,894	0	0	5,342	5,894
Total revenues	<u>260,146</u>	<u>233,537</u>	<u>36,968</u>	<u>31,283</u>	<u>297,114</u>	<u>264,820</u>
Expenses:						
General government	19,727	18,296	0	0	19,927	18,296
Public safety	62,263	58,301	0	0	62,263	58,301
Public services	89,603	99,713	0	0	89,603	99,713
Urban development	18,321	15,826	0	0	18,321	15,826
Interest on long-term debt	20,238	20,141	0	0	20,038	20,141
Unallocated depreciation	26,277	27,797	0	0	26,277	27,797
Water pollution control	0	0	20,900	20,929	20,900	20,929
Other	0	0	9,510	8,910	9,510	8,910
Total expenses	<u>236,429</u>	<u>240,074</u>	<u>30,410</u>	<u>29,839</u>	<u>266,839</u>	<u>269,913</u>
Increase in net assets before transfers	23,717	(6,537)	6,558	1,444	30,275	(5,093)
Transfers	(2,753)	(4,511)	2,753	4,511	0	0
Increase (decrease) in net assets	<u>20,964</u>	<u>(11,048)</u>	<u>9,311</u>	<u>5,955</u>	<u>30,275</u>	<u>(5,093)</u>
Net assets - beginning of year	633,851	644,899	132,353	126,398	766,204	771,297
Net assets - end of year	<u>\$654,815</u>	<u>\$633,851</u>	<u>\$141,664</u>	<u>\$132,353</u>	<u>\$796,479</u>	<u>\$766,204</u>

Governmental Activities. Revenues from governmental activities increased \$23.1 million in 2006. The most significant changes were as follows:

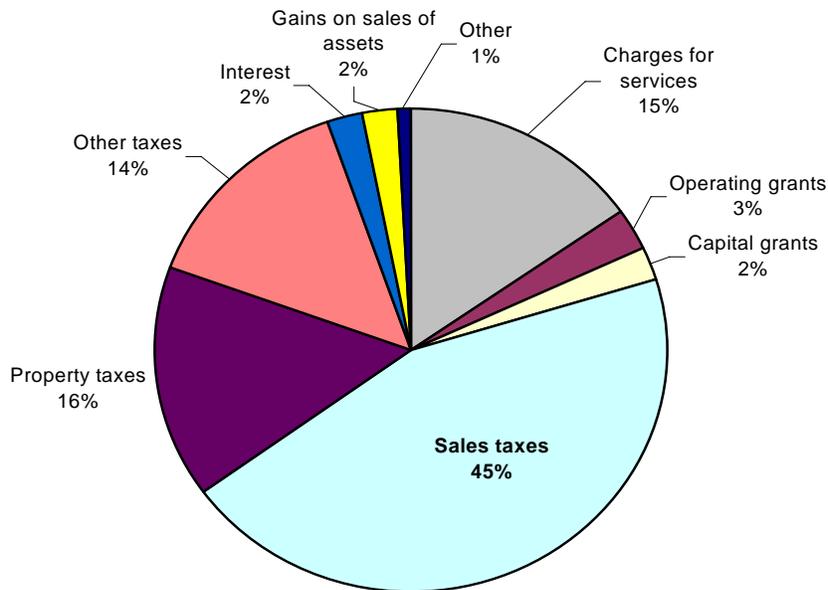
- Charges for services increased \$3.1 million, or 8.7 percent. Privilege licenses increased \$924,000, or 6.4 percent; building-related permits increased \$458,000, or 19 percent (a record increase); and municipal court fines increased \$647,000, or 31.2 percent.
- Capital and operating grants from federal and state agencies increased \$108,000 from the prior year.
- Sales taxes increased \$9.6 million, or 9.2 percent.
- Property taxes increased \$7 million, or 21 percent, largely due to the effect of a county-wide reappraisal and TIF revenue growth.
- Interest on investments increased \$3.4 million, or 118 percent due to higher rates of interest.

Management's Discussion and Analysis- Continued

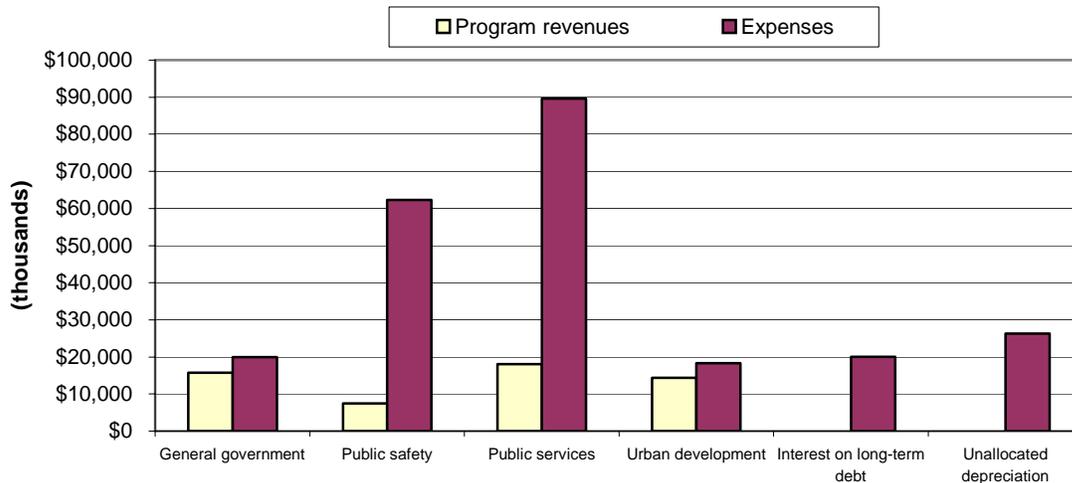
Expenses of governmental activities decreased \$3.6 million, or 1.5 percent in 2006. The most significant changes were as follows:

- General government expenses increased \$1.4 million, or 7.8 percent. Health care costs included in this increased \$545,000, or 9.5 percent.
- Public safety expenses increased \$4 million, or 6.8 percent. \$2.2 million of this increase was Police Department personnel costs, which increased 8.2 percent.
- Public services expenses decreased \$10.1 million, or 10.1 percent. Of this amount, a \$12 decrease was because of the completion of TIF school projects that were expensed in 2005 (not capital assets of the City), thereby reducing expenses in 2006. No other changes were individually significant.

Revenues by Source - Governmental Activities

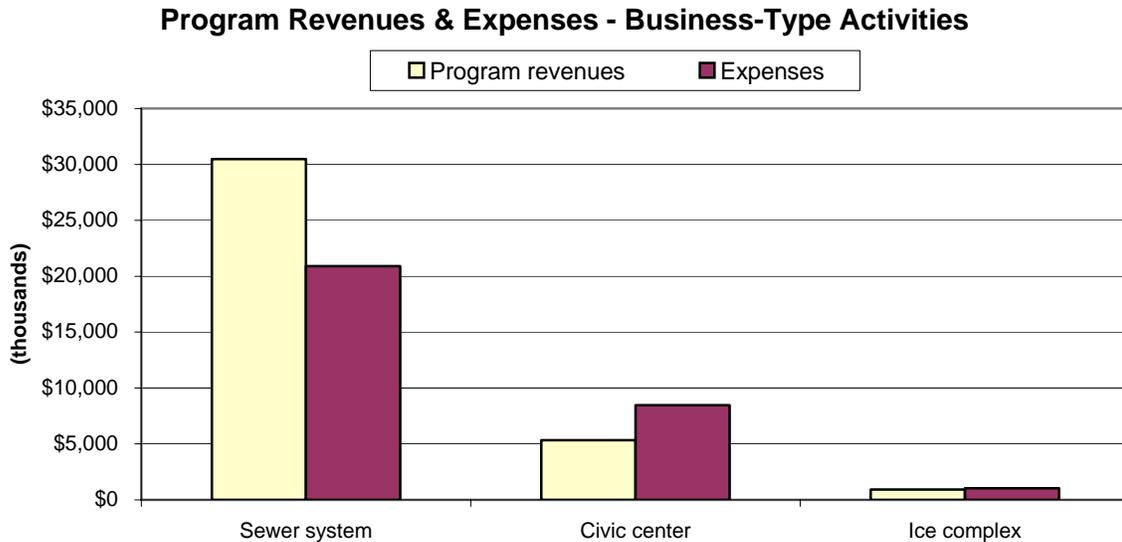


Program Revenues & Expenses - Governmental Activities



Management's Discussion and Analysis- Continued

Business-Type Activities. Revenues increased \$5.7 million, or 18.2 percent due to a sewer rate increase that was enacted in March 2005. Expenses increased only \$571,000, or 1.9 percent.



Financial Analysis of the Governmental Funds

As noted earlier, the City used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The combined fund balances of the City's governmental funds increased \$64.2 million in 2006, and the total balance as of September 30, 2006, was \$156.2 million. This amount is available for spending subject to certain restrictions or limitations:

- Reserved indicates it is not available for discretionary spending because it is restricted externally, such as by federal and state law, or is not available because it does not constitute current resources, such as long-term notes receivable.
- Designated indicates it is not available for discretionary spending because it is limited for particular purposes by City ordinance and policy, such as to fulfill prior year purchase orders and commitments, or for employee post-retirement benefits.
- Unreserved and undesignated, but only within the limitations of certain funds that have been established, like the Public Building Authority Fund or the Capital Improvements Fund.
- Unreserved and undesignated is not subject to any limitations other than as broadly defined in state and City law.

Management's Discussion and Analysis- Continued

A detail of the fund balances of the governmental funds as of September 30, 2006, is as follows:

Reserved	\$26,296,150
Designated for specific purposes:	
Prior year commitments	11,347,963
Cemetery improvements	1,394,692
Contingencies (11.5% requirement)	23,315,000
Employee benefits	723,913
Parking facilities construction	1,820,993
Post-retirement benefits	9,569,403
Tourism activities	980,369
Other	1,465,682
	50,618,015
Undesignated, but limited as to use:	
Debt service	3,234,567
Externally-restricted	6,751,960
Perpetual care	1,098,569
Capital projects	60,389,770
	71,474,866
Not reserved or designated	7,785,400
Total	\$156,174,431

The increase of \$64.2 million in the combined fund balances of the City's governmental funds was mostly attributable to the changes in the individual funds as follows:

- General Fund increase, \$8.6 million, primarily from higher sales tax revenues.
- The Special Revenue Fund, \$4.1 million TIF accounts, from net property taxes after debt service
- The Special Revenue Fund, TIF accounts, \$3.9 million from new debt for projects that were completed in 2005 (borrowed from the General Fund at that time).
- Capital Improvement Fund, \$44.3 million, mainly from new debt for projects to be completed over the next several years.

The General Fund is the primary operating fund of the City. The unreserved fund balance of the General Fund was \$48.6 million, but \$40.8 million of this amount has been designated by management. The remaining balance of \$7.8 million is available for any purpose. Management's policy is to retain 11.5 percent of next year's budget on hand for working capital and as cushion against unexpected financial shocks - \$23.3 million was designated for this purpose at the end of 2006.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures (including transfers out). Unreserved fund balance represents 31.5 percent of total general fund expenditures (including transfers out), which was the same percentage of the total fund balance since reserves were not significant.

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 \$9.3 million in 2006, all of which was from the Water Pollution Control Fund.

Management's Discussion and Analysis- Continued

Governmental Funds Budgetary Highlights

General Fund. The net difference between the original and final General Fund budgets was \$6.5 million, and the individually significant changes were as follows:

	Offsetting Budget Changes	Net Change to Budget
Grant revenue was increased \$5.3 million for new grants, with a corresponding increase in various program expenditures	\$5,300,000	
Capital lease proceeds was increased \$3.5 million with a corresponding increase in fire department capital expenditures	3,500,000	
Appropriation of prior year unreserved and undesignated fund balance for capital expenditures		\$3,246,000
Parking capital expenditures increased as prior year fund balance designated for parking facilities was appropriated for the construction of facilities		834,000
Appropriation of prior year fund balance designated for tourism purposes for various tourism-related expenditures		895,000
Appropriation of additional money for the capital expenditure for police cars		750,000
Increase police department repair budget		300,000
All other appropriations		430,000
Total net changes		\$6,455,000

Management's Discussion and Analysis- Continued

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2006, totals \$1.2 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 \$5.6 million in 2006 - \$43.7 million of net acquisitions less \$38.1 million of depreciation. The largest capital additions were as follows:

- Construction of sewer system improvements - \$10.7 million
- Continuing expansion of the of the city-county jail - \$4.3 million
- Continued construction of roads in North Huntsville Industrial Park - \$3.4 million
- Purchase of land in Cummings Research Park - \$2.8 million
- Construction of the extension of Explorer Boulevard in Cummings Research Park - \$2.8 million
- Completion of the Big Spring Park Canal - \$2.7 million
- Continuing improvements to Spring Branch drainage improvements - \$1.8 million
- Begin construction on Taylor Road improvements - \$1.8 million
- Begin construction on Bob Heath Drive in Cummings Research Park - \$1.0 million
- Construction of improvements to the Von Braun Center related to the Embassy Suites Hotel project - \$1.3 million
- Continued construction of Bridge Street offsite drainage improvements - \$780,000
- Continued construction of Indian Creek Greenway - \$619,000
- Purchase of thirty police cars - \$613,000
- Replacement sanitation trucks were purchased -\$589,000

City of Huntsville's Capital Assets

(In thousands, net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$64,285	\$60,911	\$6,945	\$6,945	\$71,230	\$67,856
Construction in process	0	0	1,428	71	1,428	71
Land improvements	20,494	18,191	0	0	20,494	18,191
Buildings and improvements	116,547	114,866	222,430	217,341	338,977	332,207
Infrastructure	728,733	737,417	0	0	728,733	737,417
Other	20,717	19,929	5,591	5,851	26,308	25,780
Total	\$950,776	\$951,314	\$236,394	\$230,208	\$1,187,170	\$1,181,522

Additional information on the City's capital assets can be found in Note 4B on pages 51 through 55 of this report.

Management's Discussion and Analysis- Continued

Long-term debt. As of September 30, 2006, the City had \$545.6 million of long-term debt outstanding. Of this amount, \$427.2 million is debt backed by the full faith and credit of the City, and \$118.4 million is comprised of revenue bonds and warrants secured solely by specific revenue sources (sewer system debt).

City of Huntsville's Outstanding Debt (in thousands) General Obligation and Revenue Debt

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation warrants	\$383,000	\$338,105	\$44,245	\$47,630	\$427,245	\$385,735
Revenue warrants	0	0	64,245	67,795	64,245	67,795
Lease revenue bonds	54,105	55,355	0	0	54,105	55,355
Total	\$437,105	\$393,460	\$108,490	\$115,425	\$545,595	\$508,885

The City issued \$68.1 million of general obligation debt in 2006, for capital plan, TIF and recreation projects.

The City's general obligation bond rating by Standard & Poor's Corporation and Moody's Investors Service, Inc. are AA+ and Aa2, 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, 2006, the City's allocable debt outstanding was 135.9 million less than the legal debt limit.

Additional information regarding the City's long-term debt can be found in Note 4E on pages 58 through 67 of this report.

2007 Budget

The Mayor and City Council considered many factors when developing the fiscal year 2007 budget. The improving state of the national economy and Huntsville's own development initiatives permitted greater projected revenue increases than in recent years. A 2007 budget of \$203.8 million was adopted for the general fund and this will require recurring revenue growth of 2.5 percent. As of March 2007, revenues are within budgetary goals, and significant budget changes are not expected.

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@hsvcity.com. This report and other City financial information is available on the City's website at http://www.hsvcity.com/finance/finance_reports.php.

BASIC FINANCIAL STATEMENTS

CITY OF HUNTSVILLE
STATEMENT OF NET ASSETS
September 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash & investments, at cost	\$150,283,456	\$12,600,297	\$162,883,753	\$58,320,484
Receivables (net of allowances)	19,124,869	4,134,926	23,259,795	33,003,021
Due from governmental entities	5,977,817	0	5,977,817	37,918
Inventories	111,746	110,127	221,873	16,210,501
Prepaid items	99,825	344,475	444,300	501,276
Revenue warrants - drawdowns receivable	0	1,012,850	1,012,850	0
Internal balances	2,289,843	(2,289,843)	0	0
Deferred costs	4,797,931	1,284,384	6,082,315	1,190,084
Restricted assets				
Cash & investments, at cost	0	0	0	54,397,490
Capital assets				
Land, collections and construction in process	64,285,403	8,373,147	72,658,550	19,681,235
Other assets, net of accum. depreciation	886,490,842	228,021,211	1,114,512,053	381,899,070
Total assets	1,133,461,732	253,591,574	1,387,053,306	565,241,079
LIABILITIES				
Accounts payable	6,587,114	1,807,582	8,394,696	45,215,677
Accrued liabilities	11,256,469	1,533,845	12,790,314	6,399,608
Contract retainages	2,207,295	439,758	2,647,053	0
Due to governmental entities	613,077	0	613,077	0
Notes payable	0	266,121	266,121	0
Customer deposits	6,500	564,418	570,918	38,085,073
Deferred revenue	1,872,107	157,967	2,030,074	0
Other	1,100,471	0	1,100,471	0
Liabilities payable from restricted assets:				
Other	0	0	0	854,341
Noncurrent liabilities				
Due within one year	29,175,429	7,347,656	36,523,085	3,039,499
Due in more than one year	425,828,845	99,809,927	525,638,772	52,925,723
Total liabilities	478,647,307	111,927,274	590,574,581	146,519,921
NET ASSETS				
Invested in capital assets, net of related debt	662,489,220	130,856,625	793,345,845	345,765,903
Restricted for:				
Capital projects	41,258,315	0	41,258,315	8,730,298
City schools	10,863,334	0	10,863,334	0
Debt service	10,491,642	0	10,491,642	9,319,112
Federal programs	7,408,739	0	7,408,739	0
Other	2,062,553	0	2,062,553	1,423,437
Unrestricted	(79,759,378)	10,807,675	(68,951,703)	53,482,408
Total net assets	\$654,814,425	\$141,664,300	\$796,478,725	\$418,721,158

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2006

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	\$19,726,918	\$15,800,779	\$0	\$0	(\$3,926,139)	\$0	(\$3,926,139)	\$0
Public safety	62,262,521	3,564,980	387,409	3,468,834	(54,841,298)	0	(54,841,298)	0
Public services	89,603,382	15,216,215	2,901,122	0	(71,486,045)	0	(71,486,045)	0
Urban development	18,320,523	4,507,747	7,724,970	2,185,945	(3,901,861)	0	(3,901,861)	0
Interest on long-term debt	20,238,610	0	0	0	(20,238,610)	0	(20,238,610)	0
Unallocated depreciation	26,276,581	0	0	0	(26,276,581)	0	(26,276,581)	0
Total governmental activities	236,428,535	39,089,721	11,013,501	5,654,779	(180,670,534)	0	(180,670,534)	0
Business-type activities								
Water pollution control	20,899,980	30,434,720	0	41,822	0	9,576,562	9,576,562	0
Civic center	8,475,896	5,330,606	0	0	0	(3,145,290)	(3,145,290)	0
Ice complex	1,034,614	922,102	0	0	0	(112,512)	(112,512)	0
Total business-type activities	30,410,490	36,687,428	0	41,822	0	6,318,760	6,318,760	0
Total primary government	266,839,025	75,777,149	11,013,501	5,696,601	(180,670,534)	6,318,760	(174,351,774)	0
Component Units								
All	424,663,150	441,585,313	37,600	0	0	0	0	16,959,763
Total component units	\$424,663,150	\$441,585,313	\$37,600	\$0	0	0	0	16,959,763
General Revenues								
Sales & use taxes					114,580,803	0	114,580,803	0
Property taxes					40,235,507	0	40,235,507	0
Other taxes					35,719,573	0	35,719,573	317,734
Interest on investments					6,253,502	238,851	6,492,353	5,510,610
Other					2,256,408	0	2,256,408	1,195,871
Gains on sales of assets					5,341,938	0	5,341,938	0
Capital contributions					0	0	0	6,079,451
Transfers					(2,753,377)	2,753,377	0	0
Total general revenues & transfers					201,634,354	2,992,228	204,626,582	13,103,666
Change in net assets								
Net assets, beginning					636,513,965	132,353,312	768,867,277	388,657,729
Prior period adjustment					(2,663,360)	0	(2,663,360)	0
Net assets, ending					\$654,814,425	\$141,664,300	\$796,478,725	\$418,721,158

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2006**

	General Fund	Debt Service	The Special Revenue	Public Building Authority	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash & investments, at cost	\$64,177,329	\$3,234,567	\$11,644,781	\$6,797,699	\$54,516,884	\$9,912,196	\$150,283,456
Receivables (net of allowances)							
Accounts	12,831,269	0	287,937	0	0	101,747	13,220,953
Notes	0	0	0	0	0	5,678,872	5,678,872
Accrued interest	0	0	0	0	0	225,044	225,044
Due from other funds	3,571,615	0	8,814,101	1,283,274	13,012,917	6,173,668	32,855,575
Due from governmental entities	1,081,446	0	289,551	0	4,530,195	76,625	5,977,817
Inventories	57,014	0	0	0	0	54,732	111,746
Prepaid items	0	0	0	0	0	99,825	99,825
Total assets	81,718,673	3,234,567	21,036,370	8,080,973	72,059,996	22,322,709	208,453,288
LIABILITIES							
Accounts payable	2,639,726	0	191,099	322,730	1,812,772	1,620,787	6,587,114
Accrued liabilities	5,484,647	0	0	0	0	325,143	5,809,790
Contract retainages	1,033,163	0	0	644,758	385,486	143,888	2,207,295
Due to other funds	21,160,460	0	4,212,077	0	5,050,000	143,195	30,565,732
Due to governmental entities	613,077	0	0	0	0	0	613,077
Deferred revenue	880,103	0	0	0	3,948,595	560,180	5,388,878
Customer deposits	0	0	0	0	0	6,500	6,500
Other	1,100,471	0	0	0	0	0	1,100,471
Total liabilities	32,911,647	0	4,403,176	967,488	11,196,853	2,799,693	52,278,857
FUND BALANCES							
Reserved for:							
City schools	0	0	10,863,334	0	0	0	10,863,334
Debt service	0	0	4,664,207	2,592,868	0	0	7,257,075
Donor restricted	0	0	0	0	0	956,900	956,900
Notes receivable	0	0	0	0	0	5,903,916	5,903,916
Other	209,272	0	1,105,653	0	0	0	1,314,925
Unreserved, designated for:							
Encumbrances	1,542,302	0	0	0	6,993,422	0	8,535,724
Encumbrances-capital project funds	0	0	0	0	0	2,812,239	2,812,239
Cemetery improvements	1,394,692	0	0	0	0	0	1,394,692
Contingencies	23,315,000	0	0	0	0	0	23,315,000
Employee benefits	723,913	0	0	0	0	0	723,913
Parking facilities construction	1,820,993	0	0	0	0	0	1,820,993
Post-retirement benefits	9,569,403	0	0	0	0	0	9,569,403
Tourism activities	980,369	0	0	0	0	0	980,369
Other	1,465,682	0	0	0	0	0	1,465,682
Unreserved & undesignated, reported in:							
General fund	7,785,400	0	0	0	0	0	7,785,400
Debt service fund	0	3,234,567	0	0	0	0	3,234,567
Special revenue funds	0	0	0	4,520,617	0	2,231,343	6,751,960
Permanent fund	0	0	0	0	0	1,098,569	1,098,569
Capital projects funds	0	0	0	0	53,869,721	6,520,049	60,389,770
Total fund balance	48,807,026	3,234,567	16,633,194	7,113,485	60,863,143	19,523,016	156,174,431
Total liabilities and fund balance	\$81,718,673	\$3,234,567	\$21,036,370	\$8,080,973	\$72,059,996	\$22,322,709	

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	950,776,245
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(452,136,251)</u>

Net assets of governmental activities	<u>\$654,814,425</u>
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**CITY OF HUNTSVILLE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2006**

	General Fund	Debt Service	The Special Revenue	Public Building Authority	Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUE							
Sales & use taxes	114,580,803	0	0	0	0	0	\$114,580,803
Property taxes	10,693,206	0	29,542,301	0	0	0	40,235,507
Other taxes	32,549,425	0	3,170,148	0	0	0	35,719,573
Licenses & permits	20,106,428	0	0	0	0	0	20,106,428
Fines & forfeitures	2,834,520	0	204,670	0	0	377,161	3,416,351
Revenues from money & property	4,627,521	222,926	347,689	289,214	2,494,846	8,524,931	16,507,127
Charges for services	12,256,065	0	0	0	0	0	12,256,065
Intergovernmental	5,573,538	0	0	0	3,825,131	2,746,455	12,145,124
Gifts & donations	17,606	0	0	0	0	1,396,719	1,414,325
Other revenues	1,491,778	0	0	0	100,986	480,388	2,073,152
Total revenues	204,730,890	222,926	33,264,808	289,214	6,420,963	13,525,654	258,454,455
EXPENDITURES							
Current							
General government	18,457,838	0	0	0	0	0	18,457,838
Public safety	60,111,547	0	122,745	0	0	0	60,234,292
Public services	49,197,153	0	3,300,297	0	3,946,457	10,182,794	66,626,701
Urban development	9,796,307	0	0	0	1,631,934	5,500,847	16,929,088
Debt service							
Principal	431,517	23,175,000	0	1,250,000	584,696	4,372	25,445,585
Interest	60,453	17,606,890	0	2,621,590	0	0	20,288,933
Fiscal charges	0	73,236	0	0	0	0	73,236
Debt issuance costs	0	0	127,767	0	651,195	0	778,962
Capital projects construction and outlay	0	0	4,517,093	4,346,732	13,962,410	8,326,439	31,152,674
Intergovernmental assistance	16,179,409	0	3,337,773	0	3,340,121	0	22,857,303
Total expenditures	154,234,224	40,855,126	11,405,675	8,218,322	24,116,813	24,014,452	262,844,612
Excess (deficiency) of revenues over expenditures	50,496,666	(40,632,200)	21,859,133	(7,929,108)	(17,695,850)	(10,488,798)	(4,390,157)
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	0	0	10,448,753	0	46,071,247	11,550,000	68,070,000
Premium on debt issue	0	0	275,823	0	2,754,213	0	3,030,036
Capital lease proceeds	0	0	0	0	0	232,957	232,957
Transfers in	0	43,845,007	124,386	3,848,188	35,822,276	8,814,639	92,454,496
Transfers (out)	(41,836,991)	0	(22,970,103)	0	(22,600,779)	(7,800,000)	(95,207,873)
Total other financing sources (uses)	(41,836,991)	43,845,007	(12,121,141)	3,848,188	62,046,957	12,797,596	68,579,616
Net change in fund balance	8,659,675	3,212,807	9,737,992	(4,080,920)	44,351,107	2,308,798	64,189,459
Fund balance, beginning	40,147,351	21,760	6,895,202	11,194,405	19,175,396	17,214,218	94,648,332
Prior period adjustment	0	0	0	0	(2,663,360)	0	(2,663,360)
Fund balance, ending	48,807,026	3,234,567	16,633,194	7,113,485	60,863,143	19,523,016	\$156,174,431

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, 2006

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

Net change in fund balances - total governmental funds	\$64,189,459
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.	1,262,382
Carrying value of assets disposed of during the year, which is not reported in the governmental funds.	(1,825,494)
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(45,398,999)
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.	3,516,771
Other revenue/expenses reported in the Statement of Activities that do not provide/require current financial resources.	<u>(780,299)</u>
Change In Net Assets Of Governmental Activities	<u><u>\$20,963,820</u></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, 2006**

	Budget		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Taxes and payments in lieu of taxes	\$149,755,714	\$150,030,943	\$157,823,434	\$7,792,491
Licenses and permits	18,487,300	18,645,637	20,106,428	1,460,791
Fines and forfeitures	2,087,400	2,374,400	2,834,520	460,120
Revenues from money and property	1,894,800	2,005,346	4,627,521	2,622,175
Charges for services	11,946,685	11,966,685	12,256,065	289,380
Intergovernmental	2,703,359	8,027,134	5,573,538	(2,453,596)
Gifts and donations	0	0	17,606	17,606
Other revenues	560,398	561,398	1,491,778	930,380
Total revenues	187,435,656	193,611,543	204,730,890	11,119,347
EXPENDITURES				
Current				
General government	15,746,711	15,994,523	18,457,838	(2,463,315)
Public safety	56,278,045	65,354,159	60,111,547	5,242,612
Public services	48,064,353	52,776,391	49,197,153	3,579,238
Urban development	10,021,916	10,369,579	9,796,307	573,272
Debt service	491,970	491,970	491,970	0
Intergovernmental assistance	15,128,204	15,982,191	16,179,409	0
Total expenditures	145,731,199	160,968,813	154,234,224	6,931,807
Excess of revenues over expenditures	41,704,457	32,642,730	50,496,666	17,853,936
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	0	3,500,000	0	(3,500,000)
Transfers out	(39,965,027)	(40,858,123)	(41,836,991)	(978,868)
Total other financing sources (uses)	(39,965,027)	(37,358,123)	(41,836,991)	(4,478,868)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,739,430	(4,715,393)	8,659,675	13,375,068
Fund balance, beginning	40,147,351	40,147,351	40,147,351	0
Fund balance, ending	\$41,886,781	\$35,431,958	\$48,807,026	\$13,375,068

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, 2006**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and payments in lieu of taxes	\$28,958,400	\$28,958,400	\$32,712,449	\$3,754,049
Fines and forfeitures	0	0	204,670	204,670
Revenues from money and property	0	0	347,689	347,689
Total revenues	28,958,400	28,958,400	33,264,808	4,306,408
EXPENDITURES				
Current				
Public safety	0	0	122,745	(122,745)
Public services	3,190,000	3,190,000	3,300,297	(110,297)
Capital projects construction and outlay	7,380,000	4,830,923	4,517,093	313,830
Debt service	108,000	127,767	127,767	0
Intergovernmental assistance	1,500,000	3,337,773	3,337,773	0
Total expenditures	12,178,000	11,486,463	11,405,675	80,788
Excess of revenues over expenditures	16,780,400	17,471,937	21,859,133	4,387,196
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	10,800,000	10,449,753	10,448,753	(1,000)
Premium on debt issue	108,000	275,823	275,823	0
Transfers in	0	0	124,386	(124,386)
Transfers (out)	(22,485,347)	(23,386,789)	(22,970,103)	(416,686)
Total other financing sources (uses)	(11,577,347)	(12,661,213)	(12,121,141)	(542,072)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	5,203,053	4,810,724	9,737,992	4,927,268
Fund balance, beginning	6,895,202	6,895,202	6,895,202	0
Fund balance, ending	\$12,098,255	\$11,705,926	\$16,633,194	\$4,927,268

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 September 30, 2006**

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
ASSETS				
Current assets				
Cash & investments, at cost	\$11,758,556	\$582,234	\$259,507	\$12,600,297
Receivables (net of allowance)				
Accounts	2,914,906	1,218,028	1,992	4,134,926
Prepaid items	0	326,446	18,029	344,475
Inventories, at cost	0	107,359	2,768	110,127
Revenue warrants - drawdowns receivable	1,012,850	0	0	1,012,850
Total current assets	15,686,312	2,234,067	282,296	18,202,675
Noncurrent assets				
Deferred costs	1,284,384	0	0	1,284,384
Capital assets:				
Land	3,717,997	3,226,697	0	6,944,694
Buildings	181,264,772	55,703,916	3,614,471	240,583,159
Improvements other than buildings	49,683,771	0	0	49,683,771
Furniture & equipment	5,920,462	4,005,390	414,671	10,340,523
Construction work in progress	0	1,428,453	0	1,428,453
Less accumulated depreciation	(53,620,386)	(17,171,230)	(1,794,626)	(72,586,242)
Total capital assets (net of accumulated depreciation)	186,966,616	47,193,226	2,234,516	236,394,358
Total assets	203,937,312	49,427,293	2,516,812	255,881,417
LIABILITIES				
Current liabilities				
Accounts payable	1,191,910	567,683	47,989	1,807,582
Accrued liabilities	1,037,661	489,810	6,374	1,533,845
Contract retainages	439,758	0	0	439,758
Note payable	266,121	0	0	266,121
Customer deposits	0	564,418	0	564,418
Compensated absences	60,700	0	0	60,700
General obligations warrants payable - current	3,525,000	0	0	3,525,000
Revenue warrants payable - current	3,685,000	0	0	3,685,000
Capital leases payable - current	0	76,956	0	76,956
Deferred revenue	0	34,250	123,717	157,967
Due to other funds	2,206,153	83,690	0	2,289,843
Total current liabilities	12,412,303	1,816,807	178,080	14,407,190
Noncurrent liabilities				
General obligation warrants payable (net of unamortized premium & deferred amount on refunding)	38,674,239	0	0	38,674,239
Revenue warrants payable	60,560,000	0	0	60,560,000
Capital lease payable	0	29,388	0	29,388
Compensated absences	546,300	0	0	546,300
Total noncurrent liabilities	99,780,539	29,388	0	99,809,927
Total liabilities	112,192,842	1,846,195	178,080	114,217,117
NET ASSETS				
Invested in capital assets, net of related debt	81,535,227	47,086,882	2,234,516	130,856,625
Unrestricted	10,209,243	494,216	104,216	10,807,675
Total net assets	\$91,744,470	\$47,581,098	\$2,338,732	\$141,664,300

(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, 2006**

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
Operating revenue				
Charges for services	\$30,434,720	\$5,330,606	\$922,102	\$36,687,428
Total operating revenue	30,434,720	5,330,606	922,102	36,687,428
Operating expenses				
Personnel, operations & maintenance	8,203,915	6,012,179	698,144	14,914,238
Utilities	1,665,861	1,353,929	193,012	3,212,802
Depreciation and amortization	5,081,500	1,159,329	142,906	6,383,735
Administrative costs	773,355	0	0	773,355
Total operating expenses	15,724,631	8,525,437	1,034,062	25,284,130
Operating income (loss)	14,710,089	(3,194,831)	(111,960)	11,403,298
Nonoperating revenue (expenses)				
Intergovernmental grants	41,822	0	0	41,822
Interest income	198,509	30,724	9,618	238,851
Interest expense	(4,948,863)	(11,002)	0	(4,959,865)
Miscellaneous revenue (expense)	(226,486)	60,543	(552)	(166,495)
Total nonoperating revenue (expenses)	(4,935,018)	80,265	9,066	(4,845,687)
Income before contributions, transfers & special items	9,775,071	(3,114,566)	(102,894)	6,557,611
Transfers in	0	3,086,710	0	3,086,710
Transfers (out)	(333,333)	0	0	(333,333)
Change in net assets	9,441,738	(27,856)	(102,894)	9,310,988
Total net assets, beginning	82,302,732	47,608,954	2,441,626	132,353,312
Total net assets, ending	\$91,744,470	\$47,581,098	\$2,338,732	\$141,664,300

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

**CITY OF HUNTSVILLE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Year Ended September 30, 2006**

Page 1 of 2

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
Operating activities				
Receipts from customers and users	\$29,963,502	\$6,608,296	\$1,003,739	\$37,575,537
Payments to suppliers	(5,217,530)	(5,551,494)	(468,259)	(11,237,283)
Payments to employees	(5,601,295)	(3,261,935)	(433,161)	(9,296,391)
Receipts from interfund services provided	2,082,767	0	0	2,082,767
Non-operating cash receipts	0	99,986	17,935	117,921
Non-operating cash payments	0	(14,443)	0	(14,443)
Net cash provided (used) by operating activities	21,227,444	(2,119,590)	120,254	19,228,108
Noncapital financing activities				
Transfers in	0	1,791,307	0	1,791,307
Transfers (out)	(333,333)	0	0	(333,333)
Net cash provided (used) by noncapital financing activities	(333,333)	1,791,307	0	1,457,974
Capital and related financing activities				
Acquisition and construction of capital assets	(10,433,789)	(273,520)	(71,592)	(10,778,901)
SRF loan fund drawdowns	4,350,184	0	0	4,350,184
Interfund transfers for capital projects	0	0	0	0
Intergovernmental grants	253,027	0	0	253,027
Principal payments on capital leases	0	(83,852)	0	(83,852)
Principal payments on notes and warrants	(7,123,259)	0	0	(7,123,259)
Payment of capital asset accounts payable	0	0	11,245	11,245
Interest paid on capital leases	0	(7,181)	0	(7,181)
Interest paid on notes and warrants	(4,788,079)	0	0	(4,788,079)
Net cash provided (used) by capital and related financing activities	(17,741,916)	(364,553)	(60,347)	(18,166,816)
Investing activities				
Interest received	198,509	26,903	9,618	235,030
Net cash provided (used) by investing activities	198,509	26,903	9,618	235,030
Net increase (decrease) in cash and cash equivalents	3,350,704	(665,933)	69,525	2,754,296
Cash and cash equivalents, beginning	8,407,852	1,248,167	189,982	9,846,001
Cash and cash equivalents, ending	\$11,758,556	\$582,234	\$259,507	\$12,600,297

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, 2006**

	Business-Type Activities -- Enterprise Funds			Totals
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	
Operating income (loss)	\$14,710,089	(\$3,194,831)	(\$111,960)	\$11,403,298
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	5,081,500	1,159,329	142,906	6,383,735
Miscellaneous items	(226,486)	0	0	(226,486)
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:				
Change in assets and liabilities:				
Receivables	(471,218)	282,543	2,852	(185,823)
Accounts payable	5,647	(470,441)	7,574	(457,220)
Contract retainages	(38,855)	0	0	(38,855)
Prepaid items	0	142,113	(18,029)	124,084
Due to (from) other funds	2,082,767	0	0	2,082,767
Accrued liabilities	84,000	(113,633)	261	(29,372)
Deferred revenue	0	0	96,720	96,720
Other items	0	75,330	(70)	75,260
Net cash provided (used) by operating activities	\$21,227,444	(\$2,119,590)	\$120,254	\$19,228,108

Supplemental information

Noncash activities

Capitalized interest on utility plant construction	\$308,506	\$0	\$0	\$308,506
Equipment acquired by capital lease	\$0	\$21,990	\$0	\$21,990

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

**CITY OF HUNTSVILLE
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
September 30, 2005**

	Business-Type Activities			Governmental Activities		Total
	Huntsville Utilities			HMC CVB	DRA	
	Electric	Water	Gas			
ASSETS						
Cash & investments, at cost	\$46,087,216	\$7,969,809	\$3,652,713	\$607,557	\$3,189	\$58,320,484
Receivables (net of allowances)	28,788,953	1,829,725	2,384,343	0	0	33,003,021
Due from governmental entities	0	0	0	37,918	0	37,918
Inventories	4,071,867	1,541,874	10,593,624	3,136	0	16,210,501
Prepaid items	223,994	42,721	222,137	12,424	0	501,276
Deferred costs	528,555	429,705	227,646	4,178	0	1,190,084
Restricted assets						
Cash & investments, at cost	35,975,176	3,011,084	15,411,230	0	0	54,397,490
Capital assets						
Land and construction in process	10,134,796	7,664,847	1,881,592	0	0	19,681,235
Other assets, net of accum. depreciation	189,748,012	119,134,459	72,670,644	345,955	0	381,899,070
Total assets	315,558,569	141,624,224	107,043,929	1,011,168	3,189	565,241,079
LIABILITIES						
Accounts payable	42,002,818	1,131,572	2,036,039	45,248	0	45,215,677
Accrued liabilities	3,611,980	1,430,640	1,311,009	45,979	0	6,399,608
Customer deposits	27,783,108	3,684,394	6,617,571	0	0	38,085,073
Liabilities payable from restricted assets:						
Other	403,873	380,184	70,284	0	0	854,341
Noncurrent liabilities						
Due within one year	1,505,000	1,135,000	395,000	4,499	0	3,039,499
Due in more than one year	24,725,682	17,938,195	10,250,000	11,846	0	52,925,723
Total liabilities	100,032,461	25,699,985	20,679,903	107,572	0	146,519,921
NET ASSETS						
Invested in capital assets, net of related debt	173,776,808	107,578,542	64,064,598	345,955	0	345,765,903
Restricted for:						
Debt service	6,879,009	1,424,989	1,015,114	0	0	9,319,112
Capital projects	0	871,267	7,859,031	0	0	8,730,298
Other	0	0	1,423,437	0	0	1,423,437
Unrestricted	34,870,291	6,049,441	12,001,846	557,641	3,189	53,482,408
Total net assets	\$215,526,108	\$115,924,239	\$86,364,026	\$903,596	\$3,189	\$418,721,158

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, 2006**

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) & Changes in Net Assets					
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Business-Type Activities			Governmental Activities		Total
					Electric	Water	Gas	HMC CVB	DRA	
Component Units										
Huntsville Utilities Electric System	\$342,633,511	\$355,521,937	\$0	\$0	\$12,888,426	\$0	\$0	\$0	\$0	\$12,888,426
Huntsville Utilities Water System	17,522,489	21,353,348	0	0	0	3,830,859	0	0	0	3,830,859
Huntsville Utilities Gas System	63,026,031	64,698,632	0	0	0	0	1,672,601	0	0	1,672,601
HMC CVB	1,481,119	11,396	37,600	0	0	0	0	(1,432,123)	0	(1,432,123)
DRA	0	0	0	0	0	0	0	0	0	0
Total component units	\$424,663,150	\$441,585,313	\$37,600	\$0	12,888,426	3,830,859	1,672,601	(1,432,123)	0	16,959,763
General Revenues										
Other taxes					\$0	\$0	\$0	\$317,734	\$0	\$317,734
Interest on investments					4,298,623	406,630	783,361	21,996	0	5,510,610
Other					0	0	0	1,195,871	0	1,195,871
Capital contributions					0	4,790,947	1,288,504	0	0	6,079,451
Total general revenues & transfers					4,298,623	5,197,577	2,071,865	1,535,601	0	13,103,666
Change in net assets					17,187,049	9,028,436	3,744,466	103,478	0	30,063,429
Net assets, beginning					198,339,059	106,895,803	82,619,560	800,118	3,189	388,657,729
Net assets, ending					\$215,526,108	\$115,924,239	\$86,364,026	\$903,596	\$3,189	\$418,721,158

The accompanying notes are an integral part of this statement.

City of Huntsville
Notes To The Financial Statements
September 30, 2006

TABLE OF CONTENTS

Note	Page
1. Summary of Significant Accounting Policies	
A. Reporting Entity	40
B. Government-wide and Fund Financial Statements	41
C. Measurement Focus, Basis of Accounting and Basis of Presentation	41
D. Assets, Liabilities, and Net Assets or Equity	43
2. Reconciliation of Government-wide and Fund Financial Statements	
A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.....	46
B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.....	46
3. Stewardship, Compliance and Accountability	
A. Budgetary Information.....	47
B. Excess of Expenditures Over Appropriations.....	49
C. Deficit Fund Equity.....	49
4. Detailed Notes on All Funds	
A. Deposits and Investments.....	50
B. Capital Assets.....	51
C. Interfund Receivables, Payables, and Transfers.....	55
D. Leases	57
E. Long-Term Debt.....	58
F. Fund Equity Reserves and Designations	67
G. Sales and Use Tax Revenue Earmarking	67
H. Tax Equivalents	68
5. Other Information	
A. Segment Information - Enterprise Funds	68
B. Contingent Liabilities and Commitments	68
C. Related Organizations.....	69
D. Jointly Governed Organizations	70
E. Pension Plans	70
F. Post-Retirement Health Plan.....	72
G. Risk Financing Programs	72
H. Prior Period Adjustments	73
I. Jail Consolidation	74
J. New Pronouncements.....	74

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

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, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. 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.

C. 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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes (if levied), city-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 *Public Building Authority Fund* of the City accounts for the construction of a public safety and municipal court facility, including the city jail, for lease to and use by the City.
- The *Special Revenue Fund* of the City accounts for revenue sources that are legally restricted to expenditures for specific purposes according to state or federal law. This fund does not include federal and state grant revenues, which generally pertain to the operating activities of various city departments and are accounted for in the General Fund. It also does not include capital projects that are generally financed by general obligation debt.
- 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-five percent of annual sales taxes, and interest revenue.

The City reports the following major enterprise funds:

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

Additionally, the City reports the following fund types:

Governmental Funds:

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary Funds:

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

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

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

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

Proprietary funds distinguish operating revenues and expense from nonoperating 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 nonoperating revenues and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

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

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

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

Receivables and Payables

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

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Amounts receivable from federal, state, county, and local governments are classified as “due from other governmental entities.” No individually significant amounts were due from any single entity as of September 30, 2006.

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.

Restricted Assets

The use of certain assets is restricted pursuant to debt covenants or other externally-imposed restrictions. The amount of these assets is reported as restricted net assets in the basic financial statements. Restricted assets generally consist of the following: (1) resources set aside 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”, (4) federal grant and related income restricted for specific federal programs are restricted for “federal programs,” and (5) resources restricted for specific purposes pursuant to state and federal law are “restricted for other.”

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), including infrastructure assets acquired prior to 1980, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets tangible in nature, with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed.

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Depreciation of all exhaustible capital assets except infrastructure is charged as an expense against their operations or functions whereas the infrastructure depreciation is unallocated. Property, plant, and equipment of the primary government, as well as the component units is depreciated using the straight-line method over the estimated useful lives as follows:

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

Compensated Absences

All full-time employees of the City accumulate vacation (annual leave), compensatory time, holiday and sick leave during the calendar year. On January 1 of each year vacation hours in excess of 260 are forfeited. Employees are encouraged to use all compensatory time as soon as possible after it is earned. Compensatory time accumulated through December 31 each year is forfeited if not used by June 30 of the following year. Sick leave is accumulated with no year end forfeiture; holiday leave accumulated in each calendar year after 1986 must be used by June 30 of the following year or is forfeited. Upon termination, an employee will be paid a maximum of 260 hours vacation, 160 hours compensatory time and 240 hours holiday.

Accumulated hours in excess of the aforementioned limits and all accumulated sick leave is forfeited. However, if termination is due to retirement, the employee will be paid for 50% of accumulated sick leave.

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

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

Long-term Obligations

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

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Equity

In the fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally restricted for a specific purpose, but only if the restrictions are narrower in scope than the purposes for which the related individual funds were established. Reservations of retained earnings are limited to external third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

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

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$455,653,022 difference are as follows:

Warrants Payable	\$437,105,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(8,440,314)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(4,797,931)
Plus: Issuance premium (to be amortized as interest expense)	9,927,742
Deferred revenue	(3,516,771)
Accrued interest payable	5,446,679
Capital leases payable	1,865,846
Claims and judgments	350,000
Compensated absences	<u>14,196,000</u>
 Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	 <u>\$452,136,251</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$1,262,382 difference are as follows:

Capital outlay	\$36,499,875
Depreciation expense	<u>(35,237,493)</u>
 Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$1,262,382</u>

Another element of that reconciliation states that “the issuance of long-term debt (i.e., warrants and leases) provide current financial resources and the repayment of the principal of long-term debt consumes the 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.” The details of this \$45,398,999 difference are as follows:

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

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

Debt issued or incurred:	
Issuance of general obligation debt	\$68,070,000
Plus premiums	3,030,036
Proceeds from capital leases	232,957
Principal repayments:	
General obligation debt	(24,425,000)
Payment on capital leases	(1,020,585)
Amortization of premium and refunding loss	541,430
Deferral of issuance costs	(778,962)
Accrued interest	(250,877)
	\$45,398,999
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	\$45,398,999

Another element of that reconciliation states that “other expenses reported in the statement of activities that do not require current financial resources.” The details of this \$780,299 difference is as follows:

Donated assets	(\$25,700)
Claims and judgments	(50,000)
Compensated absences	\$855,999
	\$780,299
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	\$780,299

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

Annually-Budgeted Governmental Funds

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

Governmental Funds Not Annually-Budgeted

Special Revenue Funds

- Community Development Fund
- Community Development Rehabilitation Loan Fund
- Public Library Fund
- Burritt Museum Fund
- Alabama Constitution Village Fund
- Art Museum Fund
- Public Building Authority Fund
- Huntsville Tennis Center Fund
- Huntsville Sports Commission Fund

Debt Service Fund

Permanent Fund

The Public Library Fund, Burritt Museum Fund, Art Museum Fund, Huntsville Tennis Center, Huntsville Sports Commission, and Alabama Constitution Village Fund are managed by separate boards appointed by City Council, but are not separate legal entities, and are independent of the City’s budgeting process. The Public Building Authority Fund is a

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

blended component unit of the City which is managed by a separate board appointed by the City Council and is independent of the City's budgeting process. The Community Development Fund and the Community Development Rehabilitation Loan Fund adopt project-length budgets as prescribed by grantor provisions. The Debt Service Fund is not annually budgeted since budgetary control exists through general obligation bond indenture provisions.

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

1. Around May 1, instructions and budget workpapers 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: personal services, operating expenses and capital outlay. For annually-budgeted Special Revenue Funds, the Mayor, or appointed City staff, is authorized to make budget transfers within the fund. Transfers of appropriations between activity categories of operating departments or between funds and special appropriations require approval of the City Council. The legal level of budgetary control is by activity for General Fund departments and by fund for annually-budgeted Special Revenue Funds. Budget amendments were made and approved by City Council for annually-budgeted funds during the year which were not significant relative to the total budget. The original and final/amended budget amounts are reflected in these financial statements.

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

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, 2006:

<u>General Fund</u>	
Current Expenditures:	
<i>General Government:</i>	
Administration - personnel	\$15,010
City Council - personnel	13,943
Clerk-Treasurer - personnel	47,950
General expenses - personnel	2,976,385
Human Resources - personnel	83,824
Public Safety:	
Fire and Rescue - operating	31,619
Police - capital	49,976
Public Services:	
General Services - operating	159,700
Landscape Management - operating	72,422
Public Works Services - personnel	63,074
Urban Development:	
Engineering - operating	5,745
Inspection - operating	6,767
Natural Resources - capital	2,679
Intergovernmental Assistance	
Huntsville Board of Education	568,725
Transfers out	978,868
 <u>Special Revenue Funds</u>	
<i>The Special Revenue Fund:</i>	
Operating expenses	233,042

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

C. Deficit Fund Equity

As of September 30, 2006, the Burritt Museum Special Revenue Fund had deficit fund balance of \$28,002, which the Museum plans to fund through private funding sources.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

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, 2006, the City had the following cash and investments:

	Primary Government	Discretely- Presented Component Units
Cash on hand and in banks	\$116,194,580	\$98,049,308
Investments:		
Money market mutual funds	46,343,725	14,668,666
U.S. Treasury obligations	345,448	0
Total investments	<u>46,689,173</u>	<u>14,668,666</u>
Total	<u>\$162,883,753</u>	<u>\$112,717,974</u>

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, except that mutual fund investments are not specifically permitted in the policy, and it further requires that no more than fifty percent of the City’s cash and investments be held by one financial institution or in one single investment.

Interest rate risk

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

	Primary Government	Discretely- Presented Component Units
Less than six months	\$46,338,535	\$14,668,666
Six months to one year	0	0
One to three years	171,334	0
Greater than three years	<u>179,304</u>	<u>0</u>
Total	<u>\$46,689,173</u>	<u>\$14,668,666</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Credit risk

As described above, state and City law limit the kind of investments City entities can make. All of the investments of the City entities were limited to directly-owned USTO or money market mutual funds that primarily hold USTO. Also as described above, City investment policy permits investment in USTO but does not specifically include investment in mutual funds that hold USTO, and such investments totaled \$46.3 million at September 30, 2006.

Concentration of credit risk

Other than it's 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, 2006, except for bank deposits of the Municipal IcePlex Enterprise Fund in the amount of \$114,000. 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' 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.

B. Capital Assets

As described in Note 5H, an adjustment was made to the beginning balances of the capital assets of the governmental activities to correct errors that existed in the amounts reported as of September 30, 2005, as follows:

	Balance, originally reported	Prior Period Adjustment	Balance, as adjusted
<u>Governmental activities:</u>			
Capital assets, not being depreciated:			
Land	\$60,911,078	\$0	\$60,911,078
Total capital assets, not being depreciated	60,911,078	0	60,911,078
Capital assets, being depreciated:			
Buildings and improvements	29,316,556	0	29,316,556
Land improvements	153,670,089	0	153,670,089
Furniture, equipment and other	65,429,825	3,924,624	69,354,449
Infrastructure	1,375,661,297	0	1,375,661,297
Total capital assets, being depreciated	1,624,077,767	3,924,624	1,628,002,391
Less accumulated depreciation for:			
Buildings and improvements	(11,125,603)	0	(11,125,603)
Land improvements	(38,803,843)	0	(38,803,843)
Furniture, equipment and other	(45,501,331)	(3,924,624)	(49,425,955)
Infrastructure	(638,244,411)	0	(638,244,411)
Total accumulated depreciation	(733,675,188)	(3,924,624)	(737,599,812)
Total capital assets, being depreciated, net	890,402,579	0	890,402,579
Governmental activities capital assets, net	\$951,313,657	\$0	\$951,313,657

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Capital asset activity for the year ended September 30, 2006, was as follows:

	Balance September 30, 2005	Additions/ Transfers-in	Deletions Transfers-out	Balance September 30, 2006
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$60,911,078	\$5,033,329	(\$1,659,004)	64,285,403
Construction in progress	0	0	0	0
Total capital assets, not being depreciated	60,911,078	5,033,329	(1,659,004)	64,285,403
Capital assets, being depreciated:				
Land improvements	29,316,556	3,425,314	0	32,741,870
Buildings and improvements	153,670,089	4,814,971	0	158,485,060
Furniture, equipment and other	69,354,449	5,658,922	(3,568,280)	71,445,091
Infrastructure	1,375,661,297	17,593,038	0	1,393,254,335
Total capital assets, being depreciated	1,628,002,391	31,492,245	(3,568,280)	1,655,926,356
Less accumulated depreciation for:				
Land improvements	(11,125,603)	(1,122,980)	0	(12,248,583)
Buildings and improvements	(38,803,843)	(3,133,747)	0	(41,937,590)
Furniture, equipment and other	(49,425,955)	(4,704,185)	3,401,791	(50,728,349)
Infrastructure	(638,244,411)	(26,276,581)	0	(664,520,992)
Total accumulated depreciation	(737,599,812)	(35,237,493)	3,401,791	(769,435,514)
Total capital assets, being depreciated, net	890,402,579	(3,745,248)	(166,489)	886,490,842
Governmental activities capital assets, net	\$951,313,657	\$1,288,081	(\$1,825,493)	950,776,245
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$6,944,694	\$0	\$0	\$6,944,694
Construction in progress	70,505	1,357,948	0	1,428,453
Total capital assets, not being depreciated	7,015,199	1,357,948	0	8,373,147
Capital assets, being depreciated:				
Buildings and improvements	279,576,481	10,696,657	(6,208)	290,266,930
Furniture, equipment and other	9,931,638	408,885	0	10,340,523
Total capital assets, being depreciated	289,508,119	11,105,542	(6,208)	300,607,453
Less accumulated depreciation for:				
Buildings and improvements	(62,235,479)	(5,607,941)	5,656	(67,837,764)
Furniture, equipment and other	(4,080,143)	(668,335)	0	(4,748,478)
Total accumulated depreciation	(66,315,622)	(6,276,276)	5,656	(72,586,242)
Total capital assets, being depreciated, net	223,192,497	4,829,266	(552)	228,021,211
Business-type activities capital assets, net	\$230,207,696	\$6,187,214	(\$552)	\$236,394,358

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

For the year ended September 30, 2006, depreciation expense and transfers-in of the primary government was as follows:

<u>Governmental activities:</u>	
General government	\$932,210
Public Safety	1,797,879
Public Services	5,934,068
Urban development	296,755
Total depreciation expense charged to functions/programs	<u>8,960,912</u>
Depreciation for infrastructure assets not allocated to the functions	<u>26,276,581</u>
Total depreciation expense	<u>35,237,493</u>
Transfers-in from business-type activities	<u>0</u>
Total depreciation and transfers-in – governmental activities	<u>\$35,237,493</u>
 <u>Business-type activities:</u>	
Water Pollution Control Fund	\$4,974,041
Von Braun Center Fund	1,159,329
Municipal Iceplex Fund	<u>142,906</u>
Total depreciation expense – business-type activities	<u>\$6,276,276</u>

Activity for the discretely presented component unit, Utilities', for the year ended September 30, 2006 was as follows:

	Balance September 30, 2005	Additions/ Transfers-in	Deletions Transfers-out	Balance September 30, 2006
Utilities-Electric System:				
Capital assets, not being depreciated:				
Land	\$3,908,608	\$113,972	(\$15,313)	\$4,007,267
Construction in progress	11,095,360	18,204,123	(23,171,954)	6,127,529
Total capital assets, not being depreciated	<u>15,003,968</u>	<u>18,318,095</u>	<u>(23,187,267)</u>	<u>10,134,796</u>
Capital assets, being depreciated:				
Buildings and improvements	296,614,656	21,436,360	(2,506,300)	315,544,716
Furniture, equipment and other	16,015,380	1,289,153	(682,822)	16,621,711
Total capital assets, being depreciated	312,630,036	22,725,513	(3,189,122)	332,166,427
Less accumulated depreciation	(133,808,775)	(11,905,788)	3,296,148	(142,418,415)
Total capital assets, being depreciated, net	<u>178,821,261</u>	<u>10,819,725</u>	<u>107,026</u>	<u>189,748,012</u>
Electric System capital assets, net	<u>\$193,825,229</u>	<u>\$29,137,820</u>	<u>(\$23,080,241)</u>	<u>\$199,882,808</u>
 Utilities-Gas System:				
Capital assets, not being depreciated:				
Land	\$406,332	\$0	(\$22,597)	\$383,735
Construction in progress	1,416,444	4,029,997	(3,948,584)	1,497,857
Total capital assets, not being depreciated	<u>1,822,776</u>	<u>4,029,997</u>	<u>(3,971,181)</u>	<u>1,881,592</u>
Capital assets, being depreciated:				
Buildings and improvements	94,976,915	4,804,255	(664,699)	99,116,471
Furniture, equipment and other	6,785,551	500,835	(586,818)	6,699,568
Total capital assets, being depreciated	101,762,466	5,305,090	(1,251,517)	105,816,039
Less accumulated depreciation	(31,778,789)	(2,595,031)	1,228,425	(33,145,395)
Total capital assets, being depreciated, net	<u>69,983,677</u>	<u>2,710,059</u>	<u>(23,092)</u>	<u>72,670,644</u>
Gas System capital assets, net	<u>\$71,806,453</u>	<u>\$6,740,056</u>	<u>(\$3,994,273)</u>	<u>\$74,552,236</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

	Balance September 30, 2005	Additions/ Transfers-in	Deletions Transfers-out	Balance September 30, 2006
Utilities-Water System:				
Capital assets, not being depreciated:				
Land	\$1,748,064	\$0	\$0	\$1,748,064
Construction in progress	5,605,420	3,945,987	(3,634,624)	5,916,783
Total capital assets, not being depreciated	<u>7,353,484</u>	<u>3,945,987</u>	<u>(3,634,624)</u>	<u>7,664,847</u>
Capital assets, being depreciated:				
Buildings and improvements	178,823,419	6,593,929	(96,400)	185,320,948
Furniture, equipment and other	4,535,674	186,766	(213,691)	4,508,749
Total capital assets, being depreciated	183,359,093	6,780,695	(310,091)	189,829,697
Less accumulated depreciation	(66,702,175)	(4,303,154)	310,091	(70,695,238)
Total capital assets, being depreciated, net	<u>116,656,918</u>	<u>2,477,541</u>	<u>0</u>	<u>119,134,459</u>
Water System capital assets, net	<u>\$124,010,402</u>	<u>\$6,423,528</u>	<u>(\$3,634,624)</u>	<u>\$126,799,306</u>

Activity for the discretely presented component unit, the HMC CVB, for the year ended September 30, 2006 was as follows:

	Balance September 30, 2005	Additions/ Transfers-in	Deletions Transfers-out	Balance September 30, 2006
Capital assets, being depreciated:				
Furniture, equipment and other	\$535,641	\$23,448	\$0	\$559,089
Less accumulated depreciation	(162,465)	(50,669)	0	(213,134)
Total capital assets, being depreciated, net	<u>373,176</u>	<u>(27,221)</u>	<u>0</u>	<u>345,955</u>
Governmental activities capital assets, net	<u>\$373,176</u>	<u>(\$27,221)</u>	<u>\$0</u>	<u>\$345,955</u>

The discretely presented component unit, DRA, does not have any capital assets for the year ended September 30, 2006.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2006 is as follows:

Transfers In/Out:

Transfers Out:

From General Fund to		
Capital Improvement Capital Projects Fund	\$28,988,943	
Debt Service Fund	2,107,969	
Von Braun Center Enterprise Fund	2,344,490	
Public Building Authority Special Revenue Fund	2,539,188	
Nonmajor governmental funds	<u>5,856,401</u>	\$41,836,991
From The Special Revenue Fund to		
Debt Service Fund		22,970,103
From Capital Improvements Capital Projects Fund to		
Debt Service Fund	18,766,935	
The Special Revenue Fund	124,386	
Public Building Authority Special Revenue Fund	1,309,000	
Nonmajor governmental funds	1,658,238	
Von Braun Center Enterprise Fund	<u>742,220</u>	22,600,779
From Nonmajor governmental funds to		
Capital Improvement Capital Projects Fund	6,500,000	
Nonmajor governmental funds	<u>1,300,000</u>	7,800,000
From Water Pollution Control Enterprise Fund		
Capital Improvement Capital Projects Fund		<u>333,333</u>
Total		<u><u>\$95,541,206</u></u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Transfers In:

The Special Revenue Fund from		
The Capital Improvements Capital Projects Fund		\$124,386
To Debt Service Fund from		
General Fund	\$2,107,969	
The Special Revenue Fund	22,970,103	
Capital Improvements Capital Projects Fund	<u>18,766,935</u>	43,845,007
To Public Building Authority Special Revenue Fund from		
General Fund	2,539,188	
Capital Improvements Capital Projects Fund	<u>1,309,000</u>	3,848,188
To Capital Improvements Capital Projects Fund		
General Fund	28,988,943	
Water Pollution Control Enterprise Fund	333,333	
Nonmajor governmental funds	<u>6,500,000</u>	35,822,276
To Von Braun Center Enterprise Fund from		
General Fund	2,344,490	
Capital Improvements Capital Projects Fund	<u>742,220</u>	3,086,710
To Nonmajor governmental funds from		
General Fund	5,856,401	
Capital Improvements Capital Projects Fund	1,658,238	
Nonmajor governmental funds	<u>1,300,000</u>	8,814,639
Total		<u><u>\$95,541,206</u></u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	The Special Revenue Fund	\$1,159,940
	Water Pollution Control Fund	2,206,153
	Von Braun Center Fund	83,690
	Nonmajor Governmental Funds	<u>121,832</u>
		<u>3,571,615</u>
The Special Revenue Fund	General Fund	<u>8,814,101</u>
Public Building Authority Special Revenue Fund	General Fund	<u>1,283,274</u>
Capital Improvement Fund	General Fund	9,939,417
	The Special Revenue Fund	<u>3,073,500</u>
		<u>13,012,917</u>
Nonmajor Governmental Funds	General Fund	1,123,668
	Capital Improvement Fund	<u>5,050,000</u>
		<u>6,173,668</u>
Total Governmental Funds		<u>24,041,474</u>
Total due to/from other funds		<u>\$32,855,575</u>

In general, transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money, (2) move receipts restricted or earmarked for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in a fund to provide operating advances to other funds in accordance with budgetary authorizations. The due to/from balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

D. Leases

Operating Leases

The City was not obligated on any significant operating leases as of September 30, 2006.

Capital Leases

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Equipment	\$3,340,355	\$342,710
Less: accumulated amortization	(946,329)	(14,138)
Total	\$2,394,026	\$328,572

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2006 are as follows:

September 30	Governmental Activities	Business-Type Activities
2007	\$632,603	\$80,482
2008	576,981	26,033
2009	522,487	3,941
2010	123,002	0
2011	30,517	0
2012-2017	147,503	0
Total minimum lease payments	2,033,093	110,456
Less amount representing interest	(167,247)	(4,112)
Present value of minimum lease payments	<u>\$1,865,846</u>	<u>\$106,344</u>

The future debt service requirements of the governmental activities leases at September 30, 2006 are will be provided by the General Fund, Public Library Special Revenue Fund, and Capital Improvements Capital Projects Fund; and the requirements of the business-type activities will be provided by the Von Braun Center Fund.

E. Long-Term Debt

General Obligation Warrants

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

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Lease Revenue Bonds

The Public Building Authority, a blended component unit of the City, issued bonds for the construction of a public safety and municipal court facility, including the city jail. Repayment of the bonds is secured by an annual lease payment 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 payment. Pursuant to the trust indenture, the Authority has deposited a surety bond having a value equal to the highest annual debt service on the bonds, in lieu of maintaining a debt service reserve. 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 on behalf of participating governments for the purpose of upgrading water and sewer treatment facilities and distribution systems. Pursuant to the SRF program, the City has issued several series of sewer revenue warrants ("SRF warrants") since 1995. The SRF warrants are secured 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 City is also obligated to treat the G.O. warrants issued for sewer purposes as described above in the same manner as the SRF warrants with respect to pledge and sufficiency of system revenues, although they are general obligations of the City.

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

Variable Rate Demand Warrants

The City issued G.O. variable rate demand warrants in 2002 in the amount of \$12,475,000, \$2,130,000 of which were taxable warrants, and the proceeds were used to refund other warrants. A financial institution, as Credit Obligor, has issued an irrevocable letter of credit to fund the principal and interest payments on the warrants, and is also the Trustee under the trust indenture.

The warrants are subject to redemption at the demand of the holder at a price equal to the principal plus accrued interest to the date of redemption. The Credit Obligor is responsible for providing the funds for the repurchase of the warrants. The Remarketing Agent is authorized to use its best efforts to sell the repurchased warrants at a price equal to 100 percent of the principal amount, which is expected to result in an adjustment to the interest rate on the warrants.

The City has the option to redeem the warrants at any time at a price equal to 100 percent of the principal amount, and has authorized the Trustee to redeem the warrants annually according to a prescribed schedule through 2022. The Trustee will draw from the Credit Obligor an amount sufficient to pay the purchase price of the redeemed warrants. Interest on the warrants is adjusted weekly as determined by the Remarketing Agent, and is paid monthly by the Credit Obligor. In 2006, rates ranged from 2.62% to 3.99%, and 3.89% to 5.51% for the tax-exempt and taxable warrants, respectively. As of September 30, 2006, the tax exempt and taxable warrant rates were 3.76% and 5.38%, respectively.

The demand warrants constitute a direct obligation and pledge of the full faith and credit of the City and are included in long-term debt. The City must reimburse the Credit Obligor for interest and redemptions of principal.

Tax Increment Financing Districts Debt

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

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 and Capital Improvements Fund
G.O. warrants - school facilities	Debt Service Fund	The Special Revenue Fund
G.O. warrants - TIFs	Debt Service Fund	The Special Revenue Fund
Lease revenue bonds	Public Building Authority Fund	General Fund and Capital Improvements Fund
<u>Business-Type Activities:</u>		
G.O. warrants (sewer) and SRF sewer revenue warrants	Water Pollution Control Fund	Water Pollution Control Fund

Utility Revenue Warrants - Huntsville Utilities Component Unit

The City of Huntsville Electric System and City of Huntsville Water System, discrete component units, have issued revenue warrants for the purpose of constructing additions to their capital facilities and for refunding other revenue warrants. Repayment of the warrants are secured by net revenues of the respective systems, after deducting certain operating costs. Pursuant to trust indentures effective for the 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 a direct obligation and pledge 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.

Advance Refundings

There were no advance refunding transactions for the year ended September 30, 2006.

Current Refundings

There are no past refunding transactions for which the refunded warrants are still outstanding on September 30, 2006.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt

The amount of debt outstanding at September 30, 2006, and information related to it was as follows:

Series	Face Amount (thousands)	Dated	Final Maturity	Interest Rates (%)	Principal Maturities (thousands)	Ending Balance (thousands)	Amount Due Within One Year (thousands)
PRIMARY GOVERNMENT							
<u>Governmental Activities</u>							
<i>G.O. Warrants</i>							
1998-A	\$36,600	12/1/1998	11/1/2018	3.1 - 4.75	1,185 - 2,750	\$27,250	\$1,565
1998-B	45,380	12/1/1998	11/1/2012	3.1 - 4.5	2,290 - 4,295	26,115	3,245
1998-C	10,000	12/1/1998	11/1/2016	3.4 - 4.75	420 - 820	7,245	525
1998-D	18,910	12/1/1998	11/1/2013	3.1 - 5.25	930 - 1,705	11,575	1,225
2002-A	42,130	5/1/2002	5/1/2022	4.0 - 5.75	1,325 - 3,270	36,500	1,550
2002-B (b)	9,365	5/1/2002	5/1/2031	5.1 - 5.25	580 - 1,020	9,365	0
2002-C	10,890	5/1/2002	5/1/2012	4.4 - 6.4	65 - 95 (c)	10,680	75
2002-E	18,685	8/1/2002	8/1/2012	4.0 - 5.5	825 - 2,145	11,565	1,725
2002-F	23,465	8/1/2002	8/1/2013	4.0 - 5.5	895 - 2,600	15,170	2,045
2002-G	10,345	8/5/2002	7/1/2022	Variable (a)	315 - 790	9,000	380
2002-H	2,130	8/5/2002	7/1/2022	Variable (a)	65 - 165	1,850	80
2003-A	24,700	2/1/2003	2/1/2023	2.0 - 5.0	850 - 1,870	22,090	910
2003-C	53,955	11/1/2004	11/1/2024	2.0 - 5.0	675 - 14,675(d)	52,590	705
2005-A	72,485	2/1/2005	2/1/2020	3.7 - 6.25	1,425 - 9,915	64,420	8,525
2005-B	11,125	2/1/2005	2/1/2011	5.0 - 5.5	975 - 2,120	9,515	1,700
2005-C	68,070	10/1/2006	10/1/2031	3.0 - 5.0	715 - 4,530	68,070	1,625
<i>Total G.O.</i>	458,235					383,000	25,880

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt - Continued

Lease Revenue Bonds - Public Building Authority

2002	55,355	12/1/2002	10/1/2029	3.0 - 5.38	1,250 - 3,775	54,105	1,290
<i>Total L.R.B.</i>	<u>55,355</u>					<u>54,105</u>	<u>1,290</u>

Total governmental activities	<u>513,590</u>					<u>437,105</u>	<u>27,170</u>
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- (a) see the previous Variable Rate Demand Warrants section for more information.
(b) Series 2002-B are taxable warrants.
(c) Series 2002-C has a balloon maturity payment of \$10,255,000 on May 1, 2012.
(d) Series 2003-C has a balloon maturity payment of \$14,675,000 on November 1, 2024.

Series	Face Amount (thousands)	Dated	Final Maturity	Interest Rates (%)	Principal Maturities (thousands)	Ending Balance	Amount Due Within One Year
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Business-Type activities

G.O. Warrants - sewer system

2002-D	35,795	37469	42309	4.0 - 5.5	1,290 - 3,635	28,525	2,205
2003-B	19,485	37712	42583	2.0 - 5.25	1,220, - 1,915	15,720	1,320
	<u>55,280</u>					<u>44,245</u>	<u>3,525</u>

Sewer Revenue Warrants - State Revolving Loan Fund

1996	22,380	1/26/1996	8/15/2017	3.65	775 - 1,550	14,285	1,075
1998	17,435	1/27/1998	8/15/2020	3.75	595 - 1,215	13,490	745
1998-B	16,760	12/1/1998	8/15/2020	3.5	590 - 1,145	12,895	725
2000	15,180	12/22/1999	8/15/2021	3.85	515 - 1,070	12,400	625
2001	13,045	12/14/2000	8/15/2022	3.85	440 - 920	11,175	515
	<u>84,800</u>					<u>64,245</u>	<u>3,685</u>

Total business-type activities	<u>140,080</u>					<u>108,490</u>	<u>7,210</u>
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Total Primary Government	<u>\$653,670</u>					<u>\$545,595</u>	<u>\$34,380</u>
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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt - Continued

COMPONENT UNIT - HUNTSVILLE UTILITIES

Business-Type Activities

Electric System Revenue Warrants

1998	\$15,505	12/1/1997	12/1/2019	4.4 - 5.0	0 - 2,100	\$15,505	\$0
2001	6,070	12/1/2001	12/1/2015	3.0 - 5.0	340 - 565	4,260	400
2002	9,920	12/1/2002	12/1/2022	1.35 - 5.0	260 - 1,030	6,765	1,105
Subtotal	<u>31,495</u>					<u>26,530</u>	<u>1,505</u>

Water System Revenue Warrants

1998	21,140	11/1/1998	11/1/2019	3.5 - 5.0	75 - 1,970	19,565	1,135
Subtotal	<u>21,140</u>					<u>19,565</u>	<u>1,135</u>

Gas System Revenue Warrants

2005	11,025	8/1/2005	8/1/2025	3.25 - 4.38	380 - 780	10,645	395
Subtotal	<u>11,025</u>					<u>10,645</u>	<u>395</u>

**Total Component
Units**

<u>\$63,660</u>	<u>\$56,740</u>	<u>\$3,035</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, 2006 are shown below. The interest amounts assume the rates on variable rate debt in effect at September 30, 2006. Although the variable rate debt is payable upon demand (as described previously), the City intends to repay these issues in accordance with their respective redemption schedules. There is \$3,234,567 and \$2,946,948 available in the Debt Service Fund and The Special Revenue Fund, respectively, to service general obligation debt and \$2,592,868 is available in the Public Building Authority Special Revenue Fund to service the lease revenue bonds. There are a number of limitations and restrictions contained in the various debt-related agreements, and the City is in compliance with all, except for those described in Note 5K.

PRIMARY GOVERNMENT

(thousands)

<u>Governmental activities:</u>	G.O. Warrants		Lease Rev. Bonds	
	Principal	Interest	Principal	Interest
2007	\$25,880	\$18,250	\$1,290	\$2,586
2008	27,120	17,084	1,325	2,547
2009	29,310	15,809	1,365	2,505
2010	30,705	14,387	1,415	2,455
2011	25,575	13,012	1,475	2,397
2012-2016	110,275	46,027	8,390	10,966
2017-2021	69,115	24,864	10,800	8,557
2022-2026	55,605	9,029	14,015	5,336
2027-2031	8,520	1,408	14,030	1,447
2032-2036	895	20	0	0
Total governmental activities	<u>383,000</u>	<u>159,890</u>	<u>54,105</u>	<u>38,796</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

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
2007	\$3,525	\$2,111	\$3,685	\$2,386
2008	3,685	1,958	3,825	2,250
2009	3,855	1,798	3,970	2,108
2010	4,035	1,623	4,120	1,961
2011	4,240	1,429	4,275	1,809
2012-2016	24,905	3,603	23,910	6,546
2017-2021	0	0	19,540	2,132
2022-2026	0	0	920	35
Total business-type activities	44,245	12,522	64,245	19,227

Total Primary Government

\$545,595 \$230,435

COMPONENT UNITS

<u>Business-Type Activities - Huntsville Utilities</u>	Electric Rev. Warrants		Water Rev. Warrants	
	Principal	Interest	Principal	Interest
2007	\$1,505	\$1,202	\$1,135	\$886
2008	1,490	1,142	1,185	835
2009	1,545	1,080	1,235	785
2010	1,615	1,015	1,290	732
2011	1,685	943	1,345	675
2012-2016	9,725	3,459	7,745	2,365
2017-2021	8,010	993	5,630	430
2022-2026	955	71	0	0
Total	<u>\$26,530</u>	<u>\$9,905</u>	<u>\$19,565</u>	<u>\$6,708</u>

<u>Business-Type Activities - Huntsville Utilities</u>	Gas Rev. Warrants	
	Principal	Interest
2007	\$395	\$422
2008	410	406
2009	425	391
2010	440	377
2011	455	362
2012-2016	2,525	1,555
2017-2021	3,055	1,019
2022-2026	2,940	326
Total	<u>\$10,645</u>	<u>\$4,858</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2006, was as follows (in thousands):

PRIMARY GOVERNMENT	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General obligation warrants	\$338,105	\$68,070	(\$23,175)	\$383,000	\$25,880
Lease revenue bonds	55,355	0	(1,250)	54,105	1,290
Subtotal	393,460	68,070	(24,425)	437,105	27,170
Less amounts deferred for:					
Issue discounts & premiums	7,650	3,030	(752)	9,928	0
Refunding losses	(9,393)	0	953	(8,440)	0
Total warrant, bonds, & notes	391,717	71,100	(24,224)	438,593	27,170
Capitalized leases	2,653	233	(1,021)	1,865	586
Compensated absences	13,340	10,959	(10,103)	14,196	1,420
Claims & judgments	400	219	(269)	350	0
Governmental activities long-term liabilities	\$408,110	\$82,511	(\$35,617)	\$455,004	\$29,176

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

<u>Business-Type Activities:</u>					
General obligation warrants	\$47,630	\$0	(\$3,385)	\$44,245	\$3,525
Sewer revenue warrants	67,795	0	(3,550)	64,245	3,685
Subtotal	115,425	0	(6,935)	108,490	7,210
Less amounts deferred for:					
Issue discounts & premiums	1,479	0	(142)	1,337	0
Refunding losses	(3,751)	0	368	(3,383)	0
Total warrants	113,153	0	(6,709)	106,444	7,210
Capitalized leases	168	0	(62)	106	77
Compensated absences	523	400	(316)	607	61
Business-type activities long-term liabilities	\$113,844	\$400	(\$7,087)	\$107,157	\$7,348

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Changes in Long-Term Liabilities - Continued

COMPONENT UNITS - HUNTSVILLE UTILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Business-type activities - Electric System</u>					
Revenue warrants	\$27,990	\$0	(\$1,460)	\$26,530	\$1,505
Less amounts deferred for:					
Refunding losses	(375)	0	76	(299)	0
Total Electric System long-term liabilities	<u>\$27,615</u>	<u>\$0</u>	<u>(\$1,384)</u>	<u>\$26,231</u>	<u>\$1,505</u>
<u>Business-type activities - Water System</u>					
Revenue warrants	\$20,650	\$0	(\$1,085)	\$19,565	\$1,135
Less amounts deferred for:					
Refunding losses	(552)	0	60	(492)	0
Total Water System long-term liabilities	<u>\$20,098</u>	<u>\$0</u>	<u>(\$1,025)</u>	<u>\$19,073</u>	<u>\$1,135</u>
<u>Business-type activities – Gas System</u>					
Revenue warrants	\$11,025	\$0	(\$380)	\$10,645	\$395
Total Gas System long-term liabilities	<u>\$11,025</u>	<u>\$0</u>	<u>(\$380)</u>	<u>\$10,645</u>	<u>\$395</u>

Arbitrage Compliance

As an issuer of tax-exempt obligations, the City must comply with Section 148 of the Internal Revenue Code whereby arbitrage on tax-exempt warrants, if any, is rebated to the IRS. The City is in compliance with Section 148 requirements.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

F. Fund Equity Reserves and Designations

All Funds

Reserved for capital projects - amounts restricted by law or contract for capital improvements.

Reserved for debt service - amounts restricted for making debt service payments.

Reserved for notes receivable – amounts related to the noncurrent portion of notes receivable.

Reserved for other – other amounts restricted by state or federal law for specific purposes.

Designated for encumbrances – amounts reappropriated in the next fiscal for payment of encumbered goods and services.

General Fund

Reserved for court capital - funds restricted by state law for the purpose of municipal court equipment.

Reserved for jail construction - funds restricted by state law for the construction of jail facilities, or payment of debt service related thereto.

Designated for cemetery improvements – revenue designated by management for cemetery improvements.

Designated for contingencies – an amount set aside by city ordinance for unforeseen financial difficulties, which is 11.5% of the subsequent year's revenue budget.

Designated for employee benefits – amounts set aside to pay for unexpected health care or workers' compensation costs.

Designated for joint jail capital repairs – amounts set aside by management as a capital repair fund for the municipal jail facility, which is being operated as a joint city-county jail by the Madison County Sheriff.

Designated for parking facility construction – amounts set aside to build new parking facilities.

Designated for post-retirement benefits – amounts set aside by management to pay for future post-retirement benefits.

Designated for recreation projects - cumulative, unspent City one percent lodging taxes earmarked by ordinance for recreation capital projects.

Designated for sweepstakes license revenue purposes – revenue designated by local ordinance for various purposes determined by the city council.

Designated for tourism activities – cumulative, unspent City liquor and lodging taxes earmarked by ordinance for tourism activities.

Other Governmental Funds

Reserved for city schools – property taxes collected by the City but restricted by state law for public school purposes.

Reserved for donor restrictions - funds which are spendable only in accordance with donor restrictions.

Discretely Presented Component Units

Restricted for other - funds restricted for self-insurance.

G. Sales and Use Tax Revenue Earmarking

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

- 25.3 percent is paid to the Capital Improvement Capital Projects Fund.
- 12.5 percent is paid to the Huntsville City Board of Education.
- 2.2 percent of the prior year sales and use tax revenue is paid from the Capital Improvement Capital Projects Fund to the Huntsville City Board of Education for capital projects.

These do not represent restrictions on the fund balance of the City at September 30, 2006, but represent designations of future revenue which will be considered in determining budget appropriations for future years.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

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 2006 was \$9,147,501 by the Electric System, \$3,739,353 by the Natural Gas System, and \$1,169,071 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 \$550,000, \$200,000 of which is estimated to be currently payable and has been accrued as a liability in the City's General Fund at September 30, 2006.

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. In a prior year, the Gas System sued, in federal court, its former gas supplier and was awarded a settlement by the court, which was appealed by the supplier. The System and the supplier recently reached a settlement whereby the System received \$21.6 million, but is not included in the 2006 financial statements since the settlement was not known as of September 30, 2006.

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. As of September 30, 2006, 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.

Debt Obligations

As described in Note 4, the City has issued six series of sewer revenue warrants totaling \$109.5 million under the State Revolving Loan Fund program to upgrade its sewer treatment facilities and distribution systems. After deducting \$8.8 million of program participation costs and capitalized interest, the City may draw \$100.7 million for project costs. As of September 30, 2006, \$99.7 million has been drawn and \$1.0 million is available, which is shown as an asset in the statement of net assets.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

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. The System has committed to purchase \$23.3 million in 2007, \$11.3 million in 2008, and \$8.3 million in 2009, and has also committed to purchase an additional 388,425 MMBtu in 2007 and 346,800 MMBtu in 2008 at prices that have not been fixed at this time.

Construction Contracts

The City entered into various construction contracts as of September 30, 2006. In the fund financial statements, the unfulfilled balance of these contracts that related to The Special Revenue Fund, the Public Building Authority Special Revenue Fund, Capital Project Funds, and nonmajor governmental funds are included in the "Designation for Encumbrances" as described more fully in Notes 1 and 4F. In the statement of net assets, restricted assets are reported for the fulfillment of these contracts.

Joint Jail Expansion Construction Costs

As described in NOTE 5I, the City through the Public Building Authority is constructing an expansion to the former city jail now operated as a city-county jail by the Madison County Sherriff. In 2006 significant structural problems were discovered in the construction of the expansion, which may cost a significant amount to remedy, estimated to be at least \$7 million as of the date of the independent auditors' report. The City will likely pay most of this additional cost through the issuance of general obligation debt in 2007.

C. Related Organizations

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

Huntsville Housing Authority

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

Solid Waste Disposal Authority

The Solid Waste Disposal Authority is a legally separate organization which is governed by a five member board appointed by the City. The City has no ability to influence the operations of the Authority nor has any financial obligations related to the Authority. The City is obligated to use the Authority for its waste disposal through a contract with the Authority. However, this is considered to be an exchange transaction between two entities and is not considered a manifestation of a financial benefit or burden relationship between the entities. Fees paid to the Authority by the City for the year ended September 30, 2006 were \$2.9 million. The City was also indebted to the Authority in the amount of \$223,670 for waste disposal fees as of September 30, 2006.

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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 5 – OTHER INFORMATION – CONTINUED

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 2006.

Huntsville-Madison County Railroad Authority

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

Huntsville-Madison County Airport Authority

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

Madison County Communications District

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

E. Pension Plans

The City of Huntsville's and the Huntsville Utilities Systems (component units of the City) defined benefit pension plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City and Huntsville Utilities are affiliated with the Employees' Retirement System of Alabama (the System), an agent multiple-employer pension plan administered by the Retirement System of Alabama. The Retirement System of Alabama assigns the authority to establish and amend the benefit provisions of the plans that participate in the System to the respective employer entities. For the City of Huntsville, that authority rests with the City Council and for the Huntsville Utilities, that authority rests with the Huntsville Utilities Boards. The Retirement System of Alabama issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Retirement System of Alabama.

System 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 System members are required to contribute 5% of their annual covered salary. The City and the Utilities are required to contribute at actuarially determined rates. The rate as a percentage of annual covered payroll for the City is 9.57%, and rates for the Utilities are 11.58% for Electric, 8.38% for Natural Gas and 6.35% for Water. The contribution requirements of plan members (including the City and the Utilities) are established and may be amended by the Retirement System of Alabama.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 5 – OTHER INFORMATION – CONTINUED

For 2006, the City of Huntsville's and the Utilities' annual pension cost was equal to their required and actual contributions. The required contribution was determined as part of the September 30, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 4.61% to 7.75% per year, and (c) 0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.5%. The actuarial value of the System's assets was determined using market values of instruments at September 30, 2005 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 September 30, 2005. 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, 2006 was twenty years for the City, eighteen years for the Electric System, twenty years for the Gas System, and nineteen years for the Water System.

Trend Information for the System (latest available)

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
City of Huntsville	9/30/2005	\$6,737,220	100%
	9/30/2004	5,822,337	100%
	9/30/2003	5,518,513	100%
Huntsville Utilities:			
Electric	9/30/2005	930,327	100%
	9/30/2004	791,975	100%
	9/30/2003	730,691	100%
Natural Gas	9/30/2005	1,050,686	100%
	9/30/2004	916,167	100%
	9/30/2003	796,294	100%
Water	9/30/2005	285,555	100%
	9/30/2004	251,142	100%
	9/30/2003	231,333	100%

Schedule of Funding Progress for the System (latest available)

Department	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	9/30/2005	\$267,282,916	\$327,405,126	\$60,122,210	81.60%	\$77,284,297	73.4%
	9/30/2004	255,733,477	300,065,857	44,332,380	85.20%	73,842,273	57.2%
	9/30/2003	246,031,279	288,908,170	42,876,891	85.20%	74,197,279	57.8%
Huntsville Utilities:							
Electric	9/30/2005	28,094,541	42,619,069	14,524,528	65.90%	9,080,906	160.0%
	9/30/2004	27,424,773	37,059,535	9,634,762	74.00%	7,651,882	125.9%
	9/30/2003	26,956,436	35,183,389	8,226,953	76.60%	7,531,556	109.2%
Natural Gas	9/30/2005	34,905,665	47,605,902	12,700,237	73.30%	13,842,546	91.7%
	9/30/2004	33,538,692	41,626,982	8,088,290	80.60%	12,498,042	64.7%
	9/30/2003	32,493,171	39,553,224	7,060,053	82.20%	11,646,101	60.6%
Water	9/30/2005	14,284,170	18,502,405	4,218,235	77.20%	4,600,552	91.7%
	9/30/2004	13,778,429	16,325,253	2,546,825	84.40%	4,076,420	62.5%
	9/30/2003	12,330,583	15,267,065	1,936,482	87.30%	4,023,046	48.1%

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 5 – OTHER INFORMATION – CONTINUED

F. Post-Retirement Health Plan

The City provides certain post-retirement health insurance benefits to certain retired employees. The benefits provisions were established by City ordinance in 1989 and amended in 1992, 1996 and 1997, and are similar to those provided by the City's Group Health Plan for active employees. Under the current provisions of the plan, all employees retiring after February 1, 1997 and (1) who have completed 25 years of service in the retirement system of Alabama and are less than 65 years of age or (2) who have completed 10 years of service and are of the age 60-64 are eligible to participate. The eligibility requirements prior to February 1, 1997 included all employees retiring after December 31, 1988 and (1) who have completed 25 years of service and are 55 years of age or (2) who have completed 10 years of service and are 60 years of age or (3) who have completed 30 years of service regardless of age. Insurance coverage is provided for the retiree and his/her dependents until the retiree is 65 years of age. Retirees are required to pay premiums for a portion of the cost of the benefits in amounts established by local ordinance. The City pays for the remaining cost of the benefits. Based on the 1996 amendment to the plan, the City's share of the total estimated cost of benefits for retirees and their dependents is approximately 40 percent, which will increase for future increases in premiums. The plan had 334 participants at September 30, 2006.

The most recent actuarial valuation of the plan was made as of September 30, 2003. The actuarial assumed an investment earnings rate of 6.75%, a medical trend rate of 12.0% graded to 5.0% over seven years, and a participation rate of 60% of retiring employees.

The accumulated post-retirement benefit obligation (APBO) as of September 30, 2003 was \$29.1 million and the recommended annual City contributions to amortize this obligation in the amount of (1) \$3.2 million under the 20-year level dollar method, or (2) \$2.4 million 30-year level percent method increasing 3.25% annually. This annual recommended contribution includes normal service cost, interest cost, and an amortization of the unfunded obligation. The City made a \$1.7 million contribution in 2006, and made a \$900,000 contribution subsequent to year-end for deficiencies in prior year contributions.

While the City ordinance establishing the plan intends to fund these benefit costs in an actuarially-determined manner, the annual contributions requires City appropriation, which was not made in the recommended amount in 2006. The City does not maintain the assets accumulated for future benefits in a trust that is separate from other City assets. The activities of this benefit plan are accounted for in General Fund, which had a designated fund balance of \$9.6 million at September 30, 2006.

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 125% of anticipated claims and for workers' compensation claims in excess of \$250,000 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, 2006, have been accrued as a liability in the General Fund as of September 30, 2006. Insurance claims have been accrued as a liability in the General Fund. Insurance and legal expenditures are allocated within various departments of the General Fund and to other funds of the City based on payroll and other experience factors. No changes in insurance coverage occurred compared to the previous year nor has the City experienced any insurance settlements in excess of insurance coverage over the past three years.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 5 – OTHER INFORMATION – CONTINUED

Changes in the balances of claims liabilities (net of anticipated insurance coverages) for the fiscal year ended September 30, 2006 are as follows:

	<u>Employees' Health Care</u>		<u>Workers' Compensation</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of year	\$485,000	\$113,925	\$1,606,980	\$1,339,868
Incurred claims	11,040,910	10,931,637	1,228,432	1,264,424
Less claim payments	<u>(11,010,910)</u>	<u>(10,560,562)</u>	<u>(1,000,636)</u>	<u>(997,312)</u>
Unpaid claims, end of year (a)	<u>\$515,000</u>	<u>\$485,000</u>	<u>\$1,834,776</u>	<u>\$1,606,980</u>
	<u>Legal Claims</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of year	\$600,000	\$600,000	\$2,691,980	\$2,053,793
Incurred claims	150,612	219,357	12,419,954	12,415,418
Less claim payments	<u>(200,612)</u>	<u>(219,357)</u>	<u>(12,212,158)</u>	<u>(11,777,231)</u>
Unpaid claims, end of year (a)	<u>\$550,000</u>	<u>\$600,000</u>	<u>\$2,899,776</u>	<u>\$2,691,980</u>

(a) Total unpaid claims are reported in the 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

In the year ended September 30, 2005, intergovernmental revenue and the related receivables in the amount of \$2,663,360 in the Capital Improvements Capital Projects Fund was erroneously reported in the 2005 financial statements. A prior period adjustment has been recorded to correct this error. Also, as detailed in Note 4B, a prior period adjustment in the amount \$0 is recorded in the basic financial statements to correct prior period errors in the net carrying value of certain capital assets of the governmental activities (\$3,924,624 to cost and accumulated depreciation). The total effect of these adjustments in the statement of activities – governmental activities is (\$2,663,360).

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2006

NOTE 5 – OTHER INFORMATION – CONTINUED

I. Jail Consolidation

In July 2002, the City and Madison County Commission entered into an Intergovernmental Jail Agreement (Agreement) pursuant to which the parties agreed to combine and consolidate jail facilities for which the City and County are responsible for providing in the county. In the Agreement, the City, acting through the Public Building Authority, agreed to remodel, enlarge, and expand the existing Municipal Justice And Public Safety Center, originally financed with proceeds of the 1996 Lease Revenue Bonds, in order to make it possible to house both City inmates and inmates traditionally housed in the Madison County jail in a single facility. The Public Building Authority issued Series 2002 Lease Revenue Bonds to finance the renovation and expansion. In the Agreement, the County agreed to provide necessary funding for the management and operation of the facility, as expanded, and, through the Sheriff, began to exclusively operate the jail beginning in February 2003. The facility upon completion will be designated and known as the Huntsville-Madison County Jail.

The City, using funds previously appropriated in the General Fund for operation of the jail facility by the Police Department, will (1) pay the additional debt service due to issuance of the Series 2002 Lease Revenue Bonds, in the form of an increased annual lease payment (see Note 4E), (2) pay limited repair and replacement of facility capital components, for which a General Fund designated fund balance has been established, and (3) for seven years provide certain payments to the County to assist in the funding of jail operations. The payments are shown in the General Fund statement of revenues, expenditures and changes in fund balance as a public safety special appropriation. The amount the City will pay annually for the above-described purposes are expected to be less than the annual costs of operating a city jail. Also, in 2006 significant structural problems were discovered in the construction of the expansion, which may cost a significant amount to remedy, estimated to be at least \$7 million as of the date of the independent auditors' report. The City will likely pay most of this additional cost through the issuance of general obligation debt in 2007.

The Public Building Authority will retain title to the facility until the Series 2002 Lease Revenue Bonds are paid, at which time the City will own the facility. The City will continue occupying and operating the portion of the facility used by the City for public safety administrative activities and municipal court.

J. New Pronouncements

The City plans to adopt GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, required for fiscal periods beginning after December 15, 2006, in fiscal 2008. This statement addresses how governments should account for and report their costs and obligations related to post employment healthcare and other non-pension benefits.

The City plans to adopt GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, required for fiscal periods beginning after December 15, 2006, in fiscal 2008. This Statement establishes criteria that governments will use to ascertain whether the proceeds from sales of receivables and specific future revenues received should be reported as revenue or as a liability.

The City plans to adopt GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, required for fiscal period beginning after December 15, 2007, in fiscal 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

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

SUPPLEMENTARY INFORMATION

**CITY OF HUNTSVILLE
GENERAL FUND
BALANCE SHEET
September 30, 2006**

ASSETS

Cash & investments, at cost	\$64,177,329
Receivables (net of allowances)	12,831,269
Due from other funds	3,571,615
Due from other governmental entities	1,081,446
Inventories	57,014
	<hr/>
	\$81,718,673
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	2,639,726
Accrued liabilities	5,484,647
Contract retainages	1,033,163
Due to other funds	21,160,460
Due to other governmental entities	613,077
Deferred revenue	880,103
Other	1,100,471
	<hr/>
Total liabilities	32,911,647
	<hr/>

FUND BALANCE

Reserved for court capital	173,339
Reserved for jail construction	35,933
Unreserved	
Designated for cemetery improvements	1,394,692
Designated for contingencies	23,315,000
Designated for employee benefits	723,913
Designated for encumbrances (re-appropriated)	1,542,302
Designated for joint jail capital repairs	700,000
Designated for parking activities	1,820,993
Designated for post-retirement benefits	9,569,403
Designated for recreation projects	633,432
Designated for sweepstakes license revenue purposes	132,250
Designated for tourism activities	980,369
Unreserved and undesignated	7,785,400
	<hr/>
Total fund balance	48,807,026
	<hr/>
Total liabilities and fund balance	\$81,718,673
	<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, 2006**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes and payments in lieu of taxes	\$149,755,714	\$150,030,943	157,823,434	\$7,792,491
Licenses and permits	18,487,300	18,645,637	20,106,428	1,460,791
Fines and forfeitures	2,087,400	2,374,400	2,834,520	460,120
Revenues from money and property	1,894,800	2,005,346	4,627,521	2,622,175
Charges for services	11,946,685	11,966,685	12,256,065	289,380
Intergovernmental	2,703,359	8,027,134	5,573,538	(2,453,596)
Gifts and donations	0	0	17,606	17,606
Other revenues	560,398	561,398	1,491,778	930,380
Total revenues	187,435,656	193,611,543	204,730,890	11,119,347
EXPENDITURES				
Current				
General government	15,746,711	15,994,523	18,457,838	(2,463,315)
Public safety	56,278,045	65,354,159	60,111,547	5,242,612
Public services	48,064,353	52,776,391	49,197,153	3,579,238
Urban development	10,021,916	10,369,579	9,796,307	573,272
Debt service	491,970	491,970	491,970	0
Intergovernmental assistance	15,128,204	15,982,191	16,179,409	(197,218)
Total expenditures	145,731,199	160,968,813	154,234,224	6,734,589
Excess of revenues over expenditures	41,704,457	32,642,730	50,496,666	17,853,936
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	0	3,500,000	0	(3,500,000)
Transfers out	(39,965,027)	(40,858,123)	(41,836,991)	(978,868)
Total other financing sources (uses)	(39,965,027)	(37,358,123)	(41,836,991)	(4,478,868)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,739,430	(4,715,393)	8,659,675	13,375,068
Fund balance, beginning	40,147,351	40,147,351	40,147,351	0
Fund balance, ending	\$41,886,781	\$35,431,958	48,807,026	\$13,375,068

**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, 2006**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes				
Sales and use	\$110,029,500	\$110,039,500	114,580,803	\$4,541,303
Ad valorem	10,282,400	10,282,400	10,693,206	410,806
Other	29,443,814	29,709,043	32,549,425	2,840,382
Total	149,755,714	150,030,943	157,823,434	7,792,491
Licenses and permits				
Privilege	15,207,200	15,207,200	15,362,213	155,013
Building permits	1,754,900	1,754,900	2,359,819	604,919
Other	1,525,200	1,683,537	2,384,396	700,859
Total	18,487,300	18,645,637	20,106,428	1,460,791
Fines and forfeitures	2,087,400	2,374,400	2,834,520	460,120
Revenues from money and property				
Interest	1,300,000	1,300,000	2,564,107	1,264,107
Recreational receipts	480,600	591,146	896,046	304,900
Other	114,200	114,200	1,167,368	1,053,168
Total	1,894,800	2,005,346	4,627,521	2,622,175
Charges for current services				
Sanitation charges	\$9,200,000	\$9,200,000	9,337,327	\$137,327
Parking revenue	1,650,000	1,670,000	1,718,046	48,046
Other	1,096,685	1,096,685	1,200,692	104,007
Total	11,946,685	11,966,685	12,256,065	289,380
Intergovernmental	2,703,359	8,027,134	5,573,538	(2,453,596)
Gifts and donations	0	0	17,606	17,606
Other revenues	560,398	561,398	1,491,778	930,380
TOTAL REVENUES	187,435,656	193,611,543	204,730,890	11,119,347

**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, 2006**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current Expenditures				
General Government				
Administration				
Personnel	1,065,889	1,065,889	1,080,899	(15,010)
Operating	125,141	126,184	112,973	13,211
Capital	0	7,500	7,500	0
Total	1,191,030	1,199,573	1,201,372	(1,799)
City Council				
Personnel	\$373,309	\$373,309	387,252	(\$13,943)
Operating	48,117	49,008	37,820	11,188
Capital	0	0	0	0
Total	421,426	422,317	425,072	(2,755)
Clerk-Treasurer				
Personnel	930,327	930,327	978,277	(47,950)
Operating	208,271	208,803	157,359	51,444
Capital	0	0	0	0
Total	1,138,598	1,139,130	1,135,636	3,494
Finance				
Personnel	1,828,735	1,814,735	1,661,604	153,131
Operating	236,590	257,090	230,969	26,121
Total	2,065,325	2,071,825	1,892,573	179,252
Fleet Management				
Personnel	1,522,596	1,502,596	1,396,453	106,143
Operating	102,123	122,123	117,367	4,756
Capital	0	25,000	24,997	3
Total	1,624,719	1,649,719	1,538,817	110,902
General expenses				
Personnel	1,125,000	1,125,000	4,101,385	(2,976,385)
Operating	2,229,265	2,229,265	2,159,414	69,851
Capital	0	0	0	0
Total	3,354,265	3,354,265	6,260,799	(2,906,534)

**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, 2006**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Human Resources				
Personnel	626,509	626,509	710,333	(83,824)
Operating	336,896	336,896	229,097	107,799
Capital	0	0	0	0
Total	963,405	963,405	939,430	23,975
Information Technology Services				
Personnel	2,542,581	2,542,581	2,530,356	12,225
Operating	1,067,466	1,175,056	1,161,516	13,540
Capital	90,034	188,790	120,633	68,157
Total	\$3,700,081	\$3,906,427	3,812,505	\$93,922
Legal				
Personnel	\$1,229,902	\$1,229,902	1,195,887	\$34,015
Operating	57,960	57,960	55,747	2,213
Capital	0	0	0	0
Total	1,287,862	1,287,862	1,251,634	36,228
Total general government	15,746,711	15,994,523	18,457,838	(2,463,315)
Public Safety				
Emergency Management				
Personnel	506,237	729,806	485,325	244,481
Operating	58,682	1,003,109	817,042	186,067
Capital	0	1,049,168	639,351	409,817
Total	564,919	2,782,083	1,941,718	840,365
Fire and Rescue				
Personnel	20,003,375	20,003,375	19,948,389	54,986
Operating	1,478,817	1,485,968	1,517,587	(31,619)
Capital	0	3,925,000	69,299	3,855,701
Total	21,482,192	25,414,343	21,535,275	3,879,068
Municipal court				
Personnel	2,416,265	2,414,117	2,328,865	85,252
Operating	260,916	263,214	236,819	26,395
Capital	0	0	0	0
Total	2,677,181	2,677,331	2,565,684	111,647

**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, 2006**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Police				
Personnel	28,349,383	28,683,985	28,662,704	21,281
Operating	3,012,970	4,315,419	3,706,490	608,929
Capital	0	1,289,098	1,339,074	(49,976)
Total	31,362,353	34,288,502	33,708,268	580,234
Special appropriations	191,400	191,900	360,602	(168,702)
Total public safety	56,278,045	65,354,159	60,111,547	5,242,612
Public Services				
Animal Services				
Personnel	\$1,161,680	\$1,161,680	1,127,419	\$34,261
Operating	204,603	215,744	157,004	58,740
Capital	0	89,728	83,978	5,750
Total	1,366,283	1,467,152	1,368,401	98,751
Cemetery				
Personnel	633,813	633,813	590,002	43,811
Operating	70,896	73,115	63,681	9,434
Capital	0	356,000	9,108	346,892
Total	704,709	1,062,928	662,791	400,137
Facility Project Management				
Personnel	527,759	527,759	516,388	11,371
Operating	44,789	51,489	28,293	23,196
Capital	0	0	0	0
Total	572,548	579,248	544,681	34,567
General Services				
Personnel	2,250,642	2,250,642	2,152,958	97,684
Operating	4,170,365	4,181,975	4,341,675	(159,700)
Capital	975,300	1,293,336	980,608	312,728
Total	7,396,307	7,725,953	7,475,241	250,712
Landscape Management				
Personnel	5,350,015	5,350,015	5,115,086	234,929
Operating	2,259,140	2,272,003	2,344,425	(72,422)
Capital	0	162,158	161,074	1,084
Subtotal	7,609,155	7,784,176	7,620,585	163,591

**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, 2006**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Parking				
Personnel	1,157,567	1,157,567	1,134,241	23,326
Operating	480,125	482,598	332,433	150,165
Capital	0	865,989	412,587	453,402
Total	1,637,692	2,506,154	1,879,261	626,893
Public Transportation				
Personnel	1,383,851	1,383,851	1,308,643	75,208
Operating	1,253,300	1,290,310	1,277,522	12,788
Capital	495,000	1,033,077	286,148	746,929
Total	3,132,151	3,707,238	2,872,313	834,925
Public Works Services				
Personnel	4,013,551	4,196,701	4,259,775	(63,074)
Operating	832,362	994,245	974,051	20,194
Capital	0	110,600	105,494	5,106
Total	\$4,845,913	\$5,301,546	5,339,320	(\$37,774)
Recreation Services				
Personnel	4,961,196	4,961,196	4,945,445	15,751
Operating	742,800	735,722	666,874	68,848
Capital	0	14,500	13,394	1,106
Subtotal	5,703,996	5,711,418	5,625,713	85,705
Sanitation				
Personnel	5,787,028	5,787,028	5,016,310	770,718
Operating	4,571,405	4,597,792	4,593,840	3,952
Capital	0	986,536	892,871	93,665
Subtotal	10,358,433	11,371,356	10,503,021	868,335
Special appropriations	4,737,166	5,559,222	5,305,826	253,396
Total public services	48,064,353	52,776,391	49,197,153	3,579,238
Urban Development				
Engineering				
Personnel	4,218,221	4,218,221	4,194,294	23,927
Operating	536,340	551,218	556,963	(5,745)
Capital	0	211,666	152,721	58,945
Total	4,754,561	4,981,105	4,903,978	77,127

**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, 2006**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Planning				
Personnel	1,963,508	1,963,508	1,885,783	77,725
Operating	559,548	626,899	293,517	333,382
Capital	0	0	0	0
Total	2,523,056	2,590,407	2,179,300	411,107
Inspection				
Personnel	1,726,343	1,726,343	1,665,749	60,594
Operating	108,000	110,768	117,535	(6,767)
Capital	0	48,000	44,640	3,360
Total	1,834,343	1,885,111	1,827,924	57,187
Natural Resources				
Personnel	516,396	516,396	491,905	24,491
Operating	49,950	40,450	34,411	6,039
Capital	0	9,500	12,179	(2,679)
Total	566,346	566,346	538,495	27,851
Special appropriations	343,610	346,610	346,610	0
<i>Total urban development</i>	10,021,916	10,369,579	9,796,307	573,272
Debt Service				
Principal	491,970	491,970	431,517	60,453
Interest	0	0	60,453	(60,453)
Total	491,970	491,970	491,970	0
Intergovernmental Assistance				
Huntsville Board of Education	13,783,688	13,784,188	14,352,913	(568,725)
Madison County Commission	1,344,516	2,069,869	1,799,113	270,756
City of Madison	0	89,134	15,383	73,751
Other Alabama Counties	0	39,000	12,000	27,000
Total	15,128,204	15,982,191	16,179,409	(197,218)
TOTAL EXPENDITURES	145,731,199	160,968,813	154,234,224	6,734,589

**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, 2006**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of revenues over expenditures	\$41,704,457	\$32,642,730	50,496,666	\$17,853,936
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	\$0	\$3,500,000	0	(\$3,500,000)
Transfers out	(39,965,027)	(40,858,123)	(41,836,991)	(978,868)
Total other financing sources (uses)	(39,965,027)	(37,358,123)	(41,836,991)	(4,478,868)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,739,430	(4,715,393)	8,659,675	13,375,068
Fund balance, beginning	40,147,351	40,147,351	40,147,351	0
Fund balance, ending	\$41,886,781	\$35,431,958	48,807,026	\$13,375,068

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF SPECIAL APPROPRIATIONS - BUDGET AND ACTUAL
For the Year Ended September 30, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Safety				
Huntsville Community Watch Association	\$24,500	\$25,000	25,000	\$0
Huntsville/Madison County Rescue Squad, Inc.	4,900	4,900	4,900	0
Madison County Commission (city inmate costs)	0	0	168,702	(168,702)
Neaves Center for Children	127,000	127,000	127,000	0
Partnership for Drug Free Community	35,000	35,000	35,000	0
	<u>191,400</u>	<u>191,900</u>	<u>360,602</u>	<u>(168,702)</u>
Public Services				
Alabama A&M University	0	10,000	10,000	0
Arts Council, Inc.	152,880	152,880	152,880	0
Boys & Girls Club of Greater Huntsville, Inc.	200,000	200,000	200,000	0
Community Action Agency	100,000	100,000	100,000	0
Human Relations Commission	1,000	1,000	1,000	0
Huntsville Hospital	150,000	150,000	0	150,000
Huntsville Jaycees	2,500	2,500	0	2,500
Huntsville Symphony Orchestra	25,000	75,000	75,000	0
Huntsville Youth Orchestra	0	1,000	1,000	0
Huntsville/Madison County Botanical Gardens, Inc.	192,870	280,870	232,475	48,395
Huntsville/Madison County Convention & Vis. Bureau	974,656	1,195,871	1,195,871	0
Huntsville/Madison County Health Department	1,421,000	1,555,337	1,555,337	0
Huntsville/Madison County Senior Center, Inc.	350,000	350,000	350,000	0
Interfaith Mission Services, Inc.	0	70,001	17,500	52,501
International Services Council of Huntsville/Madison Co.	21,500	21,500	21,500	0
It Takes a Village, Inc.	0	4,000	4,000	0
Madison County Mental Retardation Board, Inc.	35,000	35,000	35,000	0
Marina & Port Authority	0	1,000	1,000	0
Mental Health Board, Inc. (Mental Health Center)	795,760	795,760	795,760	0
National Childrens' Advocacy Center, Inc.	30,000	30,000	30,000	0
North Alabama Science Center, Inc.	150,000	250,000	250,000	0
The Rock Family Worship Center (FEMA-Katrina project)	0	142,503	142,503	0
U.S. Space & Rocket Center Foundation	100,000	100,000	100,000	0
United Cerebral Palsy of Huntsville/Madison County, Inc.	35,000	35,000	35,000	0
	<u>4,737,166</u>	<u>5,559,222</u>	<u>5,305,826</u>	<u>253,396</u>
Urban Development				
Chamber of Commerce Development Account	15,000	15,000	15,000	0
Chamber of Commerce of Huntsville/Madison County	250,000	250,000	250,000	0
Huntsville Beautification Committee	4,610	7,610	7,610	0
North Alabama African-American Chamber of Commerce	25,000	25,000	25,000	0
The Land Trust of Huntsville and North Alabama, Inc.	49,000	49,000	49,000	0
	<u>343,610</u>	<u>346,610</u>	<u>346,610</u>	<u>0</u>
	<u>\$5,272,176</u>	<u>\$6,097,732</u>	<u>6,013,038</u>	<u>\$84,694</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 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.

Huntsville Sports Commission Special Revenue Fund - to account for the operations of a City-established board that recruits amateur sporting events to the City. Financing is provided by the General Fund of the City and private event sponsors.

Perpetual Care Permanent Fund - to account for the collection of cemetery revenues earmarked by local ordinance for the perpetual care of the City-owned cemeteries. Fund balance in excess of \$1 million may be used for such purposes.

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, 2006

	Special Revenue Funds								Permanent	Capital Projects Funds		Total Nonmajor Governmental Funds
	Community Development	Community Development Rehabilitation	Public Library	Burritt Museum	Alabama Constitution Village	Art Museum	Huntsville Tennis Center	Huntsville Sports Commission	Perpetual Care	Cummings Research Park	Industrial Park	
ASSETS												
Cash & investments, at cost	\$332,993	\$1,216,430	\$1,162,189	\$0	\$95,491	\$182,382	\$179,760	\$487,259	\$1,098,569	\$5,157,123	\$0	\$9,912,196
Receivables (net of allowances)												
Accounts	80,000	0	0	0	0	21,747	0	0	0	0	0	101,747
Notes	1,232,955	4,445,917	0	0	0	0	0	0	0	0	0	5,678,872
Accrued interest	203,674	21,370	0	0	0	0	0	0	0	0	0	225,044
Due from other funds	0	0	0	0	0	0	0	0	0	5,333,197	840,471	6,173,668
Due from governmental entities	0	0	0	0	0	76,625	0	0	0	0	0	76,625
Inventories	0	0	0	0	49,325	0	5,407	0	0	0	0	54,732
Prepaid items	0	0	0	0	0	87,572	12,253	0	0	0	0	99,825
Total assets	\$1,849,622	\$5,683,717	\$1,162,189	\$0	\$144,816	\$368,326	\$197,420	\$487,259	\$1,098,569	\$10,490,320	\$840,471	\$22,322,709
LIABILITIES												
Accounts payable	\$10,592	\$41,085	\$53,617	\$0	\$21,200	\$68,322	\$71	\$16,211	\$0	\$1,400,533	\$9,156	\$1,620,787
Accrued liabilities	0	0	265,724	0	0	56,604	2,815	0	0	0	0	325,143
Contract retainages	0	0	0	0	0	0	0	0	0	143,888	0	143,888
Due to other funds	72,923	0	0	28,002	17,470	0	3,437	0	0	21,363	0	143,195
Deferred revenue	0	0	0	0	0	136,617	0	0	0	423,563	0	560,180
Customer deposits	0	0	0	0	0	6,500	0	0	0	0	0	6,500
Total liabilities	83,515	41,085	319,341	28,002	38,670	268,043	6,323	16,211	0	1,989,347	9,156	2,799,693
FUND BALANCES												
Reserved for:												
Notes receivable	1,436,629	4,467,287	0	0	0	0	0	0	0	0	0	5,903,916
Donor restricted	0	0	956,900	0	0	0	0	0	0	0	0	956,900
Unreserved, designated for:												
Encumbrances	0	0	0	0	0	0	0	0	0	2,770,226	42,013	2,812,239
Unreserved & undesignated	329,478	1,175,345	(114,052)	(28,002)	106,146	100,283	191,097	471,048	1,098,569	5,730,747	789,302	9,849,961
Total fund balance (deficit)	1,766,107	5,642,632	842,848	(28,002)	106,146	100,283	191,097	471,048	1,098,569	8,500,973	831,315	19,523,016
Total liabilities and fund balance	\$1,849,622	\$5,683,717	\$1,162,189	\$0	\$144,816	\$368,326	\$197,420	\$487,259	\$1,098,569	\$10,490,320	\$840,471	\$22,322,709

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, 2006

	Special Revenue Funds								Permanent Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Community Development	Community Development Rehabilitation	Public Library	Burritt Museum	Alabama Constitution Village	Art Museum	Huntsville Tennis Center	Huntsville Sports Commission	Perpetual Care	Cummings Research Park	Industrial Park	
REVENUE												
Fines & forfeitures	\$0	\$0	\$377,161	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$377,161
Revenues from money & property	232,585	1,097	1,018,162	0	711,689	267,986	210,648	17,737	40,022	5,404,214	620,791	8,524,931
Intergovernmental	1,902,226	312,217	301,137	0	6,000	224,875	0	0	0	0	0	2,746,455
Gifts & donations	0	0	134,832	0	206,188	864,905	0	190,794	0	0	0	1,396,719
Other revenues	0	0	5,448	0	454,620	0	0	0	20,320	0	0	480,388
Total revenues	2,134,811	313,314	1,836,740	0	1,378,497	1,357,766	210,648	208,531	60,342	5,404,214	620,791	13,525,654
EXPENDITURES												
Current												
Public services	0	0	5,611,473	379,900	1,577,994	1,941,237	321,291	350,899	0	0	0	10,182,794
Urban development	3,021,862	542,268	0	0	0	0	0	0	0	1,921,734	14,983	5,500,847
Debt service												
Principal	0	0	4,372	0	0	0	0	0	0	0	0	4,372
Capital projects construction and outlay	0	0	0	0	0	0	0	0	0	8,276,799	49,640	8,326,439
Total expenditures	3,021,862	542,268	5,615,845	379,900	1,577,994	1,941,237	321,291	350,899	0	10,198,533	64,623	24,014,452
Excess (deficiency) of revenues over expenditures	(887,051)	(228,954)	(3,779,105)	(379,900)	(199,497)	(583,471)	(110,643)	(142,368)	60,342	(4,794,319)	556,168	(10,488,798)
OTHER FINANCING SOURCES (USES)												
Long-term debt issued	0	0	0	0	0	0	0	0	0	11,550,000	0	11,550,000
Proceeds from capital leases	0	0	232,957	0	0	0	0	0	0	0	0	232,957
Transfers in	718,000	158,238	3,340,000	380,209	2,046,293	575,000	246,899	100,000	0	1,250,000	0	8,814,639
Transfers (out)	0	0	0	0	0	0	0	0	0	(7,800,000)	0	(7,800,000)
Total other financing sources (uses)	718,000	158,238	3,572,957	380,209	2,046,293	575,000	246,899	100,000	0	5,000,000	0	12,797,596
Net change in fund balance	(169,051)	(70,716)	(206,148)	309	1,846,796	(8,471)	136,256	(42,368)	60,342	205,681	556,168	2,308,798
Fund balance (deficit), beginning	1,935,158	5,713,348	1,048,996	(28,311)	(1,740,650)	108,754	54,841	513,416	1,038,227	8,295,292	275,147	17,214,218
Fund balance (deficit), ending	\$1,766,107	\$5,642,632	\$842,848	(\$28,002)	\$106,146	\$100,283	\$191,097	\$471,048	\$1,098,569	\$8,500,973	\$831,315	\$19,523,016

**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, 2006**

Fund Subaccount	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property				
6.5 Mill Tax	\$10,282,400	\$10,282,400	\$10,693,206	\$410,806
6.5 Mill School Tax	12,000,000	12,000,000	12,293,636	293,636
TIF 1	600,000	600,000	909,612	309,612
TIF 2	612,000	612,000	839,470	227,470
TIF 3	1,632,000	1,632,000	3,831,551	2,199,551
TIF 3A	713,000	713,000	974,826	261,826
Total property tax	25,839,400	25,839,400	29,542,301	3,702,901
Other taxes				
Four/Five Cent State Gas Tax	1,225,000	1,225,000	1,229,751	4,751
Seven Cent State Gas Tax	1,844,000	1,844,000	1,871,838	27,838
Two Cent inspection fee	50,000	50,000	68,559	18,559
Total other taxes	3,119,000	3,119,000	3,170,148	51,148
Total taxes	28,958,400	28,958,400	32,712,449	3,754,049
Fines and forfeitures				
Seizure	0	0	204,670	204,670
Total fines and forfeitures	0	0	204,670	204,670
Revenues from money and property				
Four/Five Cent State Gas Tax	0	0	12,118	12,118
Seven Cent State Gas Tax	0	0	26,036	26,036
6.5 Mill Tax	0	0	58,111	58,111
6.5 Mill School Tax	0	0	32,333	32,333
TIF 1	0	0	2,168	2,168
TIF 2	0	0	11,148	11,148
TIF 3	0	0	114,286	114,286
TIF 3A	0	0	91,489	91,489
Total revenues from m&p	0	0	347,689	347,689
Total revenues	28,958,400	28,958,400	33,264,808	4,306,408

**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, 2006**

Fund Subaccount	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Personnel				
Salaries				
Four/Five Cent State Gas Tax	1,050,000	1,050,000	1,050,000	0
Total personnel	1,050,000	1,050,000	1,050,000	0
Operating				
Street lighting/Resurfacing				
Seven Cent State Gas Tax	2,140,000	2,140,000	2,250,297	(110,297)
Special activities				
Seizure	0	0	122,745	(122,745)
Total Operating	2,140,000	2,140,000	2,373,042	(233,042)
Capital				
6.5 mill School Tax	1,500,000	2,501,089	2,501,089	0
TIF 3A	7,380,000	5,667,607	5,353,777	313,830
Total capital	8,880,000	8,168,696	7,854,866	313,830
Debt Service				
TIF 3A	108,000	127,767	127,767	0
Total debt service	108,000	127,767	127,767	0
Total expenditures	12,178,000	11,486,463	11,405,675	80,788
Excess (deficiency) of revenues over expenditures	16,780,400	17,471,937	21,859,133	4,387,196

**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, 2006**

Fund Subaccount	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Long-term debt issued				
TIF 3A	10,800,000	10,449,753	10,448,753	(1,000)
Total long-term debt issued	10,800,000	10,449,753	10,448,753	(1,000)
Premium on debt issue				
TIF 3A	108,000	275,823	275,823	0
Total premium on debt issue	108,000	275,823	275,823	0
Transfers in(out)				
Seven Cent State Gas Tax	0	0	124,386	124,386
6.5 Mill Tax	(10,282,400)	(10,282,400)	(9,883,745)	398,655
6.5 Mill School Tax	(9,245,947)	(9,245,947)	(9,247,787)	(1,840)
TIF 2	(612,000)	(612,000)	(592,525)	19,475
TIF 3	(1,632,000)	(1,939,976)	(1,939,786)	190
TIF 3A	(713,000)	(1,306,466)	(1,306,260)	206
Total transfers in(out)	(22,485,347)	(23,386,789)	(22,845,717)	541,072
Total other financing sources (uses)	(11,577,347)	(12,661,213)	(12,121,141)	540,072
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Use	5,203,053	4,810,724	9,737,992	4,927,268
Fund balance, beginning	6,895,202	6,895,202	6,895,202	0
Fund balance, ending	\$12,098,255	\$11,705,926	16,633,194	\$4,927,268

**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, 2006**

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	\$1,200,000	\$1,802,851	\$2,494,846	\$691,995
Intergovernmental	0	17,474,414	3,825,131	(13,649,283)
Other revenues	0	0	100,986	100,986
Total revenues	1,200,000	19,277,265	6,420,963	(12,856,302)
EXPENDITURES				
Capital	47,712,000	70,314,074	22,882,221	47,431,853
Debt service	1,162,065	1,268,541	1,234,592	33,949
Total expenditures	48,874,065	71,582,615	24,116,813	47,465,802
Excess of revenues over expenditures	(47,674,065)	(52,305,350)	(17,695,850)	34,609,500
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	57,935,000	46,071,247	46,071,247	(0)
Premium on debt issue	579,000	2,754,213	2,754,213	0
Transfers in	27,837,464	34,670,797	35,822,276	1,151,479
Transfers out	(21,306,935)	(25,813,254)	(22,600,779)	3,212,475
Total other financing sources (uses)	65,044,529	57,683,003	62,046,957	4,363,954
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	17,370,464	5,377,653	44,351,107	38,973,454
Fund balance, beginning	19,175,396	19,175,396	19,175,396	0
Prior period adjustment	0	0	(2,663,360)	(2,663,360)
Fund balance, ending	\$36,545,860	\$24,553,049	\$60,863,143	\$36,310,094

**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, 2006**

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	\$5,404,216	\$5,404,216
Total revenues	0	0	5,404,216	5,404,216
EXPENDITURES				
Capital	0	12,569,166	10,198,535	2,370,631
Total expenditures	0	12,569,166	10,198,535	2,370,631
Excess of revenues over expenditures	0	(12,569,166)	(4,794,319)	3,033,585
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	0	11,550,000	11,550,000	0
Transfers in	0	1,250,000	1,250,000	0
Transfers out	0	(7,800,000)	(7,800,000)	0
Total other financing sources (uses)	0	5,000,000	5,000,000	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	(7,569,166)	205,681	7,774,847
Fund balance, beginning	8,295,292	8,295,292	8,295,292	0
Fund balance, ending	\$8,295,292	\$726,126	\$8,500,973	\$7,774,847

**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, 2006**

Industrial Park Capital Projects Fund				
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from money and property	\$0	\$0	\$620,791	\$620,791
Total revenues	0	0	620,791	620,791
EXPENDITURES				
Capital	0	156,805	64,623	92,182
Total expenditures	0	156,805	64,623	92,182
Excess (Deficiency) of Revenues Over Expenditures	0	(156,805)	556,168	712,973
Fund balance, beginning	275,147	275,147	275,147	0
Fund balance, ending	\$275,147	\$118,342	\$831,315	\$712,973

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STATISTICAL SECTION

**CITY OF HUNTSVILLE
NET ASSETS BY COMPONENT**

	2006	2005	2004	2003	2002
Governmental activities					
Invested in capital assets, net of related debt	\$662,489,220	\$681,056,759	\$697,943,619	\$666,048,980	\$686,192,636
Restricted	72,084,583	22,362,732	46,249,719	75,344,841	53,005,595
Unrestricted	(79,759,378)	(66,905,526)	(97,374,177)	(68,610,382)	(56,571,316)
Total governmental activities net assets	\$654,814,425	\$636,513,965	\$646,819,161	\$672,783,439	\$682,626,915
Business-type activities					
Invested in capital assets, net of related debt	\$130,856,625	\$122,249,521	\$115,045,127	\$130,955,516	\$124,611,461
Restricted	0	0	0	0	0
Unrestricted	10,807,675	10,103,791	10,563,493	22,057,010	22,366,088
Total business-type activities net assets	\$141,664,300	\$132,353,312	\$125,608,620	\$153,012,526	\$146,977,549
Primary government					
Invested in capital assets, net of related debt	\$793,345,845	\$803,306,280	\$812,988,746	\$797,004,496	\$810,804,097
Restricted	72,084,583	22,362,732	46,249,719	75,344,841	53,005,595
Unrestricted	(68,951,703)	(56,801,735)	(86,810,684)	(46,553,372)	(34,205,228)
Total primary government net assets	\$796,478,725	\$768,867,277	\$772,427,781	\$825,795,965	\$829,604,464

Source:

The information in this schedule was derived from the comprehensive annual financial report for the relevant year beginning with the fiscal year 2002 implementation of GASB statement number 34.

**CITY OF HUNTSVILLE
CHANGES IN NET ASSETS**

	2006	2005	2004	2003	2002
<u>Expenses</u>					
Governmental activities:					
General government	\$19,927,472	\$18,296,047	\$16,353,076	\$17,101,812	\$18,507,764
Public Safety	62,262,521	58,301,177	55,252,540	54,304,561	54,402,755
Public Services	89,603,382	67,240,627	64,075,292	45,485,290	43,747,815
Urban Development	18,320,523	15,550,825	14,928,629	16,465,386	11,873,802
Intergovernmental assistance	0	32,746,511	71,688,039	22,651,520	15,552,058
Interest on long-term debt	20,038,056	20,141,437	19,722,229	19,465,809	16,407,825
Unallocated depreciation	26,276,581	27,796,700	27,544,758	27,243,756	27,131,104
Total governmental activities expenses	236,428,535	240,073,324	269,564,563	202,718,134	187,623,123
Business-type activities:					
Water pollution control	20,899,980	20,929,126	19,706,845	18,187,242	18,497,864
Civic Center	8,475,896	7,955,705	8,341,862	7,998,837	7,346,439
Ice Complex	1,034,614	953,920	866,690	853,854	958,748
Parking facilities	0	0	0	1,867,280	1,950,163
Sanitation	0	0	0	10,482,779	10,515,078
Total business-type activities expenses	30,410,490	29,838,751	28,915,397	39,389,992	39,268,292
Total primary government expenses	266,839,025	269,912,075	298,479,960	242,108,126	226,891,415
<u>Program Revenues</u>					
Governmental activities:					
Charges for services:					
General government	15,800,779	14,647,634	13,453,484	13,918,676	16,159,303
Public Safety	3,564,980	2,735,906	2,577,515	2,360,202	1,438,212
Public Services	15,216,215	14,833,147	14,507,087	2,671,710	3,047,440
Urban Development	4,507,747	3,760,184	3,052,063	2,114,038	2,493,627
Operating grants and contributions	11,013,501	6,826,703	14,342,720	7,707,848	6,984,729
Capital grants and contributions	5,654,779	12,397,682	4,229,022	4,955,168	6,629,334
Total governmental activities program revenues	55,758,001	55,201,256	52,161,891	33,727,642	36,752,645
Business-type activities:					
Charges for services:					
Water pollution control	30,434,720	23,909,535	19,891,376	19,546,462	20,281,455
Civic Center	5,330,606	5,246,093	5,893,145	5,827,648	5,419,455
Ice Complex	922,102	832,920	733,534	726,060	822,237
Parking facilities	0	0	0	1,996,919	1,784,238
Sanitation	0	0	0	9,191,450	9,224,233
Operating grants and contributions	0	0	0	0	0
Capital grants and contributions	41,822	1,108,069	219,561	429,877	0
Total business-type activities program revenues	36,729,250	31,096,617	26,737,616	37,718,416	37,531,618
Total primary government program revenues	92,487,251	86,297,873	78,899,507	71,446,058	74,284,263
<u>Net(expense)revenue</u>					
Governmental activities	(180,670,534)	(184,872,068)	(217,402,672)	(168,990,492)	(150,870,478)
Business-type activities	6,318,760	1,257,866	(2,177,781)	(1,671,576)	(1,736,674)
Total primary government net expenses	(174,351,774)	(183,614,202)	(219,580,453)	(170,662,068)	(152,607,152)

**CITY OF HUNTSVILLE
CHANGES IN NET ASSETS**

	2006	2005	2004	2003	2002
General Revenues and Other Changes in Net Assets:					
Governmental activities:					
Taxes					
Property taxes	40,235,507	33,176,517	31,377,131	30,806,109	27,863,125
Sales & use taxes	114,580,803	104,962,909	98,302,584	93,387,783	88,382,423
Other taxes	35,719,573	32,148,984	30,978,585	28,491,869	25,424,489
Interest on Investments	6,253,502	2,867,311	2,324,757	2,588,241	2,084,616
Other	2,256,408	1,949,043	3,037,534	2,727,816	2,355,948
Gains on sales of assets	5,341,938	5,893,780	0	0	0
Capital contributions	0	0	0	0	0
Transfers	(2,753,377)	(4,511,031)	25,417,803	(7,687,338)	(3,866,057)
Total governmental activities	201,634,354	176,487,513	191,438,394	150,314,480	142,244,544
Business-type activities					
Interest on Investments	238,851	186,824	191,678	226,828	447,437
Special Item	0	0	0	0	(500,000)
Transfers	2,753,377	4,511,031	(25,417,803)	7,687,338	3,866,057
Total business-type activities	2,992,228	4,697,855	(25,226,125)	7,914,166	3,813,494
Total primary government	204,626,582	181,185,368	166,212,269	158,228,646	146,058,038
<u>Change in Net Assets</u>					
Governmental activities	20,963,820	(8,384,555)	(25,964,278)	(18,676,012)	(8,625,934)
Business-type activities	9,310,988	5,955,721	(27,403,906)	6,242,590	2,076,820
Total primary government	\$30,274,808	(\$2,428,834)	(\$53,368,184)	(\$12,433,422)	(\$6,549,114)

Source:

The information in this schedule was derived from the comprehensive annual financial report for the relevant year beginning with the fiscal year 2002 implementation of GASB statement number 34.

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

	2006	2005	2004	2003	2002
General Fund					
Reserved	\$209,272	\$205,376	\$3,350,926	\$1,392,762	\$543,314
Unreserved	48,597,754	39,941,975	41,171,848	28,173,860	21,658,323
Total general fund	48,807,026	40,147,351	44,522,774	29,566,622	22,201,637
All other governmental funds					
Reserved	9,453,684	11,575,447	83,586,896	116,109,016	18,073,396
Unreserved, reported in:					
Debt Service fund	3,234,567	21,760	0	0	0
Special revenue funds	26,197,393	17,376,072	(1,143,570)	5,181,278	25,144,148
Permanent funds	1,098,569	1,038,227	0	0	0
Capital project funds	67,383,192	24,489,475	1,785,107	1,956,057	54,132,661
Total all other governmental funds	107,367,405	54,500,981	84,228,433	123,246,351	97,350,205
Total fund balance	\$156,174,431	\$94,648,332	\$128,751,207	\$152,812,973	\$119,551,842

Source:

The information in this schedule was derived from the comprehensive annual financial report for the relevant year beginning with the fiscal year 2002 implementation of GASB statement number 34.

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

	2006	2005	2004	2003	2002
Revenues					
Sales and Use Tax	\$114,580,803	\$104,962,909	\$98,302,584	\$93,387,783	\$88,382,423
Property Tax	40,235,507	33,176,517	31,377,131	30,806,109	27,863,125
Other taxes	35,633,301	32,070,521	30,978,585	28,491,867	25,424,489
Licenses and permits	20,192,700	18,321,231	16,326,852	15,800,046	17,221,695
Fines and forfeitures	3,416,351	2,670,807	2,500,346	2,390,167	2,530,391
Revenues from money and property	16,507,127	14,706,142	6,462,447	4,496,752	6,128,981
Charges for services	12,256,065	12,094,099	12,047,330	745,402	528,064
Intergovernmental	12,145,124	18,860,466	18,047,858	12,663,017	13,614,063
Gifts and donations	1,414,325	1,539,417	1,206,645	1,213,360	845,363
Other revenues	2,073,152	1,689,342	1,629,714	1,881,488	1,839,866
Total Revenues	258,454,455	240,091,451	218,879,492	191,875,991	184,378,460
Expenditures					
General government	18,457,838	17,763,621	15,001,333	15,552,371	19,469,290
Public safety	60,234,292	58,427,522	53,779,686	53,128,903	54,324,832
Public services	66,626,701	69,248,718	63,157,605	42,786,748	40,277,609
Urban development	16,929,088	15,302,050	14,746,580	16,228,288	12,313,263
Debt service					
Principal	25,445,585	108,221,154	23,544,762	22,143,691	42,191,266
Interest	20,288,933	19,682,483	19,419,478	17,520,686	15,290,177
Fiscal charges	73,236	69,980	93,033	113,392	33,601
Debt issuance costs	778,962	1,052,682	672,156	1,465,533	1,180,146
Capital projects construction and outlay	31,152,674	44,012,462	40,446,029	28,013,828	11,396,864
Intergovernmental assistance	22,857,303	32,746,511	71,688,039	22,651,520	15,552,058
Total expenditures	262,844,612	366,527,183	302,548,701	219,604,960	212,029,106
Excess of revenues over (under) expenditures	(4,390,157)	(126,435,732)	(83,669,209)	(27,728,969)	(27,650,646)
Other financing sources(uses)					
Long-term debt issued	68,070,000	83,610,000	53,955,000	80,055,001	120,510,001
Premium on debt issue	3,030,036	4,724,090	328,461	1,507,564	1,734,137
Discount on debt issue	0	0	0	0	(210,773)
Payment to escrow agent	0	0	0	(28,982,248)	(42,617,923)
Capital lease proceeds	232,957	2,250,427	0	0	289,184
Transfers in	92,454,496	78,138,533	88,265,810	70,765,968	58,017,997
Transfers (out)	(95,207,873)	(82,601,692)	(82,941,828)	(72,742,094)	(62,762,015)
Total other financing sources(uses)	68,579,616	86,121,358	59,607,443	50,604,191	74,960,608
Net change in fund balances	\$64,189,459	(\$40,314,374)	(\$24,061,766)	\$22,875,222	\$47,309,962
Debt service as a percentage of noncapital expenditures	28.7%	80.3%	29.8%	32.3%	46.4%

Source

The information in this schedule was derived from the comprehensive annual financial report for the relevant year beginning with the fiscal year 2002 implementation of GASB statement number 34.

CITY OF HUNTSVILLE
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			
1996	*	*	*	*	*	*	*	*	*	*	\$1,214,308	\$9,485,423	12.8%
1997	*	*	*	*	*	*	*	*	*	*	\$1,273,407	\$9,909,820	12.8%
1998	*	*	*	*	*	*	*	*	*	*	\$1,309,433	\$10,141,124	12.9%
1999	*	*	*	*	*	*	*	*	*	*	\$1,317,600	\$10,347,054	12.7%
2000	*	*	*	*	*	*	*	*	*	*	\$1,501,376	\$11,783,980	12.7%
2001	*	*	*	*	*	*	*	*	*	*	\$1,575,634	\$12,382,083	12.7%
2002	*	*	*	*	*	*	*	*	*	*	\$1,585,907	\$12,658,676	12.5%
2003	\$37,329	\$124,430	\$1,373,005	\$6,865,025	\$473,714	\$4,737,140	\$2,642	(\$490,058)	\$195,622	\$1,304,147	\$1,592,254	\$13,030,742	12.2%
2004	\$35,712	\$119,040	\$1,606,282	\$8,031,410	\$591,458	\$5,914,580	\$2,842	(\$537,974)	\$194,488	\$1,296,587	\$1,892,808	\$15,361,617	12.3%
2005	\$33,832	\$112,774	\$1,628,923	\$8,144,616	\$631,620	\$6,316,200	\$4,184	(\$526,903)	\$204,144	\$1,360,960	\$1,975,800	\$15,934,550	12.4%

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 2004 above will be levied on October 1, 2005, and collected during the city's 2006 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.

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

**CITY OF HUNTSVILLE
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.	County Beverage	County Tobacco	All Other	Total
2002	\$88,382,423	\$27,863,125	\$2,844,875	\$1,111,901	\$2,973,312	\$902,273	\$108,768	\$0	\$2,944,349	\$11,095,643	\$2,149,699	\$0	\$306,110	\$969,559	\$141,652,037
2003	\$93,387,783	\$30,806,109	\$2,887,527	\$1,198,383	\$3,201,528	\$968,959	\$135,970	\$0	\$3,052,290	\$11,866,656	\$2,157,260	\$1,631,994	\$320,232	\$1,071,068	\$152,685,759
2004	\$98,302,584	\$31,377,131	\$2,618,337	\$1,242,385	\$3,835,426	\$1,051,231	\$126,795	\$1,280,095	\$3,151,825	\$11,949,977	\$2,219,186	\$1,622,948	\$310,045	\$1,570,335	\$160,658,300
2005	\$104,962,909	\$33,176,517	\$2,769,099	\$1,492,209	\$4,005,912	\$1,038,002	\$138,177	\$1,291,129	\$3,233,160	\$12,452,961	\$2,377,323	\$1,656,314	\$284,836	\$1,331,399	\$170,209,947
2006	\$114,580,803	\$40,235,507	\$2,786,309	\$1,722,226	\$4,445,996	\$1,006,452	\$138,289	\$1,378,086	\$3,170,148	\$14,036,975	\$2,569,143	\$1,663,442	\$302,046	\$2,500,461	\$190,535,883

Source:

The information in this schedule was derived from the comprehensive annual financial report and supporting schedules for the relevant year beginning with the fiscal year 2002 implementation of GASB statement number 34.

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

	2006			1997		
	City Assessed Valuation	Rank	Percentage of Total Assessed Value	City Assessed Valuation	Rank	Percentage of Total Assessed Value
Bellsouth Communications	\$27,246,700	1	1.4%	\$28,277,560	1	2.6%
Colonial Realty LP	\$16,204,120	2	0.8%			
Siemens VDO Automotive	\$11,236,380	3	0.6%			
Engelhard Corp	\$10,660,940	4	0.5%			
Sanmina SCI Technology	\$8,831,320	5	0.4%			
Inland Southeast Huntsville LLC	\$8,414,300	6	0.4%			
Parkway Place Limited	\$8,158,580	7	0.4%			
Redstone Federal Credit Union	\$7,996,400	8	0.4%			
Madison Square Assoc LTD	\$7,719,700	9	0.4%	\$7,165,840	5	0.6%
Crestwood Healthcare LP	\$6,811,520	10	0.3%			
Chrysler Corporation				\$16,154,120	2	1.5%
Dunlop Tire Corporation				\$17,048,980	3	1.5%
Intergraph Corporation				\$10,847,720	4	1.0%
SCI Systems Alabama Inc				\$7,774,920	6	0.7%
Teledyne Brown Engineering				\$6,614,280	7	0.6%
Surgicare of Huntsville				\$5,702,380	8	0.5%
Crestwod Hospital				\$5,097,020	9	0.5%
Motorola				\$5,187,960	10	0.5%
	\$113,279,960		5.7%	\$109,870,780		10.0%
Other taxpayers	\$1,862,520,040		94.3%	\$993,551,960		90.0%
Totals	\$1,975,800,000		100.0%	\$1,103,422,740		100.0%

Source: Madison County Tax Collectors office.
See the Schedule of Estimated Assessed and Estimated Actual Value of Taxable Property

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

	Total Tax Levy	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1996-1997	\$74,584,167	\$73,276,680	98.2
1997-1998	\$81,140,226	\$79,436,973	97.9
1998-1999	\$84,860,163	\$83,029,122	97.8
1999-2000	\$88,226,963	\$85,987,415	97.5
2000-2001	\$88,837,214	\$87,180,748	98.1
2001-2002	\$101,948,211	\$100,116,987	98.2
2002-2003	\$108,616,346	\$105,608,839	97.2
2003-2004	\$111,343,012	\$109,784,532	98.6
2004-2005	\$118,723,634	\$116,636,738	98.2
2005-2006	\$140,488,139	\$138,268,426	98.2

Source:
Madison County Tax Collectors office

CITY OF HUNTSVILLE
PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$1000 of Assessed Value)

Fiscal Year	City of Huntsville				County School District	County	State	Total
	General Fund	City School Funds	Debt Service Funds	Total				
1997	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
1998	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
1999	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2000	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2001	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2002	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2003	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2004	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2005	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0
2006	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0

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	Percentage Median Family Income	Per Capita
	General Obligation Warrants	PBA Lease Revenue Bonds	Capital Leases	Sewer System General Obligation Warrants	Sewer System Revenue Warrants	Capital Leases			
2002	\$324,905	\$3,648	\$1,316	\$35,795	\$97,375	\$684	\$463,723	4.74%	\$2,875
2003	\$329,195	\$55,355	\$2,449	\$53,990	\$74,525	\$683	\$516,197	5.25%	\$3,135
2004	\$360,940	\$55,355	\$1,343	\$50,875	\$71,220	\$315	\$540,048	5.39%	\$3,250
2005	\$338,105	\$55,355	\$2,653	\$47,630	\$67,795	\$168	\$511,706	4.98%	\$3,050
2006	\$383,000	\$54,105	\$1,865	\$44,245	\$64,245	\$106	\$547,566	4.96%	\$3,216

Source:

The information in this schedule was derived from the notes to the comprehensive annual financial report for the relevant year beginning with the fiscal year 2002 implementation of GASB statement number 34.

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

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

Fiscal Year	General Obligation Warrants	Sewer System General Obligation Warrants	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2002	\$324,905	\$35,795	\$360,700	2.8%	\$2,236
2003	\$329,195	\$53,990	\$383,185	2.9%	\$2,327
2004	\$360,940	\$50,875	\$411,815	2.7%	\$2,478
2005	\$338,105	\$47,630	\$385,735	2.4%	\$2,299
2006	\$383,000	\$44,245	\$427,245	N/A	\$2,510

Source:

The information in this schedule was derived from the notes to the comprehensive annual financial report for the relevant year beginning with the fiscal year 2002 implementation of GASB statement number 34.

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**

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Debt limit	395,160,000	378,561,600	323,475,600	317,181,400	315,126,800	300,275,000	263,520,000	268,096,600	262,774,200	249,590,200
Total net debt applicable to limit	259,259,048	216,556,124	232,446,050	232,599,459	252,462,445	212,002,509	219,977,500	231,620,670	201,165,998	195,640,487
Legal debt margin	135,900,952	162,005,476	91,029,550	84,581,941	62,664,355	88,272,491	43,542,500	36,475,930	61,608,202	53,949,713
Total net debt applicable to limit as a percentage of debt limit	65.6%	57.2%	71.9%	73.3%	80.1%	70.6%	83.5%	86.4%	76.6%	78.4%

**Legal Debt Margin Calculation
for Fiscal Year 2006**

Assessed value of real and personal property, October 1, 2005		<u>\$1,975,800,000</u>
Debt limit - 20 percent of total assessed value		395,160,000
All outstanding debt of the City	<u>545,595,000</u>	
Less those portions not chargeable to the debt limit:		
Lease revenue bonds of the Public Building Authority	54,105,000	
Debt payable from other revenues:		
General obligation sewer warrants	44,245,000	
Sewer revenue warrants	64,245,000	
Warrants issued for schools	112,002,746	
Allocated portion of 2005-A warrants used for storm water sewers	<u>3,839,432</u>	
Total not chargeable	<u>278,437,178</u>	
Total debt chargeable to debt limit	267,157,822	
Less assets available for debt service	<u>7,898,774</u>	<u>259,259,048</u>
Legal debt margin		<u><u>\$135,900,952</u></u>

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

Jurisdiction	Net Debt Outstanding (a)	Percentage Applicable to City of Huntsville (b)	Amount Applicable to City of Huntsville
City of Huntsville	\$376,818,485	100.0%	\$376,818,485
Madison County	5,775,000	66.2%	<u>3,820,860</u>
Total			<u><u>\$380,639,345</u></u>

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

(b) The Madison County percentage is the ratio of the assessed value of all taxable real and personal property, excluding motor vehicles, in the City (\$1,982,630,700) 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 (\$2,996,627,180) for 5.5 mills of county school district taxes. All data as of the most recently released tax abstract (October 1, 2005).

**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			Coverage
				Principal	Interest	Total	
1997	\$13,099,077	\$7,048,040	\$6,051,037	\$0	\$2,168,618	\$2,168,618	2.79
1998	\$15,157,569	\$7,030,803	\$8,126,766	\$1,555,000	\$3,555,428	\$5,110,428	1.59
1999	\$16,667,127	\$6,352,312	\$10,314,815	\$1,620,000	\$4,195,694	\$5,815,694	1.77
2000	\$18,813,747	\$7,602,966	\$11,210,781	\$1,690,000	\$4,345,381	\$6,035,381	1.86
2001	\$19,613,315	\$7,635,456	\$11,977,859	\$3,465,000	\$5,303,597	\$8,768,597	1.37
2002	\$20,553,105	\$8,282,916	\$12,109,971	\$5,140,000	\$5,814,692	\$10,954,692	1.11
2003	\$19,649,405	\$8,197,715	\$11,451,690	\$4,470,000	\$4,663,020	\$9,133,020	1.25
2004	\$20,037,239	\$9,567,498	\$10,469,741	\$6,420,000	\$5,262,787	\$11,682,787	0.90
2005	\$24,057,652	\$10,854,430	\$13,203,222	\$6,670,000	\$5,025,777	\$11,695,777	1.13
2006	\$30,633,229	\$10,869,617	\$19,763,612	\$6,935,000	\$4,769,000	\$11,704,000	1.69

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

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

(c) Direct operating expenses excluding depreciation and amortization.

**CITY OF HUNTSVILLE
DEMOGRAPHIC AND ECONOMIC STATISTICS**

Fiscal Year	Population (a)	Median Family Income	School Enrollment	Unemployment Rate
1998	*	\$54,600	23,295	2.9%
1999	*	\$54,600	23,129	2.9%
2000	158,216	\$58,100	22,906	2.8%
2001	159,294	\$60,600	21,036	3.2%
2002	161,315	\$60,600	21,517	4.0%
2003	164,655	\$59,700	22,624	4.0%
2004	166,163	\$60,300	21,166	4.4%
2005	167,787	\$61,250	20,915	3.4%
2006	170,251	\$64,800	21,140	2.8%

* accurate data is not available.

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

(b) The median income amounts are for the Huntsville Metropolitan area which consists of Madison and Limestone counties. The source of the data is the US Department of Housing and Urban Development.

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

**CITY OF HUNTSVILLE
PRINCIPAL EMPLOYERS**

Employers	Number of Employees	Percentage of Total Labor Force
US Army/Redstone Arsenal	14,601	7.4%
Huntsville Hospital System	5,126	2.6%
Tennessee Valley Authority	4,000	2.0%
The Boeing Company	3,300	1.7%
CINRAM	2,500	1.3%
Sanmina-SCI Corporation	2,500	1.3%
Intergraph Corporation	2,450	1.2%
NASA/ Marshall Space Flight Center	2,400	1.2%
Deltacom Inc	2,000	1.0%
Siemens VDO Automotive	2,000	1.0%
Total Employees of 10 Principal Employers	40,877	20.7%
Employees of Other Employers	157,723	79.3%
Total Civilian Labor Force	198,600	100.0%

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

Note:
 This employment data represents persons employed in Huntsville/Madison County
 in nonagricultural wage and salary occupations.

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

Function	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Government										
Administration	15	15	14	14	13	13	13	12	11	11
City Council	10	10	10	10	9	9	8	8	8	8
Clerk-Treasurer	20	21	21	21	21	21	21	19	21	23
Finance	28	31	32	32	29	25	26	25	31	31
Human Resources	11	10	10	10	12	11	11	11	18	18
I.T.S.	40	42	41	41	42	38	39	41	39	39
Legal	16	16	16	16	16	16	14	14	14	14
Total	140	145	144	144	142	133	132	130	142	144
Public Safety										
EMA	8	8	8	8	8	8	9	8	8	8
Fire and Rescue	340	340	342	340	340	340	335	335	343	343
Municipal Court	46	49	49	48	48	48	47	40	40	40
Police	596	591	585	649	643	648	635	609	619	619
Total	990	988	984	1,045	1,039	1,044	1,026	992	1,010	1,010
Public Services										
Animal Services	27	27	27	24	24	24	23	24	24	24
Cemetery	22	22	20	19	19	19	9	9	8	0
General Services	79	79	79	68	68	68	30	33	32	32
Projects Management	7	7	7	7	7	7	7	0	0	0
Fleet Management	33	33	33	33	33	33	33	32	40	40
Recreation Services	172	180	177	177	178	159	155	147	138	138
Landscape Management	253	251	218	214	214	214	90	92	80	86
Parking	55	55	55	55	55	55	52	48	52	52
Public Transportation	43	41	40	40	40	40	42	46	37	34
Public Services	125	129	129	141	141	140	167	151	160	160
Sanitation	159	144	152	162	161	141	157	147	183	183
Water Pollution Control	113	108	111	107	107	107	101	104	105	105
Total	1,088	1,076	1,048	1,047	1,047	1,007	866	833	859	854
Urban Development										
Community Development	42	42	42	42	42	42	42	41	41	41
Engineering	70	69	66	66	72	71	49	45	43	43
Inspection	28	28	24	24	24	24	22	23	28	28
Natural Resources	7	7	7	7	7	7	8	7	7	7
Planning	36	33	27	27	21	21	20	19	27	27
Total	183	179	166	166	166	165	141	135	146	146
Total for all departments	2,401	2,388	2,342	2,402	2,394	2,349	2,165	2,090	2,157	2,154

Source: City of Huntsville Annual Budget

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

Function	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Public Safety										
Fire and Rescue										
Number of fire stations	16	16	16	16	16	16	16	16	16	16
Fire insurance rating	3	3	3	3	3	3	3	2	2	3
Number of calls answered	22,675	6,078	5,555	5,358	5,450	*	*	*	*	*
Inspections	15,600	13,800	14,400	12,600	11,400	10,800	*	*	*	*
Police										
Number of police stations	4	4	4	4	4	1	1	1	1	1
Physical arrests	13,148	11,653	11,317	9,539	9,939	*	*	*	*	*
Parking violations	9,631	8,343	9,356	8,390	*	*	*	*	*	*
Traffic violations	37,792	24,860	24,110	23,525	*	*	*	*	*	*
Public Services										
Recreation Services										
Admissions to Aquatic Facilities	124,676	126,149	144,062	144,124	139,034	*	*	*	*	*
Participants in Community Center programs	18,830	25,261	18,683	28,697	22,366	*	*	*	*	*
Participants in Youth Athletic programs	7,829	8,181	8,807	8,920	9,146	*	*	*	*	*
Participants in Adult Athletic programs	4,357	4,333	4,433	4,312	4,208	*	*	*	*	*
Number of parks	60	59	55	52	52	52	52	46	46	46
Baseball fields	57	50	50	50	50	50	50	75	75	75
Soccer fields	50	107	107	103	103	103	103	80	80	80
Football fields	4	7	7	7	7	7	7	6	6	6
Golf courses	1	2	2	2	2	2	2	2	2	2
Tennis courts	59	61	53	45	45	45	45	45	45	45
Recreation centers	11	11	11	11	11	11	11	9	9	9
Enclosed swimming pools	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (lane miles)	2,654	2,654	2,641	20,500	20,500	20,500	1,377	1,259	1,259	1,000
Street lights	19,762	19,762	19,638	17,627	17,627	17,627	17,419	17,054	17,054	16,829
Signalized street intersections	288	288	285	275	275	275	270	243	243	243
Controlled intersections	10,606	10,606	10,580	10,300	10,300	10,300	10,000	10,000	10,000	10,000
Major storm sewers (miles)	785	785	692	114	114	114	111	110	110	110
Potholes repaired	9,925	12,529	15,060	22,249	24,374	*	*	*	*	*
Sanitation										
Refuse collected (tons/day)	222	216	214	*	*	*	*	*	*	*
Trash collected (tons/day)	175	214	217	*	*	*	*	*	*	*
Water Pollution Control										
Avg daily sewage treatment(M gallon/day)	283	321	360	358	397	*	*	*	*	*
Sanitary sewers (miles)	1,200	1,200	1,150	1,050	1,050	1,050	950	900	900	900
Utilities										
New connections	357	308	203	224	256	*	*	*	*	*
Water main breaks	73	94	77	78	71	*	*	*	*	*
Average daily consumption (000 gallons)	41,098	36,572	35,617	33,870	35,339	*	*	*	*	*
Water meters in use	77,504	77,504	76,446	76,968	76,968	76,968	69,642	67,000	67,000	61,400

Sources:
Various city departments

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