

CITY OF HUNTSVILLE, ALABAMA



2007 COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Fiscal Year Ended
September 30, 2007**

**Loretta Spencer,
Mayor**

**prepared by:
Finance Department**

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

CITY OF HUNTSVILLE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
 SEPTEMBER 30, 2007

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INTRODUCTORY SECTION

**Loretta Spencer
Mayor**



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

March 31, 2008

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, 2007, is hereby presented to you. This report has been prepared to summarize the financial results of the City's operations in 2007, 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, 2008

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, Federal Building Authority, 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 33, 79 through 87, and 92 through 97.

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, 2008

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 2.7 percent rate in late 2007 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 2007 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 will facilitate \$132 million in school construction and improvements when all are complete (total for City and schools).

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, as are many other roads for which state and federal money is paying a significant part. The City also began widening Governors Drive, using its own capital resources for this state highway that is critical to our transportation system. The Aldridge Creek drainage expansion is complete, and significant drainage and road work in the downtown area is mostly complete. Strong

Mayor Loretta Spencer
Members of the City Council
Citizens of Huntsville
March 31, 2008

demand for City property in Cummings Research Park West prompted completion of the park's roads, and the significant new business developments there, especially the Hudson-Alpha Institute for Biotechnology, will serve to further enhance the City's business reputation as a high-technology center.

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 2007, the City mostly spent funds borrowed in prior years, but issued new debt in May 2007 for the majority of TIF 4 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 Aa1 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 2007, 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 72.

Mayor Loretta Spencer
Members of the City Council
Citizens of Huntsville
March 31, 2008

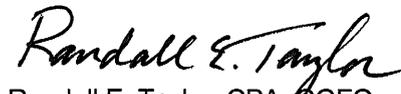
The City also provides medical care coverage to retired workers, and intends to annually fund current costs and the growing liability for future costs. A study was completed in 2007 to better understand future costs and it showed the City is currently accumulating sufficient reserves for future costs without significant impact to budgetary plans. Given the increasing cost of health care and the number of employees eligible to retire, however, management of benefits must remain a high-priority issue so as to minimize financial pressure on the City.

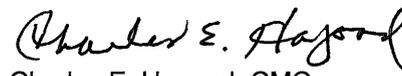
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2006, as it has for the past fourteen 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, 2006

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.



Oliver S. Cox

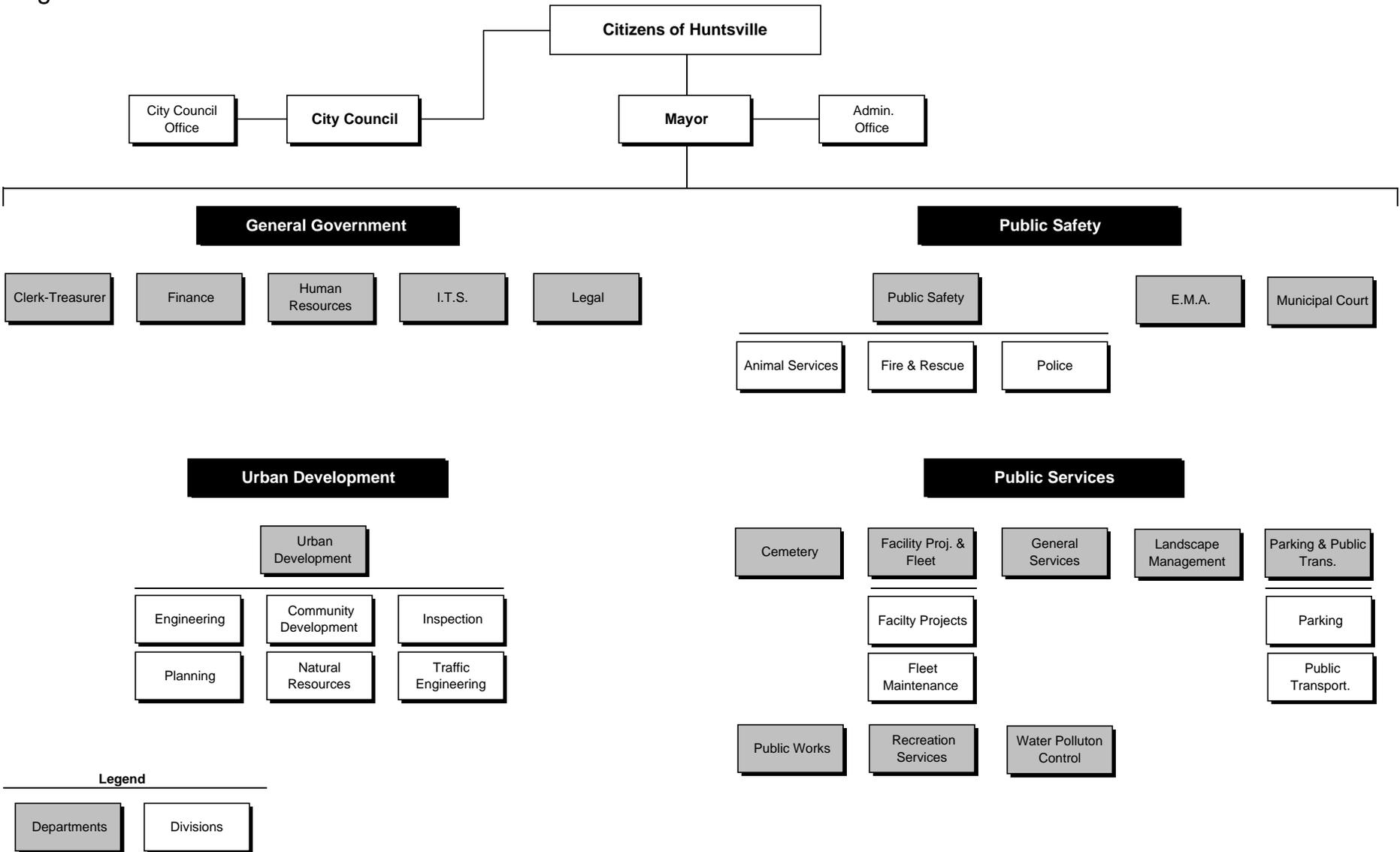
President

Jeffrey R. Emer

Executive Director

City of Huntsville

Organizational Structure



CITY OF HUNTSVILLE
ELECTED OFFICIALS
September 30, 2007

MAYOR

Honorable Loretta Spencer

TERM OF OFFICE

November 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, 2007, 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; 2.2% of the total assets and 8.4% of the revenues of the special revenue funds; and 18.6% of the total assets and 18.6% 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

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

www.beasonnalley.com

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, 2007, 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 31, 2008 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 that reads "Deason & Talley, Inc." with a stylized ampersand.

Huntsville, Alabama

March 31, 2008



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, 2007. 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 2007 by \$833.9 million.
- Net assets of the governmental activities increased \$27.3 million.
- The unrestricted net assets of the governmental activities are negative \$89.1 million, which means the City must meet its ongoing obligations to citizens and creditors from future revenues. This deficit consists of negative \$116.7 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, \$14.0 million for Von Braun Center improvements expected to be repaid from future tax revenue collections, and negative \$23.7 million in liabilities that must be settled from other future revenues, and \$65.3 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 \$25.8 million, or 10.0 percent, which is the highest growth rate in many years. Of this amount, general revenues (primarily taxes) increased \$15.6 million, or 8.2 percent; charges for services increased \$4.5 million, or 11.5% (primarily privilege licenses and building permits); grant revenues increased \$2.7 million; and interest revenue, increased \$1.7 million. Gains on the sale of assets, mainly from land sales in Cummings Research Park decreased \$3.0 million in 2007.
- Net assets of the business-type activities increased \$10.6 million, and their net unrestricted net assets are \$10.8 million, which may be used to meet their ongoing obligations.
- As of September 30, 2007, the governmental funds reported a combined ending fund balance of \$218.1 million, an increase of \$62.4 million from the prior year, which included the following significant sources:
 - General Fund increase, \$20.9 million, primarily \$9.4 million of unexpended debt borrowed for Von Braun Center improvements, \$3.6 million of revenues exceeding budget estimates, and the remainder from unexpended appropriations, although a significant portion of these have been re-appropriated in 2008..
 - The Special Revenue Fund increase of \$33.4 million, primarily from TIF 4 debt issued that was not expended in 2007.
 - The Public Building Authority Fund increase of \$19.2 million, primarily from \$26.2 million of unexpended debt issued in 2007 for the city-county jail expansion project.

Management's Discussion and Analysis- Continued

- Capital Improvement Fund, \$10.9 million decrease, mainly from the expenditure of debt proceeds received in 2006.
- Most of the \$218.1 ending fund balance must be spent for specific purposes. **Only \$10.3 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 \$69.8 million and \$10.3 million of this amount is available for any purpose. As described above, the fund balance increased \$20.9 million from the prior year.
- The City's debt associated with governmental activities increased \$49.1 million in 2007. **New debt in the amount of \$42.7 million was issued for fire trucks and TIF 4 projects, \$33.6 million of net debt was issued in connection with the city-county jail expansion project, and \$27.2 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 system (Water Pollution Control), Von Braun Center, and Benton H. Wilcoxon Municipal Ice Complex operations. All of these activities are collectively referred to in the financial statements as those of the *primary government*.

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

Management's Discussion and Analysis- Continued

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 28 and 29 of this report.

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

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

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

The City maintains sixteen individual governmental funds:

- General Fund, 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 30 through 34 of this report.

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

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

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

Management's Discussion and Analysis- Continued

- 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 35 through 38 of this report.

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 41 through 76 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 78 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 \$833.9 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 \$808.9 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, \$93.9 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 \$89.1 million from governmental activities (the deficit situation referred to above) and a positive \$20.2 million from business-type activities. The negative unrestricted net assets represents the fact that at the end of 2007, 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 for non-City purposes:	
Huntsville City Schools	(\$116,720)
Von Braun Center	(14,085)
Other	(1,953)
Other liabilities	(21,662)
Total	<u>(154,420)</u>
Unrestricted assets available	65,334
Unrestricted net assets	<u>(\$89,086)</u>

The long-term debt incurred to construct assets that are not owned by the City consisted of (a) \$116.7 million to construct school facilities owned by the Huntsville Board of Education; (b) \$14.1 million to construct improvements to the Von Braun Center, which is a business-type activity of the City, but the debt is a governmental activities liability; and (c) and \$1.9 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.

Management's Discussion and Analysis- Continued

Other liabilities primarily includes the value of compensated absences, or accrued leave owed to employees and accrued interest on city long-term debt, in the amounts of \$15.9 million \$6.5 million, respectively, at year-end. These amounts must be paid from revenues of future periods.

City of Huntsville's Net Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$250,577	\$182,199	\$43,798	\$17,198	\$294,375	\$199,397
Capital assets	963,839	950,776	241,038	236,394	1,204,877	1,187,170
Total assets	1,214,416	1,132,975	284,836	253,592	1,499,252	1,386,567
Long-term liabilities outstanding	504,214	455,004	125,938	107,158	630,152	562,162
Other liabilities	28,571	23,627	6,614	4,770	35,185	28,397
Total liabilities	532,785	478,631	132,552	111,928	665,337	590,559
Net assets:						
Invested in capital assets, net of related debt	676,753	662,489	132,100	130,856	808,853	793,345
Restricted	93,964	72,085	0	0	93,964	72,085
Unrestricted	(89,086)	(80,230)	20,184	10,808	(68,902)	(69,422)
Total net assets	\$681,631	\$654,344	\$152,284	\$141,664	\$833,915	\$796,008

Net assets from governmental activities increased \$27.3 million in fiscal year 2007 and net assets from business-type activities increased \$10.6 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	\$48,263	\$11,230
Depreciation of capital assets	(35,199)	(6,586)
Net decrease (increase) in capital related debt	1,200	(18,484)
Net increase (decrease) in SRF drawdowns financing capital assets	0	15,084
	14,264	1,244
Other restrictions:		
Increase in restricted funds for capital projects	22,405	0
Increase in restricted funds for debt service	(1,120)	0
Other net expenditures subject to restrictions	594	0
	21,879	0
Unrestricted:		
Increases (decreases) in net assets:		
General Fund	9,189	0
Cummings Research Park Fund	4,024	0
Water Pollution Control Fund	0	9,132
Net (increase) decrease in non-capital related liabilities	(22,055)	0
All other changes	(14)	244
	(8,856)	9,376
Change in net assets	\$27,287	\$10,620

Management's Discussion and Analysis- Continued

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$43,590	\$39,090	\$40,985	\$36,687	\$84,575	\$75,777
Operating grants & contributions	7,634	8,556	0	0	7,634	8,556
Capital grants & contributions	11,736	8,113	0	42	11,736	8,155
General revenues:						
Sales taxes	125,724	114,581	0	0	125,724	114,581
Property taxes	43,153	40,235	0	0	43,153	40,235
Other taxes	37,320	35,720	0	0	37,320	35,720
Interest on investments	7,980	6,236	547	239	8,527	6,475
Other	5,479	1,236	0	0	5,479	1,236
Gains on sales of assets	2,295	5,342	0	0	2,295	5,342
Total revenues	284,911	259,109	41,532	36,968	326,443	296,077
Expenses:						
General government	21,850	18,900	0	0	21,850	18,900
Public safety	71,648	62,263	0	0	71,648	62,263
Public services	89,150	89,252	0	0	89,150	89,252
Urban development	24,079	18,321	0	0	24,079	18,321
Interest on long-term debt	22,141	20,238	0	0	22,141	20,238
Unallocated depreciation	25,729	26,277	0	0	25,729	26,277
Water pollution control	0	0	23,400	20,900	23,400	20,900
Other	0	0	10,539	9,510	10,539	9,510
Total expenses	254,597	235,251	33,939	30,410	288,536	265,661
Increase in net assets before Transfers	30,314	23,858	7,593	6,558	37,907	30,416
Transfers	(3,027)	(2,853)	3,027	2,753	0	(100)
Increase (decrease) in net assets	27,287	21,005	10,620	9,311	37,907	30,316
Net assets - beginning of year	654,344	633,339	141,664	132,353	796,008	765,692
Net assets - end of year	\$681,631	\$654,344	\$152,284	\$141,664	\$833,915	\$796,008

Governmental Activities. Revenues from governmental activities increased \$25.8 million in 2007. The most significant changes were as follows:

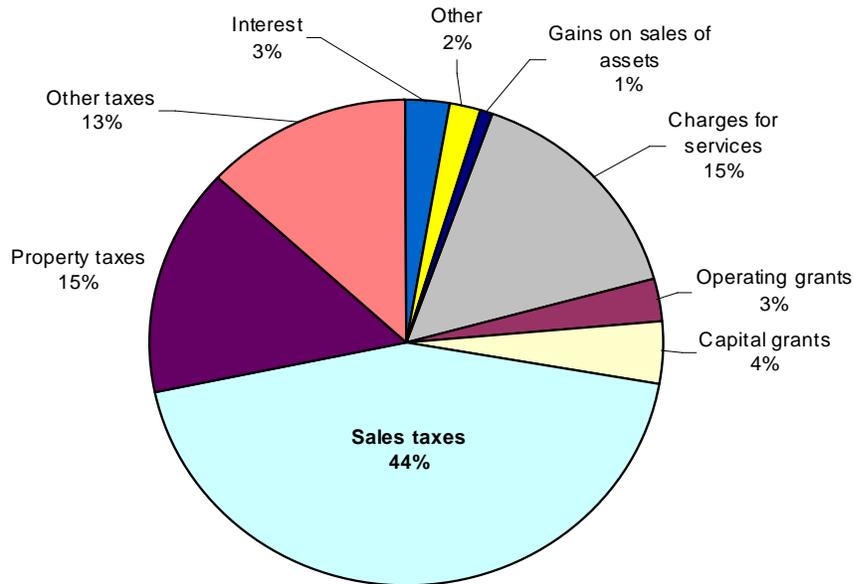
- Charges for services increased \$4.5 million, or 11.5 percent, and the significant changes were: (a) Privilege licenses increased \$2.7 million or 17.7%, \$980,000 of which was due to a one-time increase in a particular kind of license for which subsequent years revenue should be at the increased amount. All other license revenue increased \$1.7 million, or 11.9% due to increased business activity; and (b) Building-related permits increased \$1.4 million, or 45.6 percent (a record increase) due to increased construction activity.
- Capital grants from federal and state agencies increased \$3.6 million, most of which was the \$3.0 million increase in the new grant from construction of the Bridge Street parking garage.
- Sales taxes increased \$11.1 million, or 9.7 percent, the highest increase in many years, associated with increased business activity.
- Property taxes increased \$2.9 million, or 7.3 percent.
- Interest on investments increased \$1.7 million, or 28 percent due to higher rates of interest and higher cash balances.
- Other revenues increased \$4.2 million, or 343.3%, most of which was due to private contributions for construction of City assets – the Bridge Street parking garage (\$3.1 million) and Harris Hills Boulevard (\$336,277), \$500,000 from Huntsville City Schools for police officers, and \$350,000 in donated assets.
- Gains on sales of assets decreased \$3.0 million due to fewer sales of land in Cummings Research Park.

Management's Discussion and Analysis- Continued

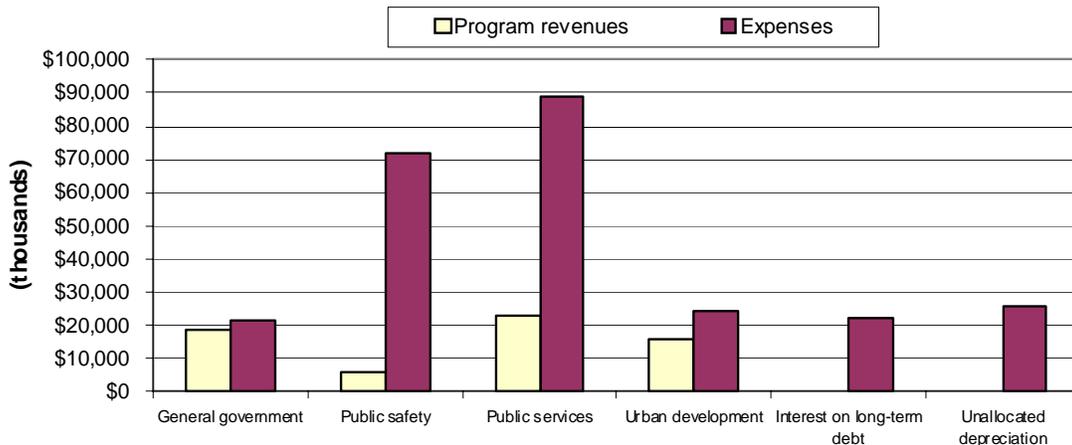
Expenses of governmental activities decreased \$19.3 million, or 8.2 percent in 2007. The most significant changes were as follows:

- General government expenses increased \$2.9 million, or 15.6 percent. Outside legal costs increased \$1.9 million, or 133%, much of which was related to litigation costs related to the city-county jail expansion project, and workers compensation costs increased \$520,000, or 52%.
- Public safety expenses increased \$8.0 million, or 12.6 percent, not including the transfer of the Animal Services department to public safety in 2007. The most significant changes were as follows: Police personnel costs increased \$1.8 million, or 6.1% due to hiring more police officers; Fire & Rescue personnel costs increased \$1.4 million, or 7.2% due to hiring more firefighters and less employee turnover; and Fire & Rescue capital costs increased \$3.1 million for the purchase of nine new fire trucks.
- Urban development expenses increased \$5.8 million, or 31.4 percent. The most significant changes were as follows: \$4.3 million increase in 2007 in the amount of City cost for widening Governors Drive, a state highway that is not considered a City capital asset; \$2.8 contribution to the United States Army for construction of Redstone Arsenal housing (considered an economic development activity); and a \$1 million decrease from 2006 in the one-time City contribution for an city-state economic development activity.
- Interest on long-term debt increased \$1.9 million, or 9.4 percent, a function of higher outstanding debt.

Revenues by Source - Governmental Activities



Program Revenues & Expenses - Governmental Activities



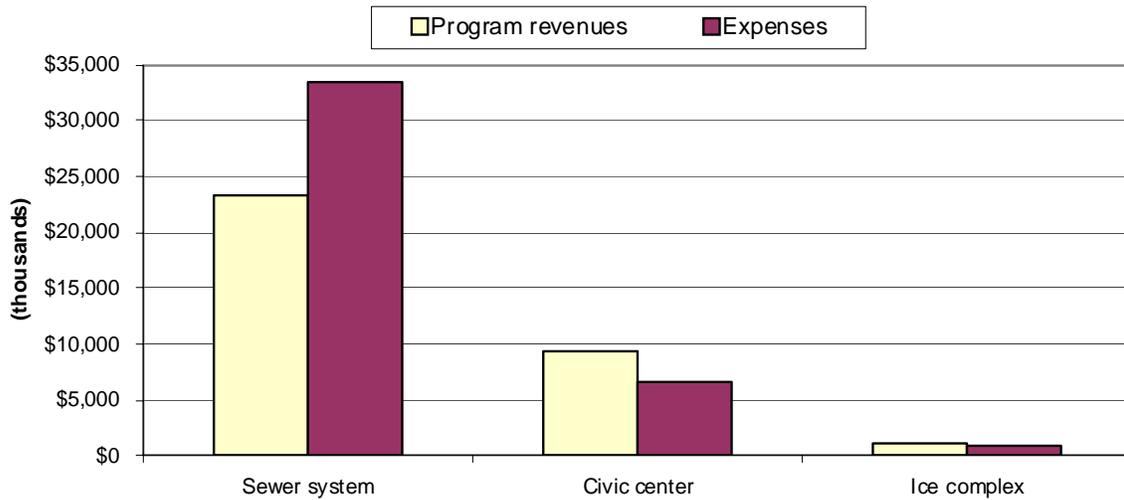
Management's Discussion and Analysis- Continued

Business-Type Activities. Revenues increased \$4.5 million, or 12.3 percent – Water Pollution Control revenues increased \$2.9 million, or 9.6 percent due to a sewer rate increase that was enacted in March 2006, and Von Braun Center revenues increased \$1.4 million, or 25.4 percent due to a higher number of events

Expenses increased \$3.5 million, or 11.6% the most significant of which are as follows:

- The City has undertaken a significant rehabilitation of its sanitary sewer system pursuant to U.S. Environmental Protection Agency requirements (the City made a self-assessment of its needs and is not under an EPA directive). Much of this effort's costs will result in improvement to system assets, but \$2.4 million more of 2007 costs (compared to 2006) were associated with system evaluation and other non-capital improvements. This is the largest portion of the total \$2.6 million (11.6 percent) increase in Water Pollution Control expenses.
- Von Braun Center expenses increased \$939,000, or 11.0 percent, due to the increased number of events at the facility.

Program Revenues & Expenses - Business-Type Activities



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 \$62.5 million in 2007, and the total balance as of September 30, 2007, was \$218.1 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.

Management's Discussion and Analysis- Continued

- 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.

A detail of the fund balances of the governmental funds as of September 30, 2007, is as follows:

Reserved	\$64,888,726
Designated for specific purposes:	
Prior year commitments	17,119,963
Cemetery improvements	899,189
Contingencies (11.5% requirement)	25,959,065
School improvements	830,341
Jail construction	1,662,674
Post-retirement benefits	9,600,000
Tourism activities	1,760,614
Other	2,171,919
	60,003,765
Undesignated, but limited as to use:	
Debt service	3,350,116
Externally-restricted	28,510,285
Perpetual care	1,177,400
Capital projects	49,864,320
	82,902,121
Not reserved or designated	10,324,561
Total	\$218,119,173

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 increased \$20.9 million. The General Fund originally-adopted budget was balanced, but \$8.5 million was added for expenditures from prior year fund balance. The difference between the \$8.5 million budgeted decrease and the \$20.9 million increase in fund balance (\$29.4 million) was primarily due to the following: \$9.4 million from debt issued for Von Braun Center improvements not expended during 2007, \$2.6 million of budgeted transfers for debt service that was not required, \$3.6 million more revenue than budgeted, \$5.0 million less in operating expenditures than budgeted, and \$7.6 million less in capital expenditures than budgeted (these items collectively represent \$28.2 million of the difference).
- The Special Revenue Fund, \$33.4 million, primarily from TIF 4 debt issued that was not expended in 2007.
- The Public Building Authority Fund, \$19.2 million, the most significant of which is \$26.2 million from unexpended debt issued in 2007 for the city-county jail expansion project, less \$3.8 million

Management's Discussion and Analysis- Continued

of prior year debt proceeds expended in 2007, and less \$3.9 million of debt service payments (which was received from other funds in 2006).

- Capital Improvement Fund, \$10.9 million decrease, mainly from the expenditure of debt proceeds received in 2006.

The General Fund is the primary operating fund of the City. The unreserved fund balance of the General Fund was \$59.1 million, but \$48.7 million of this amount has been designated by management. The remaining balance of \$10.4 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 - \$26.0 million was designated for this purpose at the end of 2007.

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). Total fund balance and unreserved fund balance represents 31.5 percent and 26.7 percent of total general fund expenditures (including transfers out), respectively.

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 \$10.6 million in 2007, \$10.1 million from the Water Pollution Control Fund, \$717,565 was from the Von Braun Center Fund, and (\$252,266) was from the Municipal IcePlex Fund.

Governmental Funds Budgetary Highlights

The net differences between the original and final budget for the governmental funds is summarized below. An amount shown in the "Net Change to Budget" column was an increase or (decrease) in net budget.

	Offsetting Budget Changes	Net Change to Budget
General Fund		
Grant revenue was increased \$13.0 million for new grants, with a corresponding increase in various program expenditures	\$13,000,000	
Proceeds from long-term debt was increased \$3.5 million with a corresponding increase in fire department capital expenditures	3,500,000	
Proceeds from long-term debt was increased \$9.9 million with a corresponding increase in transfers out to the Von Braun Center	9,000,000	
Increase in sales tax revenue		\$7,200,000
Increase in transfer out to Capital Improvement Capital Projects Fund due to increase in sales tax revenue		(1,700,000)
Increase in transfer out to Capital Improvement Capital Projects Fund from prior year designated fund balance for parking projects		(1,700,000)
Increase in intergovernmental assistance expenditure to Huntsville Board of Education due to increase in sales tax revenue		(900,000)
Appropriation of prior year unreserved and undesignated fund balance for capital expenditures		(7,000,000)
Increase in operating expenditures for legal fees		(1,900,000)
Decrease in transfer in from to The Special Revenue Fund for operating expenditures for street-lighting		(1,000,000)
All other appropriations		(1,800,000)
Total net change		(\$8,800,000)

Management's Discussion and Analysis- Continued

	Offsetting Budget Changes	Net Change to Budget
The Special Revenue Fund		
Increase in capital projects construction, TIF 4 Harris Hills Boulevard project due to issuance of debt for that purpose		(\$5,000,000)
Increase in transfer out to the Von Braun Center for TIF 4 projects due to issuance of debt for that purpose		(4,000,000)
Increase in intergovernmental assistance expenditures to Huntsville Board of Education from property taxes restricted for that purpose.		<u>(2,200,000)</u>
Total net change		<u>(\$11,200,000)</u>

Capital Improvement Fund

Grant revenue was increased \$21.1 million for new grants and a re-appropriation of prior year unexpended grants, with a corresponding increase in various capital project expenditures	\$21,100,000	
The transfer in from the General Fund was increased with a corresponding increase in for capital expenditures for parking projects	1,700,000	
Increase in interest revenue		\$1,800,000
Re-appropriation from fund balance of the unexpended portion of prior year capital project expenditures		(34,300,000)
Increase in transfer in from the General Fund Capital Improvement Capital Projects Fund due to increase in sales tax revenue		1,700,000
Increase in transfer out to Federal Building Authority Special Revenue Fund for eventual intergovernmental assistance expenditure to United States Army		<u>(2,800,000)</u>
Total net change		<u>(\$33,600,000)</u>

Also, the significant variances between the final General Fund budget and actual amounts is described on page 21.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2007, 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 \$17.7 million in 2007 - \$59.5 million of net acquisitions less \$41.8 million of depreciation. The largest capital additions were as follows:

- Construction of sewer system improvements - \$9.6 million
- Continuing expansion of the of the city-county jail - \$7.0 million
- Construction of expansion to Von Braun Center parking garage - \$6.8 million
- Construction of Bridge Street parking garage - \$6.4 million
- Purchase of nine fire trucks - \$3.1 million
- Construction of Harris Hills Boulevard - \$2.2 million
- Construction of the extension of Explorer Boulevard in Cummings Research Park - \$2.1 million
- Reconstruction of Heart of Huntsville Drive Bridge - \$1.5 million
- Construction of Flint River Greenway - \$1.2 million
- Construction of Old Monrovia Road improvements - \$1.2 million
- Purchase forty-nine police cruisers - \$1.0 million

Management's Discussion and Analysis- Continued

- Construction of Dallas Branch drainage improvements - \$921,000
- Reconstruction of Heart of Huntsville Drive - \$898,000
- Purchase four public transportation buses - \$746,000
- Continue construction of Taylor Road improvements - \$688,000
- Construction of Gateway Greenway - \$498,000
- Maple Hill Cemetery drainage improvements - \$445,000
- Joe Davis Stadium improvements - \$411,000

City of Huntsville's Capital Assets

(In thousands, net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$63,862	\$64,285	\$6,945	\$6,945	\$70,807	\$71,230
Construction in process	38,891	25,463	1,206	1,428	40,097	26,891
Land improvements	20,234	20,494	0	0	20,234	20,494
Buildings and improvements	95,884	91,084	227,179	222,430	323,063	313,514
Infrastructure	719,067	728,733	0	0	719,067	728,733
Other	25,902	20,717	5,708	5,591	31,610	26,308
Total	\$963,840	\$950,776	\$241,038	\$236,394	\$1,204,878	\$1,187,170

Additional information on the City's capital assets can be found in Note 4B on pages 54 through 56 of this report.

Long-term debt. As of September 30, 2007, 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	
	2007	2006	2007	2006	2007	2006
General obligation warrants	\$399,840	\$383,000	\$50,590	\$44,245	\$450,430	\$427,245
Revenue warrants	0	0	75,980	64,245	75,980	64,245
Lease revenue bonds	86,415	54,105	0	0	86,415	54,105
Total	\$486,255	\$437,105	\$126,570	\$108,490	\$612,825	\$545,595

The City issued \$42.7 million of general obligation debt in 2007, for fire trucks and TIF 4 projects. It also issued \$86.4 million of lease revenue bonds to refinance the 2002 lease revenue bonds and provide an additional \$30.0 million for the city-county jail expansion project.

The City's general obligation bond rating by Standard & Poor's Corporation and Moody's Investors Service, Inc. are AA+ and Aa1, 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

Management's Discussion and Analysis- Continued

schools and drainage systems to twenty percent of the assessed value of real and personal property. As of September 30, 2007, the City's allocable debt outstanding was 172.2 million less than the legal debt limit.

Additional information regarding the City's long-term debt can be found in Note 4E on pages 60 through 68 of this report.

2008 Budget

The Mayor and City Council considered many factors when developing the fiscal year 2008 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 \$229.7 million was adopted for the general fund and this will require recurring revenue growth of 3.7 percent. As of March 2008, revenues for sales tax and interest revenue are not within budgetary goals, and some budget changes are 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.

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BASIC FINANCIAL STATEMENTS

CITY OF HUNTSVILLE
STATEMENT OF NET ASSETS
September 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash & investments, at cost	\$225,996,207	\$13,746,702	\$239,742,909	\$73,954,129
Receivables (net of allowances)	21,069,352	4,760,380	25,829,732	34,025,549
Due from governmental entities	5,249,677	0	5,249,677	42,318
Inventories	141,190	134,328	275,518	13,490,564
Prepaid items	240,108	251,511	491,619	393,305
Revenue warrants - drawdowns receivable	0	16,096,540	16,096,540	0
Internal balances	(7,580,894)	7,580,894	0	0
Deferred costs	5,460,773	1,227,765	6,688,538	932,436
Restricted assets				
Cash & investments, at cost	0	0	0	64,231,975
Capital assets				
Land, collections and construction in process	102,752,472	8,150,373	110,902,845	27,371,489
Other assets, net of accum. depreciation	861,086,978	232,887,321	1,093,974,299	397,974,701
Total assets	1,214,415,863	284,835,814	1,499,251,677	612,416,466
LIABILITIES				
Accounts payable	10,919,997	3,738,159	14,658,156	49,958,563
Accrued liabilities	12,805,949	1,652,442	14,458,391	7,015,434
Contract retainages	2,399,392	341,172	2,740,564	0
Due to governmental entities	273,627	0	273,627	0
Notes payable	0	155,858	155,858	0
Customer deposits	7,600	555,679	563,279	42,138,074
Deferred revenue	1,097,682	170,521	1,268,203	0
Other	1,067,351	0	1,067,351	0
Liabilities payable from restricted assets:				
Other	0	0	0	815,561
Noncurrent liabilities				
Due within one year	30,065,603	8,545,914	38,611,517	3,089,998
Due in more than one year	474,148,057	117,392,322	591,540,379	49,938,250
Total liabilities	532,785,258	132,552,067	665,337,325	152,955,880
NET ASSETS				
Invested in capital assets, net of related debt	676,752,598	132,100,127	808,852,725	369,189,284
Restricted for:				
Capital projects	63,663,582	0	63,663,582	17,481,477
City schools	11,244,163	0	11,244,163	0
Debt service	9,371,468	0	9,371,468	6,745,174
Other	9,685,169	0	9,685,169	5,575,853
Unrestricted	(89,086,375)	20,183,620	(68,902,755)	60,468,798
Total net assets	\$681,630,605	\$152,283,747	\$833,914,352	\$459,460,586

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007

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	\$21,850,177	\$18,425,046	\$0	\$0	(\$3,425,131)	\$0	(\$3,425,131)	\$0
Public safety	71,648,602	3,415,790	1,964,110	592,944	(65,675,758)	0	(65,675,758)	0
Public services	89,150,138	15,757,762	3,731,183	3,484,587	(66,176,606)	0	(66,176,606)	0
Urban development	24,078,509	5,991,224	1,939,150	7,657,996	(8,490,139)	0	(8,490,139)	0
Interest on long-term debt	22,140,985	0	0	0	(22,140,985)	0	(22,140,985)	0
Unallocated depreciation	25,728,773	0	0	0	(25,728,773)	0	(25,728,773)	0
Total governmental activities	254,597,184	43,589,822	7,634,443	11,735,527	(191,637,392)	0	(191,637,392)	0
Business-type activities								
Water pollution control	23,399,766	33,370,745	0	0	0	9,970,979	9,970,979	0
Civic center	9,357,380	6,685,865	0	0	0	(2,671,515)	(2,671,515)	0
Ice complex	1,182,323	927,874	0	0	0	(254,449)	(254,449)	0
Total business-type activities	33,939,469	40,984,484	0	0	0	7,045,015	7,045,015	0
Total primary government	288,536,653	84,574,306	7,634,443	11,735,527	(191,637,392)	7,045,015	(184,592,377)	0
Component Units								
All	432,227,803	446,758,405	16,500	0	0	0	0	14,547,102
Total component units	\$432,227,803	\$446,758,405	\$16,500	\$0	0	0	0	14,547,102
General Revenues								
Sales & use taxes					125,723,726	0	125,723,726	0
Property taxes					43,153,397	0	43,153,397	0
Other taxes					37,319,663	0	37,319,663	414,064
Interest on investments					7,979,874	547,624	8,527,498	7,154,600
Other					5,479,430	0	5,479,430	12,872,826
Gains on sales of assets					2,295,338	0	2,295,338	0
Capital contributions					0	0	0	5,750,836
Transfers					(3,026,808)	3,026,808	0	0
Total general revenues & transfers					218,924,620	3,574,432	222,499,052	26,192,326
Change in net assets								
Net assets, beginning					654,343,377	141,664,300	796,007,677	418,721,158
Prior period adjustment					0	0	0	0
Net assets, ending					\$681,630,605	\$152,283,747	\$833,914,352	\$459,460,586

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2007**

	General Fund	Debt Service	The Special Revenue	Public Building Authority	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash & investments, at cost	\$91,544,561	\$3,530,589	\$59,136,518	\$27,975,086	\$28,049,769	\$15,759,684	\$225,996,207
Receivables (net of allowances)							
Accounts	14,604,831	0	0	2,064	311,262	48,101	14,966,258
Notes	0	0	0	0	0	5,866,027	5,866,027
Accrued interest	0	0	0	67	0	237,000	237,067
Due from other funds	666,639	0	2,416,430	0	26,694,859	938,315	30,716,243
Due from governmental entities	1,122,251	0	580,769	0	3,461,382	85,275	5,249,677
Inventories	85,130	0	0	0	0	56,060	141,190
Prepaid items	0	0	0	0	0	240,108	240,108
Total assets	\$108,023,412	\$3,530,589	\$62,133,717	\$27,977,217	\$58,517,272	\$23,230,570	\$283,412,777
LIABILITIES							
Accounts payable	\$4,875,233	\$0	\$1,298,552	\$1,269,337	\$2,608,045	\$868,830	\$10,919,997
Accrued liabilities	6,305,146	0	0	0	0	331,816	6,636,962
Contract retainages	1,700,256	0	0	353,880	314,837	30,419	2,399,392
Due to other funds	22,443,875	35,104	12,953,414	0	0	2,864,744	38,297,137
Due to governmental entities	273,627	0	0	0	0	0	273,627
Deferred revenue	1,620,228	145,369	0	0	3,441,304	484,637	5,691,538
Customer deposits	0	0	0	0	0	7,600	7,600
Other	1,067,351	0	0	0	0	0	1,067,351
Total liabilities	38,285,716	180,473	14,251,966	1,623,217	6,364,186	4,588,046	65,293,604
FUND BALANCES							
Reserved for:							
Capital projects	9,350,826	0	0	0	0	0	9,350,826
City schools	0	0	11,244,163	0	0	0	11,244,163
Debt service	0	0	5,856,231	19,752	0	0	5,875,983
Donor restricted	0	0	0	0	0	983,425	983,425
Jail construction	1,086,486	0	0	0	0	0	1,086,486
Notes receivable	0	0	0	0	0	5,361,354	5,361,354
Other	205,132	0	30,781,357	0	0	0	30,986,489
Unreserved, designated for:							
Encumbrances	5,886,889	0	0	0	0	0	5,886,889
Encumbrances-capital project funds	0	0	0	0	8,023,132	3,209,942	11,233,074
Cemetery improvements	899,189	0	0	0	0	0	899,189
Contingencies	25,959,065	0	0	0	0	0	25,959,065
School improvements	830,341	0	0	0	0	0	830,341
Jail construction	1,662,674	0	0	0	0	0	1,662,674
Post-retirement benefits	9,600,000	0	0	0	0	0	9,600,000
Tourism activities	1,760,614	0	0	0	0	0	1,760,614
Other	2,171,919	0	0	0	0	0	2,171,919
Unreserved & undesignated, reported in:							
General fund	10,324,561	0	0	0	0	0	10,324,561
Debt service fund	0	3,350,116	0	0	0	0	3,350,116
Special revenue funds	0	0	0	26,334,248	0	2,176,037	28,510,285
Permanent fund	0	0	0	0	0	1,177,400	1,177,400
Capital projects funds	0	0	0	0	44,129,954	5,734,366	49,864,320
Total fund balance	69,737,696	3,350,116	47,881,751	26,354,000	52,153,086	18,642,524	218,119,173
Total liabilities and fund balance	\$108,023,412	\$3,530,589	\$62,133,717	\$27,977,217	\$58,517,272	\$23,230,570	

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	963,839,450
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(500,328,018)</u>

Net assets of governmental activities \$681,630,605

**CITY OF HUNTSVILLE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2007**

	General Fund	Debt Service	The Special Revenue	Public Building Authority	Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUE							
Sales & use taxes	\$125,723,726	\$0	\$0	\$0	\$0	\$0	\$125,723,726
Property taxes	11,617,584	0	31,535,813	0	0	0	43,153,397
Other taxes	34,117,120	0	3,202,543	0	0	0	37,319,663
Licenses & permits	24,131,627	0	0	0	0	0	24,131,627
Fines & forfeitures	2,895,028	0	65,293	0	0	373,137	3,333,458
Revenues from money & property	5,576,459	84,609	1,311,211	124,091	2,047,099	4,993,975	14,137,444
Charges for services	12,772,475	0	0	0	0	0	12,772,475
Intergovernmental	10,166,990	0	0	0	7,560,668	2,347,556	20,075,214
Gifts & donations	40,373	0	0	0	0	1,743,160	1,783,533
Other revenues	1,316,753	0	366,277	0	0	179,363	1,862,393
Total revenues	228,358,135	84,609	36,481,137	124,091	9,607,767	9,637,191	284,292,930
EXPENDITURES							
Current							
General government	20,526,138	0	0	0	0	0	20,526,138
Public safety	68,480,543	0	80,183	0	0	0	68,560,726
Public services	58,688,318	0	2,305,901	0	4,104,328	10,351,428	75,449,975
Urban development	10,962,415	0	0	0	1,087,393	3,278,448	15,328,256
Debt service							
Principal	446,601	25,880,000	0	1,290,000	79,488	16,564	27,712,653
Interest	45,369	18,137,452	0	2,585,899	5,953	13,953	20,788,626
Fiscal charges	0	52,789	0	0	0	0	52,789
Debt issuance costs	125,493	0	365,740	1,443,942	0	0	1,935,175
Capital projects construction and outlay	0	0	2,177,063	7,002,127	19,983,223	2,624,573	31,786,986
Intergovernmental assistance	17,126,495	0	3,690,566	0	8,308,467	3,034,931	32,160,459
Total expenditures	176,401,372	44,070,241	8,619,453	12,321,968	33,568,852	19,319,897	294,301,783
Excess (deficiency) of revenues over expenditures	51,956,763	(43,985,632)	27,861,684	(12,197,877)	(23,961,085)	(9,682,706)	(10,008,853)
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	13,400,000	0	29,320,000	86,415,000	0	0	129,135,000
Premium on debt issue	228,317	0	1,070,773	1,192,319	0	0	2,491,409
Transfer to refunding escrow agent	0	0	0	(56,168,927)	0	0	(56,168,927)
Transfers in	0	44,101,181	0	0	33,875,820	9,273,262	87,250,263
Transfers (out)	(44,654,410)	0	(24,829,890)	0	(20,798,802)	0	(90,283,102)
Total other financing sources (uses)	(31,026,093)	44,101,181	5,560,883	31,438,392	13,077,018	9,273,262	72,424,643
Net change in fund balance	20,930,670	115,549	33,422,567	19,240,515	(10,884,067)	(409,444)	62,415,790
Fund balance, beginning	48,807,026	3,234,567	16,633,194	7,113,485	60,863,143	19,051,968	155,703,383
Prior period adjustment	0	0	(2,174,010)	0	2,174,010	0	0
Fund balance, ending	\$69,737,696	\$3,350,116	\$47,881,751	\$26,354,000	\$52,153,086	\$18,642,524	\$218,119,173

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, 2007

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

Net change in fund balances - total governmental funds	\$62,415,790
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.	13,370,622
Carrying value of assets disposed of during the year, which is not reported in the governmental funds.	(663,458)
Governmental funds report transfers of current financial resources to other funds as an expenditure, and only report transfers in of current financial resources as revenue. In the Statement of Activities for governmental activities, however, transfers of capital assets from and to business-type activities are recorded as revenue and expenditures, respectively. This amount is the net amount of transfers of capital assets to/from governmental activities to/from business-type activities, which is included in transfers in the Statement of Activities.	6,031
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.	(47,664,852)
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.	1,077,085
For governmental funds, the liability for accrued compensated absences does not require current financial resources and is not reported. The Statement of Net Assets for governmental activities, however, reports this as a liability, and this amount is the change from the prior year, which is also reported as an expenditure in the Statement of Activities for governmental activities.	(1,704,000)
Other revenue/expenses reported in the Statement of Activities that do not provide/require current financial resources.	<u>450,010</u>
Change In Net Assets Of Governmental Activities	<u><u>\$27,287,228</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, 2007**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$161,669,000	\$169,019,000	\$171,458,430	\$2,439,430
Licenses and permits	20,074,000	20,132,000	24,131,627	3,999,627
Fines and forfeitures	2,661,000	2,661,000	2,895,028	234,028
Revenues from money and property	3,234,000	3,728,775	5,576,459	1,847,684
Charges for services	12,394,092	12,428,092	12,772,475	344,383
Intergovernmental	2,761,368	15,814,889	10,166,990	(5,647,899)
Gifts and donations	0	31,000	40,373	9,373
Other revenues	1,054,999	1,063,008	1,316,753	253,745
Total revenues	203,848,459	224,877,764	228,358,135	3,480,371
EXPENDITURES				
Current				
General government	18,867,544	22,222,904	20,526,138	1,696,766
Public safety	62,630,703	70,795,503	68,480,543	2,314,960
Public services	51,199,503	66,831,031	58,688,318	8,142,713
Urban development	10,979,567	11,385,159	10,962,415	422,744
Debt service	718,970	718,970	617,463	101,507
Intergovernmental assistance	16,259,641	18,163,407	17,126,495	1,036,912
Total expenditures	160,655,928	190,116,974	176,401,372	13,715,602
Excess of revenues over expenditures	43,192,531	34,760,790	51,956,763	17,195,973
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	0	13,500,000	13,400,000	(100,000)
Premium on debt issue	0	0	228,317	228,317
Transfers out	(42,896,353)	(56,765,968)	(44,654,410)	12,111,558
Total other financing sources (uses)	(42,896,353)	(43,265,968)	(31,026,093)	12,239,875
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	296,178	(8,505,178)	20,930,670	29,435,848
Fund balance, beginning	48,807,026	48,807,026	48,807,026	0
Fund balance, ending	\$49,103,204	\$40,301,848	\$69,737,696	\$29,435,848

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, 2007**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and payments in lieu of taxes	\$32,339,000	\$32,339,000	\$34,738,356	\$2,399,356
Fines and forfeitures	0	0	65,293	65,293
Revenues from money and property	0	0	1,311,211	1,311,211
Other revenues	0	366,317	366,277	(40)
Total revenues	32,339,000	32,705,317	36,481,137	3,775,820
EXPENDITURES				
Current				
Public safety	0	0	86,075	(86,075)
Public services	3,275,000	3,275,000	2,305,901	969,099
Capital projects construction and outlay	0	5,366,317	2,171,171	3,195,146
Debt service	0	0	365,740	(365,740)
Intergovernmental assistance	1,500,000	3,690,566	3,690,566	0
Total expenditures	4,775,000	12,331,883	8,619,453	3,712,430
Excess of revenues over expenditures	27,564,000	20,373,434	27,861,684	7,488,250
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	0	0	29,320,000	29,320,000
Premium on debt issue	0	0	1,070,773	1,070,773
Transfers (out)	(24,127,502)	(28,127,502)	(24,829,890)	(3,297,612)
Total other financing sources (uses)	(24,127,502)	(28,127,502)	5,560,883	27,093,161
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	3,436,498	(7,754,068)	33,422,567	41,176,635
Fund balance, beginning	16,633,194	16,633,194	16,633,194	0
Prior period adjustment	0	0	(2,174,010)	(2,174,010)
Fund balance, ending	\$20,069,692	\$8,879,126	\$47,881,751	\$39,002,625

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 September 30, 2007**

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
ASSETS				
Current assets				
Cash & investments, at cost	\$12,183,748	\$1,408,568	\$154,386	\$13,746,702
Receivables (net of allowance)				
Accounts	3,289,115	1,471,265	0	4,760,380
Due from other funds	8,069,089	0	0	8,069,089
Prepaid items	0	247,761	3,750	251,511
Inventories, at cost	0	130,531	3,797	134,328
Revenue warrants - drawdowns receivable	16,096,540	0	0	16,096,540
Total current assets	39,638,492	3,258,125	161,933	43,058,550
Noncurrent assets				
Deferred costs	1,227,765	0	0	1,227,765
Capital assets:				
Land	3,717,997	3,226,697	0	6,944,694
Buildings	182,933,831	57,285,274	3,620,309	243,839,414
Improvements other than buildings	56,877,194	0	0	56,877,194
Furniture & equipment	6,633,168	4,118,176	446,455	11,197,799
Construction work in progress	0	1,205,679	0	1,205,679
Less accumulated depreciation	(58,696,627)	(18,393,164)	(1,937,295)	(79,027,086)
Total capital assets (net of accumulated depreciation)	191,465,563	47,442,662	2,129,469	241,037,694
Total assets	232,331,820	50,700,787	2,291,402	285,324,009
LIABILITIES				
Current liabilities				
Accounts payable	2,516,109	1,157,213	64,837	3,738,159
Accrued liabilities	1,233,149	408,965	10,328	1,652,442
Contract retainages	341,172	0	0	341,172
Note payable	155,858	0	0	155,858
Customer deposits	0	555,679	0	555,679
Compensated absences	69,400	21,013	0	90,413
General obligations warrants payable - current	4,010,000	0	0	4,010,000
Revenue warrants payable - current	4,420,000	0	0	4,420,000
Capital leases payable - current	0	25,501	0	25,501
Deferred revenue	0	40,750	129,771	170,521
Due to other funds	488,195	0	0	488,195
Total current liabilities	13,233,883	2,209,121	204,936	15,647,940
Noncurrent liabilities				
General obligation warrants payable (net of unamortized premium & deferred amount on refunding)	45,014,719	0	0	45,014,719
Revenue warrants payable	71,560,000	0	0	71,560,000
Capital lease payable	0	3,887	0	3,887
Compensated absences	624,600	189,116	0	813,716
Total noncurrent liabilities	117,199,319	193,003	0	117,392,322
Total liabilities	130,433,202	2,402,124	204,936	133,040,262
NET ASSETS				
Invested in capital assets, net of related debt	82,557,384	47,413,274	2,129,469	132,100,127
Unrestricted	19,341,234	885,389	(43,003)	20,183,620
Total net assets	\$101,898,618	\$48,298,663	\$2,086,466	\$152,283,747

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

The accompanying notes are an integral part of this statement.

**CITY OF HUNTSVILLE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
 For the Year Ended September 30, 2007**

	Business-Type Activities -- Enterprise Funds			
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	Totals
Operating revenue				
Charges for services	\$33,370,745	\$6,685,865	\$927,874	\$40,984,484
Total operating revenue	33,370,745	6,685,865	927,874	40,984,484
Operating expenses				
Personnel, operations & maintenance	10,601,905	6,864,407	844,925	18,311,237
Utilities	1,333,792	1,384,483	192,656	2,910,931
Depreciation and amortization	5,303,956	1,221,934	144,742	6,670,632
Administrative costs	801,983	0	0	801,983
Total operating expenses	18,041,636	9,470,824	1,182,323	28,694,783
Operating income (loss)	15,329,109	(2,784,959)	(254,449)	12,289,701
Nonoperating revenue (expenses)				
Interest income	522,533	22,908	2,183	547,624
Interest expense	(5,282,100)	(5,091)	0	(5,287,191)
Miscellaneous revenue (expense)	(76,030)	118,535	0	42,505
Total nonoperating revenue (expenses)	(4,835,597)	136,352	2,183	(4,697,062)
Income before contributions, transfers & special items	10,493,512	(2,648,607)	(252,266)	7,592,639
Transfers in	0	3,366,172	0	3,366,172
Transfers (out)	(339,364)	0	0	(339,364)
Change in net assets	10,154,148	717,565	(252,266)	10,619,447
Total net assets, beginning	91,744,470	47,581,098	2,338,732	141,664,300
Total net assets, ending	\$101,898,618	\$48,298,663	\$2,086,466	\$152,283,747

(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, 2007**

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	\$32,996,536	\$7,712,184	\$917,848	\$41,626,568
Payments to suppliers	(5,691,119)	(6,117,180)	(438,299)	(12,246,598)
Payments to employees	(6,019,957)	(2,639,178)	(562,420)	(9,221,555)
Non-operating cash receipts	0	126,589	18,072	144,661
Non-operating cash payments	0	(8,054)	0	(8,054)
Net cash provided (used) by operating activities	21,285,460	(925,639)	(64,799)	20,295,022
Noncapital financing activities				
Transfers in	0	1,906,739	0	1,906,739
Transfers (out)	(2,051,291)	0	0	(2,051,291)
Net cash provided (used) by noncapital financing activities	(2,051,291)	1,906,739	0	(144,552)
Capital and related financing activities				
Acquisition and construction of capital assets	(9,418,917)	(95,627)	(39,695)	(9,554,239)
SRF loan fund drawdowns	916,310	0	0	916,310
Proceeds from issuing warrants, net	1,937,144	0	0	1,937,144
Principal payments on capital leases	0	(76,956)	0	(76,956)
Principal payments on notes and warrants	(7,900,263)	0	0	(7,900,263)
Payment of capital asset accounts payable	0	0	(2,810)	(2,810)
Interest paid on capital leases	0	(3,527)	0	(3,527)
Interest paid on notes and warrants	(4,865,785)	0	0	(4,865,785)
Net cash provided (used) by capital and related financing activities	(19,331,511)	(176,110)	(42,505)	(19,550,126)
Investing activities				
Interest received	522,534	21,344	2,183	546,061
Net cash provided (used) by investing activities	522,534	21,344	2,183	546,061
Net increase (decrease) in cash and cash equivalents	425,192	826,334	(105,121)	1,146,405
Cash and cash equivalents, beginning	11,758,556	582,234	259,507	12,600,297
Cash and cash equivalents, ending	\$12,183,748	\$1,408,568	\$154,386	\$13,746,702

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, 2007**

	Business-Type Activities -- Enterprise Funds			Totals
	Water Pollution Control	Von Braun Center	Municipal IcePlex (Nonmajor) (1)	
Operating income (loss)	\$15,329,109	(\$2,784,959)	(\$254,449)	\$12,289,701
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	5,303,956	1,221,934	144,742	6,670,632
Miscellaneous items	(75,308)	0	0	(75,308)
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:				
Change in assets and liabilities:				
Receivables	(374,209)	(297,497)	1,992	(669,714)
Accounts payable	1,324,199	589,530	23,414	1,937,143
Contract retainages	(98,586)	0	0	(98,586)
Prepaid items	0	78,685	14,279	92,964
Accrued liabilities	87,000	129,284	198	216,482
Deferred revenue	0	0	6,054	6,054
Other items	(210,701)	137,384	(1,029)	(74,346)
Net cash provided (used) by operating activities	\$21,285,460	(\$925,639)	(\$64,799)	\$20,295,022

Supplemental information

Noncash activities

Capitalized interest on utility plant construction	\$70,394	\$0	\$0	\$70,394
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(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, 2007**

	Business-Type Activities			Governmental Activities		Total
	Huntsville Utilities			HMC CVB	DRA	
	Electric	Water	Gas			
ASSETS						
Cash & investments, at cost	\$55,203,229	\$3,733,329	\$14,224,082	\$790,289	\$3,200	\$73,954,129
Receivables (net of allowances)	29,709,148	1,988,605	2,327,796	0	0	34,025,549
Due from governmental entities	0	0	0	42,318	0	42,318
Inventories	4,353,253	1,556,758	7,572,369	8,184	0	13,490,564
Prepaid items	210,159	59,894	95,116	28,136	0	393,305
Deferred costs	495,929	217,304	215,558	3,645	0	932,436
Restricted assets						
Cash & investments, at cost	35,144,311	8,517,750	20,569,914	0	0	64,231,975
Capital assets						
Land and construction in process	13,638,408	11,714,781	2,018,300	0	0	27,371,489
Other assets, net of accum. depreciation	199,450,763	122,824,614	75,397,919	301,405	0	397,974,701
Total assets	338,205,200	150,613,035	122,421,054	1,173,977	3,200	612,416,466
LIABILITIES						
Accounts payable	46,223,167	778,649	2,901,981	54,766	0	49,958,563
Accrued liabilities	3,887,720	1,667,383	1,411,798	48,533	0	7,015,434
Customer deposits	30,639,815	3,840,327	7,657,932	0	0	42,138,074
Liabilities payable from restricted assets:						
Other	389,598	358,312	67,651	0	0	815,561
Noncurrent liabilities						
Due within one year	1,490,000	1,185,000	410,000	4,998	0	3,089,998
Due in more than one year	23,278,119	16,813,416	9,840,000	6,715	0	49,938,250
Total liabilities	105,908,419	24,643,087	22,289,362	115,012	0	152,955,880
NET ASSETS						
Invested in capital assets, net of related debt	188,427,383	116,395,898	64,064,598	301,405	0	369,189,284
Restricted for:						
Debt service	4,342,186	1,448,575	954,413	0	0	6,745,174
Capital projects	11,264,377	0	6,217,100	0	0	17,481,477
Other	2,028,129	1,470,993	2,076,731	0	0	5,575,853
Unrestricted	26,234,706	6,654,482	26,818,850	757,560	3,200	60,468,798
Total net assets	\$232,296,781	\$125,969,948	\$100,131,692	\$1,058,965	\$3,200	\$459,460,586

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, 2007**

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	\$353,408,055	\$365,239,731	\$0	\$0	\$11,831,676	\$0	\$0	\$0	\$0	\$11,831,676
Huntsville Utilities Water System	18,862,357	23,080,720	0	0	0	4,218,363	0	0	0	4,218,363
Huntsville Utilities Gas System	58,371,457	58,428,509	0	0	0	0	57,052	0	0	57,052
HMC CVB	1,585,934	9,445	16,500	0	0	0	0	(1,559,989)	0	(1,559,989)
DRA	0	0	0	0	0	0	0	0	0	0
Total component units	\$432,227,803	\$446,758,405	\$16,500	\$0	11,831,676	4,218,363	57,052	(1,559,989)	0	14,547,102
General Revenues										
Other taxes					\$0	\$0	\$0	\$414,064	\$0	\$414,064
Interest on investments					4,938,997	558,925	1,628,199	28,468	11	7,154,600
Other					0	0	11,600,000	1,272,826	0	12,872,826
Capital contributions					0	5,268,421	482,415	0	0	5,750,836
Total general revenues & transfers					4,938,997	5,827,346	13,710,614	1,715,358	11	26,192,326
Change in net assets					16,770,673	10,045,709	13,767,666	155,369	11	40,739,428
Net assets, beginning					215,526,108	115,924,239	86,364,026	903,596	3,189	418,721,158
Net assets, ending					\$232,296,781	\$125,969,948	\$100,131,692	\$1,058,965	\$3,200	\$459,460,586

The accompanying notes are an integral part of this statement.

City of Huntsville
Notes To The Financial Statements
September 30, 2007

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

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, 2007

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, 2007

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, 2007

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, 2007

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, 2007.

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”, and (4) 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, 2007

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, 2007

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 \$498,290,018 difference are as follows:

Warrants Payable	\$486,255,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(10,825,668)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(5,460,773)
Plus: Issuance premium (to be amortized as interest expense)	10,961,136
Deferred revenue	(4,593,856)
Accrued interest payable	6,518,987
Capital leases payable	1,323,192
Claims and judgments	250,000
Compensated absences	<u>15,900,000</u>
 Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	 <u>\$500,328,018</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 \$13,370,622 difference are as follows:

Capital outlay	\$48,570,250
Depreciation expense	<u>(35,199,628)</u>
 Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$13,370,622</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

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 \$498,290,018 difference are as follows:

Warrants Payable	\$486,255,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(10,825,668)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(5,460,773)
Plus: Issuance premium (to be amortized as interest expense)	10,961,136
Deferred revenue	(4,593,856)
Accrued interest payable	6,518,987
Capital leases payable	1,323,192
Claims and judgments	250,000
Compensated absences	<u>15,900,000</u>
 Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	 <u>\$500,328,018</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 \$13,370,622 difference are as follows:

Capital outlay	\$48,570,250
Depreciation expense	<u>(35,199,628)</u>
 Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$13,370,622</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

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

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 \$47,664,852 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation debt	\$129,135,000
Plus premiums	2,491,409
Less transfers to escrow agent on refunded debt	(56,168,927)
Principal repayments:	
General obligation debt	(27,170,000)
Payment on capital leases	(542,653)
Amortization of premium and refunding loss	425,421
Deferral of issuance costs	(1,577,706)
Accrued interest	<u>1,072,308</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$47,664,852</u></u>

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 \$450,010 difference is as follows:

Donated assets	(\$350,010)
Claims and judgments	<u>(100,000)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u><u>(\$450,010)</u></u>

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

A portion of the net assets reported in the statement of net assets is restricted as invested in capital assets (e.g. land, buildings, streets, and bridges) because these assets are not available for future spending (not because of externally-imposed restrictions). These assets are reported net of debt used to acquire those assets, as follows:

Governmental activities capital assets, net	\$963,839,450
Less debt outstanding expended for capital assets	(289,897,409)
Less the outstanding value of capital leases expended for capital assets	(1,323,192)
Plus deferred issue costs associated with debt expended for capital assets	<u>4,133,749</u>
Net assets invested in capital assets, net of related debt	<u><u>\$676,752,598</u></u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

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
Federal Building Authority Fund

Debt Service Fund

Permanent Fund

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

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

1. Around May 1, instructions and budget 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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

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.

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, 2007:

General Fund

Current Expenditures:

General Government:

Administration - personnel	\$25,659
City Council - personnel	10,225
Clerk-Treasurer - personnel	3,777
General expenses - operating	210,078
Legal - operating	258

Public Safety:

Fire and Rescue - operating	163,581
Police - capital	49,976

Public Services:

Facility Projects - personnel	2,748
General Services - operating	174,985
Public Transportation - operating	37,094

Urban Development:

Engineering - personnel	27,626
Inspection - operating	3,643
Traffic Engineering - operating	59

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

C. Deficit Fund Equity

As of September 30, 2007, the Burritt Museum Special Revenue Fund had deficit fund balance of \$145,370, which the Museum plans to fund through private funding sources, or possibly by a transfer from the City's General Fund.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

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, 2007, the City had the following cash and investments:

	Primary Government	Discretely- Presented Component Units
Cash on hand and in banks	\$150,771,147	\$125,220,830
Investments:		
Money market mutual funds	88,594,538	10,259,847
U.S. Treasury obligations	377,224	0
Repurchase agreements	0	2,705,427
Total investments	<u>88,971,762</u>	<u>12,965,274</u>
Total	<u>\$239,742,909</u>	<u>\$138,186,104</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.

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	\$88,587,958	\$10,259,847
Six months to one year	49,543	0
One to three years	124,392	0
Greater than three years	<u>209,869</u>	<u>2,705,427</u>
Total	<u>\$88,971,762</u>	<u>\$12,965,274</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

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.

Concentration of credit risk

Other than its investment in USTO or USTO mutual funds, the City entities did not have any single investment that had a value in excess of five percent of 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, 2007, except for bank deposits of the Huntsville Public Library Fund in the amount of \$74,770, and credit union deposits of the Community Development Rehabilitation Fund in the amount of \$312,408. 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. The Utilities' \$2.7 million investment in a repurchase agreement is collateralized by UTSO, but some of the underlying securities are held by the investment's counterparty, not in the name of the Utilities.

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

B. Capital Assets

Capital asset activity for the year ended September 30, 2007, was as follows:

	Balance September 30, 2006	Additions/ Transfers-in	Deletions Transfers-out	Balance September 30, 2007
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$64,285,403	\$185,532	(\$609,052)	\$63,861,883
Construction in progress	25,463,172	13,427,417	0	38,890,589
Total capital assets, not being depreciated	89,748,575	13,612,949	(609,052)	102,752,472
Capital assets, being depreciated:				
Land improvements	32,741,870	939,413	0	33,681,283
Buildings and improvements	133,021,888	8,188,662	0	141,210,550
Furniture, equipment and other	71,445,092	10,155,442	(4,200,820)	77,399,714
Infrastructure	1,393,254,334	16,062,499	0	1,409,316,833
Total capital assets, being depreciated	1,630,463,184	35,346,016	(4,200,820)	1,661,608,380
Less accumulated depreciation for:				
Land improvements	(12,248,582)	(1,198,488)	0	(13,447,070)
Buildings and improvements	(41,937,589)	(3,389,220)	0	(45,326,809)
Furniture, equipment and other	(50,728,350)	(4,915,820)	4,146,411	(51,497,759)
Infrastructure	(664,520,992)	(25,728,772)	0	(690,249,764)
Total accumulated depreciation	(769,435,513)	(35,232,300)	4,146,411	(800,521,402)
Total capital assets, being depreciated, net	861,027,671	113,716	(54,409)	861,086,978
Governmental activities capital assets, net	\$950,776,246	\$13,726,665	(\$663,461)	\$963,839,450
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$6,944,694	\$0	\$0	\$6,944,694
Construction in progress	1,428,453	1,437,261	(1,660,035)	1,205,679
Total capital assets, not being depreciated	8,373,147	1,437,261	(1,660,035)	8,150,373
Capital assets, being depreciated:				
Buildings and improvements	290,266,930	10,451,752	(2,074)	300,716,608
Furniture, equipment and other	10,340,523	1,006,851	(149,575)	11,197,799
Total capital assets, being depreciated	300,607,453	11,458,603	(151,649)	311,914,407
Less accumulated depreciation for:				
Buildings and improvements	(67,681,599)	(5,857,706)	2,074	(73,537,231)
Furniture, equipment and other	(4,904,643)	(728,033)	142,821	(5,489,855)
Total accumulated depreciation	(72,586,242)	(6,585,739)	144,895	(79,027,086)
Total capital assets, being depreciated, net	228,021,211	4,872,864	(6,754)	232,887,321
Business-type activities capital assets, net	\$236,394,358	\$6,310,125	(\$1,666,789)	\$241,037,694

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

For the year ended September 30, 2007, depreciation expense and transfers-in of the primary government was as follows:

<u>Governmental activities:</u>	
General government	\$906,053
Public Safety	2,039,601
Public Services	6,195,854
Urban development	329,347
Total depreciation expense charged to functions/programs	<u>9,470,855</u>
Depreciation for infrastructure assets not allocated to the functions	<u>25,728,773</u>
Total depreciation expense	35,199,628
Transfers-in from business-type activities	<u>32,672</u>
Total depreciation and transfers-in – governmental activities	<u>\$35,232,300</u>
 <u>Business-type activities:</u>	
Water Pollution Control Fund	\$5,219,062
Von Braun Center Fund	1,221,934
Municipal Iceplex Fund	<u>144,743</u>
Total depreciation expense – business-type activities	<u>\$6,585,739</u>

Activity for the discretely presented component unit, Utilities', for the year ended September 30, 2007 was as follows:

	Balance September 30, 2006	Additions/ Transfers-in	Deletions Transfers-out	Balance September 30, 2007
Utilities-Electric System:				
Capital assets, not being depreciated:				
Land	\$4,007,267	\$212,268	\$0	\$4,219,535
Construction in progress	6,127,529	26,589,848	(23,298,504)	9,418,873
Total capital assets, not being depreciated	<u>10,134,796</u>	<u>26,802,116</u>	<u>(23,298,504)</u>	<u>13,638,408</u>
Capital assets, being depreciated:				
Buildings and improvements	315,544,716	20,056,516	(2,506,039)	333,095,193
Furniture, equipment and other	16,621,711	2,219,387	(1,389,232)	17,451,866
Total capital assets, being depreciated	<u>332,166,427</u>	<u>22,275,903</u>	<u>(3,895,271)</u>	<u>350,547,059</u>
Less accumulated depreciation	(142,418,415)	(12,585,571)	3,907,690	(151,096,296)
Total capital assets, being depreciated, net	<u>189,748,012</u>	<u>9,690,332</u>	<u>12,419</u>	<u>199,450,763</u>
Electric System capital assets, net	<u>\$199,882,808</u>	<u>\$36,492,448</u>	<u>(\$23,286,085)</u>	<u>\$213,089,171</u>
 Utilities-Water System:				
Capital assets, not being depreciated:				
Land	\$1,748,064	\$0	\$0	\$1,748,064
Construction in progress	5,916,783	8,618,602	(4,568,668)	9,966,717
Total capital assets, not being depreciated	<u>7,664,847</u>	<u>8,618,602</u>	<u>(4,568,668)</u>	<u>11,714,781</u>
Capital assets, being depreciated:				
Buildings and improvements	185,320,948	7,224,567	(180,198)	192,365,317
Furniture, equipment and other	4,508,749	984,208	(257,627)	5,235,330
Total capital assets, being depreciated	<u>189,829,697</u>	<u>8,208,775</u>	<u>(437,825)</u>	<u>197,600,647</u>
Less accumulated depreciation	(70,695,238)	(4,506,201)	425,406	(74,776,033)
Total capital assets, being depreciated, net	<u>119,134,459</u>	<u>3,702,574</u>	<u>(12,419)</u>	<u>122,824,614</u>
Water System capital assets, net	<u>\$126,799,306</u>	<u>\$12,321,176</u>	<u>(\$4,581,087)</u>	<u>\$134,539,395</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

	Balance September 30, 2006	Additions/ Transfers-in	Deletions Transfers-out	Balance September 30, 2007
Utilities-Gas System:				
Capital assets, not being depreciated:				
Land	\$383,735	\$50,000	\$0	\$433,735
Construction in progress	1,497,857	5,084,076	(4,997,368)	1,584,565
Total capital assets, not being depreciated	<u>1,881,592</u>	<u>5,134,076</u>	<u>(4,997,368)</u>	<u>2,018,300</u>
Capital assets, being depreciated:				
Buildings and improvements	99,116,471	4,570,432	(157,865)	103,529,038
Furniture, equipment and other	6,699,568	937,956	(495,149)	7,142,375
Total capital assets, being depreciated	105,816,039	5,508,388	(653,014)	110,671,413
Less accumulated depreciation	(33,145,395)	(2,781,113)	653,014	(35,273,494)
Total capital assets, being depreciated, net	<u>72,670,644</u>	<u>2,727,275</u>	<u>0</u>	<u>75,397,919</u>
Gas System capital assets, net	<u>\$74,552,236</u>	<u>\$7,861,351</u>	<u>(\$4,997,368)</u>	<u>\$77,416,219</u>

Activity for the discretely presented component unit, the HMC CVB, for the year ended September 30, 2007 was as follows:

	Balance September 30, 2006	Additions/ Transfers-in	Deletions Transfers-out	Balance September 30, 2007
Capital assets, being depreciated:				
Furniture, equipment and other	\$559,089	\$2,861	\$0	\$561,950
Less accumulated depreciation	(213,134)	(47,411)	0	(260,545)
Total capital assets, being depreciated, net	<u>345,955</u>	<u>(44,550)</u>	<u>0</u>	<u>301,405</u>
Governmental activities capital assets, net	<u>\$345,955</u>	<u>(\$44,550)</u>	<u>\$0</u>	<u>\$301,405</u>

The discretely presented component unit, DRA, does not have any capital assets for the year ended September 30, 2007.

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2007 is as follows:

Transfers In/Out:

Transfers Out:

From General Fund to		
Capital Improvement Capital Projects Fund	\$33,542,487	
Debt Service Fund	2,105,276	
Von Braun Center Enterprise Fund	2,882,442	
Nonmajor governmental funds	<u>6,124,205</u>	\$44,654,410
From The Special Revenue Fund to		
Debt Service Fund	24,571,252	
Von Braun Center Enterprise Fund	<u>258,638</u>	24,829,890
From Capital Improvements Capital Projects Fund to		
Debt Service Fund	17,424,653	
Nonmajor governmental funds	3,149,057	
Von Braun Center Enterprise Fund	<u>225,092</u>	20,798,802
From Water Pollution Control Enterprise Fund		
Capital Improvement Capital Projects Fund		<u>333,333</u>
Subtotal		90,616,435
Transfers of capital assets:		
From Water Pollution Control Enterprise Fund to General Fund		<u>6,031</u>
Total		<u><u>\$90,622,466</u></u>

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Transfers In:

To Debt Service Fund from			
General Fund	\$2,105,276		
The Special Revenue Fund	24,571,252		
Capital Improvements Capital Projects Fund	<u>17,424,653</u>	\$44,101,181	
To Capital Improvements Capital Projects Fund			
General Fund			33,875,820
To Von Braun Center Enterprise Fund from			
General Fund	2,882,442		
The Special Revenue Fund	258,638		
Capital Improvements Capital Projects Fund	<u>225,092</u>	3,366,172	
To Nonmajor governmental funds from			
General Fund	6,124,205		
Capital Improvements Capital Projects Fund	<u>3,149,057</u>	<u>9,273,262</u>	
Subtotal			90,616,435
Transfers of capital assets:			
To General Fund from Water Pollution Control Enterprise Fund			<u>6,031</u>
Total			<u>\$90,622,466</u>

In the fund financial statements, total transfers in of \$90,616,435 are less than total transfers out of \$90,622,466 because the Water Pollution Control Enterprise Fund transferred net capital assets totaling \$6,031 to the General Fund during the year. These transfers are shown in the Proprietary Funds fund financial statements, but not shown in the Governmental Funds fund financial statements.

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Governmental Funds</u>		
General Fund	Water Pollution Control Fund	\$488,195
	Nonmajor Governmental Funds	<u>178,444</u>
		<u>666,639</u>
The Special Revenue Fund	General Fund	<u>2,416,430</u>
Capital Improvement Fund	General Fund	19,089,130
	The Special Revenue Fund	4,919,429
	Nonmajor Governmental Funds	<u>2,686,300</u>
		<u>26,694,859</u>
Nonmajor Governmental Funds	General Fund	<u>938,315</u>
Total Governmental Funds		<u>30,716,243</u>
<u>Proprietary Funds</u>		
Water Pollution Control Enterprise Fund	The Special Revenue Fund	8,033,985
	Debt Service Fund	<u>35,104</u>
Total Proprietary Funds		<u>8,069,089</u>
Total due to/from other funds		<u>\$38,785,332</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, 2007.

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, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Capital Leases - Continued

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Equipment	\$3,079,675	\$342,710
Less: accumulated amortization	(1,151,417)	(30,108)
Total	<u>\$1,928,258</u>	<u>\$312,602</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2007 are as follows:

September 30	Governmental Activities	Business-Type Activities
2008	\$604,228	\$26,033
2009	522,487	3,941
2010	123,002	0
2011	30,517	0
2012	30,517	0
2013-2018	116,986	0
Total minimum lease payments	1,427,737	29,974
Less amount representing interest	(104,545)	(586)
Present value of minimum lease payments	<u>\$1,323,192</u>	<u>\$29,388</u>

The future debt service requirements of the governmental activities leases at September 30, 2007 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, 2007

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 2007, rates ranged from 3.39% to 3.95%, and 5.37% to 5.62% for the tax-exempt and taxable warrants, respectively. As of September 30, 2007, the tax exempt and taxable warrant rates were 3.92% and 5.62%, 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, 2007

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, General 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, City of Huntsville Water System and City of Huntsville Gas 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.

Current Refundings

There are no past refunding transactions for which the refunded warrants are still outstanding on September 30, 2007.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Advance Refundings

Advance refunding transactions for the current year, and prior years for which the refunded warrants are still outstanding on September 30, 2007, were as follows (in thousands):

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

PRIMARY GOVERNMENT

Governmental Activities:

2007	2007PBA	\$56,325	2002PBA	\$52,815	\$52,815	not appl.	\$6,704
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(a) includes debt service savings and savings realized up-front in cash in the refunding transaction.

Outstanding Debt

The amount of debt outstanding at September 30, 2007, 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)
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PRIMARY GOVERNMENT

Governmental Activities

G.O. Warrants

1998-A	\$36,600	12/1/1998	11/1/2018	3.1 - 4.75	1,185 - 2,750	\$25,685	\$1,625
1998-B	45,380	12/1/1998	11/1/2012	3.1 - 4.5	2,290 - 4,295	22,870	3,380
1998-C	10,000	12/1/1998	11/1/2016	3.4 - 4.75	420 - 820	6,720	550
1998-D	18,910	12/1/1998	11/1/2013	3.1 - 5.25	930 - 1,705	10,350	1,275
2002-A	42,130	5/1/2002	5/1/2022	4.0 - 5.75	1,325 - 3,270	34,950	1,620
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)	10,605	80
2002-E	18,685	8/1/2002	8/1/2012	4.0 - 5.5	825 - 2,145	9,840	1,795
2002-F	23,465	8/1/2002	8/1/2013	4.0 - 5.5	895 - 2,600	13,125	2,130
2002-G	10,345	8/5/2002	7/1/2022	Variable (a)	315 - 790	8,620	400
2002-H	2,130	8/5/2002	7/1/2022	Variable (a)	65 - 165	1,770	80
2003-A	24,700	2/1/2003	2/1/2023	2.0 - 5.0	850 - 1,870	21,180	935
2003-C	53,955	11/1/2004	11/1/2024	2.0 - 5.0	675 - 14,675(d)	51,885	720
2005-A	72,485	2/1/2005	2/1/2020	3.7 - 6.25	1,425 - 9,915	55,895	8,950
2005-B	11,125	2/1/2005	2/1/2011	5.0 - 5.5	975 - 2,120	7,815	1,795
2005-C	68,070	10/1/2006	10/1/2031	3.0 - 5.0	715 - 4,530	66,445	1,785
2007-A (non-sewer)	39,220	5/1/2007	5/15/2014	4.0 - 5.0	325 - 1,825	39,220	0
2007-B	3,500	5/24/2007	5/1/2028	3.84	220 - 282	3,500	445
<i>Total G.O.</i>	<u>500,955</u>					<u>399,840</u>	<u>27,565</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt - Continued

Lease Revenue Bonds - Public Building Authority

2007	86,415	9/18/2007	10/1/2036	4.0 - 5.0	420 - 5,700	86,415	0
<i>Total L.R.B.</i>	<u>86,415</u>					<u>86,415</u>	<u>0</u>

Total governmental activities	<u>587,370</u>					<u>486,255</u>	<u>27,565</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	8/1/2002	11/1/2015	4.0 - 5.5	1,290 - 3,635	26,320	2,320
2003-B	19,485	4/1/2003	8/1/2016	2.0 - 5.25	1,220 - 1,915	14,400	1,365
2007-A (Sewer portion)	9,870	5/1/207	5/15/2014	4.0 - 5.0	325 - 725	9,870	325
	<u>65,150</u>					<u>50,590</u>	<u>4,010</u>

Sewer Revenue Warrants - State Revolving Loan Fund

1996	22,380	1/26/1996	8/15/2017	3.65	775 - 1,550	13,210	1,115
1998	17,435	1/27/1998	8/15/2020	3.75	595 - 1,215	12,745	775
1998-B	16,760	12/1/1998	8/15/2020	3.50	590 - 1,145	12,170	755
2000	15,180	12/22/1999	8/15/2021	3.85	515 - 1,070	11,775	645
2001	13,045	12/14/2000	8/15/2022	3.85	440 - 920	10,660	535
2006	16,000	11/8/2006	8/15/2026	3.25	580 - 1,070	15,420	595
	<u>100,800</u>					<u>75,980</u>	<u>4,420</u>

Total business-type activities	<u>165,950</u>					<u>126,570</u>	<u>8,430</u>
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Total Primary Government	<u>\$753,320</u>					<u>\$612,825</u>	<u>\$35,995</u>
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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

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	\$815
2001	6,070	12/1/2001	12/1/2015	3.0 - 5.0	340 - 565	3,860	415
2002	9,920	12/1/2002	12/1/2022	1.35 - 5.0	260 - 1,030	5,660	260
Subtotal	<u>31,495</u>					<u>25,025</u>	<u>1,490</u>

Water System Revenue Warrants

1998	21,140	11/1/1998	11/1/2019	3.5 - 5.0	75 - 1,970	18,430	1,185
Subtotal	<u>21,140</u>					<u>18,430</u>	<u>1,185</u>

Gas System Revenue Warrants

2005	11,025	8/1/2005	8/1/2025	3.25 - 4.38	380 - 780	10,250	410
Subtotal	<u>11,025</u>					<u>10,250</u>	<u>410</u>

Total Component Units	<u>\$63,660</u>					<u>\$53,705</u>	<u>\$3,085</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, 2007 are shown below. The interest amounts assume the rates on variable rate debt in effect at September 30, 2007. 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 \$3,350,116 and \$5,856,231 available in the Debt Service Fund and The Special Revenue Fund, respectively, to service general obligation debt and \$19,752 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.

PRIMARY GOVERNMENT

<u>Governmental activities:</u>	(thousands)			
	G.O. Warrants		Lease Rev. Bonds	
	Principal	Interest	Principal	Interest
2008	\$27,565	\$19,013	\$0	\$2,211
2009	30,095	17,724	420	4,115
2010	32,080	16,272	440	4,098
2011	27,000	14,842	455	4,080
2012	36,245	13,575	475	4,061
2013-2017	96,075	48,655	9,980	19,199
2018-2022	74,990	28,154	12,530	16,649
2023-2027	52,340	11,496	15,875	13,299
2028-2032	15,140	4,077	20,290	8,890
2033-2037	8,310	1,287	25,950	3,225
Total governmental activities	<u>\$399,840</u>	<u>\$175,095</u>	<u>\$86,415</u>	<u>\$79,827</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

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
2008	\$4,010	\$2,394	\$4,420	\$2,751
2009	4,195	2,221	4,585	2,590
2010	4,385	2,032	4,755	2,423
2011	4,605	1,825	4,930	2,250
2012	4,840	1,602	5,115	2,070
2013-2017	22,590	4,044	28,560	7,414
2018-2022	2,645	1,156	19,535	2,505
2023-2027	3,320	488	4,080	337
Total business-type activities	\$50,590	\$15,762	\$75,980	\$22,340

Total Primary Government

\$612,825 \$293,024

COMPONENT UNITS

<u>Business-Type Activities - Huntsville Utilities</u>	Electric Rev. Warrants		Water Rev. Warrants	
	Principal	Interest	Principal	Interest
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	1,765	868	1,405	614
2013-2017	10,225	2,985	8,125	1,987
2018-2022	6,210	646	3,845	194
2023-2027	490	24	0	0
Total	\$25,025	\$8,703	\$18,430	\$5,822

<u>Business-Type Activities - Huntsville Utilities</u>	Gas Rev. Warrants	
	Principal	Interest
2008	\$410	\$406
2009	425	391
2010	440	377
2011	455	362
2012	470	346
2013-2017	2,620	1,555
2018-2022	3,180	1,019
2023-2027	2,250	326
Total	\$10,250	\$4,782

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City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2007, 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	\$383,000	\$42,720	(\$25,880)	\$399,840	\$27,565
Lease revenue bonds	54,105	86,415	(54,105)	86,415	0
Subtotal	437,105	129,135	(79,985)	486,255	27,565
Less amounts deferred for:					
Issue discounts & premiums	9,928	2,492	(1,458)	10,962	0
Refunding losses	(8,440)	(6,704)	4,318	(10,826)	0
Total warrant, bonds, & notes	438,593	124,923	(77,125)	486,391	27,565
Capitalized leases	1,865	0	(542)	1,323	561
Compensated absences	14,196	2,599	(895)	15,900	1,590
Claims & judgments	550	410	(360)	600	350
Governmental activities long-term liabilities	\$455,204	\$127,932	(\$78,922)	\$504,214	\$30,066

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	\$44,245	\$9,870	(\$3,525)	\$50,590	\$4,010
Sewer revenue warrants	64,245	16,000	(4,265)	75,980	4,420
Subtotal	108,490	25,870	(7,790)	126,570	8,430
Less amounts deferred for:					
Issue discounts & premiums	1,337	259	(148)	1,448	0
Refunding losses	(3,383)	0	370	(3,013)	0
Total warrants	106,444	26,129	(7,568)	125,005	8,430
Capitalized leases	106	0	(77)	29	25
Compensated absences	805	450	(351)	904	90
Business-type activities long-term liabilities	\$107,157	\$26,579	(\$7,996)	\$125,938	\$8,545

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

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	\$26,530	\$0	(\$1,505)	\$25,025	\$1,490
Less amounts deferred for:					
Refunding losses	(299)	0	42	(257)	0
Total Electric System long-term liabilities	<u>\$26,231</u>	<u>\$0</u>	<u>(\$1,463)</u>	<u>\$24,768</u>	<u>\$1,490</u>
<u>Business-type activities - Water System</u>					
Revenue warrants	\$19,565	\$0	(\$1,135)	\$18,430	\$1,185
Less amounts deferred for:					
Refunding losses	(492)	0	60	(432)	0
Total Water System long-term liabilities	<u>\$19,073</u>	<u>\$0</u>	<u>(\$1,075)</u>	<u>\$17,998</u>	<u>\$1,185</u>
<u>Business-type activities – Gas System</u>					
Revenue warrants	\$10,645	\$0	(\$395)	\$10,250	\$410
Total Gas System long-term liabilities	<u>\$10,645</u>	<u>\$0</u>	<u>(\$395)</u>	<u>\$10,250</u>	<u>\$410</u>

Uses of Governmental Activities Long-Term Debt

The carrying value of outstanding debt for governmental activities as of September 30, 2007, is \$486,390,468. The purposes for which this amount has been or will be expended is as follows: (in thousands):

Debt issued for non-capital asset purposes:	
Huntsville City Schools	\$117,865
Von Braun Center	14,252
Intergovernmental	1,969
Debt issued for capital asset purposes:	
Invested in assets as of year-end	289,897
Not yet invested in assets as of year-end	<u>62,407</u>
Total	<u>\$486,390</u>

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

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

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.

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 re-appropriated 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 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 jail construction – amounts set aside by management for the construction of the joint city-county jail.

Designated for parking activities – prior years net revenues set aside for parking activities.

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 school improvements – amounts set aside for improvements to city schools..

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.

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

These do not represent restrictions on the fund balance of the City at September 30, 2007, but represent designations of future revenue which will be considered in determining budget appropriations for future years.

H. Tax Equivalents

The Utilities, component units of the City, are required to pay to the City a tax equivalent which is determined by applying the current property tax rates to the Utilities' net plant in service at the end of the preceding year. The amount of tax equivalents paid to the City by the Utilities during 2007 was \$9,688,723 by the Electric System, \$3,330,386 by the Natural Gas System, and \$1,263,890 by the Water System. These amounts are reported as payments in lieu of taxes in the General Fund of the City and as operating expenses in the financial statements of the Utilities.

NOTE 5 – OTHER INFORMATION

A. Segment Information - Enterprise Funds

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

B. Contingent Liabilities and Commitments

Litigation

The City is a defendant in a number of claims and lawsuits. The outcome of these matters is uncertain as of the date of this report. The City Attorney estimates the total liability with respect to these claims and lawsuits that is not covered by insurance will not exceed \$600,000, \$250,000 of which is estimated to be currently payable and has been accrued as a liability in the City's General Fund at September 30, 2007.

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. The Gas System reached a settlement with a former gas supplier in 2007, closing a pending appeal of the matter in federal court. A portion of the settlement was paid to system customers and \$11.6 million is reported as an other revenue in statement of activities of the System.

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, 2007, 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 \$100.8 million under the State Revolving Loan Fund program to upgrade its sewer treatment facilities and distribution systems. After deducting \$6.1 million of program participation costs and capitalized interest, the City may draw \$94.7 million for project costs. As of September 30, 2007, \$78.6 million has been drawn and \$16.1 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, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – 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. For the next two years, the System has committed to purchase \$28.4 million in 2008 and \$8.3 million in 2009, and has also committed to purchase an additional 475,750 MMBtu in 2008 and 790,750 MMBtu in 2009 at prices that have not been fixed at this time.

Construction Contracts

The City entered into various construction contracts as of September 30, 2007. In the fund financial statements, the unfulfilled balance of these contracts that related to the General Fund, 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 2007 significant architectural, engineering design, and structural problems were discovered in the construction of the expansion, which have cost a significant amount to remedy. The remediation cost and estimated cost to complete could be as much as \$40 million more than originally planned for the \$30 million project. The City issued the Public Building Authority Lease Revenue Bonds Series 2007 in 2007 to finance some of this additional cost. The City has sued the architect, the structural engineer, the former general contractor, and a number of subcontractors to recover damages, hoping to recover a portion of the additional cost. The contractor has counter-sued the City for damages relating to its termination by the City. The outcome of the matter is uncertain as of the date of the independent auditors' report, and the fund financial statements and statement of activities do not include a liability with respect to this matter.

C. Related Organizations

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

Huntsville Housing Authority

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

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, 2007 were \$3.0 million. The City was also indebted to the Authority in the amount of \$214,196 for waste disposal fees as of September 30, 2007.

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, 2007

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 2007.

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 12.04%, and rates for the Utilities are 16.68% for Electric, 10.79% for Natural Gas and 11.31% 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, 2007

NOTE 5 – OTHER INFORMATION – CONTINUED

For 2007, 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, 2006 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, 2006 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, 2006. 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 and Utilities.

Trend Information for the System (latest available)

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
City of Huntsville	9/30/2006	\$7,640,203	100%
	9/30/2005	\$6,737,220	100%
	9/30/2004	5,822,337	100%
Huntsville Utilities:			
Electric	9/30/2006	1,059,692	100%
	9/30/2005	930,327	100%
	9/30/2004	791,975	100%
Natural Gas	9/30/2006	1,176,530	100%
	9/30/2005	1,050,686	100%
	9/30/2004	916,167	100%
Water	9/30/2006	339,593	100%
	9/30/2005	285,555	100%
	9/30/2004	251,142	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	9/30/2006	\$279,258,727	\$363,680,168	\$84,421,441	76.80%	\$85,893,654	98.3%
	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%
Huntsville Utilities:							
Electric	9/30/2006	28,828,749	46,125,654	17,299,905	62.50%	9,238,666	187.3%
	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%
Natural Gas	9/30/2006	36,313,068	51,562,348	15,249,280	70.40%	14,631,348	104.2%
	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%
Water	9/30/2006	14,848,340	20,040,427	5,192,088	74.10%	4,709,711	110.2%
	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%

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

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 subsequently amended, 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 223 retiree participants and 339 total participants at September 30, 2007.

In preparation for the City's implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* in fiscal year 2008, an actuarial valuation was made as of September 30, 2006. The valuation was made using the projected unit credit method, and assumed (a) a 4.50% investment rate of return; (b) a 12.0% medical cost trend rate graded to 5.0% over seven years; (c) 60.0% participation rate by retirees and 55.0% participation rate by spouses of participating retirees; and (d) retirement rates consistent with the City's pension plan actuarial valuation.

The required annual contribution for fiscal year 2008 was determined and the City plans to contribute the required amount, which is less than was required in the valuation made as of September 30, 2003. The actuarially determined rate as a percentage of annual covered payroll is 2.67%.

Schedule of Funding Progress for the Plan (latest available)

Department	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Proj. Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Huntsville	9/30/2006	\$0	\$27,573,117	\$27,573,117	0.0%	72,544,474	38.0%

(a) As of September 30, 2007, the City had no assets held in trust exclusively for plan benefits, although \$9.6 million of General Fund fund balance is designated for this purpose that the City plans to contribute to a trust in 2008. The actuarial valuation noted that such a contribution will reduce the annual required contribution to 2.23% of annual covered payroll.

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, 2007, have been accrued as a liability in the General Fund as of September 30, 2007. 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, 2007

NOTE 5 – OTHER INFORMATION – CONTINUED

Changes in the balances of claims liabilities (net of anticipated insurance coverages) for the fiscal year ended September 30, 2007 are as follows:

	<u>Employees' Health Care</u>		<u>Workers' Compensation</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Unpaid claims, beginning of year	\$515,000	\$485,000	\$1,834,776	\$1,606,980
Incurred claims	12,067,356	11,040,910	1,734,440	1,228,432
Less claim payments	<u>(11,992,356)</u>	<u>(11,010,910)</u>	<u>(1,525,269)</u>	<u>(1,000,636)</u>
Unpaid claims, end of year (a)	<u>\$590,000</u>	<u>\$515,000</u>	<u>\$2,043,947</u>	<u>\$1,834,776</u>
	<u>Legal Claims</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Unpaid claims, beginning of year	\$550,000	\$600,000	\$2,899,776	\$2,691,980
Incurred claims	410,239	150,612	14,212,035	12,419,954
Less claim payments	<u>(360,239)</u>	<u>(200,612)</u>	<u>(13,877,864)</u>	<u>(12,212,158)</u>
Unpaid claims, end of year (a)	<u>\$600,000</u>	<u>\$550,000</u>	<u>\$3,233,947</u>	<u>\$2,899,776</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 prior years, transfers from the Capital Improvements Capital Projects Fund to The Special Revenue Fund related to debt service requirements were shown as transfers out and transfer in the respective funds, but the transfers will be repaid by the Special Revenue Fund. The cumulative transfers as of September 30, 2006, in the amount of \$2,174,010 have been restated as an interfund receivable and payable, resulting in a prior period adjustment to both funds.

Also, in financial statements for years prior to 2007, the City included the Huntsville Sports Commission, Inc. as a governmental fund of the City, which was an error. The organization is private non-profit organization that does not meet the requirements for inclusion in the City's financial statements. The fund balance in the governmental fund financial statements and the net assets in the statement of activities have been restated as of October 1, 2007, as follows:

	<u>Governmental Funds Fund Balance</u>	<u>Statement of Activities Net Assets</u>
As previously reported	\$156,174,431	\$654,814,425
Adjustment	<u>(471,048)</u>	<u>(471,048)</u>
Adjusted amount	<u>\$155,703,383</u>	<u>\$654,343,377</u>

City of Huntsville
Notes To The Financial Statements - Continued
September 30, 2007

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 2007 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. See Note 5B for information about the jail expansion project.

The Public Building Authority will retain title to the facility until the Series 2007 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, 2007, 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, 2007, 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, 2007**

ASSETS

Cash & investments, at cost	\$91,544,561
Receivables (net of allowances)	14,604,831
Due from other funds	666,639
Due from other governmental entities	1,122,251
Inventories	85,130
	<hr/>
	\$108,023,412
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$4,875,233
Accrued liabilities	6,305,146
Contract retainages	1,700,256
Due to other funds	22,443,875
Due to other governmental entities	273,627
Deferred revenue	1,620,228
Other	1,067,351
	<hr/>
Total liabilities	38,285,716
	<hr/>

FUND BALANCE

Reserved for court capital	193,126
Reserved for jail construction	1,086,486
Reserved for capital projects	9,350,826
Unreserved	
Designated for cemetery improvements	899,189
Designated for contingencies	25,959,065
Designated for employee benefits	250,000
Designated for encumbrances (re-appropriated)	5,886,889
Designated for jail capital repairs	750,000
Designated for jail construction	1,662,674
Designated for parking activities	354,194
Designated for post-retirement benefits	9,600,000
Designated for recreation projects	829,731
Designated for school improvements	830,341
Designated for tourism activities	1,760,614
Unreserved and undesignated	10,324,561
	<hr/>
Total fund balance	69,737,696
	<hr/>
Total liabilities and fund balance	\$108,023,412
	<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, 2007**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes and payments in lieu of taxes	\$161,669,000	\$169,019,000	\$171,458,430	\$2,439,430
Licenses and permits	20,074,000	20,132,000	24,131,627	3,999,627
Fines and forfeitures	2,661,000	2,661,000	2,895,028	234,028
Revenues from money and property	3,234,000	3,728,775	5,576,459	1,847,684
Charges for services	12,394,092	12,428,092	12,772,475	344,383
Intergovernmental	2,761,368	15,814,889	10,166,990	(5,647,899)
Gifts and donations	0	31,000	40,373	9,373
Other revenues	1,054,999	1,063,008	1,316,753	253,745
Total revenues	203,848,459	224,877,764	228,358,135	3,480,371
EXPENDITURES				
Current				
General government	18,867,544	22,222,904	20,526,138	1,696,766
Public safety	62,630,703	70,795,503	68,480,543	2,314,960
Public services	51,199,503	66,831,031	58,688,318	8,142,713
Urban development	10,979,567	11,385,159	10,962,415	422,744
Debt service	718,970	718,970	617,463	101,507
Intergovernmental assistance	16,259,641	18,163,407	17,126,495	1,036,912
Total expenditures	160,655,928	190,116,974	176,401,372	13,715,602
Excess of revenues over expenditures	43,192,531	34,760,790	51,956,763	17,195,973
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	0	13,500,000	13,400,000	(100,000)
Premium on debt issue	0	0	228,317	228,317
Transfers out	(42,896,353)	(56,765,968)	(44,654,410)	12,111,558
Total other financing sources (uses)	(42,896,353)	(43,265,968)	(31,026,093)	12,339,875
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	296,178	(8,505,178)	20,930,670	29,435,848
Fund balance, beginning	48,807,026	48,807,026	48,807,026	0
Fund balance, ending	\$49,103,204	\$40,301,848	\$69,737,696	\$29,435,848

**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, 2007**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes				
Sales and use	\$119,081,000	\$126,231,000	\$125,723,726	(\$507,274)
Ad valorem	11,128,000	11,128,000	11,617,584	489,584
Other	31,460,000	31,660,000	34,117,120	2,457,120
Total	161,669,000	169,019,000	171,458,430	2,439,430
Licenses and permits				
Privilege	16,165,000	16,165,000	18,080,701	1,915,701
Building permits	1,908,000	1,908,000	3,597,759	1,689,759
Other	2,001,000	2,059,000	2,453,167	394,167
Total	20,074,000	20,132,000	24,131,627	3,999,627
Fines and forfeitures	2,661,000	2,661,000	2,895,028	234,028
Revenues from money and property				
Interest	2,579,000	2,579,000	3,842,833	1,263,833
Recreational receipts	535,000	535,000	567,512	32,512
Other	120,000	614,775	1,166,114	551,339
Total	3,234,000	3,728,775	5,576,459	1,847,684
Charges for current services				
Sanitation charges	9,394,000	9,394,000	9,515,177	121,177
Parking revenue	1,868,000	1,868,000	1,994,787	126,787
Other	1,132,092	1,166,092	1,262,511	96,419
Total	12,394,092	12,428,092	12,772,475	344,383
Intergovernmental	2,761,368	15,814,889	10,166,990	(5,647,899)
Gifts and donations	0	31,000	40,373	9,373
Other revenues	1,054,999	1,063,008	1,316,753	253,745
TOTAL REVENUES	203,848,459	224,877,764	228,358,135	3,480,371

**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, 2007**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current Expenditures				
<u>General Government</u>				
Administration				
Personnel	1,186,011	901,394	927,053	(25,659)
Operating	123,798	66,748	62,678	4,070
Capital	0	0	0	0
Total	1,309,809	968,142	989,731	(21,589)
City Council				
Personnel	381,758	381,758	391,983	(10,225)
Operating	63,117	63,144	47,995	15,149
Capital	0	0	0	0
Total	444,875	444,902	439,978	4,924
Clerk-Treasurer				
Personnel	1,043,530	1,043,530	1,047,307	(3,777)
Operating	101,050	101,050	77,674	23,376
Capital	0	0	0	0
Total	1,144,580	1,144,580	1,124,981	19,599
Finance				
Personnel	1,859,331	1,859,331	1,739,755	119,576
Operating	234,370	234,370	224,371	9,999
Capital	0	950,000	0	950,000
Total	2,093,701	3,043,701	1,964,126	1,079,575
Fleet Management				
Personnel	1,602,960	1,602,960	1,467,659	135,301
Operating	139,995	189,995	170,755	19,240
Capital	10,000	80,000	79,897	103
Total	1,752,955	1,872,955	1,718,311	154,644
General expenses				
Personnel	3,638,000	3,638,000	3,594,684	43,316
Operating	2,160,260	4,112,260	4,322,338	(210,078)
Capital	0	0	0	0
Total	5,798,260	7,750,260	7,917,022	(166,762)

**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, 2007**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Human Resources				
Personnel	709,535	709,535	666,677	42,858
Operating	336,896	336,896	283,882	53,014
Capital	0	0	0	0
Total	1,046,431	1,046,431	950,559	95,872
Information Technology Services				
Personnel	2,659,084	2,601,084	2,573,626	27,458
Operating	1,169,250	1,502,250	1,469,160	33,090
Capital	0	400,000	10,500	389,500
Total	3,828,334	4,503,334	4,053,286	450,048
Legal				
Personnel	1,381,199	1,381,199	1,300,486	80,713
Operating	67,400	67,400	67,658	(258)
Capital	0	0	0	0
Total	1,448,599	1,448,599	1,368,144	80,455
Total general government	18,867,544	22,222,904	20,526,138	1,696,766
 <u>Public Safety</u>				
Animal Services				
Personnel	1,260,302	1,260,302	1,207,872	52,430
Operating	238,103	237,503	188,566	48,937
Capital	15,000	67,600	67,257	343
Total	1,513,405	1,565,405	1,463,695	101,710
Emergency Management				
Personnel	530,869	684,254	538,512	145,742
Operating	80,882	842,638	568,481	274,157
Capital	0	631,691	133,134	498,557
Total	611,751	2,158,583	1,240,127	918,456
Fire and Rescue				
Personnel	21,224,452	21,224,452	21,388,033	(163,581)
Operating	1,872,500	2,213,160	1,731,164	481,996
Capital	60,000	4,115,041	3,563,025	552,016
Total	23,156,952	27,552,653	26,682,222	870,431

**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, 2007**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Municipal court				
Personnel	2,490,241	2,490,241	2,464,659	25,582
Operating	270,564	270,564	268,637	1,927
Capital	0	0	0	0
Total	2,760,805	2,760,805	2,733,296	27,509
Police				
Personnel	30,329,317	30,262,778	30,175,310	87,468
Operating	3,143,773	4,433,732	4,315,831	117,901
Capital	673,300	1,318,847	1,131,330	187,517
Total	34,146,390	36,015,357	35,622,471	392,886
Special appropriations	441,400	742,700	738,732	3,968
Total public safety	62,630,703	70,795,503	68,480,543	2,314,960
<u>Public Services</u>				
Cemetery				
Personnel	666,783	666,783	569,532	97,251
Operating	74,650	80,250	66,795	13,455
Capital	10,000	696,292	585,898	110,394
Total	751,433	1,443,325	1,222,225	221,100
Facility Project Management				
Personnel	559,811	559,811	562,559	(2,748)
Operating	87,789	87,789	39,929	47,860
Capital	0	0	0	0
Total	647,600	647,600	602,488	45,112
General Services				
Personnel	2,334,043	2,334,043	2,509,028	(174,985)
Operating	4,759,787	4,819,787	4,028,392	791,395
Capital	1,000,000	1,318,621	920,467	398,154
Total	8,093,830	8,472,451	7,457,887	1,014,564
Landscape Management				
Personnel	5,736,512	6,021,129	5,477,165	543,964
Operating	2,493,619	2,390,158	2,243,878	146,280
Capital	225,000	1,886,849	1,599,871	286,978
Subtotal	8,455,131	10,298,136	9,320,914	977,222

**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, 2007**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Parking				
Personnel	1,225,376	1,225,376	1,186,961	38,415
Operating	466,749	552,749	415,901	136,848
Capital	174,960	402,435	176,007	226,428
Total	1,867,085	2,180,560	1,778,869	401,691
Public Transportation				
Personnel	1,509,321	1,509,321	1,407,109	102,212
Operating	1,349,940	1,349,940	1,387,034	(37,094)
Capital	809,000	10,740,547	7,158,938	3,581,609
Total	3,668,261	13,599,808	9,953,081	3,646,727
Public Works Services				
Personnel	10,488,496	11,488,496	10,539,404	949,092
Operating	5,926,718	5,926,718	5,646,931	279,787
Capital	460,000	1,312,804	990,404	322,400
Total	16,875,214	18,728,018	17,176,739	1,551,279
Recreation Services				
Personnel	5,277,364	5,277,364	5,245,719	31,645
Operating	758,438	758,438	680,945	77,493
Capital	7,600	7,600	6,600	1,000
Subtotal	6,043,402	6,043,402	5,933,264	110,138
Special appropriations	4,797,547	5,417,731	5,242,851	174,880
<i>Total public services</i>	51,199,503	66,831,031	58,688,318	8,142,713
<u>Urban Development</u>				
Engineering				
Personnel	4,787,684	3,102,016	3,129,642	(27,626)
Operating	645,245	183,961	180,691	3,270
Capital	45,000	71,717	45,176	26,541
Total	5,477,929	3,357,694	3,355,509	2,185
Planning				
Personnel	2,182,808	2,182,808	2,140,636	42,172
Operating	318,088	439,599	307,102	132,497
Capital	0	0	0	0
Total	2,500,896	2,622,407	2,447,738	174,669

**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, 2007**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Inspection				
Personnel	1,884,067	1,884,067	1,801,297	82,770
Operating	151,122	151,378	155,021	(3,643)
Capital	30,000	160,000	148,800	11,200
Total	2,065,189	2,195,445	2,105,118	90,327
Natural Resources				
Personnel	542,493	542,493	533,046	9,447
Operating	49,450	49,450	45,918	3,532
Capital	0	0	0	0
Total	591,943	591,943	578,964	12,979
Traffic Engineering				
Personnel	0	1,685,668	1,562,635	123,033
Operating	0	436,284	416,674	19,610
Capital	0	152,108	152,167	(59)
Total	0	2,274,060	2,131,476	142,584
Special appropriations	343,610	343,610	343,610	0
<i>Total urban development</i>	10,979,567	11,385,159	10,962,415	422,744
Debt Service				
Principal	718,970	718,970	446,601	272,369
Interest	0	0	45,369	(45,369)
Debt issue costs	0	0	125,493	(125,493)
Total	718,970	718,970	617,463	101,507
Intergovernmental Assistance				
Huntsville Board of Education	14,915,125	15,781,219	14,923,416	857,803
Madison County Commission	1,344,516	1,872,821	1,749,579	123,242
City of Madison	0	92,367	48,500	43,867
Madison County Health Department	0	390,000	390,000	0
Other Alabama Counties	0	27,000	15,000	12,000
Total	16,259,641	18,163,407	17,126,495	1,036,912
TOTAL EXPENDITURES	160,655,928	190,116,974	176,401,372	13,715,602

**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, 2007**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of revenues over expenditures	43,192,531	34,760,790	51,956,763	17,195,973
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	0	13,500,000	13,400,000	(100,000)
Premium on debt issue	0	0	228,317	228,317
Transfers out	(42,896,353)	(56,765,968)	(44,654,410)	12,111,558
Total other financing sources (uses)	(42,896,353)	(43,265,968)	(31,026,093)	12,239,875
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	296,178	(8,505,178)	20,930,670	29,435,848
Fund balance, beginning	48,807,026	48,807,026	48,807,026	0
Fund balance, ending	\$49,103,204	\$40,301,848	69,737,696	\$29,435,848

**CITY OF HUNTSVILLE
GENERAL FUND
SCHEDULE OF SPECIAL APPROPRIATIONS - BUDGET AND ACTUAL
For the Year Ended September 30, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Safety				
Huntsville Community Watch Association	\$24,500	\$24,500	\$24,500	\$0
Huntsville/Madison County Rescue Squad, Inc.	4,900	4,900	4,900	0
Madison County Commission (city inmate costs)	250,000	533,000	530,032	2,968
Neaves Center for Children	127,000	127,000	127,000	0
Partnership for Drug Free Community	35,000	53,300	52,300	1,000
	<u>441,400</u>	<u>742,700</u>	<u>738,732</u>	<u>3,968</u>
Public Services				
Angels Among Us, Inc.	0	5,000	5,000	0
Arts Council, Inc.	152,880	152,880	152,880	0
Community Action Agency	0	100,000	100,000	0
Human Relations Commission	1,000	1,000	1,000	0
Huntsville Child Care Center, Inc.		15,000	15,000	0
Huntsville Hospital	150,000	150,000	0	150,000
Huntsville Jaycees	2,500	2,500	2,500	0
Huntsville Sports Commission, Inc.	100,000	100,000	100,000	0
Huntsville Symphony Orchestra	35,000	35,000	35,000	0
Huntsville/Madison County Botanical Gardens, Inc.	192,870	241,265	215,578	25,687
Huntsville/Madison County Convention & Vis. Bureau	1,151,537	1,272,826	1,272,826	0
Huntsville/Madison County Health Department	1,421,000	1,564,000	1,565,990	(1,990)
Huntsville/Madison County Senior Center, Inc.	370,000	390,000	390,000	0
Huntsville-Madison County Marina and Port Authority	0	40,500	39,317	1,183
Interfaith Mission Services, Inc.	0	52,500	52,500	0
International Services Council of Huntsville/Madison Co.	25,000	25,000	25,000	0
Legal Services of Alabama, Inc.	0	20,000	20,000	0
Madison County Mental Retardation Board, Inc.	35,000	35,000	35,000	0
Meadow Hills Initiative, Inc.		4,500	4,500	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	150,000	150,000	0
Second Mile Development, Inc.		25,000	25,000	0
U.S. Space & Rocket Center Foundation	150,000	150,000	150,000	0
United Cerebral Palsy of Huntsville/Madison County, Inc.	35,000	35,000	35,000	0
Weeden House Museum	0	25,000	25,000	0
	<u>4,797,547</u>	<u>5,417,731</u>	<u>5,242,851</u>	<u>174,880</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	4,610	4,610	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>343,610</u>	<u>343,610</u>	<u>0</u>
	<u>\$5,582,557</u>	<u>\$6,504,041</u>	<u>\$6,325,193</u>	<u>\$178,848</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.

Federal Building Authority Special Revenue Fund - to account for the construction of facilities provided to the United States Government. Financing is provided by the Capital Improvement Capital Projects Fund of the City.

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, 2007

	Special Revenue Funds							Permanent	Capital Projects Funds		Total	
	Community Development	Community Development Rehabilitation	Public Library	Burritt Museum	Alabama Constitution Village	Art Museum	Huntsville Tennis Center	Federal Building Authority	Perpetual Care	Cummings Research Park	Industrial Park	Nonmajor Governmental Funds
ASSETS												
Cash & investments, at cost	\$185,857	\$1,356,350	\$1,198,689	\$0	\$60,204	\$54,763	\$233,844	\$0	\$1,177,400	\$11,492,577	\$0	\$15,759,684
Receivables (net of allowances)												
Accounts	0	0	0	0	0	47,655	446	0	0	0	0	48,101
Notes	1,506,506	4,359,521	0	0	0	0	0	0	0	0	0	5,866,027
Accrued interest	237,000	0	0	0	0	0	0	0	0	0	0	237,000
Due from other funds	0	0	0	0	0	0	60,043	0	0	0	878,272	938,315
Due from governmental entities	0	0	0	0	0	85,275	0	0	0	0	0	85,275
Inventories	0	0	0	0	52,015	0	4,045	0	0	0	0	56,060
Prepaid items	4,209	0	0	0	0	224,130	11,769	0	0	0	0	240,108
Total assets	\$1,933,572	\$5,715,871	\$1,198,689	\$0	\$112,219	\$411,823	\$310,147	\$0	\$1,177,400	\$11,492,577	\$878,272	\$23,230,570
LIABILITIES												
Accounts payable	\$195,441	\$19,952	\$103,634	\$0	\$37,781	\$121,355	\$5,723	\$0	\$0	\$384,944	\$0	\$868,830
Accrued liabilities	0	0	286,098	0	0	43,239	2,479	0	0	0	0	331,816
Contract retainages	0	0	0	0	0	0	0	0	0	30,419	0	30,419
Due to other funds	11,918	0	0	145,370	21,156	0	0	0	0	2,686,300	0	2,864,744
Deferred revenue	0	0	0	0	0	159,759	0	0	0	324,878	0	484,637
Customer deposits	0	0	0	0	0	7,600	0	0	0	0	0	7,600
Total liabilities	207,359	19,952	389,732	145,370	58,937	331,953	8,202	0	0	3,426,541	0	4,588,046
FUND BALANCES												
Reserved for:												
Notes receivable	1,001,833	4,359,521	0	0	0	0	0	0	0	0	0	5,361,354
Donor restricted	0	0	983,425	0	0	0	0	0	0	0	0	983,425
Unreserved, designated for:												
Encumbrances	0	0	0	0	0	0	0	0	0	3,167,929	42,013	3,209,942
Unreserved & undesignated	724,380	1,336,398	(174,468)	(145,370)	53,282	79,870	301,945	0	1,177,400	4,898,107	836,259	9,087,803
Total fund balance (deficit)	1,726,213	5,695,919	808,957	(145,370)	53,282	79,870	301,945	0	1,177,400	8,066,036	878,272	18,642,524
Total liabilities and fund balance	\$1,933,572	\$5,715,871	\$1,198,689	\$0	\$112,219	\$411,823	\$310,147	\$0	\$1,177,400	\$11,492,577	\$878,272	\$23,230,570

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, 2007

	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		Federal Building Authority	Perpetual Care		Cummings Research Park
REVENUE												
Fines & forfeitures	\$0	\$0	\$373,137	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$373,137
Revenues from money & property	140,142	59,019	1,134,899	0	661,278	307,820	265,698	0	23,020	2,380,211	21,888	4,993,975
Intergovernmental	1,595,194	257,043	347,594	0	60,000	87,725	0	0	0	0	0	2,347,556
Gifts & donations	0	0	218,985	0	223,610	1,149,861	0	0	0	150,704	0	1,743,160
Other revenues	0	0	6,760	0	55,530	0	1,262	0	55,811	0	60,000	179,363
Total revenues	1,735,336	316,062	2,081,375	0	1,000,418	1,545,406	266,960	0	78,831	2,530,915	81,888	9,637,191
EXPENDITURES												
Current												
Public services	0	0	5,574,749	507,577	1,722,112	2,150,819	396,171	0	0	0	0	10,351,428
Urban development	2,775,337	411,832	0	0	0	0	0	0	0	91,279	0	3,278,448
Debt service												
Principal	0	0	16,564	0	0	0	0	0	0	0	0	16,564
Interest	0	0	13,953	0	0	0	0	0	0	0	0	13,953
Capital projects construction and outlay	0	0	0	0	0	0	0	0	0	2,624,573	0	2,624,573
Intergovernmental assistance	0	0	0	0	0	0	0	2,750,000	0	250,000	34,931	3,034,931
Total expenditures	2,775,337	411,832	5,605,266	507,577	1,722,112	2,150,819	396,171	2,750,000	0	2,965,852	34,931	19,319,897
Excess (deficiency) of revenues over expenditures	(1,040,001)	(95,770)	(3,523,891)	(507,577)	(721,694)	(605,413)	(129,211)	(2,750,000)	78,831	(434,937)	46,957	(9,682,706)
OTHER FINANCING SOURCES (USES)												
Transfers in	1,000,107	149,057	3,490,000	390,209	668,830	585,000	240,059	2,750,000	0	0	0	9,273,262
Total other financing sources (uses)	1,000,107	149,057	3,490,000	390,209	668,830	585,000	240,059	2,750,000	0	0	0	9,273,262
Net change in fund balance	(39,894)	53,287	(33,891)	(117,368)	(52,864)	(20,413)	110,848	0	78,831	(434,937)	46,957	(409,444)
Fund balance (deficit), beginning	1,766,107	5,642,632	842,848	(28,002)	106,146	100,283	191,097	0	1,098,569	8,500,973	831,315	19,051,968
Fund balance (deficit), ending	\$1,726,213	\$5,695,919	\$808,957	(\$145,370)	\$53,282	\$79,870	\$301,945	\$0	\$1,177,400	\$8,066,036	\$878,272	\$18,642,524

**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, 2007**

Fund Subaccount	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property				
6.5 Mill Tax	\$10,700,000	\$10,700,000	\$11,618,374	\$918,374
6.5 Mill School Tax	12,600,000	12,600,000	13,197,902	597,902
TIF 2	900,000	900,000	815,401	(84,599)
TIF 3	4,000,000	4,000,000	4,870,075	870,075
TIF 3A	1,000,000	1,000,000	1,034,061	34,061
Total property tax	29,200,000	29,200,000	31,535,813	2,335,813
Other taxes				
Four/Five Cent State Gas Tax	1,225,000	1,225,000	1,262,200	37,200
Seven Cent State Gas Tax	1,860,000	1,860,000	1,886,741	26,741
Two Cent inspection fee	54,000	54,000	53,602	(398)
Total other taxes	3,139,000	3,139,000	3,202,543	63,543
Total taxes	32,339,000	32,339,000	34,738,356	2,399,356
Fines and forfeitures				
Seizure	0	0	65,293	65,293
Total fines and forfeitures	0	0	65,293	65,293
Revenues from money and property				
Four/Five Cent State Gas Tax	0	0	78,913	78,913
Seven Cent State Gas Tax	0	0	6,950	6,950
6.5 Mill Tax	0	0	79,558	79,558
6.5 Mill School Tax	0	0	115,824	115,824
TIF 1	0	0	146	146
TIF 2	0	0	16,722	16,722
TIF 3	0	0	210,625	210,625
TIF 3A	0	0	49,992	49,992
TIF 4	0	0	752,481	752,481
Total revenues from m&p	0	0	1,311,211	1,311,211
Other revenues				
TIF 4	0	366,317	366,277	(40)
Total other revenues	0	366,317	366,277	(40)
Total revenues	32,339,000	32,705,317	36,481,137	3,775,820

**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, 2007**

Fund Subaccount	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Personnel				
Salaries				
Four/Five Cent State Gas Tax	1,000,000	0	0	0
Total personnel	1,000,000	0	0	0
Operating				
Street lighting/resurfacing				
Four/Five Cent State Gas Tax	0	1,000,000	0	1,000,000
Seven Cent State Gas Tax	2,275,000	2,275,000	2,305,901	(30,901)
Special activities				
Seizure	0	0	86,075	(86,075)
Total Operating	2,275,000	3,275,000	2,391,976	883,024
Capital				
6.5 mill School Tax	1,500,000	3,690,566	3,690,566	0
TIF 4	0	5,366,317	2,171,171	3,195,146
Total capital	1,500,000	9,056,883	5,861,737	3,195,146
Debt Service				
Debt issue costs	0	0	365,740	(365,740)
Total debt service	0	0	0	(365,740)
Total expenditures	4,775,000	12,331,883	8,619,453	3,346,690
Excess (deficiency) of revenues over expenditures	27,564,000	20,373,434	27,861,684	7,488,250

**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, 2007**

Fund Subaccount	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Long-term debt issued				
TIF 3A	0	0	29,320,000	29,320,000
Total long-term debt issued	0	0	29,320,000	29,320,000
Premium on debt issue				
TIF 3A	0	0	1,070,773	1,070,773
Total premium on debt issue	0	0	1,070,773	1,070,773
Transfers in(out)				
Seven Cent State Gas Tax				
6.5 Mill Tax	(10,700,000)	(10,700,000)	(10,699,700)	300
6.5 Mill School Tax	(9,258,254)	(9,258,254)	(9,242,332)	15,922
TIF 2	(817,525)	(817,525)	(1,232,428)	(414,903)
TIF 3	(1,939,476)	(1,939,476)	(1,934,241)	5,235
TIF 3A	(1,412,247)	(1,412,247)	(1,462,551)	(50,304)
TIF 4	0	(4,000,000)	(258,638)	3,741,362
Total transfers in(out)	(24,127,502)	(28,127,502)	(24,829,890)	3,297,612
Total other financing sources (uses)	(24,127,502)	(28,127,502)	5,560,883	33,688,385
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	3,436,498	(7,754,068)	33,422,567	41,176,635
Fund balance, beginning	16,633,194	16,633,194	16,633,194	0
Prior period adjustment	0	0	(2,174,010)	(2,174,010)
Fund balance, ending	\$20,069,692	\$8,879,126	47,881,751	\$39,002,625

**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, 2007**

	Capital Improvements Capital Projects Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
REVENUES				
Revenues from money and property	\$214,000	2,052,100	\$2,047,099	(\$5,001)
Intergovernmental	260,000	21,322,688	7,560,668	(13,762,020)
Other revenues	0	150,000	0	(150,000)
Total revenues	474,000	23,524,788	9,607,767	(13,917,021)
EXPENDITURES				
Capital	22,346,000	79,624,163	33,483,411	46,140,752
Debt service	108,987	108,987	85,441	23,546
Total expenditures	22,454,987	79,733,150	33,568,852	46,164,298
Excess of revenues over expenditures	(21,980,987)	(56,208,362)	(23,961,085)	32,247,277
OTHER FINANCING SOURCES (USES)				
Transfers in	30,127,000	33,932,210	33,875,820	(56,390)
Transfers out	(19,340,013)	(22,552,487)	(20,798,802)	1,753,685
Total other financing sources (uses)	10,786,987	11,379,723	13,077,018	1,697,295
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(11,194,000)	(44,828,639)	(10,884,067)	33,944,572
Fund balance, beginning	60,863,143	60,863,143	60,863,143	0
Prior period adjustment	0	0	2,174,010	2,174,010
Fund balance, ending	\$49,669,143	\$16,034,504	\$52,153,086	\$36,118,582

**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, 2007**

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	\$2,380,211	\$2,380,211
Intergovernmental	0	600,000	0	(600,000)
Gifts and donations	0	0	150,704	150,704
Total revenues	0	600,000	2,530,915	1,930,915
EXPENDITURES				
Capital	0	4,573,754	2,965,852	1,607,902
Total expenditures	0	4,573,754	2,965,852	1,607,902
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	(3,973,754)	(434,937)	3,538,817
Fund balance, beginning	8,500,973	8,500,973	8,500,973	0
Fund balance, ending	\$8,500,973	\$4,527,219	\$8,066,036	\$3,538,817

**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, 2007**

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	\$21,888	\$21,888
Other revenue	0	0	60,000	60,000
Total revenues	0	0	81,888	81,888
EXPENDITURES				
Capital	0	101,338	34,931	66,407
Total expenditures	0	101,338	34,931	66,407
Excess (Deficiency) of Revenues Over Expenditures	0	(101,338)	46,957	148,295
Fund balance, beginning	831,315	831,315	831,315	0
Fund balance, ending	\$831,315	\$729,977	\$878,272	\$148,295

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STATISTICAL SECTION

STATISTICAL SECTION

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

Subsection	Page
Financial Trends - These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. Included are government-wide summaries of net assets and revenue and expenses, and fund balances of governmental funds and their revenue and expenditures.	100
Revenue Capacity - These schedules contain information to help the reader assess the government's most significant local revenue sources – sales and property taxes. Included are a 10-year tax revenue summary, property values and tax collections, and principal taxpayers.	105
Debt Capacity - These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	110
Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	115
Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	118

**CITY OF HUNTSVILLE
NET ASSETS BY COMPONENT**

	2007	2006	2005	2004	2003	2002
Governmental activities						
Invested in capital assets, net of related debt	\$676,752,598	\$662,489,220	\$681,056,759	\$697,943,619	\$666,048,980	\$686,192,636
Restricted	93,964,382	72,084,583	22,362,732	46,249,719	75,344,841	53,005,595
Unrestricted	(89,086,375)	(79,759,378)	(66,905,526)	(97,374,177)	(68,610,382)	(56,571,316)
Total governmental activities net assets	<u>\$681,630,605</u>	<u>\$654,814,425</u>	<u>\$636,513,965</u>	<u>\$646,819,161</u>	<u>\$672,783,439</u>	<u>\$682,626,915</u>
Business-type activities						
Invested in capital assets, net of related debt	\$132,100,127	\$130,856,625	\$122,249,521	\$115,045,127	\$130,955,516	\$124,611,461
Restricted	0	0	0	0	0	0
Unrestricted	20,183,620	10,807,675	10,103,791	10,563,493	22,057,010	22,366,088
Total business-type activities net assets	<u>\$152,283,747</u>	<u>\$141,664,300</u>	<u>\$132,353,312</u>	<u>\$125,608,620</u>	<u>\$153,012,526</u>	<u>\$146,977,549</u>
Primary government						
Invested in capital assets, net of related debt	\$808,852,725	\$793,345,845	\$803,306,280	\$812,988,746	\$797,004,496	\$810,804,097
Restricted	93,964,382	72,084,583	22,362,732	46,249,719	75,344,841	53,005,595
Unrestricted	(68,902,755)	(68,951,703)	(56,801,735)	(86,810,684)	(46,553,372)	(34,205,228)
Total primary government net assets	<u>\$833,914,352</u>	<u>\$796,478,725</u>	<u>\$768,867,277</u>	<u>\$772,427,781</u>	<u>\$825,795,965</u>	<u>\$829,604,464</u>

Source: Comprehensive annual financial reports beginning with the 2002 implementation of GASB Statement Number 34. Information prior to that year is not available.

**CITY OF HUNTSVILLE
CHANGES IN NET ASSETS**

	2007	2006	2005	2004	2003	2002
<u>Expenses</u>						
Governmental activities:						
General government	\$21,850,177	\$18,899,918	\$18,296,047	\$16,353,076	\$17,101,812	\$18,507,764
Public Safety	71,648,602	62,262,521	58,301,177	55,252,540	54,304,561	54,402,755
Public Services	89,150,138	89,603,382	67,240,627	64,075,292	45,485,290	43,747,815
Urban Development	24,078,509	18,320,523	15,550,825	14,928,629	16,465,386	11,873,802
Intergovernmental assistance (a)	0	0	32,746,511	71,688,039	22,651,520	15,552,058
Interest on long-term debt	22,140,985	20,238,610	20,141,437	19,722,229	19,465,809	16,407,825
Unallocated depreciation	25,728,773	26,276,581	27,796,700	27,544,758	27,243,756	27,131,104
Total governmental activities expenses	254,597,184	235,601,535	240,073,324	269,564,563	202,718,134	187,623,123
Business-type activities:						
Water pollution control	23,399,766	20,899,980	20,929,126	19,706,845	18,187,242	18,497,864
Civic Center	9,357,380	8,475,896	7,955,705	8,341,862	7,998,837	7,346,439
Ice Complex	1,182,323	1,034,614	953,920	866,690	853,854	958,748
Parking facilities	0	0	0	0	1,867,280	1,950,163
Sanitation	0	0	0	0	10,482,779	10,515,078
Total business-type activities expenses	33,939,469	30,410,490	29,838,751	28,915,397	39,389,992	39,268,292
Total primary government expenses	288,536,653	266,012,025	269,912,075	298,479,960	242,108,126	226,891,415
<u>Program Revenues</u>						
Governmental activities:						
Charges for services:						
General government	18,425,046	15,800,779	14,647,634	13,453,484	13,918,676	16,159,303
Public Safety	3,415,790	3,564,980	2,735,906	2,577,515	2,360,202	1,438,212
Public Services	15,757,762	15,216,215	14,833,147	14,507,087	2,671,710	3,047,440
Urban Development	5,991,224	4,507,747	3,760,184	3,052,063	2,114,038	2,493,627
Operating grants and contributions	7,634,443	8,555,901	6,826,703	14,342,720	7,707,848	6,984,729
Capital grants and contributions	11,735,527	8,112,379	12,397,682	4,229,022	4,955,168	6,629,334
Total governmental activities program revenues	62,959,792	55,758,001	55,201,256	52,161,891	33,727,642	36,752,645
Business-type activities:						
Charges for services:						
Water pollution control	33,370,745	30,434,720	23,909,535	19,891,376	19,546,462	20,281,455
Civic Center	6,685,865	5,330,606	5,246,093	5,893,145	5,827,648	5,419,455
Ice Complex	927,874	922,102	832,920	733,534	726,060	822,237
Parking facilities	0	0	0	0	1,996,919	1,784,238
Sanitation	0	0	0	0	9,191,450	9,224,233
Operating grants and contributions	0	0	0	0	0	0
Capital grants and contributions	0	41,822	1,108,069	219,561	429,877	0
Total business-type activities program revenues	40,984,484	36,729,250	31,096,617	26,737,616	37,718,416	37,531,618
Total primary government program revenues	103,944,276	92,487,251	86,297,873	78,899,507	71,446,058	74,284,263
<u>Net(expense)revenue</u>						
Governmental activities	(191,637,392)	(179,843,534)	(184,872,068)	(217,402,672)	(168,990,492)	(150,870,478)
Business-type activities	7,045,015	6,318,760	1,257,866	(2,177,781)	(1,671,576)	(1,736,674)
Total primary government net expenses	(184,592,377)	(173,524,774)	(183,614,202)	(219,580,453)	(170,662,068)	(152,607,152)

**CITY OF HUNTSVILLE
CHANGES IN NET ASSETS**

	2007	2006	2005	2004	2003	2002
General Revenues and Other Changes in Net Assets:						
Governmental activities:						
Taxes						
Sales & use taxes	125,723,726	114,580,803	104,962,909	98,302,584	93,387,783	88,382,423
Property taxes	43,153,397	40,235,507	33,176,517	31,377,131	30,806,109	27,863,125
Other taxes	37,319,663	35,719,573	32,148,984	30,978,585	28,491,869	25,424,489
Interest on Investments	7,979,874	6,253,502	2,867,311	2,324,757	2,588,241	2,084,616
Other	5,479,430	1,429,408	1,949,043	3,037,534	2,727,816	2,355,948
Gains on sales of assets	2,295,338	5,341,938	5,893,780	0	0	0
Capital contributions	0	0	0	0	0	0
Transfers	(3,026,808)	(2,753,377)	(4,511,031)	25,417,803	(7,687,338)	(3,866,057)
Total governmental activities	218,924,620	200,807,354	176,487,513	191,438,394	150,314,480	142,244,544
Business-type activities						
Interest on Investments	547,624	238,851	186,824	191,678	226,828	447,437
Special Item	0	0	0	0	0	(500,000)
Transfers	3,026,808	2,753,377	4,511,031	(25,417,803)	7,687,338	3,866,057
Total business-type activities	3,574,432	2,992,228	4,697,855	(25,226,125)	7,914,166	3,813,494
Total primary government	222,499,052	203,799,582	181,185,368	166,212,269	158,228,646	146,058,038
<u>Change in Net Assets</u>						
Governmental activities	27,287,228	20,963,820	(8,384,555)	(25,964,278)	(18,676,012)	(8,625,934)
Business-type activities	10,619,447	9,310,988	5,955,721	(27,403,906)	6,242,590	2,076,820
Total primary government	\$37,906,675	\$30,274,808	(\$2,428,834)	(\$53,368,184)	(\$12,433,422)	(\$6,549,114)

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

Source: Comprehensive annual financial reports. Information prior to that year is not available.

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

	2007	2006	2005	2004	2003	2002
General Fund						
Reserved	\$10,642,444	\$209,272	\$205,376	\$3,350,926	\$1,392,762	\$543,314
Unreserved	59,095,252	48,597,754	39,941,975	41,171,848	28,173,860	21,658,323
Total general fund	69,737,696	48,807,026	40,147,351	44,522,774	29,566,622	22,201,637
All other governmental funds						
Reserved	54,246,282	9,453,684	11,575,447	83,586,896	116,109,016	18,073,396
Unreserved, reported in:						
Debt Service fund	3,350,116	3,234,567	21,760	0	0	0
Special revenue funds	31,720,227	26,197,393	17,376,072	(1,143,570)	5,181,278	25,144,148
Permanent funds	1,177,400	1,098,569	1,038,227	0	0	0
Capital project funds	57,887,452	67,383,192	24,489,475	1,785,107	1,956,057	54,132,661
Total all other governmental funds	148,381,477	107,367,405	54,500,981	84,228,433	123,246,351	97,350,205
Total fund balance	\$218,119,173	\$156,174,431	\$94,648,332	\$128,751,207	\$152,812,973	\$119,551,842

Source: Comprehensive annual financial reports, beginning in 2002 with the implementation of GASB Statement Number 34. The City's governmental and business-type fund structures were modified at that time such that meaningful comparison of the above data to years prior to 2002 cannot be made.

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

	2007	2006	2005	2004	2003	2002
<u>Revenues</u>						
Sales and Use Tax	\$125,723,726	\$114,580,803	\$104,962,909	\$98,302,584	\$93,387,783	\$88,382,423
Property Tax	43,153,397	40,235,507	33,176,517	31,377,131	30,806,109	27,863,125
Other taxes	37,319,663	35,633,301	32,070,521	30,978,585	28,491,867	25,424,489
Licenses and permits	24,131,627	20,192,700	18,321,231	16,326,852	15,800,046	17,221,695
Fines and forfeitures	3,333,458	3,416,351	2,670,807	2,500,346	2,390,167	2,530,391
Revenues from money and property	14,137,444	16,507,127	14,706,142	6,462,447	4,496,752	6,128,981
Charges for services	12,772,475	12,256,065	12,094,099	12,047,330	745,402	528,064
Intergovernmental	20,075,214	12,145,124	18,860,466	18,047,858	12,663,017	13,614,063
Gifts and donations	1,783,533	1,414,325	1,539,417	1,206,645	1,213,360	845,363
Other revenues	1,862,393	2,073,152	1,689,342	1,629,714	1,881,488	1,839,866
Total Revenues	284,292,930	258,454,455	240,091,451	218,879,492	191,875,991	184,378,460
<u>Expenditures</u>						
General government	20,526,138	18,457,838	17,763,621	15,001,333	15,552,371	19,469,290
Public safety	68,560,726	60,234,292	58,427,522	53,779,686	53,128,903	54,324,832
Public services	75,449,975	66,626,701	69,248,718	63,157,605	42,786,748	40,277,609
Urban development	20,923,861	16,929,088	15,302,050	14,746,580	16,228,288	12,313,263
Debt service						
Principal	27,712,653	25,445,585	108,221,154	23,544,762	22,143,691	42,191,266
Interest	20,788,626	20,288,933	19,682,483	19,419,478	17,520,686	15,290,177
Fiscal charges	52,789	73,236	69,980	93,033	113,392	33,601
Debt issuance costs	1,935,175	778,962	1,052,682	672,156	1,465,533	1,180,146
Capital projects construction and outlay	31,786,986	31,152,674	44,012,462	40,446,029	28,013,828	11,396,864
Intergovernmental assistance	26,564,854	22,857,303	32,746,511	71,688,039	22,651,520	15,552,058
Total expenditures	294,301,783	262,844,612	366,527,183	302,548,701	219,604,960	212,029,106
Excess of revenues over (under) expenditures	(10,008,853)	(4,390,157)	(126,435,732)	(83,669,209)	(27,728,969)	(27,650,646)
<u>Other financing sources(uses)</u>						
Long-term debt issued	129,135,000	68,070,000	83,610,000	53,955,000	80,055,001	120,510,001
Premium on debt issue	2,491,409	3,030,036	4,724,090	328,461	1,507,564	1,734,137
Discount on debt issue	0	0	0	0	0	(210,773)
Payment to escrow agent	(56,168,927)	0	0	0	(28,982,248)	(42,617,923)
Capital lease proceeds	0	232,957	2,250,427	0	0	289,184
Transfers in	87,250,263	92,454,496	78,138,533	88,265,810	70,765,968	58,017,997
Transfers (out)	(90,283,102)	(95,207,873)	(82,601,692)	(82,941,828)	(72,742,094)	(62,762,015)
Total other financing sources(uses)	72,424,643	68,579,616	86,121,358	59,607,443	50,604,191	74,960,608
Net change in fund balances	\$62,415,790	\$64,189,459	(\$40,314,374)	(\$24,061,766)	\$22,875,222	\$47,309,962
Debt service as a percentage of noncapital expenditures (a)	20.5%	20.6%	20.0%	17.1%	21.8%	24.2%

Source: Comprehensive annual financial reports, beginning in 2002 with the implementation of GASB Statement Number 34. The City's governmental and business-type fund structures were modified at that time such that meaningful comparison of the above data to years prior to 2002 cannot be made.

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

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

Fiscal Year	Sales and Use Tax	Property Tax	City Leasing	City Liquor	City Lodging	City Gasoline	City Wine	City Tobacco (a)	State Gasoline	Huntsville Utilities P.I.L.O.T.	T.V.A. P.I.L.O.T.	County Beverage	County Tobacco	All Other	Total
1998	\$77,180,131	\$22,988,433	\$2,488,746	\$1,015,756	\$2,640,012	\$888,953	\$89,371	\$0	\$3,153,519	\$8,495,607	\$1,774,713	\$0	\$312,953	\$556,727	\$121,584,921
1999	\$78,927,282	\$23,882,621	\$2,414,153	\$989,456	\$2,741,729	\$886,961	\$90,270	\$0	\$3,213,380	\$8,423,214	\$1,978,251	\$0	\$293,038	\$447,090	\$124,287,445
2000	\$82,317,639	\$24,796,012	\$2,544,352	\$1,031,363	\$2,756,392	\$865,711	\$94,170	\$0	\$3,182,451	\$8,527,737	\$2,061,226	\$0	\$287,694	\$560,199	\$129,024,946
2001	\$85,270,121	\$25,175,081	\$2,813,434	\$1,097,085	\$2,856,765	\$850,278	\$124,747	\$0	\$3,168,079	\$9,879,066	\$2,051,325	\$0	\$316,384	\$808,223	\$134,410,588
2002	\$88,382,423	\$27,863,125	\$2,844,875	\$1,111,901	\$2,973,312	\$902,273	\$108,768	\$0	\$2,944,349	\$11,095,643	\$2,149,699	\$0	\$306,110	\$969,559	\$141,652,037
2003	\$93,387,783	\$30,806,109	\$2,887,527	\$1,198,383	\$3,201,528	\$968,959	\$135,970	\$0	\$3,052,290	\$11,866,656	\$2,157,260	\$1,631,994	\$320,232	\$1,071,068	\$152,685,759
2004	\$98,302,584	\$31,377,131	\$2,618,337	\$1,242,385	\$3,835,426	\$1,051,231	\$126,795	\$1,280,095	\$3,151,825	\$11,949,977	\$2,219,186	\$1,622,948	\$310,045	\$1,570,335	\$160,658,300
2005	\$104,962,909	\$33,176,517	\$2,769,099	\$1,492,209	\$4,005,912	\$1,038,002	\$138,177	\$1,291,129	\$3,233,160	\$12,452,961	\$2,377,323	\$1,656,314	\$284,836	\$1,331,399	\$170,209,947
2006	\$114,580,803	\$40,235,507	\$2,786,309	\$1,722,226	\$4,445,996	\$1,006,452	\$138,289	\$1,378,086	\$3,170,148	\$14,036,975	\$2,569,143	\$1,663,442	\$302,046	\$2,500,461	\$190,535,883
2007	\$125,723,726	\$43,153,397	\$2,970,016	\$1,831,422	\$5,351,353	\$1,067,227	\$160,878	\$1,387,160	\$3,202,542	\$14,266,958	\$3,070,588	\$1,754,201	\$317,580	\$1,939,738	\$206,196,786

Source: Comprehensive annual financial reports

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

SALES TAX

Fiscal Year	City	County	State	Total
1998	3.5%	0.5%	4.0%	8.0%
1999	3.5%	0.5%	4.0%	8.0%
2000	3.5%	0.5%	4.0%	8.0%
2001	3.5%	0.5%	4.0%	8.0%
2002	3.5%	0.5%	4.0%	8.0%
2003	3.5%	0.5%	4.0%	8.0%
2004	3.5%	0.5%	4.0%	8.0%
2005	3.5%	0.5%	4.0%	8.0%
2006	3.5%	0.5%	4.0%	8.0%
2007	3.5%	0.5%	4.0%	8.0%

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

PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS

(Per \$1000 of Assessed Value)

Fiscal Year	City of Huntsville				County School District	County	State	Total
	General Fund	City School Funds	Debt Service Funds	Total				
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
2007	6.5	22.0	6.5	35.0	5.5	11.0	6.5	58.0

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

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

	Total Tax Levy	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
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	98.4
2006-2007	\$149,465,737	\$148,620,312	99.4

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

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

Assessment Date	Real and Personal Property						Penalties Assessed	Exempt Assessed	Class 4		Total Assessed	Total Actual	Assessed Value To Total Estimated Actual Value	
	Class 1	Class 2		Class 3		Assessed			Actual					
October 1,	Assessed	Actual	Assessed	Actual	Assessed	Actual	Assessed	Assessed	Actual	Assessed	Actual	Assessed	Actual	
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%	
2006	\$33,146	\$110,488	\$1,814,243	\$9,071,215	\$697,207	\$6,972,072	\$5,601	(\$557,311)	\$214,374	\$1,360,960	\$2,207,260	\$17,514,735	12.6%	

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. Property located within the City limits in Limestone County is not included as this is currently not a significant value.

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

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

SALES & USE TAXES	Top 100 Taxpayers (approximate)	Total Tax	% of Total Tax
2006	\$61,600,652	\$114,580,803	53.8%
2007	\$67,513,282	\$125,723,726	53.7%

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

Note: Information prior to 2006 is not available.

PROPERTY TAXES	2007			1998		
	City Assessed Valuation	Rank	Percentage of Total Assessed Value	City Assessed Valuation	Rank	Percentage of Total Assessed Value
Toyota Motor Manufacturing Alabama	\$35,792,640	1	1.6%			
Bell South Telecommunications Inc	\$26,608,500	2	1.2%	\$30,038,820	1	2.5%
Colonial Realty LP	\$18,954,280	3	0.9%			
BASF Catalysts LLC	\$9,836,380	4	0.4%			
Sanmina SCl Technology	\$9,072,760	5	0.4%			
Redstone Federal Credit Union	\$9,071,760	6	0.4%			
Inland Southeast Huntsville LLC	\$8,833,080	7	0.4%			
Parkway Place LP	\$8,819,820	8	0.4%			
Madison Square Assoc LTD	\$8,224,540	9	0.4%	\$7,165,840	5	0.6%
Kohler CO	\$7,608,900	10	0.3%			
Chrysler Corporation				\$16,363,420	2	1.4%
Dunlop Tire Corporation				\$15,062,200	3	1.3%
Intergraph Corporation				\$9,998,740	4	0.8%
SCI Systems Alabama Inc				\$7,365,080	6	0.6%
Teledyne Brown Engineering				\$6,532,680	7	0.6%
Motorola				\$6,462,520	8	0.5%
Parker Hannifin				\$6,373,820	9	0.5%
Engelhard Corp.				\$5,959,200	10	0.5%
Top 10 subtotal	\$142,822,660		6.5%	\$111,322,320		9.4%
Other taxpayers	\$2,064,437,340		93.5%	\$1,071,929,720		90.6%
Totals	\$2,207,260,000		100.0%	\$1,183,252,040		100.0%

Evaluation note:

Total City property tax collections in most recent year reported herein	\$43,153,397
Less tax increment financing district collections that include levies from all taxing jurisdictions in Madison County	(6,719,537)
City-wide collections	36,433,860
Total governmental revenue	284,292,930
City-wide collections as a percentage of governmental revenue	12.8%

In summary, 12.8% of governmental revenues were from city-wide property taxes, and approximately 6.5% of this amount was paid by the above taxpayers.

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

CITY OF HUNTSVILLE
RATIOS OF OUTSTANDING DEBT BY TYPE

(amounts expressed in thousands, except per capita amounts)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Per Capita	Per Capita % Median Family Income
	General Obligation Warrants	PBA Lease Revenue Bonds	Capital Leases	Sewer System General Obligation Warrants	Sewer System Revenue Warrants	Capital Leases			
1998	\$275,655	\$28,255	\$2,912	\$37,145	\$59,800	\$295	\$404,062	\$2,303	4.22%
1999	\$312,650	\$27,810	\$1,716	\$37,145	\$72,690	\$165	\$452,176	\$2,558	4.69%
2000	\$297,690	\$26,635	\$1,088	\$37,145	\$72,130	\$50	\$434,738	\$2,748	4.73%
2001	\$285,605	\$26,860	\$4,376	\$36,635	\$100,965	\$440	\$454,881	\$2,856	4.71%
2002	\$324,905	\$26,350	\$3,648	\$35,795	\$97,375	\$268	\$488,341	\$3,027	5.00%
2003	\$329,195	\$55,355	\$2,449	\$53,990	\$74,525	\$683	\$516,197	\$3,135	5.25%
2004	\$360,940	\$55,355	\$1,343	\$50,875	\$71,220	\$315	\$540,048	\$3,250	5.39%
2005	\$338,105	\$55,355	\$2,653	\$47,630	\$67,795	\$168	\$511,706	\$3,050	4.98%
2006	\$383,000	\$54,105	\$1,865	\$44,245	\$64,245	\$106	\$547,566	\$3,216	4.96%
2007	\$399,840	\$86,415	\$1,323	\$50,590	\$78,980	\$29	\$617,177	\$3,564	5.59%

Source: Comprehensive annual financial reports.

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

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

Fiscal Year	General Obligation Warrants	Sewer System General Obligation Warrants	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
1998	\$275,655	\$37,145	\$312,800	3.1%	\$1,783
1999	\$312,650	\$37,145	\$349,795	3.4%	\$1,979
2000	\$297,690	\$37,145	\$334,835	2.8%	\$2,116
2001	\$285,605	\$36,635	\$322,240	2.6%	\$2,023
2002	\$324,905	\$35,795	\$360,700	2.8%	\$2,236
2003	\$329,195	\$53,990	\$383,185	2.9%	\$2,327
2004	\$360,940	\$50,875	\$411,815	2.7%	\$2,478
2005	\$338,105	\$47,630	\$385,735	2.4%	\$2,299
2006	\$383,000	\$44,245	\$427,245	2.4%	\$2,510
2007	\$399,840	\$50,590	\$450,430	not available	\$2,601

Source: Comprehensive annual financial reports.
See the Schedule of Demographic and Economic Statistics for population data.
See the Schedule of Estimated Assessed and Estimated Actual Value of Taxable Property

**CITY OF HUNTSVILLE
LEGAL DEBT MARGIN INFORMATION**

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Debt limit	441,452,000	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
Total net debt applicable to limit	269,238,480	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
Legal debt margin	172,213,520	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
Total net debt applicable to limit as a percentage of debt limit	61.0%	65.6%	57.2%	71.9%	73.3%	80.1%	70.6%	83.5%	86.4%	76.6%

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

Assessed value of real and personal property, October 1, 2006		<u>\$2,207,260,000</u>
Debt limit - 20 percent of total assessed value		441,452,000
All outstanding debt of the City	<u>612,825,000</u>	
Less those portions not chargeable to the debt limit:		
Lease revenue bonds of the Public Building Authority	86,415,000	
Debt payable from other revenues:		
General obligation sewer warrants	50,590,000	
Sewer revenue warrants	75,980,000	
Warrants issued for schools	118,063,831	
Allocated portion of 2005-A warrants used for storm water sewers	<u>3,331,342</u>	
Total not chargeable	<u>334,380,173</u>	
Total debt chargeable to debt limit	278,444,827	
Less assets available for debt service	<u>9,206,347</u>	<u>269,238,480</u>
Legal debt margin		<u><u>\$172,213,520</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	\$390,633,653	100.0%	\$390,633,653
Madison County	4,725,000	65.7%	<u>3,103,011</u>
Total			<u><u>\$393,736,664</u></u>

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

(b) The Madison County percentage is the ratio of the assessed value of all taxable real and personal property, excluding motor vehicles, in the City (\$2,220,644,380) for 22 mills of city school district taxes, to the assessed value of all taxable real and personal property, excluding motor vehicles, in Madison County (\$3,381,407,620) for 5.5 mills of county school district taxes. All data as of the most recently released tax abstract (October 1, 2006).

**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	
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	\$4,768,338	\$11,703,338	1.69
2007	\$33,893,278	\$12,813,710	\$21,079,568	\$7,790,000	\$4,852,048	\$12,642,048	1.67

(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%
2007	173,189	\$63,800	21,257	2.7%

* 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	7.2%
Huntsville Hospital System	5,126	2.5%
CINRAM	2,861	1.4%
The Boeing Company	2,700	1.3%
NASA/Marshall Space Flight Center	2,555	1.3%
Sanmina-SCI Corporation	2,500	1.2%
Intergraph Corporation	2,450	1.2%
SAIC	1,716	0.8%
ADTRAN	1,700	0.8%
Siemens VDO Automotive	1,700	0.8%
Total Employees of 10 Principal Employers	37,909	18.5%
Employees of Other Employers	165,285	81.5%
Total Civilian Labor Force	203,194	100.0%

Source:

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

Note:

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

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

Function	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Government										
Administration	16	15	15	14	14	13	13	13	12	11
City Council	10	10	10	10	10	9	9	8	8	8
Clerk-Treasurer	18	20	21	21	21	21	21	21	19	21
Finance	28	28	31	32	32	29	25	26	25	31
Human Resources	11	11	10	10	10	12	11	11	11	18
I.T.S.	42	40	42	41	41	42	38	39	41	39
Legal	17	16	16	16	16	16	16	14	14	14
Total	142	140	145	144	144	142	133	132	130	142
Public Safety										
Animal Services	27	27	27	27	24	24	24	23	24	24
EMA	8	8	8	8	8	8	8	9	8	8
Fire and Rescue	343	340	340	342	340	340	340	335	335	343
Municipal Court	46	46	49	49	48	48	48	47	40	40
Police	603	596	591	585	649	643	648	635	609	619
Total	1,027	1,017	1,015	1,011	1,069	1,063	1,068	1,049	1,016	1,034
Public Services										
Cemetery	22	22	22	20	19	19	19	9	9	8
General Services	79	79	79	79	68	68	68	30	33	32
Projects Management	7	7	7	7	7	7	7	7	0	0
Fleet Management	33	33	33	33	33	33	33	33	32	40
Recreation Services	172	172	180	177	177	178	159	155	147	138
Landscape Management	255	253	251	218	214	214	214	90	92	80
Parking	55	55	55	55	55	55	55	52	48	52
Public Transportation	43	43	41	40	40	40	40	42	46	37
Public Works	287	284	273	281	303	302	281	324	298	343
Water Pollution Control	115	113	108	111	107	107	107	101	104	105
Total	1,068	1,061	1,049	1,021	1,023	1,023	983	843	809	835
Urban Development										
Community Development	42	42	42	42	42	42	42	42	41	41
Engineering	49	70	69	66	66	72	71	49	45	43
Inspection	30	28	28	24	24	24	24	22	23	28
Natural Resources	7	7	7	7	7	7	7	8	7	7
Planning	39	36	33	27	27	21	21	20	19	27
Traffic Engineering	29	0	0	0	0	0	0	0	0	0
Total	196	183	179	166	166	166	165	141	135	146
Total for all departments	2,433	2,401	2,388	2,342	2,402	2,394	2,349	2,165	2,090	2,157

Source: City of Huntsville Annual Budget

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

Function	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
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	3	2	2
Number of calls answered	23,472	22,675	6,078	5,555	5,358	5,450	*	*	*	*
Inspections	18,000	15,600	13,800	14,400	12,600	11,400	10,800	*	*	*
Police										
Number of police stations	4	4	4	4	4	4	1	1	1	1
Physical arrests	14,020	13,148	11,653	11,317	9,539	9,939	*	*	*	*
Parking violations	15,392	9,631	8,343	9,356	8,390	*	*	*	*	*
Traffic violations	31,554	37,792	24,860	24,110	23,525	*	*	*	*	*
Public Services										
Recreation Services										
Admissions to Aquatic Facilities	139,990	124,676	126,149	144,062	144,124	139,034	*	*	*	*
Participants in Community Center programs	16,872	18,830	25,261	18,683	28,697	22,366	*	*	*	*
Participants in Youth Athletic programs	7,246	7,829	8,181	8,807	8,920	9,146	*	*	*	*
Participants in Adult Athletic programs	4,678	4,357	4,333	4,433	4,312	4,208	*	*	*	*
Number of parks	63	60	59	55	52	52	52	52	46	46
Baseball fields	57	57	50	50	50	50	50	50	75	75
Soccer fields	50	50	107	107	103	103	103	103	80	80
Football fields	4	4	7	7	7	7	7	7	6	6
Golf courses	1	1	2	2	2	2	2	2	2	2
Tennis courts	65	59	61	53	45	45	45	45	45	45
Recreation centers	11	11	11	11	11	11	11	11	9	9
Enclosed swimming pools	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (lane miles)	2,684	2,654	2,654	2,641	20,500	20,500	20,500	1,377	1,259	1,259
Street lights	20,631	19,762	19,762	19,638	17,627	17,627	17,627	17,419	17,054	17,054
Signalized street intersections	300	288	288	285	275	275	275	270	243	243
Controlled intersections	10,850	10,606	10,606	10,580	10,300	10,300	10,300	10,000	10,000	10,000
Major storm sewers (miles)	892	785	785	692	114	114	114	111	110	110
Potholes repaired	8,275	9,925	12,529	15,060	22,249	24,374	*	*	*	*
Sanitation										
Refuse collected (tons/day)	227	222	216	214	*	*	*	*	*	*
Trash collected (tons/day)	1,260	175	214	217	*	*	*	*	*	*
Water Pollution Control										
Avg daily sewage treatment(M gallon/day)	263	283	321	360	358	397	*	*	*	*
Sanitary sewers (miles)	1,260	1,200	1,200	1,150	1,050	1,050	1,050	950	900	900
Utilities										
New connections	359	357	308	203	224	256	*	*	*	*
Water main breaks	55	73	94	77	78	71	*	*	*	*
Average daily consumption (000 gallons)	46,124	41,098	36,572	35,617	33,870	35,339	*	*	*	*
Water meters in use	77,504	77,504	77,504	76,446	76,968	76,968	76,968	69,642	67,000	67,000

Sources:
Various city departments

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