CITY OF HUNTSVILLE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2006

Prepared by:
Finance Department

Introductory Section

City of Huntsville, Texas
Comprehensive Annual Financial Report
For The Year Ended September 30, 2006

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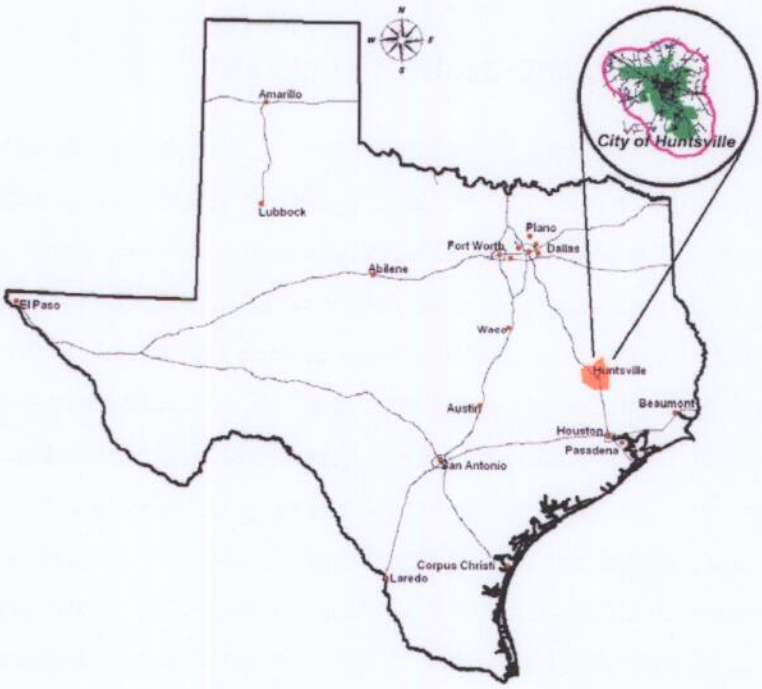
WELCOME TO

THE CITY OF HUNTSVILLE, TEXAS

The City of Huntsville is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated January 30, 1845 and first adopted its Home Rule Charter on September 28, 1968. The City operates under a Council/Manager form of government, where the Mayor and eight Councilmembers are elected for staggered two-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The City of Huntsville is the county seat and principal commercial center of Walker County, located on Interstate 45, approximately 70 miles north of Houston, 170 miles southeast of Dallas, and approximately 130 miles west of the Louisiana state line. The city's 2000 census was 35,078, a 25.6% increase from the 1990 census. Population estimates include inmates within the Texas Department of Criminal Justice (TDCJ) system. The headquarters for the TDCJ, and five of its prison units (housing approximately 7,800 inmates), are located within the city limits and employ approximately 2,600 personnel. There are two additional units located outside the city limits, within Walker County, that employ approximately 2,900 personnel and house approximately 5,100 inmates. Sam Houston State University (SHSU), with a 2006 fall enrollment of approximately 15,900, is located here.



Walker County is in an east Texas county with an economy based on the state prison system, lumbering, and agribusiness. Principal sources of agricultural income include cattle, horses, cotton, grain, and timber. Minerals produced in the county include gas, sand, stone, and gravel. The 2000 census for the county was 61,758, an increase of 21.3% since 1990. The Sam Houston National Forest covers 53,461 acres of Walker County. Huntsville State Park is located within the national forest and on the outskirts of Huntsville. Nearby Lake Livingston and Lake Conroe also provide recreational facilities for residents and visitors. Other tourism attractions include the Sam Houston Memorial Museum and Park Complex, located near SHSU, and the Visitors Center, located at the Sam Houston statue site. A Tribute to Courage," the Sam Houston Statue, was designed and constructed by artist David Adickes. He dedicated the statue to the City of Huntsville on October 22, 1994. It is the world's tallest statue of an American Hero at 67 feet tall on a 10 foot sunset granite base.

According to the United States Census Bureau, the 2003 median income for Walker County was $30,537 per household, compared to the state median of $39,967. The Texas Workforce Commission reported 24,466 persons employed in Walker County in 2005. The Walker County unemployment rate in 2005 was 5.2.

The Huntsville economy is based primarily upon State government: the Texas Department of Criminal Justice (TDCJ) and Sam Houston State University (SHSU). Huntsville serves as the Administrative Headquarters of TDCJ. TDCJ consists of four primary components: Institutional Division, State Jail Division, Parole Division, and the Manufacturing and Logistics Division. 118 prison units are distributed throughout the state. Seven units are located in Walker County, with five of them within the city limits. Beyond TDCJ and SHSU, other governmental presence in Huntsville includes Region VI Educational Service Center, Gulf Coast Trades Center, Sam Houston State Park, Sam Houston National Forest, and the various units of local government and state field offices. The large governmental presence keeps the unemployment rate low, but also places much greater pressure on the property tax rate and utility rates.

CITY OF
Huntsville
Incorporated in 1845 under the Republic of Texas

April 12, 2007

Honorable Mayor and City Council members, Citizens
City of Huntsville
Huntsville, Texas 77340

The Comprehensive Annual Financial Report (CAFR) of the City of Huntsville, Texas, for the fiscal year ended September 30, 2006, is City. Disclosures necessary to enable the reader to gain an understanding of the City of Huntsville's financial activities have been included.

Financial Statement Overview

The CAFR is presented in four sections: introductory, financial, other supplementary information and statistical. The introductory section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The financial section includes the basic financial statements and the combining financial statements, budgetary comparison schedules, the other supplementary information section, capital asset schedules, and federal and state awards reports and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi–year basis. This report includes all city funds.

The report is the third compliance year under Rule 34 as established by the Governmental Accounting Standards Board (GASB34). Under this rule, an entity-wide statement of net assets is presented with depreciation of assets. Under the rule statements are presented on a Government-wide and Fund statement basis. Both the Government-wide and the Fund Financials present information supporting the other, and the Fund Financials provide additional information not reported Government-Wide.

The Government-wide statements report on the city as a whole using the accrual basis of accounting. The statements are comprised of a Statement of Net Assets and a Statement of Activities supplementing information provided in the Fund statements. The Statement of Net Assets reports changes in assets, presenting all assets and liabilities of the city. The Statement of Activities presents revenues and expenses by function, demonstrating how those assets have changed and distinguishes activities supported by user fees compared with those supported by taxes and intergovernmental transfers. The statements distinguish between traditional governmental activities and business-type activities.

Fund financial statements are reported using the modified accrual basis of accounting under traditional fund accounting principles. More detailed information is presented about significant (major) and non-major funds. The funds are divided among governmental, enterprise and internal service (business-type or proprietary funds), and agency funds. The Fund financial statements focus on current or near-current inflows and outflows and available balances. Proprietary fund information presented in this manner reinforces information provided in the government-wide statements for business-type activities.

The Management Discussion and Analysis section preceding the financial statements provides an analysis of the financials and highlights changes from the prior year. Both the government-wide and the government fund financial focus are presented.

City Services

The City provides police and fire protection, solid waste services, maintenance of streets and utility infrastructure, wastewater and water services, parks, a public library, and cultural services. The City provides water to the community from a combination of water produced from City owned and operated water wells and from a surface water treatment plant in partnership with the Trinity River Authority. The costs associated with operations of the surface water treatment plant are shown as an expense of the Water Fund. Street activities and operations are accounted for in the Street Fund.

1212 Avenue M • Huntsville, TX 77340-4608 • 936.291.5400 • 936.291.5409 fax • www.huntsvilletx.gov

Our vision for the City of Huntsville is a community that is beautiful, historic, culturally diverse, affordable, safe, and well planned with great opportunity for our citizens.

Priorities and Objectives

Council programs and initiatives for the fiscal year were directed at financial stability, balanced budgeting, and improvement in unallocated fund balance reserves. Efficiently providing for public safety, increased funding for the fire department, maintenance of utility infrastructure, and serving underdeveloped areas were objectives, while maintaining stable tax and utility rates. During the year, with improved budgetary and financial processes, the City re-emphasized completing existing capital projects, approved additional spending for water and wastewater underserved areas, and for an aquatic center.

Priorities included 1) a revision of the personnel policy with the implementation of a step and grade system and change in overtime policies. This allowed expenditures for the addition of a firemen, city marshal, and funding for an assistant prosecutor, 2) the addition of public safety personnel pursuant to the strategic objectives of the council, 3) enacting policy changes and further providing for available resources for the health insurance fund, 4) funding and beginning construction of the aquatic center, 5) emphasizing capital project reporting and management, 6) revision of budgeting procedures and 7) the return of the General Fund to a positive financial position. An important priority was to balance the budget with revenues equaling budgeted expenditures in the General Fund. Historically budgets were presented utilizing fund balance, and although fund balance had not been used for budgeted expenditures, the prior year resulted in a deficit. The budget process re-engineered how revenues were estimated and budgeted, effected a change in personnel policies, and how requests were made. The result was the first year with a positive budget balance in the General Fund of revenues over expenditures.

Hurricane Relief

The City contributed administrative and police support and housing assistance to evacuees for Hurricane Katrina and operations support for Hurricane Rita in the fall of 2006. Housing and travel assistance was an ongoing effort into FY 2005-06. Hurricane Rita proved a larger financial and resource effort, but shorter in duration. City expenditures for Hurricanes Katrina and Rita increased year end expenditures in labor and equipment.

Summary of Financial Activities

Meeting council objectives of a balanced budget and balancing operating revenues versus expenditures, the fund balances of all major operating funds increased. Project expenditures were concluded for the following:

- Addition of one firefighter, a city marshal, and funding for an assistant prosecutor,
- Funding of the Aquatic Center park with the issuance of a tax note of $1.145 million,
- Allocating $400,000 funding in underserved areas for water and wastewater projects,
- Purchase of aerial mapping system and software,
- Repavement of the A.J. Brown wastewater treatment plant.

The fiscal year represented the first year that the budget was presented balanced between revenues and expenditures in each major operating fund, including the General Fund. With more accurately estimated revenues, and a reduction in operating expenditures, the General Fund posted a net change of $1.2 million and the Street Fund, $471,000. The Water Fund had increased revenue with water sales in the dry summer and reduced expenditures with greater emphasis on capital projects. As a result the change in net assets for the Water Fund was $1.9 million and $2 million for the Wastewater Fund. Solid Waste Fund increased net assets by $329,000.

On a Government-wide basis, net assets for Government activities increased from $19.2 million to $23.5 million. Net assets for business-type activities increased from $51.8 million to $56 million.

Economic Development

Recognizing the need for greater economic development within the City and its extraterritorial jurisdiction, the council seeks to expand the tax base through the expansion of existing industries and the recruitment of new businesses. With the county, the City participates in a TIRZ (Tax Incremental Reinvestment Zone) to attract development and businesses. Development processes continued during the year, and funds were received toward an engineering study for the development. The City also coordinates with the Huntsville–Walker County Chamber of Commerce's Tourism and Economic Development Councils, and assists with the efforts of these organizations in the promotion of tourism and the encouragement of business development and retention.

Capital Projects

Construction for the Wynne Home Arts Center was completed during the year as well as the aquatic center section of park improvements. Overall $2.5 million was expended on general capital improvements in the Capital Projects Fund. Bids were let on the new Aquatic Center and park improvement program with a project budget of $2.3 million. The facility is funded with city contributions of $500,000; a Texas Parks and Wildlife grant of $500,000; a 7-year tax note for $1.1 million in 2005, and public contributions of $152,000 as of September 30, 2006. The tax note issued during the fiscal year has no affect on the tax rate.

Construction began on an additional fire station with certificates issued in 2004 in the amount of $1.1 million. Debt service is funded in the debt service fund. . Construction–in-progress for enterprise fund projects in the Water and Wastewater Funds are recorded in their respective funds. A ladder fire truck was purchased during the year in the amount of $773,242 funded from a 7-year lease/purchase note.

Debt Issues

The City issued debt in the form of a $1.1 million tax note for seven years for the construction of the aquatic center in 2005. Payments are budgeted in future years from operating revenue and available fund balances. No additional taxes were levied for the retirement of this debt.

The City had refunded debt in 2005 in the amount of $3,820,000 for a portion of the 2000 street arterial issue. Debt service is funded in the Debt Fund from existing tax levies for the 2000 street certificates of obligation.

The fund balance for the Debt Service Fund servicing general obligation debt decreased $324,000 to $152,525 with the use of these funds related to payment on the tax note.

Utility and Tax Rates

City Council has actively sought to maintain the ad valorem property tax rates. In FY 1998–99, the ad valorem tax rate was increased to $0.4300 per $100 assessed valuation to fund a Street Arterial Capital Project. In FY 1999–00, the rate was adjusted to $0.4125 because of an increase in the assessed valuation. The Tax rate adopted in FY 2001–02 was $0.4325, providing additional funds for the capital streets program. The FY 2002-03 rate was $0.4500, 0.42500 for FY2003-04, and $0.4375 for FY2004-05. For FY2005-06 the tax rate adopted was $0.4319, a reduction of one-half cent.

A sales tax increase of ½ cent dedicated for property tax reduction was approved by the voters in August 1987. The City sales tax rate is 1.5%.

The City wastewater rates were adjusted in FY 1992–93, a result of USEPA mandated modifications to the two wastewater treatment plants; and in FY 1995–96 and FY 1996–97 to fund the Capital Improvements budget. Beginning October 1, 2000, water and wastewater rates were adjusted, following a rate study and approval of a capital improvement initiative. Solid waste collection charges and disposal rates were adjusted during 2002, following the Solid Waste Rate Study. Utility rates remained the same for FY2004-05 and for the current year, FY2005-06.

Cash Management

City policy is governed by the laws of the State of Texas. Authorized investments are governed by state code. Demand deposits for the city are covered by pledged securities in the city's name at the Federal Reserve Bank pursuant to state law and the city's depository contract. Funds needed for daily operations are kept in demand deposits with the remainder invested in approved government pools or short-term agencies.

Budget Process

The Budget process begins with an annual update by council of the strategic objectives. Coordinated with the vision and objectives formulated by the comprehensive plan. In accordance with these objectives a capital improvement plan is updated for presentation to council. Departments present budget requests detailed by line items and supplemental requests are submitted linked to the city's comprehensive strategic plans. The city ahs initiated performance measures as effectiveness tools and these are reviewed and updated during the process.

Internal Controls

The city relies on certain internal financial controls as identified in city financial, purchasing, personnel, and fixed asset policies. Adopted by ordinance they provide the basis for reliance on the financial statements. Such assurances do not themselves provide absolute assurance or guarantee the prevention of fraud. However, through monitoring of adequate internal controls, the basis of reliance on the financial statement as a fair presentation, in all material respects, of the respective financial position of governmental and business-type activities of each fund, and of reliance on the compliance with laws, regulations, contracts, grants, ordinances, and policies is provided.

Independent Audit

The City Charter requires an annual audit by independent certified public accountants. The accounting firm of Kenneth C. Davis and Company, P.C. was selected by the City Council Finance Committee. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of Government Auditing Standards. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules are in the financial section of this report. The auditor's report on compliance and on internal control over financial reporting and additional reports are provided in the other supplementary information section.

Awards

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Huntsville for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2005. This was the 29th year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the governmental body must publish a CAFR with required criteria for management discussion and analysis in conformity with generally accepted accounting standards under GASB (the Governmental Accounting Standards Board) and in conformity with GFOA requirements. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. In addition, the City of Huntsville also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the past 19 years. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document must be judged to be proficient in several categories including policy documentation, financial planning and organization. The budget for the fiscal year beginning October 1, 2006 (FY 2006-07), has been submitted for review.

Acknowledgements

We would like to express our appreciation to the City Council for their concern in providing fiscal accountability to the citizens of our City. The preparation of this report could not be accomplished without the efficient and dedicated services of the Council, employees and entire staff.

Respectfully submitted,

Winston Duke

Winston Duke
Director of Finance

Kevin P. Evans

Kevin P. Evans
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Huntsville

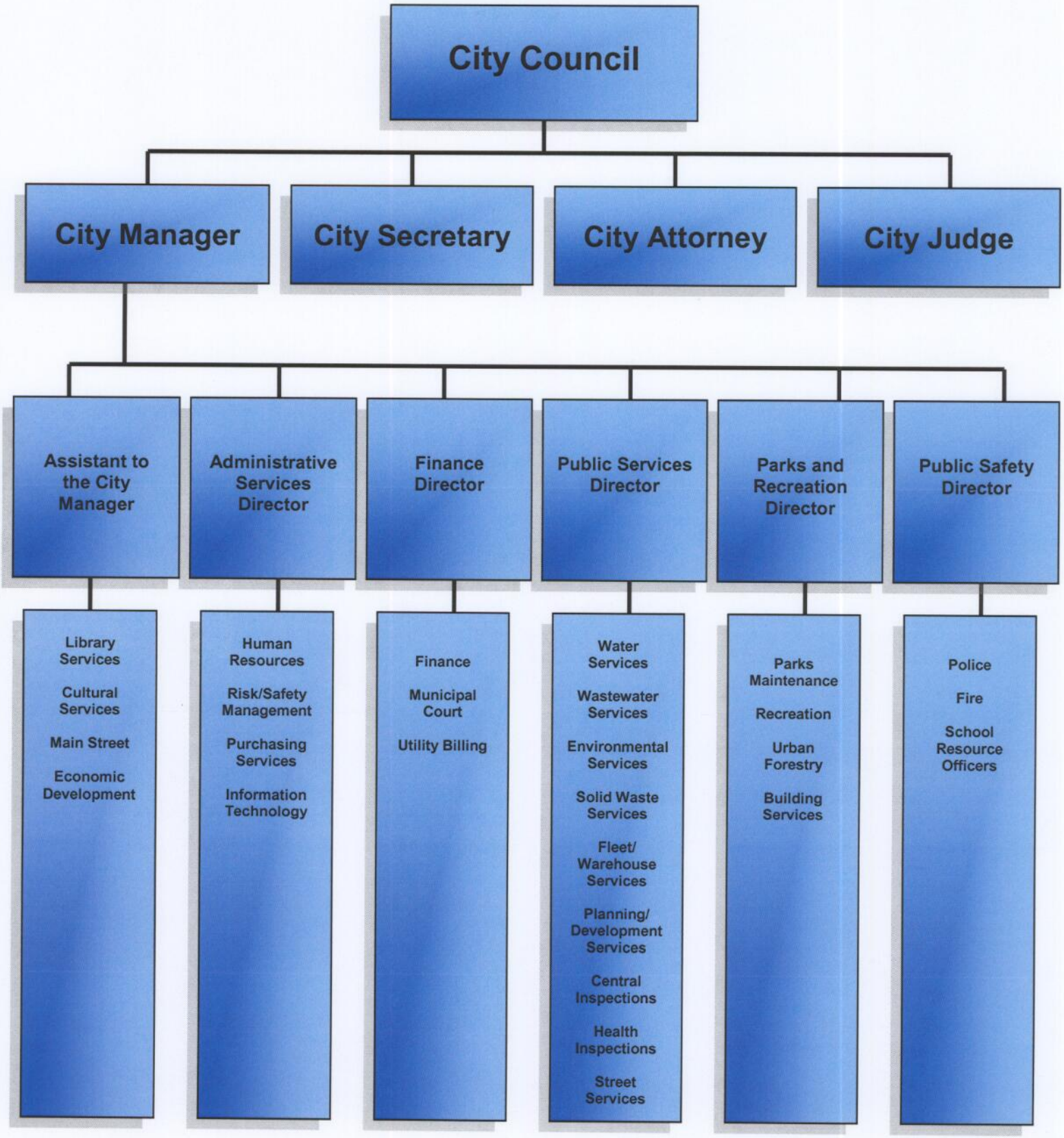
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

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

President

Executive Director


City Council
City Manager
City Secretary
City Attorney
City Judge
Assistant to the City Manager
Administrative Services Director
Finance Director
Public Services Director
Parks and Recreation Director
Public Safety Director
Library Services
Cultural Services
Main Street
Economic Development
Human Resources
Risk/Safety Management
Purchasing Services
Information Technology
Finance
Municipal Court
Utility Billing
Water Services
Wastewater Services
Environmental Services
Solid Waste Services
Fleet/ Warehouse Services
Planning/ Development Services
Central Inspections
Health Inspections
Street Services
Parks Maintenance
Recreation
Urban Forestry
Building Services
Police
Fire
School Resource Officers

CITY OF HUNTSVILLE, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2006

Elected Officials

Name	Office
J. Turner	Mayor
Jim Willett	Councilmember - Ward 1
Mac Woodward	Councilmember - Ward 2
Clarence Griffin	Councilmember - Ward 3
Bob Tavenner	Councilmember - Ward 4
Dalene Zender	Councilmember - Position 1
Melissa Mahaffey	Councilmember - Position 2
MIckey Evans	Councilmember - Position 3
Jack Choate	Councilmember - Position 4

Appointed Officials & Directors

Name	Position
Kevin Evans	City Manager
Danna Welter	City Secretary
Thomas Leeper	City Attorney
John Gaines	Municipal Court Judge
Victor Pena	Director of Administrative Services
Winston Duke	Director of Finance
Glenn Isbell	Director of Public Services
Ray Black	Director of Parks and Recreation
Jean Sanders	DIrector of Public Safety

Financial Section

Kenneth C. Davis & Company
A Professional Corporation
Certified Public Accountants
1300 11TH STREET, SUITE 400
P.O. BOX 6308
HUNTSVILLE, TEXAS 77342
PHONE (936) 291-3020
FAX (936) 291-9607

Independent Auditor's Report on Financial Statements

City Council
City of Huntsville, Texas
1212 Avenue M
Huntsville, Texas 77340-4608

Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Huntsville, Texas as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Huntsville, Texas's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Huntsville, Texas as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2007, on our consideration of City of Huntsville, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis identified as Required Supplementary Information in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We 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 performed for the purpose of forming opinions on the financial statements which collectively comprise the City of Huntsville, Texas's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the combining and individual fund financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical tables 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.

Respectfully submitted,

Kenneth C. Davis & Company, P.C.

January 31, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Management of the government is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

GENERAL GOVERNMENTAL FUNCTIONS

Revenues and other financing sources for 2006 general governmental functions (General Fund, Debt Service Fund, Capital Project, and Special Revenue Funds) totaled $20,252,443 for the fiscal year ended September 30, 2006. Comparative revenues for the prior year were $18,373,760.

The following table details the revenue categories of total general governmental revenues. The increase/decrease in amounts from the prior year are shown along with the percentage of change.

REVENUES	AMOUNT FY 2005-06	AMOUNT FY 2004-05	AMOUNT FY 2003-04	INCREASE (DECREASE) FROM FY 04-05	PERCENT OF INCREASE FROM FY 04-05
Taxes and Franchises	$ 12,110,807	$ 11,349,448	$ 10,627,961	761,359	6.7%
Permits and Licenses	284,860	242,684	226,406	42,176	17.4%
Fines and Fees	827,609	779,967	834,062	47,642	6.1%
Charges for Service	568,879	676,585	650,709	(107,706)	(15.9%)
Administrative Reimbursement	4,215,525	3,696,776	2,993,567	518,749	14.0%
Interest Earnings	481,777	251,741	97,467	230,036	91.4%
Grants/Contributions	843,689	1,124,133	557,824	(280,444)	(24.9%)
Other	919,297	252,426	132,412	666,871	264.2%
TOTAL	**$ 20,252,443**	**$ 18,373,760**	**$ 16,120,408**	**$ 1,878,683**	**10.2%**

The percentage of revenues collected from sales tax has historically been great compared to revenues collected from property taxes, because of the limited ad–valorem tax base in Huntsville. Taxes and franchise fees rose due to increased sales during the unusual hurricane season at the beginning of the year. Franchise income increased $153,000. Fine and fee income increased $48,000 as vacancies in police and the prosecutor's office were filled.

A large portion of the land area located within the city limits is State owned and, therefore, tax exempt. Huntsville is the home of Sam Houston State University and the Texas Department of Criminal Justice. The governmental payroll generated by these two principal employers comprise the backbone of the local economy, providing stability and a viable alternative to limited property tax revenues through the sales tax option. Huntsville is the center of commerce for Walker County and our region. The tax rate was reduced to the effective rate of $.4319 for **FY 2005-2006**; the tax had been raised in FY 2004-2005 to $.4375. In FY 2003–04 the ad valorem tax rate decreased to $.4250 from the prior year's rate of $.4500 per $100 assessed valuation.

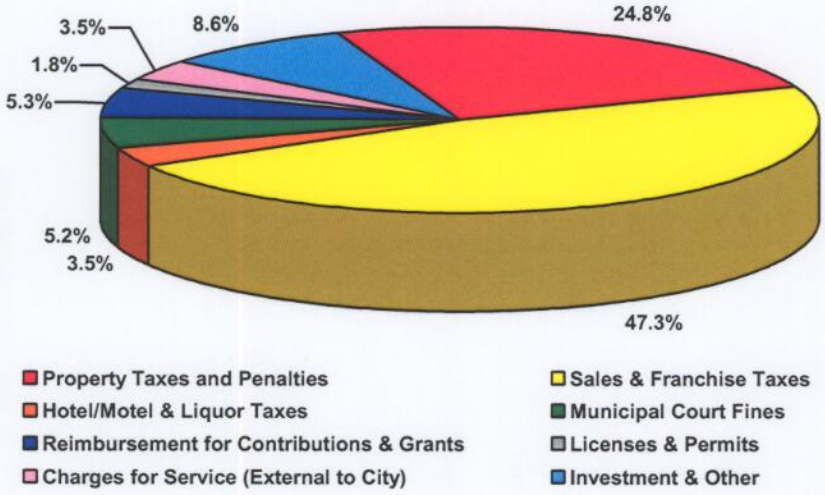
Comparative data on taxable assessed valuations and property tax collection is presented in the following schedule:

	2005-06	2004-05	2003-04	2002-03	2001-02
Assessed Valuation	$ 916,559,997	$ 879,693,723	$ 819,930,777	$ 755,980,499	$ 746,266,499
Property Tax Collections	$ 3,981,537	$ 3,847,994	$ 3,545,267	3,389,150	$ 3,154,279
Outstanding Delinquent Taxes	$ 336,207	$ 269,809	$ 228,448	$ 171,913	155,455

The Governmental Fund revenues are comprised of the following categories and percentages:

	2005-06	2004-05	2003-04
Property Taxes and Penalties	24.8%	22.3%	27.0%
Sales & Franchise Taxes	47.3%	40.9%	50.6%
Hotel/Motel & Liquor Taxes	3.5%	2.7%	3.4%
Municipal Court Fines	5.2%	4.5%	6.4%
Reimbursement for Contributions & Grants	5.3%	21.4%	4.2%
Licenses & Permits	1.8%	1.4%	1.7%
Charges for Service (External to City)	3.5%	3.9%	4.9%
Investment & Other	8.6%	2.9%	1.8%
	100.0%	**100.0%**	**100.0%**

Increased sales taxes revenue contributed to the increase in the combined sales and franchise tax category. Excluding internal administrative reimbursements, contributions and grants decreased. Prior year payments were related to capital projects.



The Water and Wastewater Fund and Solid Waste Fund reimburse the General Fund a portion of the administrative costs. Administrative functions, including the Charter Offices, Finance, Information Technology, Human Resources and other Administrative Services divisions, and Public Works divisions, etc., are budgeted in the General Fund. The amount of the administrative cost reimbursement is based to the largest degree possible on quantitative measurements. Human Resources costs are reimbursed based on the numbers of employees in each fund. Administrative, Charter Offices, and Finance costs are based on the various budgets as a percentage of the total budget. The Street Fund receives right-of-way fees as it does from utilities paying franchise fees from the Waste and Wastewater Funds totaling 3.5% of revenue and 3.0% from the Solid Waste Fund. The Wastewater and Solid Waste Funds reimburse the Water Fund for utility billing and meter reading costs. The Water Fund reimburses the Wastewater Fund for environmental services costs. Administrative cost reimbursements increased compared to the prior year after review of allocations and as expenditures supported by the allocations increased. Administrative cost reimbursements totaled $4,215,525 for the year.

GOVERNMENTAL FUND EXPENDITURES BY ACTIVITY

Major and Non-major Funds

The City's major governmental funds are the General Fund and the Street Special Revenue Fund. Total expenditures for the General Fund were $12,781,334 and total expenditures for the Street Special Revenue Fund were $1,966,163., Ending fund balance for the General Fund and the Street Fund were $4,260,704 and $1,380,563.

Non major funds included Special Revenue, Debt Service, Capital Projects, and Permanent Funds. Special Revenue Fund expenditures totaled $1,282,879; Capital Projects Funds totaled $2,547,404; and Permanent funds had no expenditures for the year. The Debt Service Fund had expenditures of $1,626,019, The combined fund balance of the non major funds was $3,164,690 at year end with total expenditures of $5,456,302.

The following schedule presents a summary of the increases and decreases in relation to the prior year amounts.

EXPENDITURES AND OTHER USES	AMOUNT FY 2005-06	AMOUNT FY 2004-05	AMOUNT FY 2003-04	INCREASE (DECREASE) FROM FY 04-05	PERCENT OF INCREASE (DECREASE)
Charter Offices	$ 777,808	$ 808,611	$ 728,146	$ (30,803)	(3.8%)
Finance	1,178,178	1,073,657	917,304	104,521	9.7%
Public Works	2,978,716	3,745,380	2,954,147	(766,664)	(20.5%)
Planning & Development	1,540,726	1,480,957	1,526,146	59,769	4.0%
Community Services	4,185,919	2,683,636	2,331,556	1,502,283	56.0%
Public Safety	4,943,415	5,147,725	4,242,112	(204,310)	(4.0%)
Other	2,633,073	2,290,513	2,292,030	342,560	15%
Debt Service					
Principal Retirement	1,079,681	4,296,631	605,000	(3,216,950)	(74.9%)
Interest	886,283	861,679	787,652	24,604	2.9%
TOTAL EXPENDITURES AND OTHER USES	**$ 20,203,799**	**$ 22,388,789**	**$ 16,384,093**	**$ (2,184,990)**	**(9.8%)**

Resource Availability and Future Outlook

Revenues in the General Fund are stable and trending upward slightly, with sales taxes showing a moderate increase. Assessed valuation continued to increase slightly over the prior year however adoption of the effective tax rate maintains revenue at the current level for existing property and inflation is not considered. Funds are available for basic services, and the City continues to maintain adequate reserves. Unrestricted net assets available for governmental activities were $7,140,657 and $25,383,389 for business-type activities for the year ending September 30, 2006. General Fund unrestricted assets totaled $4,172,594.

There were reduced operating expenditures for public works activities, in water and wastewater operations, and in equipment expenditures. Overtime expenditures reduced with change in policy and improved budget management.

The City expects to be able to meet citizens' needs as in the past. Huntsville is fortunate in two major respects: (1) the economic base is stable; the Texas Department of Criminal Justice and Sam Houston State University are the two major employers in the City; and (2) the City's financial planning has been well defined and monitored by the elected officials. The fund balance of the General Fund remains healthy and in conformance with the City's Fiscal and Budgetary Policies. (City Policy required a contingency equivalent to 16.67% of budget expenditures in operating and enterprise funds.)

Debt Service – General Obligation

Total outstanding debt as of September 30, 2006, is $19,216,764, approximately 21% of the legal debt limit.

Certificates of obligation were issued for a golf course in 2001. The City retains the responsibility for the debt but collects revenue in a golf course lease agreement with Sam Houston State University that offsets the debt service. Certificates of obligation were issued for a fire station in 2004. Refunding obligations were issued in 2004 for $2.2 million and in 2005 for $3.8 million.

Tax notes of $1.1 million were issued in 2005 for the construction of an aquatics center complex; no additional tax levy was required for debt service related to the notes. Tax note obligations at September 30, 2006 totaled $845,000.

Past Council practice has been to issue short–term certificates of obligation for equipment purchases, with funding for a period equal to or less than anticipated life. With the use of the accumulated equipment replacement funds, the need for short-term debt has been reduced. Lease purchase covered by operating revenues is the preferred method in the event a cash purchase is not feasible and is used primarily for more expensive equipment with a long-term useful life.

	OUTSTANDING SEPTEMBER 30, 2006	OUTSTANDING SEPTEMBER, 30 2005	OUTSTANDING SEPTEMBER 30, 2004
Bonds:			
1991 Street Improvements	$ -	$ -	$ 150,000
2004 Portion of Refunding	806,764	1,191,445	2,220,000
2005 Refunding	3,805,000	3,820,000	-
TOTAL BONDS	**$ 4,611,764**	**$ 5,011,445**	**$ 2,370,000**
Certificates of Obligation:			
1994 Visitors Center	-	-	85,000
1998 Street Arterial	6,865,000	6,975,000	7,240,000
2000 Street Arterials	1,005,000	1,150,000	4,940,000
2001 Golf Course	4,765,000	4,845,000	4,925,000
2004 Fire Station	1,125,000	1,170,000	1,200,000
2005 Tax Notes	845,000	-	-
TOTAL CERTIFICATES OF OBLIGATION	**14,605,000**	**14,140,000**	**18,390,000**
TOTAL	**$ 19,216,764**	**$ 19,151,445**	**$ 20,760,00**

Capital lease debt is $1,038,929. Debt for compensated absences is $1,016,516.

A comparison of the property tax rate and the allocation between operations and debt service is as follows (per $100 assessed valuation):

FISCAL YEAR	OPERATIONS RATE	DEBT RATE	TOTAL RATE
1992–93	0.21483	0.16957	0.3844
1993–94	0.18811	0.19629	0.3844
1994–95	0.21682	0.16758	0.3844
1995–96	0.27923	0.10517	0.3844
1996–97	0.26900	0.11540	0.3844
1997–98	0.28312	0.10128	0.3844
1998–99	0.32718	0.10282	0.4300
1999–00	0.27609	0.13641	0.4125
2000–01	0.30763	0.12487	0.4325
2001–02	0.27785	0.15465	0.4325
2002-03	0.28397	0.16603	0.4500
2003-04	0.23223	0.19277	0.4250
2004-05	0.24473	0.19277	0.4375
2005-06	0.23810	0.18110	0.4192

FY 2005-2006 Debt

The City's legal debt limit is 10% of assessed value. Based on current assessed value, the legal debt limit is $91,655,999. Council expects to be able to meet current outstanding debt payments with the .18110¢ per $100 assessed tax rate for debt. In FY 2005-06 a refunding issue in the amount of $3,820,000 was financed for street arterials for interest savings. Also in 2005, a tax note in the amount of $1,145,000 less a down payment of $300,000 was issued for the aquatic center. No additional tax was levied for this debt.

Prior Year Debt

The City issued debt in FY 2003–04 in the amount of $1,200,000 for fire station construction. In FY 2003-04 debt in the amount of $2,135,000 was refinanced with a refunding issue in the amount of $2,220,000. This refinancing was done for the purpose of interest savings. The debt refinanced related to the following funds for these amounts; General - $1,150,000, Water - $115,000, Waste Water - $480,000, and Solid Waste - $390,000. Refer to the long-term debt section of the footnotes.

FINANCIAL HIGHLIGHTS

Governmental Fund Financial Basis

General Fund

- At the end of the current fiscal year, undesignated fund balance for the General Fund was $4.3 million, 33% of the FY 2006 General Fund expenditures. The undesignated fund balance increased by $1.2 million from FY 2005, following a decrease of $801,217 the prior year. This decrease is attributed to losses and close out of the Golf Course Fund.

- General Fund revenue increased $1,105,000, an increase of 8.5% from FY 2005. This increase was due primarily to increased sales tax collection.

- General Fund expenditures increased by $379,283, an increase of 3.0% from FY 2005. Overall, FY 2006 expenditures were $333,129 or 2.5% less than the original budget.

Other Governmental Funds

- Total Governmental Funds had a net change of $1,021,392 in additional fund balance with $1.2 million increase in General Fund.

- Hotel/Motel – Arts had revenue of $503,083 versus expenditures and transfers of $375,436 and an ending balance of $385,929. Revenue was decreased by $39,370 over the previous year.

- Related to grants, police grants had expenditures of $17,393 ($29,599 for FY 2004-05) and the police school resource officer fund had expenditures of $360,385 ($329,675 for FY 2004-05).

- Total special revenue non-major fund expenditures were $1,282,879, an increase of $451,728 from the prior year. The increase is attributable to Federal grants expenditures of $468,241 for a sewer line project.

- Two primary capital projects were completed and capitalized by the end of FY 2005-06. The Wynne Home Arts Center was completed and valued at $821,723. The swimming pool portion of the aquatic center park improvements was completed and valued at $1,903,421.

- Non-major capital project expenditures were $2,547,404. Source of revenue for these funds includes grants, city revenue, donations, and developer contributions. This represented an increase of $825,748 from prior year.

Proprietary Funds – Enterprise and Internal Service Funds

- The net assets of the City's enterprise funds increased by $4.2 million in FY 2006, due to operating revenue in the Water, Wastewater, and Solid Waste Funds. Internal Service Funds (Medical, Equipment, and Computer Replacement Funds) recorded a net asset increase of $110,959.

GOVERNMENT-WIDE FINANCIAL BASIS

The Government-Wide financial statements report financials for the city as a whole similar to a private enterprise on the accrual basis of accounting. The Statement of Net Assets and Statement of Activities are government-wide statements. The Statement of Net Assets reports total assets and liabilities and changes in those assets. The Statement of Activities reports revenues and expenses by showing how assets have changed according to the various functions of the city. The assets and activities are divided between Governmental activities and Business-type activities, commonly known as Enterprise funds when reporting on the Governmental fund and modified accrual basis of accounting. Proprietary fund information reinforces the business-type information presented in the government-wide statements. Conversely, information as summarized above for the Governmental funds supplements information not provided in the government-wide statements.

In the Statement of Activities, revenues are presented by Programs—service charges, grants, contributions—and expenses by function. Functions are distinguished that are supported by user fees and other revenue and those supported by taxes and intergovernmental sources. A synopsis government-wide activities in presented in the summary and tables below:

- On a government-wide basis for governmental activities, the City had expenses net of program revenue of $11.1 million. General revenues and transfers totaled $14 million, resulting in an increase in net assets of $2.9 million.

- As of September 30, 2006, the City's governmental activities reported combined ending net asset balances of $23.5 million, an increase of $4.2 million compared to prior year, including capital adjustments of $11.3 million. Of this amount $1,950,182 is restricted for federal programs, debt service, and capital projects. The restricted amount is decreased from the prior year amount of $7,851,756.

- The City's total net assets on a governmental-wide basis totaled $79,494,737 of which $23,461,369 was from governmental activities and $56,033,368 was from business type activities at September 30, 2006.
- Government-wide revenue totaled $39,717,168 of which $24,904,232 was program revenue. Expenditures were $13,640,000 for governmental and $18,940,359 for business type activities for a total of $32,580,759.

Summary Statement of Activities

	Government Activities		Business-Type Activities		Total Primary Government Comparative Comparative	
	FY2005-06	FY2004-05	FY2005-06	FY2004-05	FY2005-06	FY2004-05
Program Revenues:						
Charges for Services	1,445,755	1,459,994	21,835,220	22,153,149	23,280,975	23,613,143
Grants and Contributions	1,104,914	1,427,022	518,343	1,442,555	1,623,257	2,869,577
Total Program Revenues	2,550,669	2,887,016	22,353,563	23,595,704	24,904,232	26,482,720
						0
General Revenues						0
Property Taxes	4,047,933	3,891,063	-	-	4,047,933	3,891,063
Sales Taxes	5,511,003	5,127,306	-	-	5,511,003	5,127,306
Franchise Taxes	2,061,344	1,908,146	-	-	2,061,344	1,908,146
Other Taxes	556,923	466,001	-	-	556,923	466,001
Investment Earnings	481,777	251,741	1,294,075	564,915	1,775,852	816,656
Other	859,882	187,608	-	64,315	859,881	251,923
Total General Revenues	13,518,862	11,831,865	1,294,075	629,230	14,812,936	12,461,095
						0
Total Revenues	**16,069,531**	**14,718,881**	**23,647,638**	**24,224,934**	**39,717,168**	38,943,815
						0
Primary Government Expenses:						**0**
						0
Charter Offices	225,564	234,145	-	-	225,564	234,145
Finance	512,507	467,116	-	-	512,507	467,116
Public Works	2,947,577	2,817,160	-	-	2,947,577	2,817,160
Planning and Development	368,452	532,233	-	-	368,452	532,233
Community Services	2,097,339	1,980,942	-	-	2,097,339	1,980,942
Public Safety	4,652,795	4,592,788	-	-	4,652,795	4,592,788
Economic Development	39,160	110,600	-	-	39,160	110,600
Information Technology Services	451,404	149,582	-	-	451,404	149,582
Organization and Staff Development	93,335	59,033	-	-	93,335	59,033
Nondepartmental	1,001,188	482,963	-	-	1,001,188	482,963
Other	367,129	466,855	-	-	367,129	466,855
Interest on Long-Term Debt	883,950	865,744	-	-	883,950	865,744
Water Production and Distribution	-	-	8,600,477	8,495,061	8,600,477	8,495,061
Wastewater Distribution	-	-	6,743,995	6,498,942	6,743,995	6,498,942
Solid Waste	-	-	3,498,996	3,543,587	3,498,996	3,543,587
Oakwood Cemetery Operating	-	-	96,891	84,286	96,890	84,286
Golf Course Operations	-	-	-	1,053,620	-	1,053,620
Total Primary Government Expenses	13,640,400	12,759,161	18,940,359	19,675,496	32,580,758	32,434,657
						0
Excess (deficiency) Before Transfers	2,429,131	1,959,720	4,707,279	4,549,438	7,136,410	6,509,158
						0
Transfers	481,703	(654,410)	(481,703)	654,410	-	0
						0
Changes in Net Assets	**2,910,834**	**1,305,310**	**4,225,576**	**5,203,848**	**7,136,410**	**6,509,158**
						0
Net Assets - Beginning	19,230,339	17,925,029	51,807,792	46,603,944	71,038,131	64,528,973
						0
Prior Period Capital Asset Adjustment	1,320,196	-	-	-	1,320,196	-
						0
Net Assets - Ending	**23,461,369**	**19,230,339**	**56,033,368**	**51,807,792**	**79,494,737**	**71,038,131**

Summary Statement of Net Assets
(in thousands rounded)

	Government Activities		Business-Type Activities		Total Primary Government	
	2005-06	**2004-05**	**2005-06**	**2004-05**	**05-06**	**04-05**
Current and other assets	$ 11,983	$11,077	$ 41,851	$43,658	$ 53,835	$ 54,765
Capital assets	34,498	31,343	45,782	43,041	80,280	74,384
Total assets	**46,481**	**42,420**	**87,633**	**86,729**	**134,115**	**$129,149**
Long-term liabilities	21,272	21,530	30,236	33,186	51,508	$ 54,716
Other liabilities	1,748	**1,660**	1,364	1,735	3,112	3,395
Total liabilities	**23,020**	**23,190**	**31,600**	**34,921**	**54,620**	**$ 58,111**
Net assets:						
Invested in capital assets, net of related debt	14,370	11,379	30,650	**30,039**	45,021	41,418
Restricted	1,950	2,684	-	-	1,950	2,684
Unrestricted	7,141	56,167	25,383	21,769	32,524	26,936
Total net assets	**$ 23,461**	**19,230**	**$ 56,033**	**51,808**	**$ 79,495**	**$ 71,038**

Government-Wide Net Assets

- Net assets of the governmental funds were $23.5 million. Most of these assets are invested in or restricted for particular purposes, such as debt service or capital projects.
- The City's unrestricted net assets for governmental activities funds, which can be used to finance day to day operations, totaled $7,140,657.
- Restricted assets are fund balances that are earmarked for particular purposes, such as debt service or capital projects. The balance of the funds was $1,950,182, a decrease of $734,000 from the prior year.
- Net assets of business-type activities increased by $3.6 million, representing an investment in capital improvements and assets.
- The prior year period capital adjustment of $1,320,196 represented asset value related to the closure of the golf enterprise fund into governmental activities in the prior year.

The government's overall financial health has improved with increases in net assets of both governmental and business-type activities.

Government-wide revenues

Total entity-wide revenue on the statement of net assets is summarized below:

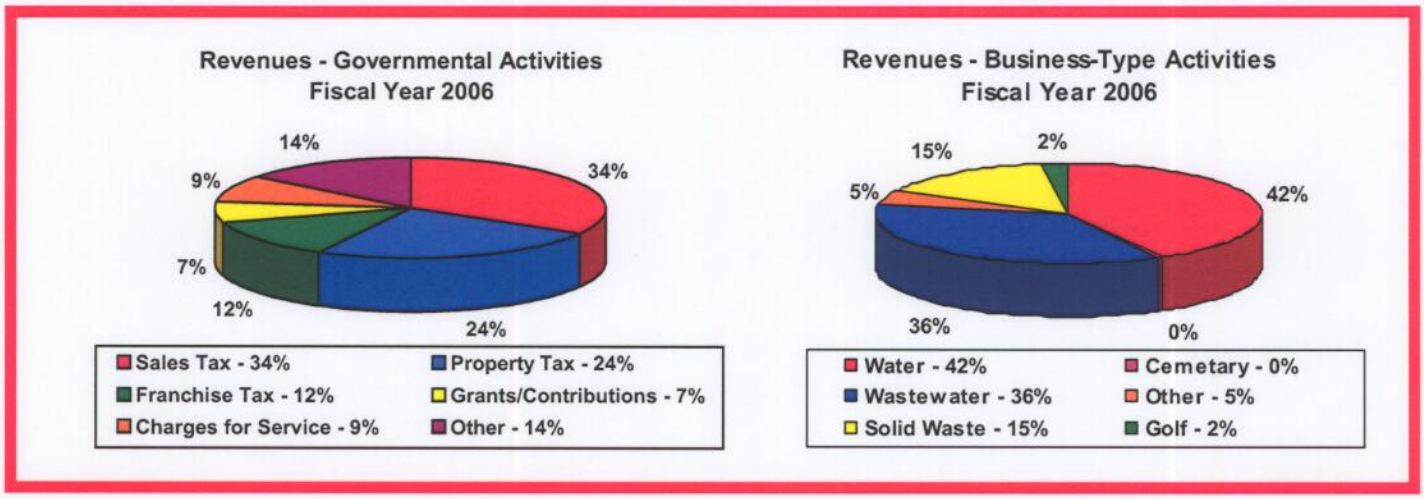
Service Charges	$ 23,280,975
Grants and Contributions	1,623,257
Program Revenues	24,904,232
General Revenue	14,812,936
Total Revenue	$ 39,717,168

- General property taxes, totaled $4 million. Included in these taxes are real and personal property levies which are assessed October 1, and payable on or before the following January 31.
- Sales tax totaled $5.5 million for fiscal year 2006, and represented 39% of the general fund revenue total.
- Franchise taxes totaled $2 million for fiscal year 2006 funding street improvements.
- Other taxes, which include hotel/motel taxes and automobile inventory taxes, totaled $556,923.

Program revenues are derived from the program itself and reduce the cost of the function to the City. Total program revenues for both governmental and business-type activities are described below.

- **Governmental activities program revenue** was $2.6 million. Slightly over one-half of these revenues are reported in the category "Charges for Services", which represent receipts primarily from development and building inspection fees, parks fees, fire billing for services and court fines. This compares with one-half of the revenues for the prior year and three-fourths for the year previous. Other governmental program revenues include operating grants for parks, fire, and police programs, and public works.

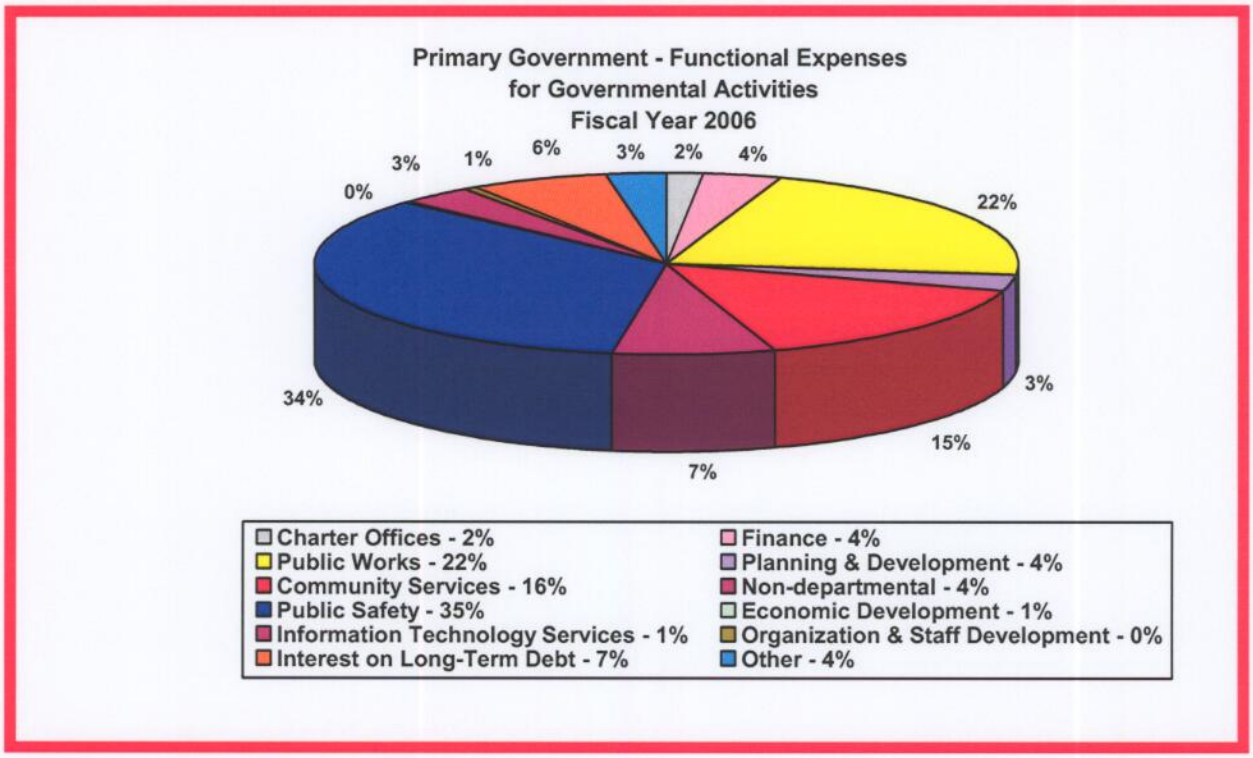
- **Business-type activities program revenues** totaled $22.4 million (excludes Internal Service Funds). The most significant of these revenues is reported in the category "Charges for Services", which represent receipts from utility customers for water, sewer, and sanitation use. Activities for the Golf Enterprise Fund were closed into the General Fund in September 2005, except the capital cost of the water well. The water well was recorded as an asset in the Water Fund. This marks the final year for the fund.



EXPENSES

- **Expenses for governmental activities** totaled $13.6 million, primarily from salaries to provide services in the public safety and public works areas, as well as for public library, recreation programs, and administration. This represents an increase of about $881,000 from the prior year.

- **Expenses for business-type activities** which provided water, sewer, stormwater drainage, and solid waste service totaled $18.9 million which represents a $735,137 decrease from prior year.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended September 30, 2006, the City's governmental funds reflect a combined fund balance of $8.8 million. The governmental funds net increase of $1 million in fund balance compared to a decrease of $1.7 million the prior year. General Fund revenues exceeded expenditures by $1.3 million. Operating transfers related to closing the Golf Fund accounted for the General Fund decrease in the prior year.

Fund balance of Special Revenue funds increased $238,297, while Capital Project Fund expenditures decreased its fund balance by $382,412. The Hotel/Motel Fund increased fund balance $127,647.

Fund balances retained at year end were 32.6% of actual expenditures for the General Fund, 9% for the Debt Fund, and 66% for the Street Fund.

CAPITAL ASSETS

The City's governmental activities (including a percentage of internal service funds) had invested $34.3 million in a variety of capital assets and infrastructure. The City has $45.8 million invested in its business-type activities. Refer to page 50 in the foot notes for further detail. The detail is reflected in the following schedule:

*Includes internal service funds assets, which are allocated to governmental activities.

Governmental Activities
Change in Capital Assets*
(in thousands)

	Balance 10/01/05	Additions	Retirements & Transfers	Balance 9/30/06
Non-depreciable Assets:				
Land	$ 1,767	$ -	$ -	$ 1,767
Construction in Progress	1,641	2,505	(3,034)	1,111
Total Non-depreciable Assets	3,408	2,505	(3,034)	2,878
Other Capital Assets:				
Buildings	3,299	3,027	-	6,326
Equipment	13,941	1,162	(507)	14,596
Improvements	25,577	542	(50)	25,528
Less accumulated depreciation	(13,727)	(1,825)	557	(14,995)
Total Assets- Governmental	**$ 32,498**	**$ 4,870**	**$ (3,034)**	**$ 34,333**

Business-Type Activities
Change in Capital Assets*
(in thousands)

	Balance 10-01-05	Additions	Retirements & Transfers	Balance 9/30/06
Non-depreciable Assets:				
Land	$ 782	$ 0	$ 0	$ 782
Construction in Progress	3,966	4,519	(3,501)	4,984
Total Non –depreciable Assets	4,749	4,519	(3,501)	5,767
Other Capital Assets:				
Buildings	1,541	111	-	1,652
Equipment	905	79	-	983
Improvements	399	-	-	399
Utility Systems	59,933	3,390	-	63,323
Less accumulated depreciation	(24,458)	(1,856)	-	(26,613)
Total Assets- Business-Type	**$ 38,320**	**$ 1,723**	**$ -**	**$ 40,015**
City-wide Totals	**$ 43,068**	**$ 6,241**	**$ (3,501)**	**$ 45,782**

ENTERPRISE FUNDS

Golf Course – Operations and Debt

In December 2001, the City issued debt of $5,000,000 for the construction of a golf course, which was completed in 2003. The General Fund supported golf operations for any deficit that occurred. Loss for the fiscal year 2005 was $492,243 before transfer to close the fund. In September 2005, control and operation of the course was transferred to Sam Houston State University. Debt for the golf course is included as general obligation debt.

Water & Wastewater Funds

The Water and Wastewater Funds comprise major sources of revenue. A summary of revenue, net income, and income available for debt service and bond coverage is presented below.

Revenue debt for the Water and Wastewater Funds total $29,560,000. This includes contract debt paid by the City and billed to The Trinity River Authority by contract. (refer to foot notes, page 54)

Comparative data for the Water and Wastewater Fund is as follows:

	2005-06	2004-05	2003-04	2002-03	2001-02
Revenues	$18,592,889	$ 19,332,134	$ 17,377,442	$ 16,640,435	$ 15,127,092
Net Operating Income	4,851,146	6,073,360	4,568,680	5,226,350	2,338,154
Income Available for Debt Service	6,637,940	8,336,491	6,474,692	6,313,464	2,114,713
Annual Debt Requirements	4,448,131	4,554,148	4,664,567	5,199,865	1,516,219
Bond Coverage	1.49	1.83	1.39	1.21	1.39

Revenues from Water and Wastewater increased 23% (4.6% per year) from FY2001-02 to FY2006-06. Although there was a significant decrease in revenues compared to the prior year, revenues increased 7% compared to FY2003-04, following increases of 11%, 4%, and 10% in FY2003-04, FY2002-03, FY2001-02.

Water & Wastewater Fund Debt

In 1976, the City of Huntsville entered into a contract with the Trinity River Authority of Texas to purchase from the Authority (TRA) raw water impounded in the Livingston Reservoir. A contract was also signed for the operation of a water treatment plant for the raw water. Pursuant to these agreements, the City has endorsed contract revenue bonds through TRA and is unconditionally obligated to pay, from the gross operating revenues of the City, all debt service payments on these bonds, all operation and maintenance expenses of the facilities the bonds were used to build, and amounts necessary to restore any deficiencies in funds required to be accumulated under the bond resolutions.

The contract with TRA is effective until the year 2020. In 1998, contracts were amended to increase the raw water purchases by 6 million gallons per day (MGD), to a total of 16 MGD. The City and TRA provides Tenaska, a power plant in Grimes County, up to 7 MGD. Major improvements were made to the Huntsville Regional Water Supply System (HRWSS) to provide the system resources necessary to supply the additional water to Tenaska and to increase the production/treatment capabilities to the system for future use by the City of Huntsville.

Contract debt with the TRA includes a debt issue of $3,905,000 issued in 1996 used to provide water to the TDCJ Ellis and Estelle Units and the TDCJ Medical Facility. Delivery of water to these units required construction of pumping, metering, and pipeline facilities. TDCJ pays a monthly minimum service charge equal to the amount necessary to amortize the debt and purchase water from the City at the rate of $2.35/1000 gallons. In 1997, the City issued $3,120,000 in debt through TRA for improvements to the water treatment plant including an additional clarifier, modifying two existing clarifiers and modifying existing filters. In early 1999, the City issued contract debt in the amount of $9.26 million that was used for expansion of the water treatment plant to serve Tenaska. In 2003 contract revenue bonds of $3,125,000 were issued. Debt service is paid through contracts providing water to a private vendor.

Revenue bond covenants require that net revenues of the Water and Wastewater Funds equal at least one and one–fourth times the average annual requirements for the payment of principal and interest on the bonds. The City meets this requirement. Both principal and interest on the TRA surface water treatment plant debt, TRA water debt, and TRA wastewater debt is considered an operating expense. Refer to pages 54 of the footnotes for detail on Water and Wastewater debt.

Enterprise Debt Summary:

A summary of debt by type as of September 30, 2006 follows:

	REVENUE BONDS	CONTRACT DEBT	Portion of 2004 Refunding Issue	TOTAL
Water Fund	$ -	$ 12,125,000	$ 30,690	$ 12,155,690
Wastewater Fund	15,105,000	2,330,000	71,548	17,506,548
Solid Waste	-	-	291,061	291,061
TOTAL	**$ 15,105,000**	**$ 14,455,000**	**$ 393,299**	**$ 29,953,299**

Future Outlook – Water and Wastewater Fund

The City is exploring its options for providing for the long–term water needs of the customers and residents of the City of Huntsville. Such options include, but are not limited to, renegotiating the water supply contract with the Trinity River Authority and drilling additional water wells. A large percentage of the water consumption is by the State institutions. Infrastructure is in place to serve future expansion of State facilities. The City is fortunate to have ample water supply to provide service to the requested areas. The water well system has also been well maintained and is available to supply water to potential customers. The City has access to a sufficient water supply to meet the needs of the City for many years into the future. However, the cost of acquiring the rights to water has risen, the current contract with TRA provides for the City to pay $0.0283 per 1,000 gallons per day for the rights to 10 million gallons per day. Future purchases of water rights could cost as much as $0.30 per 1,000 gallons. Consequently, in October 2006 approval was obtained for the purchase of an additional 10 million in water rights at the current rate of $0.0283 per day.

City staff began preliminary discussions with TRA in 2001 to expand the treatment capacity of the surface water plant by eight million gallons per day and to upgrade the filter system. A study was performed to assess plant capacity, presented in 2002 and updated in 2005. The City is researching various operations related to overall city needs.

The 77th Legislature passed H.B. 3655 which created the Bluebonnet Groundwater Conservation District (the "District"). The District covers Anderson, Grimes, and Walker counties and held a confirmation election in November 2002. The District assesses fees to pay for its operations on groundwater producers in excess of 10 million gallons annually. The District assesses a 3.5 cent per thousand gallons fee, Huntsville pays approximately $26,000 per year to the District for its groundwater pumpage.

Solid Waste Fund

The Solid Waste Fund is an Enterprise Fund which provides for the collection and disposal of solid waste, in accordance with standards established by the Texas Commission on Environmental Quality, the United States Environmental Protection Agency, and City ordinances. This fund accounts for the cost of providing this service with user fees as the source of income. The City operates the only solid waste disposal facility in Walker County. A program to recycle white goods, tires, metals, yard waste, wood pallets, oil and oil filters has been in the operation at the solid waste disposal facility since March 1990.

In 1993, the City issued $1,600,000 in certificates of obligation (CO's) to finance the closing of the City landfill, construction of a transfer station, purchase of equipment for use in transferring the waste, and the related engineering costs of the change. This CO was refunded in FY 2004. Solid waste's share of the refunding issue at September 30, 2006 is $393,236, which is the total outstanding debt for the Solid Waste Fund.

The primary sources of revenue are charges to customers for collection and disposal services. In addition to residential collection services, the City operates a commercial container collection system. Rates for commercial containers are based on the size of the containers and the number of pick–ups per month.

Comparative analytical data is presented below for the Solid Waste Fund:

	2005-06	2004-05	2003-04	2002-03	2001-02
Net Operating Income (loss)*	$ 255,146	$ 232,549	$ 362,950	$ 465,341	$ 302,273
Working Capital	1,466,265	1,217,008	1,225,756	990,528	596,192
Net Assets-Unreserved	1,454,978	1,169,554	1,371,366	1,141,575	537,281

*Before operating transfers

Future Outlook – Solid Waste

The City will continue to look at waste minimizing through composting, recycling, and other methods of solid waste reduction to make disposal as efficient and cost effective as possible. With a view toward reduction of future rate increases, the City actively researches new disposal methods and seeks commercial customers providing additional income. In 2006 the City contracted with the Texas Parks and Wildlife for collection service at Huntsville State Park near the city limits.

INTERNAL SERVICE FUNDS

Internal Service Funds (ISF) are used to charge other City funds for services they provide within the organization. The City uses Internal Service Funds in two primary ways: one, to accumulate funds for the replacement of equipment; and two, to account for the cost of providing service to other user departments. The City has the following internal Service Funds: Medical Insurance; Equipment Replacement; and Computer Equipment Replacement.

Equipment Replacement Funds

The Equipment Replacement Fund provides fleet and rolling stock equipment purchases for the City, and the Computer Equipment Replacement Fund provides computer equipment and software purchases for the City. The funds receive lease charges from user divisions, based on the economic life of the equipment and vehicles. The funds then purchase replacement equipment as scheduled and/or as conditions warrant. User divisions are charged an annual lease fee, based on the useful life and anticipated replacement cost for assets assigned to the division. The replacement schedules are reviewed annually, as part of the budget process. The revenues are transferred from user division budgets to ensure that sufficient funds are available to fund expenses. A lease charge is assessed the following year to fund replacement of the equipment in future years. The new items are accounted for as assets in the equipment replacement funds. The Capital Equipment and Computer Replacement Funds had total net assets of $2,267,208 and $667,761 respectively at year end.

Medical Insurance Fund

In accordance with the Government Accounting Standard Board (GASB) Statement 10, the City classifies its Medical Insurance Fund as an Internal Service Fund. The City has been self–funded for medical insurance since 1985 and during the budget process each year has reviewed funding requirements, fund equity, and plan provisions. This fund is used to account for the accumulation of resources for medical, dental, and selected benefit coverage for employees and dependents. The employees, at their option, may elect to purchase dependent coverage at their expense. Fund equity on September 30, 2006, was $304,122. Rates have been increased and employee contributions began in FY 2005-06 to cover increasing costs and provide sufficient reserves. Employees contributions began in FY2006. Aggregate liabilities were $138,404 at year end.

Internal Service Fund Activity

as of September 30, 2006

(in thousands)

	Medical Insurance Fund	Equipment Replacement Fund	Computer Replacement Fund	Total
Revenues	$ 2,087,189	$ 360,705	$ 84,724	$ 2,532,618
Operating Expenses	2,091,746	893,389	204,222	3,189,357
Change in Net Assets	38,820	(145,135)	117,274	110,959
Net Assets – Beginning	265,302	2,312,343	550,487	3,128,132
Net Assets - Ending	$ 304,122	$ 2,267,208	$ 667,761	$ 3,239,091
Cash flows from Capital and Related Financing Activities:				
Principal and Interest Paid	-	(89,327)	(206,219)	(295,546)
Acquisition of Assets	-	(944,987)	-	(944,987)
Proceeds from Sales	-	84,560	-	84,560
Cash Used for Capital	-	(949,754)	(206,219)	(1,155,973)

RETIREMENT PLAN

On October 1, 1989, the City became a member of the Texas Municipal Retirement System. The City of Huntsville is not part of the Federal Social Security System. Notes to the Financial Statements on pages 57 & 58 give a detailed overview of the plan, the City's contributions, and the contingent liability. Annual pension cost was $1,712,139.

FUND BALANCES AND FUND EQUITY

The City continues the policy that all fund balances meet cash flow requirements and reduce any additional revenue requirements. It is the policy of the City to generate the required funds for current year operating expenses (excluding depreciation) in the Enterprise funds. Funds available from the prior year less appropriate amounts for cash flow and emergencies may be used for capital purchases or transferred to the Capital Projects Fund. Fund balances and unallocated funds are reviewed each year.

The General Fund balance increased $1,223,783 with 1.3 million revenues over expenditures. Sales tax revenue was $435,000 over projections. Annually stable, sales tax revenues spiked in the fall with hurricane evacuation. Other savings were attributed to less spending in Public Safety and budget management of overtime in all departments.

The Debt Service Fund balance decreased $183,805 with the use of fund balance for debt payments.

The Street Fund balance increased $471,393 with reduced spending in operations. Other governmental funds experienced fund balance decline combine of $673,784 with expenditures for capital projects and the inclusion of Capital Project Funds in this group.

The Water Fund posted an asset equity increase of $1,895,868 and Wastewater $2,007,035. Combined revenues were decreased from the prior year due to a dramatic rise in water purchases in FY2004-05. However the revenues were in line with steady increases over the last five years, averaging a revenue increase of 54.6% per year.

The Solid Waste enterprise fund posted an asset equity increase of $318,796 with the same revenues but slightly lower expenses and increased interest earnings.

City policy requires fund balances for cash flow and emergencies. The city's balances are considered adequate for these needs.

Basic Financial Statements

CITY OF HUNTSVILLE, TEXAS

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	$ 10,828,882	$ 12,558,560	$ 23,387,442
Investments	345,297	--	345,297
Prepaid expenses	2,008	--	2,008
Accounts receivable:			
Receivables (net of allowances for uncollectibles)	85,928	1,792,129	1,878,057
Sales tax	441,028	--	441,028
Property taxes	336,207	--	336,207
Grants	230,447	--	230,447
Other	79,816	40	79,856
Interest	3,698	--	3,698
Fines and Fees (net)	224,659	--	224,659
Internal balances	(822,770)	822,770	--
Due from other governments	28,952	--	28,952
Inventories	199,271	201,620	400,891
Restricted assets:			
Cash and cash equivalents	--	8,127,869	8,127,869
Investment in joint venture	--	17,950,459	17,950,459
Deferred charges - bond issuance costs	164,896	397,929	562,825
Captial assets not being depreciated	2,877,957	5,766,752	8,644,709
Capital assets (net of accumulated depreciation)	31,454,922	40,015,236	71,470,158
Total Assets	46,481,198	87,633,364	134,114,562
LIABILITIES:			
Accounts payable	1,040,145	429,207	1,469,352
Accrued interest	137,992	33,125	171,117
Liabilities payable from restricted assets:			
Customer deposits	--	592,375	592,375
Accrued interest	--	203,286	203,286
Accrued liabilities	419,076	83,854	502,930
Due to other governments	83,295	22,108	105,403
Due to others	67,112	--	67,112
Noncurrent Liabilities-			
Due within one year	1,211,288	2,165,151	3,376,439
Due in more than one year	20,060,921	28,070,890	48,131,811
Total Liabilities	23,019,829	31,599,996	54,619,825
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	14,370,530	30,649,979	45,020,509
Restricted For:			
Federal and State Programs	44,729	--	44,729
Debt Service	292,660	--	292,660
Capital Projects	1,612,793	--	1,612,793
Unrestricted	7,140,657	25,383,389	32,524,046
Total Net Assets	$ 23,461,369	$ 56,033,368	$ 79,494,737

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE, TEXAS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
PRIMARY GOVERNMENT:			
Governmental Activities:			
Charter offices	$ 225,564	$ --	$ --
Finance	512,507	742,856	--
Public works	2,947,577	69,796	59,234
Planning and development	368,452	12,781	--
Community services	2,097,339	45,677	583,124
Public safety	4,652,795	265,943	302,545
Economic development	39,160	--	102,995
Information technology services	451,404	20,422	--
Organization and staff development	93,335	--	--
Non-departmental	1,001,188	288,280	57,016
Other	367,129	--	--
Interest on Long-term Debt	883,950	--	--
Total Governmental Activities	13,640,400	1,445,755	1,104,914
Business-type Activities:			
Water	8,600,477	10,368,491	37,714
Wastewater	6,743,995	7,706,381	480,303
Solid Waste	3,498,996	3,749,599	--
Oakwood Cemetary - Operating	96,891	10,749	326
Total Business-type Activities	18,940,359	21,835,220	518,343
Total Primary Government	$ 32,580,759	$ 23,280,975	$ 1,623,257

General Revenues:
- *Property Taxes*
- *Sales Taxes*
- *Franchise Taxes*
- *Other Taxes*
- *Unrestricted Investment Earnings*
- *Other*

Transfers
- Total General Revenues
- Change in Net Assets

Net Assets - Beginning
Prior Period Adjustment
Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
$ (225,564)		$ (225,564)
230,349		230,349
(2,818,547)		(2,818,547)
(355,671)		(355,671)
(1,468,538)		(1,468,538)
(4,084,307)		(4,084,307)
63,835		63,835
(430,982)		(430,982)
(93,335)		(93,335)
(655,892)		(655,892)
(367,129)		(367,129)
(883,950)		(883,950)
(11,089,731)		(11,089,731)
--	$ 1,805,728	1,805,728
--	1,442,689	1,442,689
--	250,603	250,603
--	(85,816)	(85,816)
--	3,413,204	3,413,204
(11,089,731)	3,413,204	(7,676,527)
4,047,933	--	4,047,933
5,511,003	--	5,511,003
2,061,344	--	2,061,344
556,923	--	556,923
481,777	1,294,075	1,775,852
859,882	--	859,882
481,702	(481,703)	(1)
14,000,564	812,372	14,812,936
2,910,834	4,225,576	7,136,410
19,230,339	51,807,792	71,038,131
1,320,196	--	1,320,196
$ 23,461,369	$ 56,033,368	$ 79,494,737

CITY OF HUNTSVILLE, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	General Fund	Street	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	$ 5,040,659	$ 1,336,442	$ 3,065,723	$ 9,442,824
Investments	--	--	345,297	345,297
Prepaid expenses	2,008	--	--	2,008
Accounts receivable:				
Receivables (net of allowances for uncollectibles)	23,729	187	10,852	34,768
Sales tax	441,028	--	--	441,028
Property taxes	196,072	--	140,135	336,207
Grants	--	--	230,447	230,447
Other	43,350	--	36,466	79,816
Interest	--	--	3,698	3,698
Due from other funds	58,076	--	10,317	68,393
Due from other governments	28,952	--	--	28,952
Inventories	88,110	81,588	29,573	199,271
Total Assets	$ 5,921,984	$ 1,418,217	$ 3,872,508	$ 11,212,709
LIABILITIES:				
Accounts payable	$ 124,394	$ 12,224	$ 473,281	$ 609,899
Deferred revenue	196,072	--	140,135	336,207
Accrued liabilities	385,649	23,952	9,475	419,076
Due to other funds	812,056	1,478	77,629	891,163
Due to other governments	75,997	--	7,298	83,295
Due to others	67,112	--	--	67,112
Total Liabilities	1,661,280	37,654	707,818	2,406,752
FUND BALANCES:				
Reserved for inventory	88,110	81,588	29,573	199,271
Reserved for debt service	--	--	152,525	152,525
Unreserved, reported in:				
General Fund	4,172,594	--	--	4,172,594
Special revenue funds	--	1,298,975	929,455	2,228,430
Capital projects funds	--	--	1,612,793	1,612,793
Permanent funds	--	--	440,344	440,344
Total Fund Balances	4,260,704	1,380,563	3,164,690	8,805,957
Total Liabilities and Fund Balance	$ 5,921,984	$ 1,418,217	$ 3,872,508	$ 11,212,709

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

Total fund balances - governmental funds balance sheet	$ 8,805,957
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	31,193,517
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	336,207
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	3,239,090
Payables for bond principal which are not due in the current period are not reported in the funds.	(3,805,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(104,779)
Payables for notes which are not due in the current period are not reported in the funds.	(15,411,764)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,016,516)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	224,659
Rounding difference	(2)
Net assets of governmental activities - statement of net assets	$ 23,461,369

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2006

	General Fund	Street	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	$ 2,209,248	$ --	$ 1,772,289	$ 3,981,537
Sales tax	5,511,003	--	--	5,511,003
Franchise fees	--	2,061,344	--	2,061,344
Other taxes	63,491	--	493,432	556,923
Licenses and permits	284,860	--	--	284,860
Charges for sales and services	269,901	52,696	246,282	568,879
Fines, fees, and forfeitures	784,215	--	43,394	827,609
Donations, contributions, and grants	59,571	--	784,118	843,689
Investment income	242,040	36,077	203,660	481,777
Other	491,314	54,343	373,640	919,297
Administrative cost reimbursement	4,215,525	--	--	4,215,525
Total Revenues	14,131,168	2,204,460	3,916,815	20,252,443
EXPENDITURES:				
Charter office	777,808	--	--	777,808
Finance	1,178,178	--	--	1,178,178
Public works	1,154,765	1,617,844	206,107	2,978,716
Planning and development	1,540,726	--	--	1,540,726
Community services	2,094,303	--	2,091,616	4,185,919
Public safety	4,290,526	--	652,889	4,943,415
Economic development	110,252	--	--	110,252
Information technology services	776,754	--	--	776,754
Organization and staff development	425,088	--	--	425,088
Non-departmental	92,989	348,319	512,542	953,850
Other	--	--	367,129	367,129
Debt Service:				
Principal Retirement	300,000	--	779,681	1,079,681
Interest and fiscal charges	39,945	--	846,338	886,283
Total Expenditures	12,781,334	1,966,163	5,456,302	20,203,799
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,349,834	238,297	(1,539,487)	48,644
OTHER FINANCING SOURCES (USES)				
Issuance of Notes	1,145,000	--	--	1,145,000
Transfers in	345,950	234,677	1,770,090	2,350,717
Transfers out	(1,617,001)	(1,581)	(904,387)	(2,522,969)
Total other financing sources (uses)	(126,051)	233,096	865,703	972,748
NET CHANGE IN FUND BALANCES	1,223,783	471,393	(673,784)	1,021,392
FUND BALANCE, Beginning of period	3,036,921	909,170	3,838,474	7,784,565
FUND BALANCE, End of period	$ 4,260,704	$ 1,380,563	$ 3,164,690	$ 8,805,957

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2006

Net change in fund balances - total governmental funds	$ 1,021,392
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,682,132
The depreciation of capital assets used in governmental activities is not reported in the funds.	(800,348)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	66,398
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	15,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	1,064,681
(Increase) decrease in accrued interest from beginning of period to end of period	2,333
The net revenue (expense) of internal service funds is reported with governmental activities.	110,958
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(125,391)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	18,682
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(1,145,000)
Rounding difference	(2)
Change in net assets of governmental activities - statement of activities	$ 2,910,834

The accompanying notes are an integral part of this statement.

CITY OF HUNTSVILLE, TEXAS

EXHIBIT A-7

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Property taxes	$ 2,189,000	$ 2,189,000	$ 2,209,248	$ 20,248
Sales tax	5,076,000	5,076,000	5,511,003	435,003
Other taxes	50,000	50,000	63,491	13,491
Licenses and permits	254,050	254,050	284,860	30,810
Charges for sales and services	264,887	264,887	269,901	5,014
Fines, fees, and forfeitures	792,700	792,700	784,215	(8,485)
Donations, contributions, and grants	93,300	99,096	59,571	(39,525)
Investment income	101,000	101,000	242,040	141,040
Other	364,080	378,255	491,314	113,059
Administrative cost reimbursement	4,215,525	4,215,525	4,215,525	--
Total Revenues	13,400,542	13,420,513	14,131,168	710,655
EXPENDITURES:				
Charter office	856,632	898,429	777,808	120,621
Finance	1,209,953	1,227,097	1,178,178	48,919
Public works	1,124,879	1,165,544	1,154,765	10,779
Planning and development	1,517,130	1,585,304	1,540,726	44,578
Community services	2,099,554	2,223,715	2,094,303	129,412
Public safety	4,451,576	4,523,055	4,290,526	232,529
Economic development	126,009	121,057	110,252	10,805
Information technology services	867,112	858,101	776,754	81,347
Organization and staff development	443,216	484,393	425,088	59,305
Non-departmental	418,402	92,990	92,989	1
Debt Service:				
Principal Retirement	--	300,000	300,000	--
Interest and fiscal charges	--	40,535	39,945	590
Total Expenditures	13,114,463	13,520,220	12,781,334	738,886
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	286,079	(99,707)	1,349,834	1,449,541
OTHER FINANCING SOURCES (USES)				
Issuance of Bonds	--	1,145,000	1,145,000	--
Transfers in	--	345,950	345,950	--
Transfers out	(170,729)	(1,569,470)	(1,617,001)	(47,531)
Total other financing sources (uses)	(170,729)	(78,520)	(126,051)	(47,531)
NET CHANGE IN FUND BALANCES	115,350	(178,227)	1,223,783	1,402,010
FUND BALANCE, Beginning of period	3,036,921	3,036,921	3,036,921	--
FUND BALANCE, End of period	$ 3,152,271	$ 2,858,694	$ 4,260,704	$ 1,402,010

CITY OF HUNTSVILLE, TEXAS

EXHIBIT A-8

STREET SPECIAL REVENUE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Franchise fees	$ 2,048,024	$ 2,048,024	$ 2,061,344	$ 13,320
Charges for sales and services	31,000	31,000	52,696	21,696
Investment income	5,000	5,000	36,077	31,077
Other	2,000	17,000	54,343	37,343
Total Revenues	2,086,024	2,101,024	2,204,460	103,436
EXPENDITURES:				
Public works	1,981,518	2,023,725	1,617,844	405,881
Non-departmental	375,526	348,319	348,319	--
Total Expenditures	2,357,044	2,372,044	1,966,163	405,881
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(271,020)	(271,020)	238,297	509,317
OTHER FINANCING SOURCES (USES)				
Transfers in	234,677	234,677	234,677	--
Transfers out	--	(1,581)	(1,581)	--
Total other financing sources (uses)	234,677	233,096	233,096	--
NET CHANGE IN FUND BALANCES	(36,343)	(37,924)	471,393	509,317
FUND BALANCE, Beginning of period	909,170	909,170	909,170	--
FUND BALANCE, End of period	$ 872,827	$ 871,246	$ 1,380,563	$ 509,317

CITY OF HUNTSVILLE, TEXAS

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2006

	Enterprise Fund Water Fund	Enterprise Fund Wastewater Fund
ASSETS:		
Current Assets:		
Cash and cash equivalents	$ 6,834,197	$ 4,104,475
Accounts receivable:		
Receivables (net of allowances for uncollectibles)	885,281	655,540
Other	40	--
Due from other funds	901,068	5,654
Inventories	176,912	24,708
Restricted assets:		
Cash and cash equivalents	2,436,072	5,691,797
Total Current Assets	11,233,570	10,482,174
Noncurrent Assets		
Investment in joint venture	17,950,459	--
Deferred charges - bond issuance costs	47,790	324,114
Capital assets not being depreciated	691,169	5,075,583
Capital assets (net of accumulated depreciation)	10,246,113	29,022,781
Total Noncurrent Assets	28,935,531	34,422,478
Total Assets	$ 40,169,101	$ 44,904,652
LIABILITIES:		
Current Liabilities:		
Accounts payable	$ 103,693	$ 259,640
Accrued interest	32,254	357
Liabilities payable from restricted assets:		
Customer deposits	212,053	197,916
Accrued interest	101,084	102,202
Accrued liabilities	28,101	24,445
Due to other funds	82,650	--
Due to other governments	--	8,551
Noncurrent liabilities due within one year	705,660	1,356,540
Total Current Liabilies	1,265,495	1,949,651
Noncurrent Liabilities-		
Due in more than one year	11,532,681	16,200,750
Total Noncurrent Liabilities	11,532,681	16,200,750
Total Liabilities	12,798,176	18,150,401
NET ASSETS:		
Invested in capital assets, net of related debt	17,199,400	13,051,113
Unrestricted	10,171,525	13,703,138
Total Net Assets	27,370,925	26,754,251
Total Liabilities and Net Assets	$ 40,169,101	$ 44,904,652

The accompanying notes are an integral part of this statement.

Enterprise Fund Solid Waste Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
$ 1,609,723	$ 10,165	$ 12,558,560	$ 1,376,161
251,308	--	1,792,129	51,160
--	--	40	--
--	6,810	913,532	--
--	--	201,620	--
--	--	8,127,869	--
1,861,031	16,975	23,593,750	1,427,321
--	--	17,950,459	--
26,025	--	397,929	--
--	--	5,766,752	--
746,342	--	40,015,236	3,304,258
772,367	--	64,130,376	3,304,258
$ 2,633,398	$ 16,975	$ 87,724,126	$ 4,731,579
$ 65,774	$ 100	$ 429,207	$ 420,346
514	--	33,125	33,213
182,406	--	592,375	--
--	--	203,286	--
29,513	1,795	83,854	--
51	8,061	90,762	--
13,557	--	22,108	--
102,951	--	2,165,151	266,440
394,766	9,956	3,619,868	719,999
334,472	2,987	28,070,890	772,489
334,472	2,987	28,070,890	772,489
729,238	12,943	31,690,758	1,492,488
449,182	--	30,699,695	--
1,454,978	4,032	25,333,673	3,239,091
1,904,160	4,032	56,033,368	3,239,091
$ 2,633,398	$ 16,975	$ 87,724,126	$ 4,731,579

CITY OF HUNTSVILLE, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Enterprise Fund Water Fund	Enterprise Fund Wastewater Fund
OPERATING REVENUES:		
Service Charges:		
Water sales	$ 9,786,856	$ --
Wastewater sales and services	--	7,468,553
Solid waste fees - residential and commercial	--	--
Solid waste fees - disposal	--	--
Cemetary operations	--	--
Inter-department sales and services	397,637	55,046
Total service charges	10,184,493	7,523,599
Service Fees and Miscellaneous:		
Tap and connection fees	113,618	73,397
Customer penalties and miscellaneous	70,380	109,385
Grants and contributions	37,714	480,303
Total service fees and miscellaneous	221,712	663,085
Total Operating Revenues	10,406,205	8,186,684
OPERATING EXPENSES:		
Administration	2,417,730	2,105,654
Water production and distribution	1,433,726	--
Wastewater collection and treatment	--	2,255,093
Solid waste collection and disposal	--	--
Cemetary operations	--	--
TRA joint venture	2,981,236	--
Utility billing/customer service	554,705	--
Lab/compliance	--	206,805
Equipment replacement	--	--
Depreciation expense	436,928	1,349,866
Total Expenditures	7,824,325	5,917,418
OPERATING INCOME (LOSS)	2,581,880	2,269,266
NONOPERATING REVENUES (EXPENSES):		
Interest income	362,829	852,174
Interest expense	(776,152)	(826,577)
Gain (Loss) on asset disposition	--	--
Total Non-operating Revenues (Expenses)	(413,323)	25,597
INCOME (LOSS) BEFORE CONTRIBUTIONS/TRANSFERS	2,168,557	2,294,863
CONTRIBUTIONS AND TRANSFERS :		
Transfers in	451,786	395,450
Transfers out	(724,475)	(683,278)
Total Contributions and Transfers	(272,689)	(287,828)
CHANGE IN NET ASSETS	1,895,868	2,007,035
TOTAL NET ASSETS - beginning	25,475,057	24,747,216
TOTAL NET ASSETS - end	$ 27,370,925	$ 26,754,251

The accompanying notes are an integral part of this statement.

Enterprise Fund Solid Waste Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
$ --	$ --	$ 9,786,856	$ --
--	--	7,468,553	--
2,502,836	--	2,502,836	--
1,158,213	--	1,158,213	--
--	10,470	10,470	--
--	--	452,683	2,470,756
3,661,049	10,470	21,379,611	2,470,756
--	--	187,015	--
88,550	279	268,594	61,862
--	326	518,343	--
88,550	605	973,952	61,862
3,749,599	11,075	22,353,563	2,532,618
781,922	--	5,305,306	2,091,746
--	--	1,433,726	--
--	--	2,255,093	--
2,642,948	--	2,642,948	--
--	96,891	96,891	--
--	--	2,981,236	--
--	--	554,705	--
--	--	206,805	--
--	--	--	73,048
69,583	--	1,856,377	1,024,563
3,494,453	96,891	17,333,087	3,189,357
255,146	(85,816)	5,020,476	(656,739)
78,482	590	1,294,075	68,768
(4,543)	--	(1,607,272)	(39,585)
--	--	--	84,560
73,939	590	(313,197)	113,743
329,085	(85,226)	4,707,279	(542,996)
--	89,103	936,339	653,955
(10,289)	--	(1,418,042)	--
(10,289)	89,103	(481,703)	653,955
318,796	3,877	4,225,576	110,959
1,585,364	155	51,807,792	3,128,132
$ 1,904,160	$ 4,032	$ 56,033,368	$ 3,239,091

CITY OF HUNTSVILLE, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Enterprise Funds			
	Water Fund	Waste Water Fund	Solid Waste Fund	NonMajor Funds
Cash Flows from Operating Activities:				
Cash Received from Customers	$ 9,984,373	$ 7,841,151	$ 3,367,605	$ 24,006
Cash Received from Grants	--	--	--	
Interfund Services Provided and Used	(1,775,829)	(1,735,469)	(524,677)	--
Cash Payments to Employees for Services	(1,082,774)	(905,193)	(917,512)	(54,236)
Cash Payments to Other Suppliers for Goods and Services	(1,675,923)	(1,151,809)	(1,569,286)	(42,555)
Cash Payments for TRA Joint Venture	(2,017,988)	--	--	--
Net Cash Provided (Used) by Operating Activities	3,431,859	4,048,680	356,130	(72,785)
Cash Flows from Non-capital Financing Activities:				
Transfers From (To) Other Funds	(272,689)	(287,828)	(10,289)	82,293
Net Cash Provided (Used) by Non-capital Financing Activities	(272,689)	(287,828)	(10,289)	82,293
Cash Flows from Capital and Related Financing Activities:				
Principal and Interest Paid	(2,006,853)	(2,424,880)	(105,858)	--
Acquisition or Construction of Capital Assets	(772,751)	(3,810,128)	(14,250)	--
Proceeds for the Dispostion of Capital Assets	--	--	--	--
Net Cash Provided (Used) for Capital & Related Financing Activities	(2,779,604)	(6,235,008)	(120,108)	--
Cash Flows from Investing Activities:				
Interest and Dividends on Investments	362,829	852,174	78,482	590
Net Cash Provided (Used) for Investing Activities	362,829	852,174	78,482	590
Net Increase (Decrease) in Cash and Cash Equivalents	742,395	(1,621,982)	304,215	10,098
Cash and Cash Equivalents at Beginning of Year	8,527,874	11,418,254	1,305,508	67
Cash and Cash Equivalents at End of Year	$ 9,270,269	$ 9,796,272	$ 1,609,723	$ 10,165
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	$ 2,581,880	$ 2,269,266	$ 255,146	$ (85,816)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation/Amortization	442,238	1,373,017	71,442	--
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	(16,577)	727,694	58,385	4,793
Decrease (Increase) in Inventories	(3,693)	(4,883)	--	--
Decrease (Increase) in Joint Venture	704,401	--	--	--
Increase (Decrease) in Accounts Payable	(384,482)	(110,164)	(112)	(740)
Increase (Decrease) in Customer Deposits	30,235	23,767	10,675	--
Increase (Decrease) in Compensated Absences	9,323	(7,081)	(23,780)	1,001
Increase (Decrease) in Interfund Payables	47,499	(227,122)	(48,335)	6,182
Increase (Decrease) in Due to Other Governments	--	(10,913)	3,411	--
Increase (Decrease) in Accrued Expenses	21,035	15,099	29,298	1,795
Total Adjustments	849,979	1,779,414	100,984	13,031
Net Cash Provided (Used) by Operating Activities	$ 3,431,859	$ 4,048,680	$ 356,130	$ (72,785)

The accompanying notes are an integral part of this statement.

EXHIBIT A-11

Totals	Internal Service Funds
$ 21,217,135	$ --
--	--
(4,035,975)	3,037,895
(2,959,715)	--
(4,439,573)	(2,412,635)
(2,017,988)	--
7,763,884	625,260
(488,513)	653,955
(488,513)	653,955
(4,537,591)	(295,545)
(4,597,129)	(944,988)
--	84,560
(9,134,720)	(1,155,973)
1,294,075	68,768
1,294,075	68,768
(565,274)	192,010
21,251,703	1,184,151
20,686,429	$ 1,376,161
5,020,476	$ (689,270)
1,886,697	1,024,563
--	
774,295	(18,862)
(8,576)	
704,401	
(495,498)	321,575
64,677	
(20,537)	
(221,776)	--
(7,502)	(469)
67,227	(12,277)
2,743,408	1,314,530
7,763,884	$ 625,260

CITY OF HUNTSVILLE, TEXAS

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2006

	Agency Funds
ASSETS:	
Cash and cash equivalents	$ 9,900
Total Assets	$ 9,900
LIABILITIES:	
Accounts payable	$ 9,900
Total Liabilities	9,900
Total Fund Balances	--
Total Liabilities and Fund Balance	$ 9,900

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

The accounting and reporting policies of the City of Huntsville, Texas, ("City"), included in the accompanying basic financial statements conform to the generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the City's Comprehensive Annual Financial Report.

1. Reporting Entity

City of Huntsville (the City) is a municipal corporation governed by an elected mayor and eight-member council. As required by generally accepted accounting principles, 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 data of the City (the primary government). Each blended component unit has a September 30 year end.

The following blended component unit is reported as a Special Revenue Fund:

Huntsville Natural & Cultural Resources, Inc. (HNCR) is a nonprofit corporation created by the city to receive donations of land and money to provide park facilities and protection of cultural/historic amenities of the City. The City's Parks Advisory Board (all members of which are appointed by City Council) acts as Board of Directors. All decisions (financial etc.) of HNCR require the approval of the City of Huntsville's City Council. HNCR does not issue separate financial statements but financial information relating to HNCR, including its 990 (Internal Revenue Service "Return of Organization Exempt from Income Tax"), may be obtained at City of Huntsville, 1212 Avenue M, Huntsville, Texas 77340. HNCR has only received donations of land during its existence which the City has included in its Capital Assets. No other activity occurred which would be recorded as revenue or expenditure. Consequently, no special revenue fund statements have been prepared for HNCR.

2. Basis of Presentation

BASIC FINANCIAL STATEMENTS

The basic financial statements include both government-wide financial statements (based on the City as a whole) and fund financial statements. Both sets of financial statements classify activities as either governmental, which are supported by taxes and intergovernmental revenues, or business-type activities, which rely on fees and charges for support.

Government-wide financial statements:

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given program or function are offset by the program's revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given program and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The effect of interfund activity within the governmental and business-type activities columns has been removed from these statements.

Fund financial statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Each fund is considered a separate accounting entity and the operations of each fund are accounted for using a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriated. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Separate statements are presented for governmental

funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

The government wide focus is on the sustainability of the City as an entity and the change in net financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides a different focus, which allows the reader to compare and analyze the information to enhance the usefulness of the statements.

GOVERNMENTAL FUND TYPES

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds (in the fund financial statements) is on the sources, uses and balance of current financial resources and include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. The individual funds are described as follows:

Major Governmental Funds

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Street Special Revenue Fund - The Street Special Revenue Fund is used to account for the proceeds of revenue sources that are restricted to expenditures for street repairs and improvements.

Non-major Governmental Funds

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are restricted to expenditures for specified purposes.

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by the Proprietary Fund Types. Such resources are derived from proceeds of general obligation bonds or other sources of revenue specifically set aside for capital projects.

Permanent Funds - The Permanent Funds are used to report resources that are legally restricted to the extent that only earnings and not principal, may be used for purposes that support the City's Library and Cemetery operations.

PROPRIETARY FUND TYPES

The Proprietary Fund Types are used to account for the City's organization and activities which are similar to those often found in the private sector. These funds are financed and operated in a manner similar to private business enterprises - where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered mainly through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Major Proprietary Funds

Water Fund - This fund accounts for the provision of water services to the residents of the city and some residents of the county. All activities necessary to provide such services are accounted for in these funds including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Wastewater Fund - This fund accounts for the provision of wastewater services to the residents of the city and some residents of the county. All activities necessary to provide such services are accounted for in these funds including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Solid Waste Fund - This fund accounts for all solid waste collection and disposal services the City provided to residents (residential and commercial) of the city and some residents of the county. All activities necessary to provide such services are accounted for in these funds including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Non-major Proprietary Funds

Enterprise Funds - The funds that are operated as enterprise funds within the City but are not considered major funds are the Oakwood Cemetery Operation Fund.

Internal Service Funds - The Internal Service Funds, which provide services primarily to other funds of the government, are presented in the summary form as part of the proprietary fund financial statements. The financial statements of the internal service funds are allocated by percentage of use to the governmental and business-type columns when presented at the government wide level. Various operations are accounted for as internal service funds, such as operational costs associated with automobile and heavy equipment and repairing City owned facilities, operational costs associated with the City's computer equipment within various departments, as well as jointly shared administrative departments.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principle on-going operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

3. Measurement Focus/Basis of Accounting.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to what is being measured and basis of accounting refers to timing of revenue and expenditure recognition in the financial statements.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled utility services which are accrued. Expenses are recognized at the time the liability is incurred.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow private-sector guidance issued subsequent to November 30, 1989.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues available if they are collected within sixty (60) days after year-end. Expenditures are recognized when the related fund liability is incurred, if measurable, except for principal and interest on general long-term debt, which are recorded when due, and compensated absences, which are recorded when payable from currently available financial resources.

Ad valorem, sales, hotel, and franchise tax revenues recorded in the Governmental Fund Types are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues (except earning on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

4. Budgets.

At least 30 days prior to the end of each fiscal year, the City Manager submits a proposed budget presenting a complete financial plan for the ensuing fiscal year to the City Council (the Council). Public hearings are conducted, at which time all interested persons' comments concerning the budget are heard. The budget must be legally adopted by the Council through passage of an ordinance no later than the twenty-seventh day of the last month of the fiscal year.

Formal budgetary integration is employed as a management control device during the year for all Governmental and Proprietary Fund Types. All budgets are prepared on the budgetary basis, except Capital Project Funds and the following Special Revenue Funds: Police Forfeiture Fund, Federal Grants Fund, and the Area Revitalization Special Revenue Fund. Budgetary control is exercised at the division level. The encumbrances outstanding at year are recognized as expenditures against that year's appropriation. These encumbrances are reconciled to generally accepted accounting principles where appropriate.

Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by an affirmative vote of a majority of City Council. The City Manager is authorized to make budget transfers within any fund up to $3,000 Amendments between divisions in excess of $3,000 must have Council approval, as must any revisions which alter the total expenditures of any fund. An amount is budgeted each year for contingencies which may arise, and the same budgetary controls apply to it also. In accordance with the legally adopted budget document and for state statute compliance purposes expenditures may not legally exceed budgeted appropriations at the division level. During the year, several supplementary appropriations were necessary.

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effect of encumbrances and unrealized investment gains and losses, which are reconciled to the actual results for this comparison.

5. Encumbrances.

Encumbrance accounting is employed as an extension of formal budgetary control in all funds. Encumbrance accounting is a process whereby purchase orders, contracts and other commitments for the expending of monies are recorded in order to reserve that portion of the applicable appropriation. Outstanding year-end encumbrances are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments are carried forward into the subsequent fiscal year.

6. Cash and Investments.

For cash flow purposes, cash and cash equivalents consist of demand deposits, certificates of deposits and deposits in authorized investment pools.

Texas State law requires the City to adopt written investment policies. The City's investment policy was last amended on September 28, 2001. The investment policy was first adopted in March, 1990, amended October 1, 1990, February 8, 1994, December 12, 1995, February 19, 1998, and February 8, 2000. Authorized investments include those outlined in the Texas Government Code. Authorized investments include:

- obligations of the United States or its agencies and instrumentalities;
- direct obligations of the state of Texas or its agencies and instrumentalities;
- obligations that the principal of and interest in which are unconditionally guaranteed by the State of Texas, or the United States or its agencies and instrumentalities;
- certain certificates of deposit issued by state and national banks domiciled in Texas;
- certain prime domestic bankers' acceptances (Texas Government Code Section 2256.009)
- commercial paper with a stated maturity of 270 days or less rated not less than A-1 or P-1;
- fully collateralized repurchase agreements;
- public funds investment pools approved by resolution of the City Council

The City currently invests in local government pools, and obligations of the United States or State of Texas or its agencies and instrumentalities, exclusively. Investments are reported at fair value. The City follows the provisions GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" ("Statement"). Those provisions require that certain investments be reported at fair value, rather than at cost or amortized cost, and that the changes in fair value of investments be recognized as investment revenue. The statement further provides that the City has the option of continuing to report certain investments at cost or amortized cost but must disclose its policy in this regard. In accordance with GASB Statement No. 31, the City's general policy is to report all investments at fair value.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its share.

The City investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a-7 like, in which case they are reported at share value. A 2a-7 like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940.

7. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or legal agreements. The "customer deposit account" is used to report utility customer deposits required to be segregated by the deposit agreement. "Construction funds account" is used to report those proceeds of revenue

bond issuance and/or certificate of obligation issuances that are restricted for use in construction. The "revenue bond interest and sinking account" is used to segregate resources accumulated for debt service payments over the next twelve months. The "bond reserve account" are used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account.

8. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All trade receivables are shown net of an allowance for uncollectibles. Trade receivables are reviewed at year-end to establish or update the provisions for estimated uncollectible receivables. These provisions are estimated based on an analysis of an aging of the year-end accounts receivable balance and/or the historical rate of uncollectibility.

Taxes Receivable - Property taxes levied for the current year are recorded on the balance sheet as taxes receivable and deferred revenue at the beginning of the year. Property taxes are recognized as revenue when collected in cash at which time the balance sheet accounts, taxes receivable and deferred revenue are reduced by the amount of the collection. The amount of taxes receivable at year-end that would be collected soon enough to be used to pay liabilities of the current period is immaterial. At year-end, all uncollected property taxes are reported on the balance sheet as taxes receivable and deferred revenue. In accordance with governing statutes, property taxes were levied on October 1, 2005, to provide a revenue source to be used to finance the current year's budget. Taxes levied on October 1, 2005, were due and payable by January 31, 2006. On January 1, 2006 a tax lien is attached to property to secure the payment of all taxes, penalties and interest ultimately imposed for one year on that property. After January 31, 2006, unpaid taxes began to accrue a penalty and interest charge until paid. On July 1, 2006 after levy, delinquent taxes were turned over to the City's delinquent tax attorney for collection and/or filing of suit for collection. The City is prohibited from charging off real property taxes without specific statutory authority from the Texas Legislature.

9. Inventories

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.

10. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

11. Compensated Absences

Vested or accumulated vacation leave is reported as an expenditure and a fund liability of the governmental fund that will pay what has matured, for example, as a result of employee resignations and retirements. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to permit employees to accumulate unused sick pay benefits. The City has a policy to pay a portion of unused sick pay benefits when employees separate from service. In the government wide financial statements and proprietary fund types a liabilities are included in the statements.

12. Capital Assets

Capital Assets other than Streets and Drainage:

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at their historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized, not including infrastructure assets, have an original cost of $5,000 or more and an expected useful life of over one year.

Interest incurred during the construction phase of capital assets of business-type activities is capitalized.

Depreciation of assets not following the modified approach is computed using the straight-line method on the composite assets based upon the estimated useful lives as follows:

Water Production and Distribution Systems	10-50 years
Wastewater Collection and Disposal Systems	10-50 years
Buildings and Improvements	25 years
Machinery, Tools, and Equipment	5-10 years
Automotive Equipment	5 years
Office Furniture and Equipment	3-5 years

13. Long-term Obligations

The portion of long-term general obligation debt used to finance proprietary fund operations and payable from the revenues of the Enterprise Funds is recorded in such funds. General obligation bonds and other forms of long-term debt supported by general revenues are obligations of the City as a whole and not its individual funds. Accordingly, such unmatured obligations of the City are accounted for on the statement of net assets and payments of principal and interest relating to the general obligation bonds are recorded as expenditures when they are paid in the fund statements. Self supporting general obligation debt, which will be repaid from non-general revenue sources is recorded in the appropriate proprietary fund.

14. Bond Issuance Costs

For Governmental Fund Types, bond premiums and discounts, as well as issuance costs, are recognized during the current period on the fund financial statements. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For Proprietary Fund Types and on the government-wide statements, premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

15. Nature and Purpose of Reservations and Designation of Fund Equity

In fund financial statements, governmental funds report reservations for amounts that are not available for appropriation or are legally restricted by outside parties for specific purpose.

Fund balances and net assets are restricted and/or reserved for the following purposes:

Restrictions:

- Debt Service - tax funds reserved for retirement of general long-term debt.
- Capital Projects - funds identified for capital outlay including infrastructure and other capital projects.

Reservations:

- Encumbrances - funds reserved for payment of outstanding commitments related to unperformed contracts for goods or services, i.e. open purchase orders.
- Prepaid Items and Inventories - assets such as supplies and fuel that are unavailable for spending.
- Special Programs - funds relating to grants, hotel/motel tax, and other restricted sources.

B. Deposits and Investments

At year-end the carrying amount of the City's bank deposits was $1,793,944 and the bank's balance was $2,623,406. Of the bank balance, $182,324 was covered by federal depository insurance and the balance of collateral was held by the bank's agent in the City's name.

There was no differnce in the "Carrying Amount" and "Fair Value" of the City's investments at year end.

A reconciliation of cash and investments as shown on the Balance Sheet for the City follows:

Cash on hand	$ 2,600
Carrying amount of deposits	1,800,699
Carrying amount of investments	30,057,310
Total	$ 31,860,609
Cash and Cash Equivalents	$ 23,387,443
Cash and Cash Equivalents - restricted	8,127,869
Investments	345,297
Total	$ 31,860,609

The City invests in external investment pools with a credit rating of AAAm.

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Analysis of Specific Deposit and Investment Risks

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

C. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
Swimming Pool Capital Projects Fund	$ 97,457	Expected to be eliminated through transfers and grants.

D. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2006, consisted of the following:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Special Revenue	$ 50,015	Short-term loans
Water Fund	Special Revenue	11,964	Short-term loans
Water Fund	General Fund	812,056	Short-term loans
General Fund	Oakwood Cemetary Fund	8,061	Short-term loans
Oakwood Cemetary Fund	Other Governmental Funds	6,810	Short-term loans
Capital Projects	Special Revenue	2,562	Short-term loans
Special Revenue	Wastewater Fund	7,770	Short-term loans
Other Governmental Funds	Other Governmental Funds	362	Short-term loans
	Total	$ 899,600	

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2006, consisted of the following:

Transfers From	Transfers To	Amount
Water Fund	General Fund	$ 10,910
Special Revenue Funds	General Fund	1,475
General Fund	Special Revenue Funds	16,003
General Fund	Capital Projects	1,180,500
Debt Service Fund	Internal Service Fund	166,790
Debt Service Fund	General Fund	330,365
Water Fund	Internal Service Fund	1,868
General Fund	Oakwood Cemetary Fund	71,198
General Fund	Internal Service Fund	349,300
Special Revenue Funds	Internal Service Fund	7,206
Water Fund	Capital Projects	259,600
Water Fund	Wastewater Fund	18,253
Wastewater Fund	Internal Service Fund	1,752
Wastewater Fund	Special Revenue Funds	234,677
Wastewater Fund	Capital Projects	46,200
Solid Waste Fund	Internal Service Fund	2,039
Solid Waste Fund	Capital Projects	8,250
Special Revenue Funds	Wastewater Fund	81,981
Special Revenue Funds	Water Fund	12,250
Capital Projects	Internal Service Fund	125,000
Oakwood Cemetary Endowment Fund	Oakwood Cemetary Fund	17,905
Capital Projects	General Fund	3,200
	Total	$ 2,946,722

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,766,832	$ --	$ --	$ 1,766,832
Construction in progress	1,640,531	2,504,966	3,034,372	1,111,125
Total capital assets not being depreciated	3,407,363	2,504,966	3,034,372	2,877,957
Capital assets being depreciated:				
Buildings and improvements	3,299,145	3,026,921	--	6,326,066
Machinery, furniture, and equipment	13,940,572	1,162,137	506,754	14,595,955
Improvements other than buildings	25,577,456	542	50,000	25,527,998
Total capital assets being depreciated	42,817,173	4,189,600	556,754	46,450,019
Less accumulated depreciation for:				
Buildings and improvements	2,812,445	29,868	--	2,842,313
Machinery, furniture, and equipment	8,591,498	1,172,446	506,754	9,257,190
Improvements other than buildings	2,322,997	622,597	50,000	2,895,594
Total accumulated depreciation	13,726,940	1,824,911	556,754	14,995,097
Total capital assets being depreciated, net	29,090,233	2,364,689	--	31,454,922
Governmental activities capital assets, net	$ 32,497,596	$ 4,869,655	$ 3,034,372	$ 34,332,879

Beginning balances have been adjusted for capital assets not previously included. A prior period adjustment was made and recorded in the amount of $1,320,196.

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 782,324	$ --	$ --	$ 782,324
Construction in progress	3,966,403	4,518,545	3,500,521	4,984,427
Total capital assets not being depreciated	4,748,727	4,518,545	3,500,521	5,766,751
Capital assets being depreciated:				
Buildings and improvements	1,540,842	110,782	--	1,651,624
Machinery, furniture, and equipment	904,530	78,581	--	983,111
Improvements other than buildings	398,950	--	--	398,950
Utility systems	59,932,906	3,389,739	--	63,322,645
Total capital assets being depreciated	62,777,228	3,579,102	--	66,356,330
Less accumulated depreciation for:				
Buildings and improvements	759,835	68,158	--	827,993
Machinery, furniture, and equipment	763,202	70,647	--	860,849
Improvements other than buildings	33,246	5,539	--	38,785
Utility systems	22,901,436	1,712,033	--	24,613,469
Total accumulated depreciation	24,457,719	1,856,377	--	26,341,096
Total capital assets being depreciated, net	38,319,509	1,722,725	--	40,015,234
Business-type activities capital assets, net	$ 43,068,236	$ 6,241,270	$ 3,500,521	$ 45,781,985

Depreciation was charged to functions as follows:

Governmental activities:	
Charter offices	$ 3,416
Finance	2,870
Public works	1,104,132
Community services	447,448
Public safety	76,693
Economic Development	35,595
Informational technology services	136,248
Other	18,509
Total Governmental activities depreciation	$ 1,824,911
Business-type activities:	
Water Production and Distribution	$ 445,530
Wastewater Collection and Treatment	1,355,155
Solid Waste Disposal and Collection	55,692
	$ 1,856,377

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2006, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 5,011,445	$ --	$ 399,681	$ 4,611,764	439,848
Certificates of obligations	14,140,000	--	380,000	13,760,000	380,000
Tax Note	--	1,145,000	300,000	845,000	125,000
Capital leases	1,294,888	--	255,959	1,038,929	266,440
Compensated absences *	911,732	104,784	--	1,016,516	--
Total governmental activities	$ 21,358,065	$ 1,249,784	$ 1,335,640	$ 21,272,209	$ 1,211,288
Business-type activities:					
TRA Contract Revenue Bonds	$ 16,165,000	$ --	$ 1,710,000	$ 14,455,000	$ 970,000
Revenue Bonds	16,055,000	--	950,000	15,105,000	990,000
General obligation bonds	663,555	--	270,319	393,236	205,151
Compensated absences *	342,906	--	60,101	282,805	87,670
Total business-type activities	$ 33,226,461	$ --	$ 2,990,420	$ 30,236,041	$ 2,252,821

* Other long-term liabilities
For governmental activities, claims and judgements and compensated absences are generally liquidated by the general fund.

Compensated absences	Governmental
Compensated absences	Business-type

2. Debt Service Requirements

Debt service requirements on long-term debt (excluding compensated absences and capital leases) at year end are as follows:

	Governmental Activities		
Year Ending September 30,	Principal	Interest	Total
2007	$ 944,848	$ 829,344	$ 1,774,192
2008	976,916	794,634	1,771,550
2009	1,040,000	753,443	1,793,443
2010	1,095,000	704,215	1,799,215
2011	1,150,000	654,236	1,804,236
2012	1,205,000	605,312	1,810,312
2013	1,090,000	558,647	1,648,647
2014	1,140,000	512,146	1,652,146
2015	1,195,000	463,202	1,658,202
2016	1,245,000	411,013	1,656,013
Thereafter	8,135,000	2,171,509	10,306,509
Totals	$ 19,216,764	$ 8,457,701	$ 27,674,465

	Business-type Activities		
Year Ending September 30,	Principal	Interest	Total
2007	$ 2,165,152	$ 1,494,819	$ 3,659,971
2008	2,158,084	1,402,470	3,560,554
2009	2,235,000	1,306,928	3,541,928
2010	2,255,000	1,205,791	3,460,791
2011	2,375,000	1,096,491	3,471,491
2012	2,500,000	981,241	3,481,241
2013	2,615,000	858,738	3,473,738
2014	2,350,000	729,260	3,079,260
2015	2,475,000	610,678	3,085,678
2016	2,615,000	484,487	3,099,487
Thereafter	6,210,000	1,030,150	7,240,150
Totals	$ 29,953,236	$ 11,201,053	$ 41,154,289

At September 30, 2006 there were no authorized, or unissued general obligation or revenue bonds, and the City is in compliance with all bond ordinances.

General Obligation Debt

A summary of Tax-Supported General Obligation Debt outstanding at September 30, 2006 follows:

Certificate Series 1998 issued on December 15, 1998, at an interest rate of 4.35 - 6.25% to finance the construction and acquisition of rights-of-way for arterial streets, due in installments of $70,000 - $905,000 for principal each August 15, beginning August 15, 2003 and interest payments due each February 15 and August 15, beginning February 15, 2001.	$ 6,865,000
Certificate Series 2000 issued on December 21, 2000, at an interest rate of 5.2804% to finance the construction and acquisition of rights-of-way for arterial streets, due in installments of $35,000 - $460,000 for principal each August 15, beginning August 15, 2003 and interest payments due each February 15 and August 15, beginning February 15, 2001.	1,005,000
Certificate Series 2001 issued on November 15, 2001, at an interst rate of 4.75-6.00% to finance the construction and related expenses of a new golf course, due in installments of $75,000 - $330,000 for principal each August 15 , beginning August 15, 2004 and interest payments due each February 15 and August 15, beginning August 15, 2004	4,765,000

Certificate Series 2004 issued on March 15, 2004, at an interest rate of 2.50 - 4.40% to finance the construction and equipping of a new fire station, and improve existing facilities, due in installments of $30,000 - $165,000 for principal each February 15, beginning February 15, 2005 and interest payments due each February 15 and August 15, beginning February 15, 2005.	1,125,000
Portion of $2,220,000 General Obligation Refunding Bonds, Series 2004, due in installments of $61,631 - $391,916, beginning February 15, 2005 and interest payments due each February and August 15, with an interest rate of 2.00% - 2.25%.	806,764
$3,820,000 General Obligation Refunding Bonds, Series 2005 due in installments of $15,000 to $440,000 through 2020, interest rate of 3.52%	3,805,000
$1,145,000 2005 Tax NoteS, Series 2005, dated October 20, 2005 to finance the construction of an aquatic facility, due in annual installments of $300,000-$155,000 beginning March 15, 2006 with an interest rate of 3.00%-3.75%.	845,000
Subtotal Tax Supported General Obligation Debt	$ 19,216,764

A summary of Self-Supporting General Obligation Debt outstanding at September 30, 2005 follows:

Portion of $2,220,000 General Obligation Refunding Bonds, Series 2004, due in installments of $85,000 - $303,369, beginning February 15, 2005 and interest payments due each February and August 15, with an interest rate of 2.00% - 2.25%.	393,236
Subtotal Self-Supporting General Obligation Debt	393,236
Total outstanding General Obligation Debt as of September 30, 2006	$ 19,610,000

Revenue Debt

A summary of Revenue Debt outstanding at September 30, 2006 follows:

$14,395,000 1997 Water and Wastewater System due in installments of $475,000 to $1,075,000 through 2016, interest rates from 2.75% to 4.55%	$ 8,740,000
$7,255,000 2002 Water and Wastewater System due in installments of $80,000 to $535,000 through 2022, interest rates from 4.50-5.00%	6,365,000
$3,905,000 1996 TRA Contract Revenue Bonds due in installments of $125,000 to $300,000 through 2016, interest rates from 3.6-5.40%	2,410,000
$3,120,000 1997 TRA Contract Revenue Bonds due in installments of $90,000 to $240,000 through 2018, interest rates from 4.70-5.30%	2,170,000
$9,260,000 1999 TRA Contract Revenue Bonds due in installments of $245,000 to $785,000 through 2006, interest rates from 5.40-6.00%	7,545,000
$3,125,000 2003 TRA Contract Revenue Bonds due in installments of $240,000 to $375,000 through 2013, interest rates from 3.50-4.75%	2,330,000
Total outstanding Revenue Debt as of September 30, 2005	$ 29,560,000

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2006, as follows:

Year Ending September 30:		
2007	$	307,822
2008		307,821
2009		94,023
2010		94,024
2011		94,024
2012-2014		282,068
Total Minimum Rentals	$	1,179,782

The effective interest rate on capital leases is 3.86% to 4.20%.

G. Joint Venture

Proprietary Funds: Pursuant to the agreement with Trinity River Authority (TRA) dated September 28, 1976, the City has endorsed Contract Revenue Bonds through TRA and is unconditionally obligated to pay, from the gross operating revenues of the City's waterworks, wastewater system, all debt service payments on these bonds; all operation and maintenance expenses of the facilities the bonds were used to build; and the amounts necessary to restore any deficiencies in funds required to be accumulated under the bond resolutions. As consideration for the aforementioned obligations, the City shall have an exclusive right to the use of the transmission and clear well storage facilities constructed. Upon the expiration of the contract, the City shall have the right to continued service for an additional period of fifty (50) years, or for such other time as may be agreed. In addition to funding provided by the sale of TRA bonds, the City acquired an Environmental Protection Agency Grant for $4,417,500.

In accordance with GASB Statement 14, the equity interest in this joint venture is reported as an asset of the enterprise fund that participates. All profit on the operating transactions between TRA and the City's Water and Wastewater Funds have been eliminated. Since aggregating the contract bond reserve account and contract bonded indebtedness into the "net equity in joint venture" would be misleading, those two items have been separately stated. The City is solely liable for that debt even though the funds were used to build facilities owned and used by the joint venture. Additionally, the City's share of the net loss is reported as an operating expense since it actually represents the cost providing water and wastewater treatment, the integral function of these funds. Those costs are expected to be recovered through user fees.

The individual components of the asset account "investment in joint venture" are as follows:

	For the Year Ended September 30, 2006
Contract Water Facilities/Equipment	$ 28,719,949
Allowance for Depreciation	(11,012,949)
Bond Issuance Costs	243,459
Total Investment in Joint Venture	$ 17,950,459

The individual components of the operating expense "TRA Joint Venture" are:

	For the Year Ended September 30, 2006
Operating Expenses	$ 2,173,846
Contract Bond Interest	877,102
Depreciation/Amortization Expense	629,291
Total operating expenses Joint Venture	$ 3,680,239

Summarized financial information for this joint venture from TRA's most recent audited financial statements is as follows:

	For the Year Ended November 30, 2005
ASSETS	
Current Assets	$ 278,255
Restricted Assets	1,687,994
Capital Assets (net of Accumulated Depreciation)	17,628,808
Deferred Charges	338,708
TOTAL ASSETS	$ 19,933,765
LIABILITIES	
Current Liabilites	
Payable from Current Assets	$ 148,466
Payable from Restricted Assets	1,449,123
Long-Term Debt	12,125,000
TOTAL LIABILITIES	$ 13,722,589
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 4,662,516
Restricted for Debt Service	1,418,871
Unrestricted	129,789
TOTAL NET ASSETS	$ 6,211,176

	For the Year Ended November 30, 2005
Operating Revenue	$ 4,490,486
Operating Expenses Before Depreciation	2,453,547
Operating Income Before Depreciation	2,036,939
Depreciation Expense	716,123
Operating Income	1,320,816
Net Non-Operating Reveneus/(Expenses)	(798,139)
Income before Transfers	522,677
Transfers, net	3,970
Net Assets - Beginning of Year	5,684,529
Net Assets - End of Year	$ 6,211,176

Financial Statements for this joint venture may be obtained at Trinity River Authority of Texas, P.O. Box 60, Arlington, Texas 76004-0060.

H. Raw Water Supply Contract

On August 24, 1976, the City of Huntsville entered into a contract with the Trinity River Authority of Texas to purchase from the Authority amounts of raw water impounded in the Livingston Reservoir. The City is obligated to pay an annual standby charge on or before the tenth of each April and October. Annual standby charges are calculated by multiplying the current annual average daily amount the Authority is obligated to sell by the Authority's rates for sale of raw water to municipalities. On April 22, 1998, the City contracted with the Authority for an addition 6.0 MGD for industrial purposes.

Annual average daily amounts of raw water that the Authority is obligated to sell to the City is set forth in the following schedule:

	Annual Average Daily Amounts
2001 through 2020	16.0 MGD

I. Pension Plan

1. Plan Description

The City provideds benefits for all of its full-time employees (employed more than thirty hours per week) through a nontraditional, joint contributory hybrid, defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 811 administered by TMRS, an agent multiple-employer public employee retirement system. Financial statements, as well as actuarial assumptions and valuations, for the plan are included in the TMRS Comprehensive Annual Financial Report each year, a copy of which can be obtained by writing P.O. Box 149153, Austin, Texas, 78714-9153.

2. Benefits

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, October 1, 1989, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee at a 5% contribution rate, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percentage of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated is if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at age 60 and above with 5 or more years of service, or with 20 years of service regardless of age. The plan also provides death and disability benefits. A member is vested after 5 years, but must leave their accumulated contribution in the plan. If members withdraw their own money, they are not entitled to the employer-financed monetary credits, even if they were vested. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

3. Contributions

The contribution rate for years beginning after January 1, 1997 for the employee is 7%, and the City's matching percentage is 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the City's contribution rate is annually determined by actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City's matching percentage, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percentage of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective.

The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25 year amortization period. When the City periodically adopts updated service credits and increases its annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25 year period. The unit credit actuarial cost method is used for determining the City's contribution rate. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2005, valuation is effective for rates beginning January 2007). The City has adopted the option for an annual repeating updated service credit.
The City's actuarial assumptions were as follows:

Actuarial Cost Method	--	Unit Credit
Amortization Method	--	Level Percent of Payroll
Remaining Amortization Period	--	25 Years - Open Period
Asset Valuation Method	--	Amortized Cost
Investment Rate of Return	--	7.0%
Projected Salary Increases	--	None
Included Inflation At	--	3.5%
Cost-of-Living Adjustments	--	None

3. Annual Pension Cost

The City's annual pension cost for the Plan for the years ending September 30, 2006, 2005 and 2004 was $1,712,139, 1,655,323 and $1,527,328, respectively.

J. Risk Management

Medical Insurance Fund
Claims incurred but not reported have been estimated based on information available from the fund administrator and recorded as an account payable of the fund.

The total amount for service charges (to other funds) is computed based on an actuarial method which is adjusted annually. A stop loss insurance policy limits the City's liability on catastrophic claims. Effective October 1, 2002 the City's limit is increased from $60,000 to $75,000 per employee.

Changes in the balance of aggregate liabilities during the year are as follows:

	2006	2005
Aggregate Liabilities October 1	$ 86,128	$ 289,560
Incurred Liabilities	1,445,165	1,249,244
Paid Liabilities	(1,392,889)	(1,452,676)
Aggregate Liabilities September 30	$ 138,404	$ 86,128

Public Entity Risk Pool

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. In order to properly address this risk, the City is a member of the Texas Municipal League Intergovernmental Risk Pool (TML), a public entity risk pool. The City pays an annual premium to TML. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of established amounts. The City's liability for any covered claims is limited to its annual deductible.

K. Deferred Compensation Plan

The City offers it employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In accordance with federal legislation passed in August 1996, the City amended its deferred compensation agreement, so that effective November 1996, the assets of the plan are to be held in trust for the exclusive benefit of the plan participants and their beneficiaries, and the assets will be used for no other purpose. In no event will the City's liability to pay benefits to a participant under the plan exceed the value of the amounts credited to the participants account.

The City in previous years has reported this fund in the Trust and Agency Funds. As a result of the November 1996 legislative changes, this fund has been excluded from the Financial Reports. Activity by participants for the period October 1, 2005 through September 2006 is as follows:

	Balance 10/1/2005	Additions	Deletions	Balance 09/30/06
Investments	$ 2,678,319	$ 410,486	$ 686,778	$ 2,402,027

L. Commitments and Contingencies

1. Retired Employees' Medical Coverage

A retired employee may continue health plan coverage at the same cost that the City sets for regular employees or employee dependents if the retired employee retires with 80 or more points (age plus years of service). If an employee retires under the Texas Municipal Retirement System with more than 70 points, but less than 80, the retiree may purchase health plan benefits through the City's health plan to continue the health coverage for the retired employee, spouse, or dependent that they maintained at the time of the employee's retirement.

For the year ended September 30, 2006, there were a total of 42 retirees in the City's health plan. Of these 42, twelve carried dependent coverage. The Medical Insurance Fund paid out approximately $562,062 in claims for retirees and their dependents. The City paid into the Medical Insurance Fund approximately $190,549 in premiums for the 42 retirees, and the retirees paid in $67,696.

2. Other Commitments

On October 9, 2001, City Council approved the creation of the Raven Hills Higher Education Corporation (RHHEC), a nonprofit corporation, pursuant to Chapter 53 of the Texas Education Code. The corporation is organized solely and exclusively for the purpose of aiding nonprofit institutions of higher education and accredited primary and secondary schools in providing education and housing facilities and facilities which are incidental, subordinate, or related thereto or appropriate in connection therewith in accordance with and subject to the provisions of the Higher Education Authority Act (Chapter 53) (the "Act"). More specifically and although not so limited by its Articles of Incorporation or the Act, it is anticipated that RHHEC will primarily aid the institutions composing the Texas State University System. Those institutions are Sam Houston State University, Southwest Texas State University, Angelo State University, Sul Ross State University, Rio Grand College, Lamar University, Lamar Institute of Technology, Lamar State College - Orange, and Lamar State College - Port Arthur.

The Corporation has the authority to issue bonds for the purposes stated in the above paragraph, and in 2001, RHHEC issued three different sets of bonds: two were for the benefit of Southwest Texas State University and are referred to as San Marcos Hall and Bobcat Village; and one was for the benefit of Lamar University and is referred to as Cardinal Village. The San Marcos Hall issue was $19,990,000 for Series 2001A and $300,000 for Series 2001B; the Bobcat Village was $43,830,000 for Series 2001A and $230,000 for Series 2001B; and Cardinal Village was $12,655,000 for Series 2001A and $120,000 for Series 2001B.

In 2002 RHHEC issued four different sets of bonds: two were issued for the benefit of Lamar University and are referred to as Cardinal Village; one was for the benefit of Angelo State University and are referred to as Texan Hall; and one is for the benefit of Southwest Texas State and are referred to as San Marcos Hall. The Cardinal Village issues are $14,985,000 Series 2002A and $310,000 Taxable Series 2002B; $20,655,000 for series 2003A and $255,000 Taxable Series 2003B; The Texan Hall issues is $18,310,000 for series 2002A and $375,000 for Series 2002B; the San Marcos Hall issue is $22,940,000 Series 2003A and $320,000 Taxable Series 2003B.

3. Construction Commitments

The City has various construction projects as of September 30, 2006. The City's remaining commitment to contractors for all projects is $812,726 at year end. Projects include wastewater line extensions and construction of a fire station.

4. Grants

Amounts received or receivable from grantor agencies are subject ot audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

M. Closure and Postclosure Care Cost

The City closed its landfill during the year ended September 30, 1994 and began transferring its solid waste to a privately operated landfill. The City has met certain deadline dates of the Environmental Protection Agency's Subtitle D landfill closure requirements and as such the City is exempt from any post-closure care and/or monitoring. Therefore, the City has not recorded any liability for post-closure care or monitoring. All closure costs are expensed as incurred. There were no landfill related expenses during the year ended September 30, 2006.

CITY OF HUNTSVILLE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
TEXAS MUNICIPAL RETIREMENT SYSTEM
YEAR ENDED SEPTEMBER 30, 2006

Actuarial Valuation Date	Actuarial Value of Assets (a)	Acturial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)	Employer Contributions (d)	Rate (d)/(c)
12/31/95	$ 6,020,018	$ 11,448,894	$ 5,428,876	$ 52.6%	$ 6,645,505	81.69%	$ 608,509	9.16%
12/31/96	7,486,917	14,716,980	7,230,063	50.9%	6,969,972	103.73%	876,036	12.57%
12/31/97	9,482,548	16,148,307	6,665,759	58.7%	7,371,413	90.43%	1,005,089	13.63%
12/31/98	11,840,882	19,146,847	7,305,965	61.8%	7,994,046	91.39%	1,144,560	14.32%
12/31/99	14,033,005	21,674,979	7,641,974	64.7%	8,002,647	95.49%	1,083,502	13.54%
12/31/00	15,957,208	23,848,886	7,891,678	66.9%	8,369,082	94.30%	1,060,148	12.67%
12/31/01	17,983,122	26,223,426	8,240,304	68.6%	8,849,367	93.12%	1,126,945	12.73%
12/31/02	20,172,871	29,786,372	9,613,501	67.7%	9,767,300	98.43%	1,417,991	14.52%
12/31/03	21,317,292	33,504,263	12,186,971	63.6%	8,753,684	139.22%	1,530,685	17.49%
12/31/04	23,461,827	35,599,317	12,137,490	65.9%	9,602,604	126.40%	1,530,685	15.94%
12/31/05	24,386,073	37,120,033	12,733,960	65.7%	9,655,475	131.88%	1,712,140	17.73%

	2006	2005	2004	2003
Net Pension Obligation (NPO) at the Beginning of Period	$ --	$ --	$ --	$ --
Annual Pension Cost:				
Annual Required Contribution (ARC)	$ 1,673,856	$ 1,655,324	$ 1,527,328	$ 1,396,362
Interest on NPO	--	--	--	--
Adjustment to the ARC	--	--	--	--
Total Annual Pension Cost	$ 1,673,856	$ 1,655,324	$ 1,527,328	$ 1,396,362
Contributions Made	$ (1,673,856)	$ (1,655,324)	(1,527,328)	$ (1,396,362)
Increase in NPO	--	--	--	--
NPO at the End of the Period	$ --	$ --	$ --	$ --
Percentage of Annual Pension Cost	100%	100%	100%	100%

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CITY OF HUNTSVILLE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	Special Revenue Funds	Debt Service Fund
ASSETS:		
Cash and cash equivalents	$ 987,469	$ 152,525
Investments	--	--
Accounts receivable:		
Receivables (net of allowances for uncollectibles)	10,852	--
Property taxes	--	140,135
Grants	117,528	--
Other	36,466	--
Interest	--	--
Due from other funds	--	--
Inventories	29,573	--
Total Assets	$ 1,181,888	$ 292,660
LIABILITIES:		
Accounts payable	$ 136,067	$ --
Deferred revenue	--	140,135
Accrued liabilities	9,475	--
Due to other funds	70,020	--
Due to other governments	7,298	--
Total Liabilities	222,860	140,135
FUND BALANCES:		
Reserved for inventory	29,573	--
Reserved for debt service	--	152,525
Unreserved, reported in:		
Special revenue funds	929,455	--
Capital projects funds	--	--
Permanent funds	--	--
Total Fund Balances	959,028	152,525
Total Liabilities and Fund Balance	$ 1,181,888	$ 292,660

Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
$ 1,827,570	$ 98,159	$ 3,065,723
--	345,297	345,297
--	--	10,852
--	--	140,135
112,919	--	230,447
--	--	36,466
--	3,698	3,698
10,317	--	10,317
--	--	29,573
$ 1,950,806	$ 447,154	$ 3,872,508
$ 337,214	$ --	$ 473,281
--	--	140,135
--	--	9,475
799	6,810	77,629
--	--	7,298
338,013	6,810	707,818
--	--	29,573
--	--	152,525
--	--	929,455
1,612,793	--	1,612,793
--	440,344	440,344
1,612,793	440,344	3,164,690
$ 1,950,806	$ 447,154	$ 3,872,508

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Special Revenue Funds	Debt Service Fund
REVENUES:		
Property taxes	$ --	$ 1,772,289
Other taxes	493,432	--
Charges for sales and services	246,282	--
Fines, fees, and forfeitures	43,394	--
Donations, contributions, and grants	572,400	--
Investment income	39,890	26,955
Other	5,749	--
Total Revenues	1,401,147	1,799,244
EXPENDITURES:		
Public works	10,666	--
Community services	10,257	--
Public safety	382,478	--
Non-departmental	512,542	--
Other	366,936	--
Debt Service:		
Principal Retirement	--	779,681
Interest and fiscal charges	--	846,338
Total Expenditures	1,282,879	1,626,019
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	118,268	173,225
OTHER FINANCING SOURCES (USES)		
Transfers in	16,003	--
Transfers out	(101,331)	(497,155)
Total other financing sources (uses)	(85,328)	(497,155)
NET CHANGE IN FUND BALANCES	32,940	(323,930)
FUND BALANCE, Beginning of period	926,088	476,455
FUND BALANCE, End of period	$ 959,028	$ 152,525

Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
$ --	$ --	$ 1,772,289
--	--	493,432
--	--	246,282
--	--	43,394
211,718	--	784,118
119,292	17,523	203,660
367,891	--	373,640
698,901	17,523	3,916,815
195,441	--	206,107
2,081,359	--	2,091,616
270,411	--	652,889
--	--	512,542
193	--	367,129
--	--	779,681
--	--	846,338
2,547,404	--	5,456,302
(1,848,503)	17,523	(1,539,487)
1,754,087	--	1,770,090
(287,996)	(17,905)	(904,387)
1,466,091	(17,905)	865,703
(382,412)	(382)	(673,784)
1,995,205	440,726	3,838,474
$ 1,612,793	$ 440,344	$ 3,164,690

CITY OF HUNTSVILLE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2006

	Court Security & Technology	Police Forfeiture Fund	Hotel Motel
ASSETS:			
Cash and cash equivalents	$ 162,249	$ 40,465	$ 314,897
Accounts receivable:			
Receivables (net of allowances for uncollectibles)	--	--	8,482
Grants	--	--	--
Other	--	--	36,466
Inventories	--	--	29,573
Total Assets	$ 162,249	$ 40,465	$ 389,418
LIABILITIES:			
Accounts payable	$ 2,528	$ --	$ 3,489
Accrued liabilities	1,080	--	--
Due to other funds	--	--	--
Due to other governments	--	7,298	--
Total Liabilities	3,608	7,298	3,489
FUND BALANCES:			
Reserved for inventory	--	--	29,573
Unreserved, reported in:			
Special revenue funds	158,641	33,167	356,356
Total Fund Balances	158,641	33,167	385,929
Total Liabilities and Fund Balance	$ 162,249	$ 40,465	$ 389,418

Airport	Library	School Resource Officer	Police Grants
$ 39,720	$ 40,142	$ 227,262	$ 10,237
--	--	2,370	--
--	--	4,612	--
--	--	--	--
--	--	--	--
$ 39,720	$ 40,142	$ 234,244	$ 10,237
$ 902	$ 618	$ 1,485	$ --
326	--	8,069	--
--	--	--	--
--	--	--	--
1,228	618	9,554	--
--	--	--	--
38,492	39,524	224,690	10,237
38,492	39,524	224,690	10,237
$ 39,720	$ 40,142	$ 234,244	$ 10,237

CITY OF HUNTSVILLE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2006

	Federal Grants Fund	Area Revitalization Fund	Total Nonmajor Special Revenue Funds (See Exhibit B-1)
ASSETS:			
Cash and cash equivalents	$ 32,089	$ 120,408	$ 987,469
Accounts receivable:			
Receivables (net of allowances for uncollectibles)	--	--	10,852
Grants	112,916	--	117,528
Other	--	--	36,466
Inventories	--	--	29,573
Total Assets	$ 145,005	$ 120,408	$ 1,181,888
LIABILITIES:			
Accounts payable	$ 50,276	$ 76,769	$ 136,067
Accrued liabilities	--	--	9,475
Due to other funds	50,000	20,020	70,020
Due to other governments	--	--	7,298
Total Liabilities	100,276	96,789	222,860
FUND BALANCES:			
Reserved for inventory	--	--	29,573
Unreserved, reported in:			
Special revenue funds	44,729	23,619	929,455
Total Fund Balances	44,729	23,619	959,028
Total Liabilities and Fund Balance	$ 145,005	$ 120,408	$ 1,181,888

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CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Court Security & Technology	Police Forfeiture Fund	Hotel Motel
REVENUES:			
Other taxes	$ --	$ --	$ 493,432
Charges for sales and services	--	--	--
Fines, fees, and forfeitures	35,737	6,587	--
Donations, contributions, and grants	--	--	3,000
Investment income	6,853	1,715	6,651
Other	--	--	--
Total Revenues	42,590	8,302	503,083
EXPENDITURES:			
Public works	--	--	--
Community services	--	--	--
Public safety	--	4,500	--
Non-departmental	34,538	--	8,500
Other	--	--	366,936
Total Expenditures	34,538	4,500	375,436
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,052	3,802	127,647
OTHER FINANCING SOURCES (USES)			
Transfers in	8,000	--	--
Transfers out	--	--	--
Total other financing sources (uses)	8,000	--	--
NET CHANGE IN FUND BALANCES	16,052	3,802	127,647
FUND BALANCE, Beginning of period	142,589	29,365	258,282
FUND BALANCE, End of period	$ 158,641	$ 33,167	$ 385,929

Airport	Library	School Resource Officer	Police Grants
$ --	$ --	$ --	$ --
--	--	246,282	--
1,049	21	--	--
--	17,888	21,111	20,229
2,037	1,516	11,770	11
3,750	--	1,999	--
6,836	19,425	281,162	20,240
10,666	--	--	--
--	10,257	--	--
--	--	360,585	17,393
--	--	--	--
--	--	--	--
10,666	10,257	360,585	17,393
(3,830)	9,168	(79,423)	2,847
--	--	--	8,003
--	(1,475)	(5,625)	--
--	(1,475)	(5,625)	8,003
(3,830)	7,693	(85,048)	10,850
42,322	31,831	309,738	(613)
$ 38,492	$ 39,524	$ 224,690	$ 10,237

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Federal Grants Fund	Area Revitalization Fund	Total Nonmajor Special Revenue Funds (See Exhibit B-2)
REVENUES:			
Other taxes	$ --	$ --	$ 493,432
Charges for sales and services	--	--	246,282
Fines, fees, and forfeitures	--	--	43,394
Donations, contributions, and grants	407,731	102,441	572,400
Investment income	3,156	6,181	39,890
Other	--	--	5,749
Total Revenues	410,887	108,622	1,401,147
EXPENDITURES:			
Public works	--	--	10,666
Community services	--	--	10,257
Public safety	--	--	382,478
Non-departmental	468,241	1,263	512,542
Other	--	--	366,936
Total Expenditures	468,241	1,263	1,282,879
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(57,354)	107,359	118,268
OTHER FINANCING SOURCES (USES)			
Transfers in	--	--	16,003
Transfers out	--	(94,231)	(101,331)
Total other financing sources (uses)	--	(94,231)	(85,328)
NET CHANGE IN FUND BALANCES	(57,354)	13,128	32,940
FUND BALANCE, Beginning of period	102,083	10,491	926,088
FUND BALANCE, End of period	$ 44,729	$ 23,619	$ 959,028

CITY OF HUNTSVILLE, TEXAS

EXHIBIT B-5

COURT HOUSE SECURITY FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Fines, fees, and forfeitures	$ 31,000	$ 31,000	$ 35,737	$ 4,737
Investment income	400	400	6,853	6,453
Total Revenues	31,400	31,400	42,590	11,190
EXPENDITURES:				
Non-departmental	55,305	55,305	34,538	20,767
Total Expenditures	55,305	55,305	34,538	20,767
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(23,905)	(23,905)	8,052	31,957
OTHER FINANCING SOURCES (USES)				
Transfers in	--	8,000	8,000	--
Total other financing sources (uses)	--	8,000	8,000	--
NET CHANGE IN FUND BALANCES	(23,905)	(15,905)	16,052	31,957
FUND BALANCE, Beginning of period	142,589	142,589	142,589	--
FUND BALANCE, End of period	$ 118,684	$ 126,684	$ 158,641	$ 31,957

CITY OF HUNTSVILLE, TEXAS

EXHIBIT B-6

HOTEL MOTEL - ARTS
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Other taxes	$ 392,000	$ 404,177	$ 493,432	$ 89,255
Donations, contributions, and grants	700	700	3,000	2,300
Investment income	1,850	1,850	6,651	4,801
Total Revenues	394,550	406,727	503,083	96,356
EXPENDITURES:				
Non-departmental	63,325	57,956	8,500	49,456
Other	332,979	354,579	366,936	(12,357)
Total Expenditures	396,304	412,535	375,436	37,099
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,754)	(5,808)	127,647	133,455
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	--	--	--	--
NET CHANGE IN FUND BALANCES	(1,754)	(5,808)	127,647	133,455
FUND BALANCE, Beginning of period	258,282	258,282	258,282	--
FUND BALANCE, End of period	$ 256,528	$ 252,474	$ 385,929	$ 133,455

CITY OF HUNTSVILLE, TEXAS

EXHIBIT B-7

AIRPORT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Fines, fees, and forfeitures	$ 1,200	$ 1,200	$ 1,049	$ (151)
Donations, contributions, and grants	13,500	13,500	--	(13,500)
Investment income	600	600	2,037	1,437
Other	--	--	3,750	3,750
Total Revenues	15,300	15,300	6,836	(8,464)
EXPENDITURES:				
Public works	30,015	30,015	10,666	19,349
Total Expenditures	30,015	30,015	10,666	19,349
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(14,715)	(14,715)	(3,830)	10,885
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	--	--	--	--
NET CHANGE IN FUND BALANCES	(14,715)	(14,715)	(3,830)	10,885
FUND BALANCE, Beginning of period	42,322	42,322	42,322	--
FUND BALANCE, End of period	$ 27,607	$ 27,607	$ 38,492	$ 10,885

CITY OF HUNTSVILLE, TEXAS

EXHIBIT B-8

LIBRARY PROJECT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Fines, fees, and forfeitures	$ --	$ --	$ 21	$ 21
Donations, contributions, and grants	--	16,449	17,888	1,439
Investment income	100	100	1,516	1,416
Total Revenues	100	16,549	19,425	2,876
EXPENDITURES:				
Community services	--	14,974	10,257	4,717
Total Expenditures	--	14,974	10,257	4,717
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	100	1,575	9,168	7,593
OTHER FINANCING SOURCES (USES)				
Transfers out	--	(1,475)	(1,475)	--
Total other financing sources (uses)	--	(1,475)	(1,475)	--
NET CHANGE IN FUND BALANCES	100	100	7,693	7,593
FUND BALANCE, Beginning of period	31,831	31,831	31,831	--
FUND BALANCE, End of period	$ 31,931	$ 31,931	$ 39,524	$ 7,593

CITY OF HUNTSVILLE, TEXAS

EXHIBIT B-9

POLICE DEPARTMENT SCHOOL RESOURCE OFFICER
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Charges for sales and services	$ 224,000	$ 245,516	$ 246,282	$ 766
Donations, contributions, and grants	--	24,684	21,111	(3,573)
Investment income	1,500	1,500	11,770	10,270
Other	--	--	1,999	1,999
Total Revenues	225,500	271,700	281,162	9,462
EXPENDITURES:				
Public safety	308,364	393,881	360,585	33,296
Total Expenditures	308,364	393,881	360,585	33,296
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(82,864)	(122,181)	(79,423)	42,758
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,625)	(5,625)	(5,625)	--
Total other financing sources (uses)	(5,625)	(5,625)	(5,625)	--
NET CHANGE IN FUND BALANCES	(88,489)	(127,806)	(85,048)	42,758
FUND BALANCE, Beginning of period	309,738	309,738	309,738	--
FUND BALANCE, End of period	$ 221,249	$ 181,932	$ 224,690	$ 42,758

CITY OF HUNTSVILLE, TEXAS

EXHIBIT B-10

POLICE GRANTS
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Donations, contributions, and grants	$ 55,532	$ 71,761	$ 20,229	$ (51,532)
Investment income	300	300	11	(289)
Total Revenues	55,832	72,061	20,240	(51,821)
EXPENDITURES:				
Public safety	56,907	74,636	17,393	57,243
Total Expenditures	56,907	74,636	17,393	57,243
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,075)	(2,575)	2,847	5,422
OTHER FINANCING SOURCES (USES)				
Transfers in	--	8,003	8,003	--
Total other financing sources (uses)	--	8,003	8,003	--
NET CHANGE IN FUND BALANCES	(1,075)	5,428	10,850	5,422
FUND BALANCE, Beginning of period	(613)	(613)	(613)	--
FUND BALANCE, End of period	$ (1,688)	$ 4,815	$ 10,237	$ 5,422

CITY OF HUNTSVILLE, TEXAS

EXHIBIT B-11

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Property taxes	$ 1,749,735	$ 1,749,735	$ 1,772,289	$ 22,554
Investment income	10,000	10,000	26,955	16,955
Total Revenues	1,759,735	1,759,735	1,799,244	39,509
EXPENDITURES:				
Non-departmental	555,000	--	--	--
Debt Service:				
Principal Retirement	846,552	779,681	779,681	--
Interest and fiscal charges	871,458	846,338	846,338	--
Total Expenditures	2,273,010	1,626,019	1,626,019	--
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(513,275)	133,716	173,225	39,509
OTHER FINANCING SOURCES (USES)				
Transfers in	255,000	--	--	--
Transfers out	(72,760)	(497,155)	(497,155)	--
Total other financing sources (uses)	182,240	(497,155)	(497,155)	--
NET CHANGE IN FUND BALANCES	(331,035)	(363,439)	(323,930)	39,509
FUND BALANCE, Beginning of period	476,455	476,455	476,455	--
FUND BALANCE, End of period	$ 145,420	$ 113,016	$ 152,525	$ 39,509

CITY OF HUNTSVILLE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2006

	Street Capital Projects	General Capital Improvements	Swimming Pool
ASSETS:			
Cash and cash equivalents	$ 39,052	$ 383,501	$ 92,412
Accounts receivable:			
Grants	--	112,919	--
Due from other funds	7,770	480	2,067
Total Assets	$ 46,822	$ 496,900	$ 94,479
LIABILITIES:			
Accounts payable	$ --	$ 6,115	$ 191,400
Due to other funds	--	263	536
Total Liabilities	--	6,378	191,936
FUND BALANCES:			
Unreserved, reported in:			
Capital projects funds	46,822	490,522	(97,457)
Total Fund Balances	46,822	490,522	(97,457)
Total Liabilities and Fund Balance	$ 46,822	$ 496,900	$ 94,479

Wynne Home CIP	Fire Station West Side	Land Acquisition	Total Nonmajor Capital Projects Funds (See Exhibit B-1)
$ 165,956	$ 1,072,333	$ 74,316	$ 1,827,570
--	--	--	112,919
--	--	--	10,317
$ 165,956	$ 1,072,333	$ 74,316	$ 1,950,806
$ 126,986	$ 12,713	$ --	$ 337,214
--	--	--	799
126,986	12,713	--	338,013
38,970	1,059,620	74,316	1,612,793
38,970	1,059,620	74,316	1,612,793
$ 165,956	$ 1,072,333	$ 74,316	$ 1,950,806

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Street Capital Projects	General Capital Improvements	Swimming Pool
REVENUES:			
Donations, contributions, and grants	$ 41,388	$ --	$ 152,484
Investment income	1,448	20,412	42,256
Other	--	--	--
Total Revenues	42,836	20,412	194,740
EXPENDITURES:			
Public works	195,441	--	--
Community services	--	195,080	1,805,061
Public safety	--	--	--
Other	--	--	--
Total Expenditures	195,441	195,080	1,805,061
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(152,605)	(174,668)	(1,610,321)
OTHER FINANCING SOURCES (USES)			
Transfers in	99,741	481,346	1,125,000
Transfers out	--	(284,796)	--
Total other financing sources (uses)	99,741	196,550	1,125,000
NET CHANGE IN FUND BALANCES	(52,864)	21,882	(485,321)
FUND BALANCE, Beginning of period	99,686	468,640	387,864
FUND BALANCE, End of period	$ 46,822	$ 490,522	$ (97,457)

Wynne Home CIP	Fire Station West Side	Land Acquisition	Total Nonmajor Capital Projects Funds (See Exhibit B-2)
$ 17,846	$ --	$ --	$ 211,718
7,252	46,112	1,812	119,292
--	328,891	39,000	367,891
25,098	375,003	40,812	698,901
--	--	--	195,441
81,218	--	--	2,081,359
--	270,411	--	270,411
--	--	193	193
81,218	270,411	193	2,547,404
(56,120)	104,592	40,619	(1,848,503)
--	48,000	--	1,754,087
(3,200)	--	--	(287,996)
(3,200)	48,000	--	1,466,091
(59,320)	152,592	40,619	(382,412)
98,290	907,028	33,697	1,995,205
$ 38,970	$ 1,059,620	$ 74,316	$ 1,612,793

CITY OF HUNTSVILLE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS
SEPTEMBER 30, 2006

	Library Endowment Nonexpendable Trust Fund	Oakwood Cemetery Endowment	Total Nonmajor Permanent Funds (See Exhibit B-1)
ASSETS:			
Cash and cash equivalents	$ 95,592	$ 2,567	$ 98,159
Investments	--	345,297	345,297
Interest	--	3,698	3,698
Total Assets	$ 95,592	$ 351,562	$ 447,154
LIABILITIES:			
Due to other funds	$ --	$ 6,810	$ 6,810
Total Liabilities	--	6,810	6,810
FUND BALANCES:			
Unreserved, reported in:			
Permanent funds	95,592	344,752	440,344
Total Fund Balances	95,592	344,752	440,344
Total Liabilities and Fund Balance	$ 95,592	$ 351,562	$ 447,154

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR PERMANENT FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Library Endowment Nonexpendable Trust Fund	Oakwood Cemetery Endowment	Total Nonmajor Permanent Funds (See Exhibit B-2)
REVENUES:			
Investment income	$ 4,321	$ 13,202	$ 17,523
Total Revenues	4,321	13,202	17,523
EXPENDITURES:			
Total Expenditures	--	--	--
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,321	13,202	17,523
OTHER FINANCING SOURCES (USES)			
Transfers out	--	(17,905)	(17,905)
Total other financing sources (uses)	--	(17,905)	(17,905)
NET CHANGE IN FUND BALANCES	4,321	(4,703)	(382)
FUND BALANCE, Beginning of period	91,271	349,455	440,726
FUND BALANCE, End of period	$ 95,592	$ 344,752	$ 440,344

CITY OF HUNTSVILLE, TEXAS

LIBRARY ENDOWMENT
PERMANENT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT B-16

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Investment income	$ 1,000	$ 1,000	$ 4,321	$ 3,321
Total Revenues	1,000	1,000	4,321	3,321
EXPENDITURES:				
Non-departmental	1,000	1,000	--	1,000
Total Expenditures	1,000	1,000	--	1,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	--	--	4,321	4,321
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	--	--	--	--
NET CHANGE IN FUND BALANCES	--	--	4,321	4,321
FUND BALANCE, Beginning of period	91,271	91,271	91,271	--
FUND BALANCE, End of period	$ 91,271	$ 91,271	$ 95,592	$ 4,321

CITY OF HUNTSVILLE, TEXAS

OAKWOOD CEMETARY ENDOWMENT
PERMANENT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT B-17

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Investment income	$ 10,500	$ 10,500	$ 13,202	$ 2,702
Total Revenues	10,500	10,500	13,202	2,702
EXPENDITURES:				
Total Expenditures	--	--	--	--
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,500	10,500	13,202	2,702
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,500)	(10,500)	(17,905)	(7,405)
Total other financing sources (uses)	(10,500)	(10,500)	(17,905)	(7,405)
NET CHANGE IN FUND BALANCES	--	--	(4,703)	(4,703)
FUND BALANCE, Beginning of period	349,455	349,455	349,455	--
FUND BALANCE, End of period	$ 349,455	$ 349,455	$ 344,752	$ (4,703)

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2006

	Enterprise Fund Oakwood Cemetery Fund	Total Nonmajor Enterprise Funds (See Exhibit A-9)
ASSETS:		
Current Assets:		
Cash and cash equivalents	$ 10,165	$ 10,165
Due from other funds	6,810	6,810
Total Current Assets	16,975	16,975
Noncurrent Assets		
Total Noncurrent Assets	--	--
Total Assets	$ 16,975	$ 16,975
LIABILITIES:		
Current Liabilities:		
Accounts payable	$ 100	$ 100
Accrued liabilities	1,795	1,795
Due to other funds	8,061	8,061
Total Current Liabilies	9,956	9,956
Noncurrent Liabilities-		
Due in more than one year	2,987	2,987
Total Noncurrent Liabilities	2,987	2,987
Total Liabilities	12,943	12,943
NET ASSETS:		
Unrestricted	4,032	4,032
Total Net Assets	4,032	4,032
Total Liabilities and Net Assets	$ 16,975	$ 16,975

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Enterprise Fund Oakwood Cemetery Fund	Total Nonmajor Enterprise Funds (See Exhibit A-10)
OPERATING REVENUES:		
Service Charges:		
Cemetary operations	$ 10,470	$ 10,470
Total service charges	10,470	10,470
Service Fees and Miscellaneous:		
Customer penalties and miscellaneous	279	279
Grants and contributions	326	326
Total service fees and miscellaneous	605	605
Total Operating Revenues	11,075	11,075
OPERATING EXPENSES:		
Cemetary operations	96,891	96,891
Total Expenditures	96,891	96,891
OPERATING INCOME (LOSS)	(85,816)	(85,816)
NONOPERATING REVENUES (EXPENSES):		
Interest income	590	590
Total Non-operating Revenues (Expenses)	590	590
INCOME (LOSS) BEFORE CONTRIBUTIONS/TRANSFERS	(85,226)	(85,226)
CONTRIBUTIONS AND TRANSFERS :		
Transfers in	89,103	89,103
Total Contributions and Transfers	89,103	89,103
CHANGE IN NET ASSETS	3,877	3,877
TOTAL NET ASSETS - beginning	155	155
TOTAL NET ASSETS - end	$ 4,032	$ 4,032

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Oakwood Cemetery Fund	Total Nonmajor Enterprise Funds (See Exhibit A-11)
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 24,006	$ 24,006
Cash Received from Grants	--	--
Interfund Services Provided and Used	--	--
Cash Payments to Employees	(54,236)	(54,236)
Cash Payments to Suppliers for Goods and Services	(42,555)	(42,555)
Cash Payments for Grants to Other Organizations	--	--
Net Cash Provided (Used) by Operating Activities	(72,785)	(72,785)
Cash Flows from Non-capital Financing Activities:		
Transfers From (To) Other Funds	82,293	82,293
Net Cash Provided (Used) by Non-capital Financing Activities	82,293	82,293
Cash Flows from Capital and Related Financing Activities:		
Principal and Interest Paid	--	--
Acquisition or Construction of Capital Assets	--	--
Proceeds from Sale of Capital Assets	--	--
Net Cash Provided (Used) for Capital and Related Financing Activities	--	--
Cash Flows from Investing Activities:		
Purchase of Investment Securities	--	--
Proceeds from Sale and Maturities of Securities	--	--
Interest and Dividends on Investments	590	590
Net Cash Provided (Used) for Investing Activities	590	590
Net Increase (Decrease) in Cash and Cash Equivalents	10,098	10,098
Cash and Cash Equivalents at Beginning of Year	67	67
Cash and Cash Equivalents at End of Year	$ 10,165	$ 10,165
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ (85,816)	$ (85,816)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	--	--
Amortization	--	--
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	4,793	4,793
Decrease (Increase) in Inventories	--	--
Decrease (Increase) in Joint Venture	--	--
Increase (Decrease) in Accounts Payable	(740)	(740)
Increase (Decrease) in Customer Deposits	--	--
Increase (Decrease) in Compensated Absences	1,001	1,001
Increase (Decrease) in Interfund Payables	6,182	6,182
Increase (Decrease) in Due to Other Governments	--	--
Increase (Decrease) in Accrued Expenses	1,795	1,795
Total Adjustments	13,031	13,031
Net Cash Provided (Used) by Operating Activities	$ (72,785)	$ (72,785)

CITY OF HUNTSVILLE, TEXAS

WATER FUND
ENTERPRISE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT B-21

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OPERATING REVENUES:				
Service Charges:				
Water sales	$ 9,474,416	$ 9,474,416	$ 9,786,856	$ 312,440
Inter-department sales and services	397,637	397,637	397,637	--
Total service charges	9,872,053	9,872,053	10,184,493	312,440
Service Fees and Miscellaneous:				
Tap and connection fees	105,000	105,000	113,618	8,618
Customer penalties and miscellaneous	57,000	57,000	70,380	13,380
Grants and contributions	10,000	27,450	37,714	10,264
Total service fees and miscellaneous	172,000	189,450	221,712	32,262
Total Operating Revenues	10,044,053	10,061,503	10,406,205	344,702
OPERATING EXPENSES:				
Administration	2,653,079	2,516,164	2,417,730	98,434
Water production and distribution	1,641,396	1,647,678	1,433,726	213,952
Wastewater collection and treatment	210,464	218,283	--	218,283
TRA joint venture	2,779,270	2,812,281	2,981,236	(168,955)
Utility billing/customer service	575,369	600,122	554,705	45,417
Principal payments	1,230,697	1,230,697	--	1,230,697
Depreciation expense	--	--	436,928	(436,928)
Total Expenditures	9,090,275	9,025,225	7,824,325	1,200,900
OPERATING INCOME (LOSS)	953,778	1,036,278	2,581,880	1,545,602
NONOPERATING REVENUES (EXPENSES):				
Interest income	63,000	63,000	362,829	299,829
Interest expense	(783,219)	(783,219)	(776,152)	7,067
Total Non-operating Revenues (Expenses)	(720,219)	(720,219)	(413,323)	306,896
INCOME (LOSS) BEFORE CONTRIBUTIONS/TRANSFERS	233,559	316,059	2,168,557	1,852,498
CONTRIBUTIONS AND TRANSFERS :				
Transfers in	--	--	451,786	451,786
Transfers out	(459,600)	(717,568)	(724,475)	(6,907)
Total Contributions and Transfers	(459,600)	(717,568)	(272,689)	444,879
CHANGE IN NET ASSETS	(226,041)	(401,509)	1,895,868	2,297,377
TOTAL NET ASSETS - beginning	25,475,057	25,475,057	25,475,057	--
TOTAL NET ASSETS - end	$ 25,249,016	$ 25,073,548	$ 27,370,925	$ 2,297,377

CITY OF HUNTSVILLE, TEXAS

WASTEWATER FUND
ENTERPRISE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT B-22

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OPERATING REVENUES:				
Service Charges:				
Wastewater sales and services	$ 7,300,000	$ 7,300,000	$ 7,468,553	$ 168,553
Inter-department sales and services	55,046	55,046	55,046	--
Total service charges	7,355,046	7,355,046	7,523,599	168,553
Service Fees and Miscellaneous:				
Tap and connection fees	73,000	73,000	73,397	397
Customer penalties and miscellaneous	16,214	16,214	109,385	93,171
Grants and contributions	--	--	480,303	480,303
Total service fees and miscellaneous	89,214	89,214	663,085	573,871
Total Operating Revenues	7,444,260	7,444,260	8,186,684	742,424
OPERATING EXPENSES:				
Administration	2,169,617	2,117,532	2,105,654	11,878
Wastewater collection and treatment	2,270,823	2,365,007	2,255,093	109,914
Lab/compliance	221,179	225,480	206,805	18,675
Principal payments	1,553,293	1,598,293	--	1,598,293
Depreciation expense	--	--	1,349,866	(1,349,866)
Total Expenditures	6,214,912	6,306,312	5,917,418	388,894
OPERATING INCOME (LOSS)	1,229,348	1,137,948	2,269,266	1,131,318
NONOPERATING REVENUES (EXPENSES):				
Interest income	87,444	87,444	852,174	764,730
Interest expense	(835,922)	(835,922)	(826,577)	9,345
Total Non-operating Revenues (Expenses)	(748,478)	(748,478)	25,597	774,075
INCOME (LOSS) BEFORE CONTRIBUTIONS/TRANSFERS	480,870	389,470	2,294,863	1,905,393
CONTRIBUTIONS AND TRANSFERS :				
Transfers in	--	46,400	395,450	349,050
Transfers out	(434,677)	(625,532)	(683,278)	(57,746)
Total Contributions and Transfers	(434,677)	(579,132)	(287,828)	291,304
CHANGE IN NET ASSETS	46,193	(189,662)	2,007,035	2,196,697
TOTAL NET ASSETS - beginning	24,747,216	24,747,216	24,747,216	--
TOTAL NET ASSETS - end	$ 24,793,409	$ 24,557,554	$ 26,754,251	$ 2,196,697

CITY OF HUNTSVILLE, TEXAS

EXHIBIT B-23

SOLID WASTE FUND
ENTERPRISE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OPERATING REVENUES:				
Service Charges:				
Solid waste fees - residential and commercial	$ 2,413,846	$ 2,413,846	$ 2,502,836	$ 88,990
Solid waste fees - disposal	1,118,240	1,118,240	1,158,213	39,973
Total service charges	3,532,086	3,532,086	3,661,049	128,963
Service Fees and Miscellaneous:				
Customer penalties and miscellaneous	64,000	64,000	88,550	24,550
Total service fees and miscellaneous	64,000	64,000	88,550	24,550
Total Operating Revenues	3,596,086	3,596,086	3,749,599	153,513
OPERATING EXPENSES:				
Administration	777,260	780,063	781,922	(1,859)
Solid waste collection and disposal	2,600,830	2,682,777	2,642,948	39,829
Principal payments	101,329	101,329	--	101,329
Depreciation expense	--	--	69,583	(69,583)
Total Expenditures	3,479,419	3,564,169	3,494,453	69,716
OPERATING INCOME (LOSS)	116,667	31,917	255,146	223,229
NONOPERATING REVENUES (EXPENSES):				
Interest income	12,000	12,000	78,482	66,482
Interest expense	(4,759)	(4,759)	(4,543)	216
Total Non-operating Revenues (Expenses)	7,241	7,241	73,939	66,698
INCOME (LOSS) BEFORE CONTRIBUTIONS/TRANSFERS	123,908	39,158	329,085	289,927
CONTRIBUTIONS AND TRANSFERS :				
Transfers out	--	(10,289)	(10,289)	--
Total Contributions and Transfers	--	(10,289)	(10,289)	--
CHANGE IN NET ASSETS	123,908	28,869	318,796	289,927
TOTAL NET ASSETS - beginning	1,585,364	1,585,364	1,585,364	--
TOTAL NET ASSETS - end	$ 1,709,272	$ 1,614,233	$ 1,904,160	$ 289,927

CITY OF HUNTSVILLE, TEXAS

OAKWOOD CEMETARY - OPERATING FUND
ENTERPRISE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT B-24

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OPERATING REVENUES:				
Service Charges:				
Cemetary operations	$ 23,000	$ 23,000	$ 10,470	$ (12,530)
Total service charges	23,000	23,000	10,470	(12,530)
Service Fees and Miscellaneous:				
Customer penalties and miscellaneous	--	--	279	279
Grants and contributions	--	--	326	326
Total service fees and miscellaneous	--	--	605	605
Total Operating Revenues	23,000	23,000	11,075	(11,925)
OPERATING EXPENSES:				
Administration	3,046	--	--	--
Cemetary operations	118,976	129,347	96,891	32,456
Total Expenditures	122,022	129,347	96,891	32,456
OPERATING INCOME (LOSS)	(99,022)	(106,347)	(85,816)	20,531
NONOPERATING REVENUES (EXPENSES):				
Interest income	350	350	590	240
Total Non-operating Revenues (Expenses)	350	350	590	240
INCOME (LOSS) BEFORE CONTRIBUTIONS/TRANSFERS	(98,672)	(105,997)	(85,226)	20,771
CONTRIBUTIONS AND TRANSFERS :				
Transfers in	98,698	110,698	89,103	(21,595)
Total Contributions and Transfers	98,698	110,698	89,103	(21,595)
CHANGE IN NET ASSETS	26	4,701	3,877	(824)
TOTAL NET ASSETS - beginning	155	155	155	--
TOTAL NET ASSETS - end	$ 181	$ 4,856	$ 4,032	$ (824)

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2006

	Medical Insurance Fund	Equipment Replacement Fund	Computer Replacement Fund	Total Internal Service Funds (See Exhibit A-9)
ASSETS:				
Current Assets:				
Cash and cash equivalents	$ 442,525	$ 811,056	$ 122,580	$ 1,376,161
Accounts receivable:				
Receivables (net of allowances for uncollectibles)	--	51,160	--	51,160
Total Current Assets	442,525	862,216	122,580	1,427,321
Noncurrent Assets				
Capital assets (net of accumulated depreciation)	--	2,340,751	963,507	3,304,258
Total Noncurrent Assets	--	2,340,751	963,507	3,304,258
Total Assets	$ 442,525	$ 3,202,967	$ 1,086,087	$ 4,731,579
LIABILITIES:				
Current Liabilities:				
Accounts payable	$ 138,403	$ 281,943	$ --	$ 420,346
Accrued interest	--	17,103	16,110	33,213
Noncurrent liabilities due within one year	--	69,447	196,993	266,440
Total Current Liabilies	138,403	368,493	213,103	719,999
Noncurrent Liabilities-				
Due in more than one year	--	567,266	205,223	772,489
Total Noncurrent Liabilities	--	567,266	205,223	772,489
Total Liabilities	138,403	935,759	418,326	1,492,488
NET ASSETS:				
Unrestricted	304,122	2,267,208	667,761	3,239,091
Total Net Assets	304,122	2,267,208	667,761	3,239,091
Total Liabilities and Net Assets	$ 442,525	$ 3,202,967	$ 1,086,087	$ 4,731,579

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Medical Insurance Fund	Equipment Replacement Fund	Computer Replacement Fund	Total Internal Service Funds (See Exhibit A-10)
OPERATING REVENUES:				
Service Charges:				
Inter-department sales and services	$ 2,069,457	$ 316,575	$ 84,724	$ 2,470,756
Total service charges	2,069,457	316,575	84,724	2,470,756
Service Fees and Miscellaneous:				
Customer penalties and miscellaneous	17,732	44,130	--	61,862
Total service fees and miscellaneous	17,732	44,130	--	61,862
Total Operating Revenues	2,087,189	360,705	84,724	2,532,618
OPERATING EXPENSES:				
Administration	2,091,746	--	--	2,091,746
Equipment replacement	--	--	73,048	73,048
Depreciation expense	--	893,389	131,174	1,024,563
Total Expenditures	2,091,746	893,389	204,222	3,189,357
OPERATING INCOME (LOSS)	(4,557)	(532,684)	(119,498)	(656,739)
NONOPERATING REVENUES (EXPENSES):				
Interest income	22,377	40,451	5,940	68,768
Interest expense	--	(22,460)	(17,125)	(39,585)
Gain (Loss) on asset disposition	--	84,560	--	84,560
Total Non-operating Revenues (Expenses)	22,377	102,551	(11,185)	113,743
INCOME (LOSS) BEFORE CONTRIBUTIONS/TRANSFER	17,820	(430,133)	(130,683)	(542,996)
CONTRIBUTIONS AND TRANSFERS :				
Transfers in	21,000	384,998	247,957	653,955
Total Contributions and Transfers	21,000	384,998	247,957	653,955
CHANGE IN NET ASSETS	38,820	(45,135)	117,274	110,959
TOTAL NET ASSETS - beginning	265,302	2,312,343	550,487	3,128,132
TOTAL NET ASSETS - end	$ 304,122	$ 2,267,208	$ 667,761	$ 3,239,091

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Medical Insurance Fund	Equipment Replacement Fund	Computer Replacement Fund	Total Internal Service Funds (See Exhibit A-11)
Cash Flows from Operating Activities:				
Cash Received from Customers	$ --	$ --	$ --	$ --
Cash Received from Grants	--	--	--	--
Interfund Services Provided and Used	2,003,641	701,573	332,681	3,037,895
Cash Payments to Employees	--	--	--	--
Cash Payments to Suppliers for Goods and Services	(1,924,094)	(115,405)	(373,136)	(2,412,635)
Cash Payments for TRA Joint Venture	--	--	--	--
Net Cash Provided (Used) by Operating Activities	79,547	586,168	(40,455)	625,260
Cash Flows from Non-capital Financing Activities:				
Transfers From (To) Other Funds	21,000	384,998	247,957	653,955
Net Cash Provided (Used) by Non-capital Financing Activities	21,000	384,998	247,957	653,955
Cash Flows from Capital and Related Financing Activities:				
Principal and Interest Paid	--	(89,327)	(206,219)	(295,546)
Acquisition or Construction of Capital Assets	--	(944,987)	--	(944,987)
Proceeds from Sale of Capital Assets	--	84,560	--	84,560
Net Cash Provided (Used) for Capital and Related Financing Activities	--	(949,754)	(206,219)	(1,155,973)
Cash Flows from Investing Activities:				
Interest and Dividends on Investments	22,377	40,451	5,940	68,768
Net Cash Provided (Used) for Investing Activities	22,377	40,451	5,940	68,768
Net Increase (Decrease) in Cash and Cash Equivalents	122,924	61,863	7,223	192,010
Cash and Cash Equivalents at Beginning of Year	319,601	749,193	115,357	1,184,151
Cash and Cash Equivalents at End of Year	$ 442,525	$ 811,056	$ 122,580	$ 1,376,161
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	$ (4,557)	$ (532,684)	$ (152,029)	$ (689,270)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	--	893,389	131,174	1,024,563
Amortization	--	--	--	--
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	32,298	(51,160)	--	(18,862)
Decrease (Increase) in Inventories	--	--	--	--
Decrease (Increase) in Joint Venture	--	--	--	--
Increase (Decrease) in Accounts Payable	52,275	281,321	(12,021)	321,575
Increase (Decrease) in Customer Deposits	--	--	--	--
Increase (Decrease) in Compensated Absences	--	--	--	--
Increase (Decrease) in Interfund Payables	--	--	--	--
Increase (Decrease) in Due to Other Governments	(469)	--	--	(469)
Increase (Decrease) in Accrued Expenses	--	(4,698)	(7,579)	(12,277)
Total Adjustments	84,104	1,118,852	111,574	1,314,530
Net Cash Provided (Used) by Operating Activities	$ 79,547	$ 586,168	$ (40,455)	$ 625,260

CITY OF HUNTSVILLE, TEXAS

EXHIBIT B-28

MEDICAL INSURANCE
INTERNAL SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OPERATING REVENUES:				
Service Charges:				
Inter-department sales and services	$ 2,074,764	$ 2,074,764	$ 2,069,457	$ (5,307)
Total service charges	2,074,764	2,074,764	2,069,457	(5,307)
Service Fees and Miscellaneous:				
Customer penalties and miscellaneous	--	--	17,732	17,732
Total service fees and miscellaneous	--	--	17,732	17,732
Total Operating Revenues	2,074,764	2,074,764	2,087,189	12,425
OPERATING EXPENSES:				
Administration	2,085,264	2,085,264	2,091,746	(6,482)
Total Expenditures	2,085,264	2,085,264	2,091,746	(6,482)
OPERATING INCOME (LOSS)	(10,500)	(10,500)	(4,557)	5,943
NONOPERATING REVENUES (EXPENSES):				
Interest income	10,500	10,500	22,377	11,877
Total Non-operating Revenues (Expenses)	10,500	10,500	22,377	11,877
INCOME (LOSS) BEFORE CONTRIBUTIONS/TRANSFERS	--	--	17,820	17,820
CONTRIBUTIONS AND TRANSFERS :				
Transfers in	--	21,000	21,000	--
Total Contributions and Transfers	--	21,000	21,000	--
CHANGE IN NET ASSETS	--	21,000	38,820	17,820
TOTAL NET ASSETS - beginning	265,302	265,302	265,302	--
TOTAL NET ASSETS - end	$ 265,302	$ 286,302	$ 304,122	$ 17,820

CITY OF HUNTSVILLE, TEXAS

EXHIBIT B-29

CAPITAL EQUIPMENT
INTERNAL SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OPERATING REVENUES:				
Service Charges:				
Inter-department sales and services	$ 316,571	$ 316,571	$ 316,575	$ 4
Total service charges	316,571	316,571	316,575	4
Service Fees and Miscellaneous:				
Customer penalties and miscellaneous	--	--	44,130	44,130
Total service fees and miscellaneous	--	--	44,130	44,130
Total Operating Revenues	316,571	316,571	360,705	44,134
OPERATING EXPENSES:				
Equipment replacement	1,008,172	591,500	--	591,500
Principal payments	--	66,870	--	66,870
Depreciation expense	--	--	893,389	(893,389)
Total Expenditures	1,008,172	658,370	893,389	(235,019)
OPERATING INCOME (LOSS)	(691,601)	(341,799)	(532,684)	(190,885)
NONOPERATING REVENUES (EXPENSES):				
Interest income	--	--	40,451	40,451
Interest expense	--	(27,160)	(22,460)	4,700
Gain (Loss) on asset disposition	--	--	84,560	84,560
Total Non-operating Revenues (Expenses)	--	(27,160)	102,551	129,711
INCOME (LOSS) BEFORE CONTRIBUTIONS/TRANSFERS	(691,601)	(368,959)	(430,133)	(61,174)
CONTRIBUTIONS AND TRANSFERS :				
Transfers in	290,968	158,186	384,998	226,812
Total Contributions and Transfers	290,968	158,186	384,998	226,812
CHANGE IN NET ASSETS	(400,633)	(210,773)	(45,135)	165,638
TOTAL NET ASSETS - beginning	2,312,343	2,312,343	2,312,343	--
TOTAL NET ASSETS - end	$ 1,911,710	$ 2,101,570	$ 2,267,208	$ 165,638

CITY OF HUNTSVILLE, TEXAS

EXHIBIT B-30

COMPUTER EQUIPMENT REPLACEMENT
INTERNAL SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OPERATING REVENUES:				
Service Charges:				
Inter-department sales and services	$ 84,904	$ 84,904	$ 84,724	$ (180)
Total service charges	84,904	84,904	84,724	(180)
Service Fees and Miscellaneous:				
Total Operating Revenues	84,904	84,904	84,724	(180)
OPERATING EXPENSES:				
Equipment replacement	130,900	130,900	73,048	57,852
Principal payments	189,093	189,093	--	189,093
Depreciation expense	--	--	131,174	(131,174)
Total Expenditures	319,993	319,993	204,222	115,771
OPERATING INCOME (LOSS)	(235,089)	(235,089)	(119,498)	115,591
NONOPERATING REVENUES (EXPENSES):				
Interest income	350	350	5,940	5,590
Interest expense	(24,704)	(24,704)	(17,125)	7,579
Total Non-operating Revenues (Expenses)	(24,354)	(24,354)	(11,185)	13,169
INCOME (LOSS) BEFORE CONTRIBUTIONS/TRANSFERS	(259,443)	(259,443)	(130,683)	128,760
CONTRIBUTIONS AND TRANSFERS :				
Transfers in	213,797	213,797	247,957	34,160
Total Contributions and Transfers	213,797	213,797	247,957	34,160
CHANGE IN NET ASSETS	(45,646)	(45,646)	117,274	162,920
TOTAL NET ASSETS - beginning	550,487	550,487	550,487	--
TOTAL NET ASSETS - end	$ 504,841	$ 504,841	$ 667,761	$ 162,920

CITY OF HUNTSVILLE, TEXAS

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2006

	Employee Assistance Trust Fund	Scholarship Trust Fund	Total Agency Funds (See Exhibit A-12)
ASSETS:			
Cash and cash equivalents	$ 6,044	$ 3,856	$ 9,900
Total Assets	$ 6,044	$ 3,856	$ 9,900
LIABILITIES:			
Accounts payable	$ 6,044	$ 3,856	$ 9,900
Total Liabilities	6,044	3,856	9,900
Total Fund Balances	--	--	--
Total Liabilities and Fund Balance	$ 6,044	$ 3,856	$ 9,900

CITY OF HUNTSVILLE, TEXAS

EXHIBIT B-32

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2006

	Balance October 1, 2005	Additions	Deductions	Balance September 30, 2006
Employee Assistance Trust Fund				
ASSETS				
Cash & Investments	$ 4,570	$ 6,974	$ 5,500	$ 6,044
Total Assets	$ 4,570	$ 6,974	$ 5,500	$ 6,044
LIABILITIES				
Accounts Payable	$ 4,570	$ 6,974	$ 5,500	$ 6,044
Total Liabilities	$ 4,570	$ 6,974	$ 5,500	$ 6,044
Scholarship Trust Fund				
ASSETS				
Cash & Investments	$ 2,140	$ 7,916	$ 6,200	$ 3,856
Total Assets	$ 2,140	$ 7,916	$ 6,200	$ 3,856
LIABILITIES				
Accounts Payable	$ 2,140	$ 7,916	$ 6,200	$ 3,856
Total Liabilities	$ 2,140	$ 7,916	$ 6,200	$ 3,856
TOTAL AGENCY FUNDS:				
ASSETS				
Cash & Investments	$ 6,710	$ 14,890	$ 11,700	$ 9,900
Total Assets	$ 6,710	$ 14,890	$ 11,700	$ 9,900
LIABILITIES				
Accounts Payable	$ 6,710	$ 14,890	$ 11,700	$ 9,900
Total Liabilities	$ 6,710	$ 14,890	$ 11,700	$ 9,900

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Kenneth C. Davis & Company
A Professional Corporation
Certified Public Accountants
1300 11TH STREET, SUITE 400
P.O. BOX 6308
HUNTSVILLE, TEXAS 77342
PHONE (936) 291-3020
FAX (936) 291-9607

Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City Council
City of Huntsville, Texas
1212 Avenue M
Huntsville, Texas 77340-4608

Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Huntsville, Texas as of and for the year ended September 30, 2006, which collectively comprise the City of Huntsville, Texas's basic financial statements and have issued our report thereon dated January 31, 2007. 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.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered City of Huntsville, Texas's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether City of Huntsville, Texas's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Kenneth C. Davis & Company, P.C.
January 31, 2007

Kenneth C. Davis & Company
A Professional Corporation
Certified Public Accountants
1300 11TH STREET, SUITE 400
P.O. BOX 6308
HUNTSVILLE, TEXAS 77342
PHONE (936) 291-3020
FAX (936) 291-9607

Independent Auditor's Report

Report on Compliance with Requirements Applicable
To each Major Program and Internal Control over Compliance
In Accordance With OMB Circular A-133

City Council
City of Huntsville, Texas
1212 Avenue M
Huntsville, Texas 77340-4608

Members of the City Council:

Compliance
We have audited the compliance of City of Huntsville, Texas with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2006. City of Huntsville, Texas's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of City of Huntsville, Texas's management. Our responsibility is to express an opinion on City of Huntsville, Texas's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Huntsville, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Huntsville, Texas's compliance with those requirements.

In our opinion, City of Huntsville, Texas complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2006.

Internal Control Over Compliance
The management of City of Huntsville, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Huntsville, Texas's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Kenneth C. Davis & Company, P.C.

January 31, 2007

CITY OF HUNTSVILLE, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	X No
Reportable condition(s) identified that are not considered to be material weaknesses?	___ Yes	X None Reported
Noncompliance material to financial statements noted?	___ Yes	X No

2. Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	___ Yes	X No
Reportable condition(s) identified that are not considered to be material weaknesses?	___ Yes	X None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	___ Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.239	U.S. Department of Housing and Urban Development

Dollar threshold used to distinguish between type A and type B programs:	$300,000	
Auditee qualified as low-risk auditee?	X Yes	___ No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF HUNTSVILLE, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
None reported.		

CITY OF HUNTSVILLE, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF JUSTICE			
Passed Through Bureau of Justice Assistance:			
Bullet Proof Vest	16.607	N/A	$ 1,470
Justice Assistance Grant	16.738	2005-DJ-EX-0538	13,729
Total Passed Through Bureau of Justice Assistance			15,199
Passed Through Office of Community Oriented Policing Services:			
School Resource Officer	16.710	2006CKWX0661	1,759
Local Law Enforcement Block Grant	16.710	2005CDWX0635	20,684
Total Passed Through Office of Community Oriented Policing Services			22,443
Total U. S. Department of Justice			37,642
U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Passed Through Texas Department of Housing and Community Affairs:			
Homebuyers/Owner Occupied Assistance Prgm.	14.239	542056	40,000
Homebuyers/Owner Occupied Assistance Prgm.	14.239	1000255	353,588
Total U. S. Department of Housing & Urban Development			393,588
U. S. DEPARTMENT OF COMMERCE			
Direct Program:			
Economic Development Administration *	11.300	08-01-03827	118,694
Total U. S. Department of Commerce			118,694
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed Through Texas Department of Public Safety:			
Emergency Management Assistance Program	83.552	06TX-EMPG-059	9,630
Assistance to Firefighters	83.554	EMW-2005-FG-15993	31,500
National Urban Search & Rescue Response System	97.025	N/A	5,603
Total Passed Through Texas Department of Public Safety			46,733
Total Federal Emergency Management Agency			46,733
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 596,657
STATE AWARDS			
Passed Through Texas Commission on Law Enforcement Officer Standards & Education:			
Peace Officer Education	N/A	N/A	$ 4,086
Passed Through Texas Forest Service:			
Education	N/A	N/A	4,686
Passed Through Texas State Libraries and Archives Commission:			
Loan Star Library	N/A	442-05232	4,330
Loan Star Library	N/A	N/A	6,250
Loan Star Library	N/A	N/A	3,957
Total Passed Through Texas State Libraries and Archives Commission			14,537
Passed Through Texas Statewide Tobacco Education & Prevention:			
Tobacco Compliance Grant			2,668
TOTAL EXPENDITURES OF STATE AWARDS			$ 25,977

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

CITY OF HUNTSVILLE, TEXAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Huntsville, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

STATISTICAL SECTION

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

Contents **Page**

Financial Trends 109

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity 114

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity 120

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information 125

These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information 127

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

TABLE D-1

CITY OF HUNTSVILLE, TEXAS

NET ASSETS BY COMPONENT
LAST FOUR FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2003	2004	2005	2006
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	$ 9,107	$ 8,816	$ 11,379	$ 14,371
Restricted	2,089	2,825	2,684	1,950
Unrestricted	5,707	6,284	5,167	7,141
Total Governmental Activities Net Assets	$ 16,903	$ 34,828	$ 19,230	$ 23,462
Business-type Activities				
Invested in Capital Assets, Net of Related Debt	$ 21,944	$ 26,518	$ 30,039	$ 30,650
Restricted	--	--	--	--
Unrestricted	--	--	21,769	25,383
Total Business-type Activities Net Assets	$ 21,944	$ 26,518	$ 51,808	$ 56,033
Primary Government				
Invested in Capital Assets, Net of Related Debt	$ 31,051	$ 35,334	$ 41,418	$ 45,021
Restricted	2,089	2,825	2,684	1,950
Unrestricted	29,295	26,370	26,936	32,524
Total Primary Government Net Assets	$ 62,435	$ 64,529	$ 71,038	$ 79,495

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

TABLE D-2

CITY OF HUNTSVILLE, TEXAS

EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST FOUR FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental Activities:				
Charter Offices	$ 342,510	526,118	$ 234,145	$ 225,564
Finance	709,130	507,637	467,116	512,507
Public Works	3,378,614	3,419,677	2,817,160	2,947,577
Planning and Development	381,545	530,927	532,233	368,452
Community services	2,204,666	2,351,859	1,980,942	2,097,339
Public Safety	4,191,375	4,299,561	4,592,788	4,652,795
Economic Development	147,119	103,614	110,600	39,160
Information Technology Services	705,643	395,067	149,582	451,404
Organization and Staff Development	119,443	204,211	59,033	93,335
Non-Departmental	116,202	194,913	482,963	1,001,188
Other	364,736	498,007	466,855	367,129
Interest on Long-Term Debt	736,566	679,692	865,744	883,950
Total Governmental Activities Expenses	13,397,549	13,711,283	12,759,161	13,640,400
Business-type Activities				
Water	8,535,882	8,515,828	8,495,061	8,600,477
Wastewater	5,901,759	6,199,501	6,498,942	6,743,995
Solid Waste	3,342,894	3,316,718	3,543,587	3,498,996
Golf Course	1,503,952	1,349,473	1,053,620	--
Oakwood Cemetery - Operating	71,071	78,315	84,286	96,891
Total Business-type Activities Expenses	19,355,558	19,459,835	19,675,496	18,940,359
Total Primary Government Expenses	$ 32,753,107	33,171,118	$ 32,434,657	$ 32,580,759
Program Revenues				
Governmental Activities:				
Charter Offices	$ --	--	$ --	$ --
Finance	877,670	965,298	732,291	742,856
Public Works	42,996	52,625	65,263	69,796
Planning and Development	--	12,054	12,518	12,781
Community services	23,239	34,782	37,960	45,677
Public Safety	419,625	476,810	229,457	265,943
Economic Development	--	--	--	--
Information Technology Services	--	--	--	20,422
Organization and Staff Development	--	--	--	--
Non-Departmental	224,197	246,108	243,499	288,280
Other	--	127,568	139,006	--
Interest on Long-Term Debt	--	--	--	--
Operating Grants and Contributions	1,612,944	557,824	1,427,022	1,104,914
Total Governmental Activities Program Revenues	3,200,671	2,473,069	2,887,016	2,550,669
Business-type Activities:				
Charges for Services:				
Water	9,232,782	9,647,002	10,429,286	10,368,491
Wastewater	7,359,933	7,522,863	7,551,567	7,706,381
Solid Waste	3,620,950	3,623,527	3,590,668	3,749,599
Golf Course	226,928	649,014	556,896	--
Oakwood Cemetery - Operating	30,200	12,713	24,732	10,749
Operating Grants and Contributions	574,109	146,889	1,442,555	518,343
Total Business-type Activities Program Revenues	21,044,902	21,602,008	23,595,704	22,353,563
Total Primary Government Program Revenues	$ 24,245,573	24,075,077	$ 26,482,720	$ 24,904,232
Net (Expense)/Revenue				
Governmental Activities	$ (10,196,878)	(11,238,214)	$ (9,872,145)	$ (11,089,731)
Business-type Activities	1,689,344	2,142,173	3,920,208	3,413,204
Total Primary Government Net Expense	$ (8,507,534)	(9,096,041)	$ (5,951,937)	$ (7,676,527)

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

TABLE D-3

CITY OF HUNTSVILLE, TEXAS

GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS
LAST FOUR FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2003	2004	2005	2006
Net (Expense)/Revenue				
Governmental Activities	$ (10,196,878)	$ (11,238,214)	$ (9,872,145)	$ (11,089,731)
Business-type Activities	1,689,344	2,142,173	3,920,208	3,413,204
Total Primary Government Net Expense	$ (8,507,534)	$ (9,096,041)	$ (5,951,937)	$ (7,676,527)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Property Taxes	$ 3,457,350	$ 3,601,495	$ 3,891,063	$ 4,047,933
Franchise Taxes	1,719,210	1,717,886	1,908,146	2,061,344
Sales Taxes	4,708,826	4,920,554	5,127,306	5,511,003
Other Taxes	430,533	444,255	466,001	556,923
Unrestricted Grants and Contributions	--	--	--	--
Payments in Lieu of Taxes	--	--	--	--
Investment Earnings	150,186	97,467	251,741	481,777
Other Revenues	41,461	106,061	187,608	859,883
Transfers	(703,609)	1,372,195	(654,410)	481,703
Total Governmental Activities	$ 9,803,957	$ 12,259,913	$ 11,177,455	$ 14,000,566
Business-type Activities:				
Investment Earnings	273,920	227,585	564,915	1,294,075
Other Revenues	490,863	74,101	64,315	--
Transfers	703,609	(1,372,195)	654,410	(481,703)
Total Business-type Activities	1,468,392	(1,070,509)	1,283,640	812,372
Total Primary Government	$ 11,272,349	$ 11,189,404	$ 12,461,095	$ 14,812,938
Change in Net Assets				
Governmental Activities	$ (392,921)	$ 1,021,699	$ 1,305,310	$ 2,910,835
Business-type Activities	3,157,736	1,071,664	5,203,848	4,225,576
Total Primary Government	$ 2,764,815	$ 2,093,363	$ 6,509,158	$ 7,136,411

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

TABLE D-4

CITY OF HUNTSVILLE, TEXAS

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	$ 586,538	$ 1,621,432	$ 765,714	$ 673,451	$ 502,148	$ 47,377	$ 98,141	$ 110,273	$ 114,235	$ 88,110
Unreserved	3,465,501	3,306,485	3,872,519	4,013,080	3,697,691	3,950,520	4,267,861	3,548,607	2,848,143	4,172,594
Total General Fund	$ 4,052,039	$ 4,927,917	$ 4,638,233	$ 4,686,531	$ 4,199,839	$ 3,997,897	$ 4,366,002	$ 3,658,880	$ 2,962,378	$ 4,260,704
All Other Governmental Funds										
Reserved	$	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Unreserved, Reported In:										
Special Revenue Funds	176,183	236,385	246,881	751,824	1,688,975	1,369,726	1,175,373	1,434,916	1,909,801	2,339,591
Capital Projects Funds	475,918	1,406,428	8,937,100	6,387,373	5,417,796	2,740,551	1,531,268	3,092,004	1,995,204	1,612,793
Debt Service Funds	436,420	438,113	475,326	474,893	474,349	492,562	503,054	526,226	476,455	152,525
Permanent Funds							441,142	442,913	440,727	440,344
Total All Other Governmental Funds	$ 1,088,521	$ 2,080,926	$ 9,659,307	$ 7,614,090	$ 7,581,120	$ 4,602,839	$ 3,650,837	$ 5,496,059	$ 4,822,187	$ 4,545,253

TABLE D-5

CITY OF HUNTSVILLE, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes	$ 7,180,384	$ 7,899,340	$ 8,224,244	$ 8,905,558	$ 9,837,428	$ 9,908,749	$ 10,284,507	$ 10,627,961	$ 11,349,448	$ 12,110,807
Licenses, Fees and Permits	168,987	145,206	232,344	212,214	238,440	212,361	184,436	226,406	242,684	284,860
Fines, Fees and Foreitures	460,738	531,585	463,089	408,163	537,266	768,734	884,086	834,062	779,967	827,609
Charges for Services	371,202	466,962	380,091	470,208	496,335	575,794	468,196	650,709	676,585	568,879
Contributions, Grants and Donations	212,486	239,145	533,916	241,309	1,349,056	1,412,826	1,612,837	557,824	1,124,133	843,689
Administrative Cost Reimbursement	1,179,666	1,244,442	1,355,361	1,547,575	1,496,499	2,791,636	2,720,752	2,993,567	3,696,776	4,215,525
Investment Earnings	299,702	373,072	635,922	765,433	857,318	300,644	150,186	97,467	251,741	481,777
Other Revenues	20,998	919,778	9,348	13,945	24,112	121,651	63,143	132,412	252,426	919,297
Total Revenues	9,894,163	11,819,530	11,834,315	12,564,405	14,836,454	16,092,395	16,368,143	16,120,408	18,373,760	20,252,443
Expenditures										
Charter Offices	408,390	493,796	559,595	639,702	658,080	691,030	650,215	728,146	808,611	777,808
Finance	398,052	399,316	423,686	438,966	566,769	1,013,384	1,060,367	917,304	1,073,657	1,178,178
Public Works	3,362,590	3,539,628	3,328,017	3,611,576	2,996,844	2,844,165	3,391,205	2,954,147	3,461,795	2,978,716
Planning and Development	--	--	--	--	461,254	1,176,663	1,214,076	1,722,432	1,605,783	1,650,978
Community Services	1,272,376	1,338,610	1,452,926	1,575,738	2,239,573	2,127,973	2,279,377	2,331,556	2,683,636	4,185,919
Public Safety	2,805,577	3,108,287	3,015,292	3,153,255	3,569,062	4,128,532	4,193,602	4,242,112	5,147,725	4,943,415
Information Technology Services	--	--	--	--	--	--	1,229,269	1,087,422	774,743	776,754
Non-Departmental	297,818	352,436	666,290	485,554	1,050,909	2,261,009	837,978	1,008,322	1,390,944	1,746,067
Capital Outlay	97,008	148,992	1,608,481	3,502,589	7,750,051	3,699,620	23,995	--	--	--
Debt Service										
Interest	292,430	272,244	469,734	597,586	732,014	789,741	755,086	787,652	861,679	886,283
Principal	330,607	416,948	354,738	404,738	409,737	409,738	565,000	605,000	4,296,631	1,079,681
Total Expenditures	9,264,848	10,070,257	11,878,759	14,409,704	20,434,293	19,141,855	16,200,170	16,384,093	22,105,204	20,203,799
Excess of Revenues Over (Under) Expenditures	629,315	1,749,273	(44,444)	(1,845,299)	(5,597,839)	(3,049,460)	167,973	(263,685)	(3,731,444)	48,644
Other Financing Sources (Uses)										
Issuance Bonds/Notes	--	118,950	7,425,000	--	5,000,000	--	--	1,253,076	3,820,000	1,145,000
Issuance of Certificates of Obligation	--	--	--	--	--	--	--	1,200,000	--	--
Payment of Refunded Bond Esc Agent	--	--	--	--	--	--	--	(1,183,208)	--	--
Cost of Issuance	--	--	(91,858)	--	--	--	--	--	--	--
Capital Lease Proceeds	101,545	--	--	--	--	--	--	--	--	--
Transfers In	200,048	523,894	2,075,270	1,000,352	1,744,616	716,161	1,175,617	2,663,545	701,991	2,350,717
Transfers Out	(193,578)	(523,894)	(2,075,271)	(1,151,971)	(1,666,439)	(1,015,817)	(2,014,346)	(2,531,631)	(2,160,921)	(2,522,969)
Total Other Financing Sources (Uses)	108,015	118,950	7,333,141	(151,619)	5,078,177	(299,656)	(838,729)	1,401,782	2,361,070	972,748
Net Change in Fund Balances	$ 737,330	$ 1,868,223	$ 7,288,697	$ (1,996,918)	$ (519,662)	$ (3,349,116)	$ (670,756)	$ 1,138,097	$ (1,370,374)	$ 1,021,392
Debt Service As A Percentage Of Noncapital Expenditures	6.8%	6.9%	8.0%	9.2%	9.0%	7.8%	8.2%	8.5%	23.3%	9.7%

TABLE D-6

CITY OF HUNTSVILLE, TEXAS

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	Property Tax	Sales & Use Tax	Franchise and Other Taxes	Total
1997	$ 2,001,711 1)	$ 3,701,208	$ 1,477,465 2)	$ 7,180,384
1998	2,115,430	4,080,127	1,703,783	7,899,340
1999	2,461,454	4,148,865	1,613,925	8,224,244
2000	2,665,417	4,449,976	1,790,165	8,905,558
2001	2,931,548	4,585,249	2,320,631 3)	9,837,428
2002	3,196,855	4,630,276	2,081,618	9,908,749
2003	3,425,938	4,708,826	2,149,743	10,284,507
2004	3,545,266	4,920,554	2,162,141	10,627,961
2005	3,847,994	5,127,306	2,374,148	11,349,448
2006	3,916,022	5,511,003	2,061,344	11,488,369

Source: City of Huntsville Budget Documents and Comprehensive Annual Financial Report

1) Includes current taxes, delinquent taxes, penalties and interest.
2) Includes franchise and gross receipt taxes, mixed drink taxes and hotel-motel occupancy taxes.
3) Includes Use of Right-of-Way.

TABLE D-7

CITY OF HUNTSVILLE, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Residential Property	Commercial Property	Agricultural Property	Industrial Property	Other Property	Less: Tax-Exempt Property	Total Taxable Assessed Value
2001	$ 405,490,601	$ 242,680,480	$ 10,871,180	$ 17,800,490	$ 27,017,020	$ 31,650,337	$ 672,209,434
2002	450,819,860	273,682,710	10,187,080	20,871,710	30,868,800	40,163,661	746,266,499
2003	467,036,552	262,242,030	12,076,640	22,238,680	30,545,570	38,158,512	755,980,960
2004	525,955,569	274,367,340	13,453,940	23,791,720	32,645,762	50,283,554	819,930,777
2005	549,917,299	323,799,290	13,769,880	11,605,650	34,859,152	54,257,548	879,693,723
2006	591,101,352	326,560,700	14,961,910	12,552,400	37,624,120	66,240,485	916,559,997

Note: Fiscal Years ending 1997 - 2000 are not available from Walker County Appraisal District due to a computer conversion.
Source: Walker County Appraisal District

TABLE D-8

CITY OF HUNTSVILLE, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

	City Direct Rates			Overlapping Rates		
Fiscal Year	Basic Rate	General Obligation Debt Service	Total Direct Rate	Huntsville ISD	Walker County	Hospital District
1997	$ 0.26900	$ 0.11540	$ 0.38440	$ 1.44000	$ 0.59500	$ 0.16900
1998	0.28312	0.10128	0.38440	1.44000	0.59500	0.15500
1999	0.32718	0.10282	0.43000	1.44000	0.59500	0.15000
2000	0.27609	0.13641	0.41250	1.69000	0.58500	0.13550
2001	0.30763	0.12487	0.43250	1.69000	0.58500	0.14450
2002	0.27785	0.15465	0.43250	1.66000	0.58500	0.15000
2003	0.28397	0.16603	0.45000	1.66000	0.62500	0.16000
2004	0.23223	0.19277	0.42500	1.66000	0.62500	0.18500
2005	0.24473	0.19277	0.43750	1.66000	0.62500	0.19220
2006	0.23913	0.19277	0.43190	1.66000	0.59970	0.18250

Source: County Board of Equalization and Assessment

TABLE D-9

CITY OF HUNTSVILLE, TEXAS

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

	2006			1997		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Wal-Mart Stores, Inc.	$ 16,054,400	1	1.75%	$ 15,984,800	1	3.10%
Weatherford Completion Ser	14,833,094	2	1.62%	N/A	N/A	N/A
Entergy Services, Inc.	13,031,050	3	1.42%	11,231,810	3	2.18%
Samuel Dominey	11,334,090	4	1.24%	7,052,570	5	1.37%
Southwestern Bell Telephone	11,217,820	5	1.22%	14,826,380	2	2.87%
Arbors of Huntsville	9,349,770	6	1.02%	N/A	N/A	N/A
University House	6,488,190	7	0.71%	N/A	N/A	N/A
West Hill Mall	5,830,970	8	0.64%	N/A	N/A	N/A
Home Depot, Inc.	5,727,770	9	0.62%	N/A	N/A	N/A
HD Develoment Properties	5,718,660	10	0.62%	N/A	N/A	N/A
EVI Arrow, Inc.	N/A	N/A	N/A	7,467,810	4	1.45%
Ridgewood West Apartments	N/A	N/A	N/A	5,240,460	6	1.02%
Gibbs Brothers & Co.	N/A	N/A	N/A	4,372,610	7	0.85%
Huntsville Chevrolet-Nissan	N/A	N/A	N/A	4,260,620	8	0.83%
The Timbers Apartments	N/A	N/A	N/A	3,466,200	9	0.67%
First National Bank	N/A	N/A	N/A	3,451,170	10	0.67%
Total	$ 99,585,814		10.86%	$ 77,354,430		15.01%

Source: City of Huntsville Budget Documents

TABLE D-10

CITY OF HUNTSVILLE, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	$ 1,986,335	$ 1,938,126	97.6%	$ 46,256	$ 1,984,382	99.9%
1998	2,060,949	2,023,680	98.2%	35,714	2,059,394	99.9%
1999	2,431,739	2,373,496	97.6%	55,575	2,429,071	99.9%
2000	2,626,477	2,577,036	98.1%	44,688	2,621,724	99.8%
2001	2,907,066	2,842,522	97.8%	54,369	2,896,891	99.6%
2002	3,162,188	3,102,772	98.1%	48,676	3,151,448	99.7%
2003	3,407,218	3,330,628	97.8%	62,838	3,393,466	99.6%
2004	3,536,589	3,423,539	96.8%	90,707	3,514,246	99.4%
2005	3,842,132	3,717,347	96.8%	17,817	3,735,164	97.2%
2006	3,987,376	3,835,272	96.2%	N/A	3,835,272	96.2%

Sources: Walker County Appraisal District

TABLE D-11

CITY OF HUNTSVILLE, TEXAS

DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rate	Walker County	State Rate
1997	1.50%	0.50%	6.25%
1998	1.50%	0.50%	6.25%
1999	1.50%	0.50%	6.25%
2000	1.50%	0.50%	6.25%
2001	1.50%	0.50%	6.25%
2002	1.50%	0.50%	6.25%
2003	1.50%	0.50%	6.25%
2004	1.50%	0.50%	6.25%
2005	1.50%	0.50%	6.25%
2006	1.50%	0.50%	6.25%

Sources: City of Huntsville Budget Documents

TABLE D-12

CITY OF HUNTSVILLE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	General Bonded Debt		
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Capital Leases
1997	$ 3,600,000	$ 400,403	101,545
1998	3,350,000	453,950	--
1999	3,075,000	7,799,212	--
2000	2,750,000	7,719,474	--
2001	2,425,000	12,634,738	--
2002	2,100,000	12,550,000	--
2003	1,700,000	12,385,000	981,692
2004	1,403,076	13,380,000	772,719
2005	5,011,445	14,140,000	1,094,888
2006	4,611,764	13,760,000	1,038,929

	Business-type Activities					
Fiscal Year	Water Revenue Bonds	Certificates of Obligation	Anticipated Notes Payable	Total Primary Government	Percentage of personal Income	Per Capita
1997	$ 38,515,000	$ 1,409,646	$ 823,365	$ 44,849,959	5.19	$ 1,398
1998	36,255,000	1,200,536	677,160	41,936,646	4.52	1,303
1999	43,155,000	1,124,735	523,260	55,677,207	5.81	1,732
2000	40,665,000	963,283	357,818	52,455,575	5.01	1,496
2001	37,835,000	793,695	184,680	53,873,113	5.10	1,528
2002	35,130,000	5,666,534	--	55,446,534	5.11	1,589
2003	38,715,000	5,555,000	--	59,336,692	5.34	1,652
2004	35,981,925	5,010,000	--	56,547,720	4.88	1,552
2005	32,883,555	--	--	53,129,888	N/A	1,448
2006	29,953,236	--	--	49,363,929	N/A	1,345

TABLE D-13

CITY OF HUNTSVILLE, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

	General Bonded Debt Outstanding							
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Capital Leases	Total Debt	Assessed Value	Percentage of Actual Taxable Value of Property	Population	Per Capita
1997	$ 3,600,000	$ 400,403	101,546	$ 4,101,949	515,929,690	0.80%	32,084	127.85
1998	3,350,000	453,950	--	3,803,950	537,100,530	0.71%	32,178	118.22
1999	3,075,000	7,799,212	--	10,874,212	561,573,333	1.94%	32,148	338.25
2000	2,750,000	7,719,474	--	10,469,474	638,054,799	1.64%	35,074	298.50
2001	2,425,000	12,634,738	--	15,059,738	672,209,434	2.24%	35,262	427.08
2002	2,100,000	12,550,000	--	14,650,000	746,266,499	1.96%	34,890	419.89
2003	1,700,000	12,385,000	981,692	15,066,692	755,980,960	1.99%	35,926	419.38
2004	1,403,076	13,380,000	772,719	15,555,795	819,930,777	1.90%	36,442	426.86
2005	5,011,445	14,140,000	1,094,888	20,246,333	879,693,723	2.30%	36,699	551.69
2006	4,611,764	13,760,000	1,038,929	19,410,693	916,559,997	2.12%	37,237	521.27

TABLE D-14

CITY OF HUNTSVILLE, TEXAS

DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid With Property Taxes			
Walker County	$ 2,560,513	57.00%	$ 1,459,492
Huntsville Independent School District	45,450,800	77.15%	35,065,292
Subtotal, Overlapping Debt			36,524,784
City governmental activities direct debt			20,162,710
Total Direct and Overlapping Debt			$ 56,687,494

a) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another government unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

b) Overlapping governments are those that coincide, at least, in part with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of City of Huntsville. This process recognizes that, when considering City of Huntsville's ability to issue and repay long-term debt, the entire debt burden borne by residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

TABLE D-15

CITY OF HUNTSVILLE, TEXAS

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year								
	1997	1998	1999	2000	2001	2002	2003	2004	2005
Debt Limit	$ 51,592,969	$ 53,710,053	$ 56,157,333	$ 63,805,479	$ 67,421,237	$ 73,022,360	$ 75,680,200	$ 81,993,078	$ 91,655,999
Total Net Debt Applicable to Limit	4,101,948	3,803,950	10,874,212	10,649,474	15,059,738	14,650,000	15,066,992	15,555,795	20,246,333
Legal Debt Margin	47,491,021	49,906,103	45,283,121	53,156,005	52,361,499	58,372,360	60,613,208	66,437,283	71,409,666
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	7.95%	7.08%	19.36%	16.69%	22.34%	20.06%	19.91%	18.97%	22.09%

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed Value	$ 987,649,140
Debt Limit (10% of Assessed Value)	98,764,914
Debt Applicable to Limit:	
General Obligation Debt	20,162,710
Less: Amount Set Aside for Repayment of General Obligation Debt	154,598
Total Net Debt Applicable to Limit	20,008,112
Legal Debt Margin	$ 78,756,802

Source: City of Huntsville Comprehensive Annual Financial Statements

CITY OF HUNTSVILLE, TEXAS

PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS

	Wastewater Revenue Bonds					
				Debt Service		
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
1997	$ 10,227,669	$ 7,041,543	$ 3,186,126	$ 795,000	$ 354,226	2.77%
1998	11,129,643	7,947,072	3,182,571	835,000	634,796	2.17%
1999	11,689,292	8,196,038	3,493,254	870,000	598,186	2.38%
2000	12,014,877	8,795,636	3,219,241	920,000	552,236	2.19%
2001	14,279,177	10,745,681	3,533,496	970,000	520,018	2.37%
2002	15,077,613	11,233,851	3,843,762	570,000	490,938	3.62%
2003	17,332,664	11,282,537	6,050,127	675,000	716,918	4.35%
2004	17,407,743	13,031,755	4,375,988	880,000	774,078	2.65%
2005	18,530,513	13,641,064	4,889,449	915,000	739,748	2.95%
2006	19,057,229	16,074,467	2,982,762	950,000	703,410	1.80%

a) Revenues pledged for Wastewater Bonds include Wastewater operations and Water operations. Therefore, Revenues and Expenditures for both the Water Fund and Wastewater Fund are included above. Operating Expenses do not include depreciation, bad debt expense (non cash), or interest expense on the applicable debt for which revenues are pledged.

b) Details regarding City of Huntsville's outstanding debt can be found in Note F of the current financial statements of the City.

TABLE D-17

CITY OF HUNTSVILLE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Population										
Huntsville	32,084	32,178	32,148	35,074	35,262	34,890	35,926	36,442	36,699	37,237
Walker County	59,118	60,350	61,476	61,758	61,916	61,309	62,336	62,761	62,735	63,602
a) Personal Income (thous)	$ 863,615	$ 928,558	$ 958,709	$ 1,047,710	$ 1,056,829	$ 1,084,658	$ 1,111,911	$ 1,159,211	$ not available	$ not available
a) Per Capita Personal Income	$ 14,608	$ 15,386	$ 15,595	$ 16,982	$ 17,069	$ 17,692	$ 17,837	$ 18,470	$ not available	$ not available
Median Age	--	--	--	--	--	--	--	--	--	--
Education Level in Years of Schooling	--	--	--	--	--	--	--	--	--	--
School Enrollment	--	--	--	--	--	--	--	--	--	--
Unemployment	not available	not available	not available	4.8	5.2	5.7	6.3	5.7	5.2	not available

Sources: 1997-2005 population information provided by the US Census Bureau. 2006 population information provided by the Texas Office of the State Demographer. Personal income information provided by the US Bureau of Economic Analysis. Unemployment rate information provided by the Texas Workforce Commission.

Note: a) For Walker County

TABLE D-18

CITY OF HUNTSVILLE, TEXAS

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	2006			1997		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Texas Dept of Criminal Justice	6,096	1	44.15%	Not Available	Not Available	Not Available
Sam Houston State University	2,862	2	20.73%	Not Available	Not Available	Not Available
Huntsville Independent School Dist	965	3	6.99%	Not Available	Not Available	Not Available
Huntsville Memorial Hospital	511	4	3.70%	Not Available	Not Available	Not Available
Walmart	485	5	3.51%	Not Available	Not Available	Not Available
Region VI Education Service Cntr	389	6	2.82%	Not Available	Not Available	Not Available
Walker County	365	7	2.64%	Not Available	Not Available	Not Available
City of Huntsville	321	8	2.32%	Not Available	Not Available	Not Available
Gulf Coast Trades Center	200	9	1.45%	Not Available	Not Available	Not Available
Weatherford Completion Services	160	10	1.16%	Not Available	Not Available	Not Available

Source: City employment information provided by Texas Workforce Commission. Principal employers information provided by Walker County Chamber of Commerce.

TABLE D-19

CITY OF HUNTSVILLE, TEXAS

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Full-Time-Equivalent Employees as of Year End									
Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Charter Offices										
Office of City Manager	2.00	2.00	3.12	1.00	1.00	2.00	2.50	2.50	3.50	3.00
Office of City Secretary	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00
Office of City Attorney	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Office of City Judge	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Charter Offices Support	--	--	--	2.00	2.00	--	--	--	--	--
Administration										
Library	8.00	8.00	8.00	8.00	8.00	9.00	8.00	9.00	9.00	9.00
Cultural Services	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Main Street	--	--	--	--	1.00	1.00	1.00	1.00	1.00	1.00
Economic Development	--	--	--	--	--	2.00	2.00	2.00	--	--
Finance										
Finance	6.00	6.00	6.00	6.00	6.63	7.00	6.00	5.50	6.50	8.00
Municipal Court	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.50
Court Security	--	--	--	--	--	--	--	--	--	1.00
Utility Billing	4.00	4.00	4.00	4.63	5.00	5.00	5.00	5.00	5.50	6.00
Administrative Services										
Human Resources	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00	3.00	4.00
RIsk/Safety Management	--	--	--	--	--	1.00	1.00	1.00	1.00	1.00
Purchasing	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Information Technology	3.00	3.00	3.00	4.00	4.00	5.00	6.00	6.00	5.00	5.00
Public Services										
Administration	7.00	7.00	7.00	7.00	7.00	8.00	7.00	7.00	7.00	7.50
Fleet/Warehouse	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Garage Services	8.00	8.00	8.00	8.00	8.00	8.00	6.00	7.00	7.00	6.00
Water Production	3.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Water Distribution	9.00	9.00	9.00	9.00	9.00	12.00	9.00	9.00	10.00	10.00
Meter Reading	2.66	2.66	2.66	3.00	3.00	4.00	4.00	4.00	4.00	4.00
Construction Crew	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00
Wastewater Collection	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	10.00
AJ Brown WWTP	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.50	5.50	5.00
NB Davidson WWTP	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	4.00
Robinson Creek WWTP	--	--	--	--	--	3.00	3.00	3.00	3.00	4.00
Environmental Services	2.50	2.50	2.50	2.50	2.50	3.00	3.00	3.00	4.00	3.00

Commercial Collection	8.00	8.00	8.00	8.00	7.00	7.00	7.00	7.00	7.00	7.00
Solid Waster Disposal	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Residential Collection	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Recycling	--	--	--	--	1.00	1.00	1.00	1.00	1.00	1.00
Street Sweeping	1.00	1.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00
Planning and Development	11.00	12.00	12.00	14.00	15.00	15.00	14.00	14.00	15.00	14.00
Central Inspection	6.00	6.00	6.00	6.00	6.00	8.00	7.00	7.00	7.00	7.00
Health Inspection	--	--	--	--	1.00	1.00	1.00	1.00	2.00	2.00
Streets	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00
Drainage Maintenance	--	--	--	--	--	--	--	--	4.00	4.00
Parks and Recreation										
Adminsitration	2.50	2.50	3.50	2.50	2.50	1.00	1.00	1.00	2.00	2.00
Recreation	--	--	--	--	2.00	1.00	4.00	4.00	4.00	4.50
Parks Maintenance	10.98	11.66	11.66	12.66	11.66	13.66	8.66	8.66	8.66	8.66
Urban Forestry	--	--	--	--	--	--	--	1.00	1.00	1.00
Cemetery Operations	--	--	--	--	--	2.00	2.00	2.00	2.00	2.00
Building Services	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Golf Course Operations	--	--	--	--	--	1.00	10.50	9.50	9.50	--
Golf Course Pro Shop Operations	--	--	--	--	--	1.00	10.00	10.00	5.50	--
Public Safety										
Adminsitration	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Police	49.00	42.00	42.00	42.00	44.00	47.00	47.00	47.00	47.00	47.00
Fire	3.00	4.00	4.00	5.00	5.00	6.00	5.00	5.00	6.00	7.00
School Resource Officers	--	--	--	--	--	--	--	5.00	5.00	5.00
Dispatch Services	--	7.00	7.00	6.00	--	--	--	--	--	--
Total	233.14	235.82	237.94	241.79	241.79	264.16	271.16	277.16	284.16	272.16

Source: City of Huntsville Budget Documents

TABLE D-20

CITY OF HUNTSVILLE, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year							
Function/Program	1999	2000	2001	2002	2003	2004	2005	2006
Administration								
Library Items Circulated	74,708	82,092	84,066	not available	not available	not available	103,256	96,974
Library Visitors	108,316	110,138	not available	not available	113,089	145,543	173,245	156,067
Wynne Home Visitors	N/A	N/A	N/A	N/A	N/A	N/A	N/A	650
Art and Cultural Events Held	not available	not available	not available	not available	not available	not available	150	270
Business in Main Street Downtown District	N/A	N/A	not available	not available	not available	not available	67	70
Main Street Events Held	N/A	N/A	not available	not available	not available	not available	5	7
Finance								
Invoices Processed	not available	17,558	18,239	17,619	not available	not available	9,423	9,847
Pyroll Checks Issued	4,412	4,375	5,820	4,376	5,231	4,377	3,909	3,526
Court Cases Files and Processed	not available	not available	not available	not available	10,788	9,168	8,698	7,833
Warrants Issued	1,224	1,706	not available	not available	not available	not available	3,590	2,870
Utility Bills Generated	not available	not available	not available	not available	not available	not available	not available	98,273
Utility Payment Received	76,788	not available	not available	not available	not available	not available	not available	82,025
Meter Reading Service Orders Generated	6,054	6,503	6,050	6,323	5,277	5,382	not available	13,718
Administrative Services								
Workers Compensation Claims Filed	27	54	52	50	48	42	40	21
On Site Property Inspections Conducted	not available	not available	not available	not available	not available	not available	9	8
Safety Classes Held	not available	not available	not available	not available	7	6	not available	27
Purchase Orders Issued	207	not available	not available	not available	not available	not available	not available	214
Formal Bids Issued	29	15	not available	not available	not available	not available	13	18
Computer Help Desk Request Completed	not available	not available	not available	not available	not available	not available	2,457	3,081
Public Services								
Garage Work Orders Processed	not available	not available	not available	not available	not available	not available	3,949	3,419
Gallons Water Produced (in billions)	2.51	2.65	2.70	2.80	not available	not available	2.12	3
Water Main Leaks Repaired	not available	57	90	not available	not available	not available	30	80
New Water Connections Installed	not available	198	123	not available	not available	not available	91	150
New Sewer Taps Installed	not available	127	97	not available	not available	not available	72	80
Gallons Wastewater Treated (in billions)	not available	1.42	1.19	1.19	not available	not available	1.35	1.53
Manholes Inspected and Serviced	not available	not available	not available	not available	not available	not available	not available	318
Commercial Waste Collected (in tons)	not available	15,478	not available	not available	not available	not available	16,871	17,100
Residential Waste Collected (in tons)	not available	6,313	not available	not available	not available	not available	7,372	7,098
Waste Transferred to Landfill (in tons)	not available	34,139	35,443	35,226	not available	not available	34,334	34,064
Waste Recycled (in tons)	not available	1,632	2,046	1,974	not available	not available	2,223	2,486
Code Enforcement Complaints Investigated	not available	211	315	not available	260	273	485	594
Food Establishment Inspections Performed	687	692	not available	not available	not available	not available	257	422

Public Services - continued								
Lane Miles of Existing Streets Seal Coated	4.92	26.00	4.50	23.03	not available	not available	8.08	--
Tons Debris Removed from Drainage Ways	not available	not available	not available	not available	not available	not available	5,074	6,020
Curb Miles Swept by Street Sweeper	not available	not available	not available	4,354	not available	3,617	3,786	3,216
Parks and Recreation								
In-House Recreation Programs Offered	not available	not available	not available	not available	not available	not available	not available	not available
Contract Recreation Programs Offered	not available	not available	not available	not available	not available	not available	not available	not available
Playground Safety Inspections Performed	19	19	12	12	12	12	not available	not available
Public Safety								
Police Calls for Service	24,570	30,565	34,784	28,890	44,021	45,170	44,666	38,078
Arrest Made	not available	not available	not available	not available	not available	not available	1,446	1,339
Citations Issued	not available	not available	12,422	not available	10,327	9,133	7,168	6,793
Offenses/Incidents Reported	not available	not available	not available	not available	not available	not available	3,479	3,344
Fire Calls for Service	1,142	1,252	not available	not available	787	794	1,275	1,522
Main Alarms Answered	not available	not available	not available	not available	not available	not available	249	330
Fire Inspectios Conducted	269	256	251	320	238	210	210	248

Source: City of Huntsville Budget Documents

TABLE D-21

CITY OF HUNTSVILLE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Administration:										
Arts Center	0	0	0	0	0	0	0	0	0	1
Libraries	1	1	1	1	1	1	1	1	1	1
Public Services:										
Water Line (miles)	not available	not available	not available	not available	not available	not available	not available	not available	not available	200
Sewer Line (miles)	not available	not available	not available	not available	not available	not available	not available	not available	not available	190
Water Production Capacity (thous of gallons)										
Wastewater Treatment Capacity (mil of gals)	5.75	5.75	5.75	5.75	5.75	8.25	8.25	8.25	8.25	8.25
Fire Hydrants	not available	780	838	876	897	904	911	913	919	962
Liftstations	not available	not available	not available	not available	not available	not available	not available	not available	not available	26
Water Plants	3	3	3	3	3	3	3	3	3	3
Wastewater Treatment Plants	2	2	2	2	2	3	3	3	3	3
Solid Waste Roll-Off Containers	not available	not available	not available	not available	not available	not available	not available	not available	not available	41
Solid Waste Dumpsters	not available	not available	not available	not available	not available	not available	not available	not available	not available	633
Solid Waste Recycling Facilities	0	0	0	0	0	0	1	1	1	1
Street (centerline miles)	not available	not available	not available	not available	not available	not available	not available	not available	not available	139
Parks and Recreation:										
Parks	21	21	21	21	22	25	25	25	26	26
Park Acreage	131.87	132.17	180.17	180.17	229.30	406.72	406.72	406.72	265.41	281.94
City Pool (1997-2004)/Aquatic Centers	1	1	1	1	1	1	1	1		
Community Centers (MLK Building)	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	3	3	3	3	3	3	3	3	3	3

Sources: Various city departments
Note: Capital Asset Statistics for Charter Offices, Finance and Administrative Services are not available.