

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**OF THE**

**CITY OF BIRMINGHAM, ALABAMA**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2006**

**OFFICE OF THE DIRECTOR OF FINANCE**  
**Michael Johnson, CPA**  
**Director**

**City of Birmingham, Alabama  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2006**

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Comprehensive Annual Financial Report  
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# INTRODUCTORY SECTION

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- **Finance Director's Letter of Transmittal**
- **Certificate of Achievement-  
Government Finance Officers Association**
- **City of Birmingham Organization Chart**



**OFFICIALS OF THE CITY OF BIRMINGHAM  
JUNE 30, 2006**

**MAYOR**

**Bernard Kincaid, J.D., Ph.D**

**CITY COUNCIL**

**Carole Smitherman, President**

*District 6*

<b>Joel Montgomery</b>	<i>District 1</i>	<b>William A. Bell, Sr.</b>	<i>District 5</i>
<b>Carol Reynolds</b>	<i>District 2</i>	<b>Miriam Witherspoon</b>	<i>District 7</i>
<b>Valerie A. Abbott</b>	<i>District 3</i>	<b>Steven W. Hoyt</b>	<i>District 8</i>
<b>Maxine H. Parker</b>	<i>District 4</i>	<b>Roderick V. Royal</b>	<i>District 9</i>

**DEPARTMENT HEADS**

<b>Arlington</b>	<b>Daniel Brooks, Director</b>
<b>Auditorium</b>	<b>Kevin Arrington, Director</b>
<b>City Clerk</b>	<b>Paula Smith, City Clerk</b>
<b>City Council</b>	<b>Cheryl Kidd, Administrator</b>
<b>Community Development</b>	<b>James Fenstermaker, Director</b>
<b>Equipment Management</b>	<b>George R. Rainey, Director</b>
<b>Finance</b>	<b>Michael Johnson, Director</b>
<b>Fire</b>	<b>Dwayne Murray, Chief</b>
<b>Law</b>	<b>Tamara Harris Johnson, City Attorney</b>
<b>Library</b>	<b>Barbara Sirmans, Director</b>
<b>Municipal Court</b>	<b>Raymond Chambliss, Presiding Judge</b>
<b>Museum of Art</b>	<b>Gail Trechsel, Director</b>
<b>Office of Information Management Systems</b>	<b>John Wade, Director</b>
<b>Parole</b>	<b>Stanley Hamby, Director</b>
<b>Park and Recreation</b>	<b>Melvin Miller, Director</b>
<b>Personnel</b>	<b>Ann Thompson, Director</b>
<b>Planning, Engineering, and Permits</b>	<b>William Gilchrist, Director</b>
<b>Police</b>	<b>Annetta Nunn, Chief</b>
<b>Public Safety</b>	<b>Stephen Fancher, Director</b>
<b>Sloss Furnaces</b>	<b>Robert Rathburn, Director</b>
<b>Southern Museum of Flight</b>	<b>Jim Griffin, Director</b>
<b>Traffic Engineering</b>	<b>John A. Garrett, Engineer</b>

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**December 16, 2006**

**To the Honorable Bernard Kincaid, Mayor,  
City Council Members,  
Citizens of the City of Birmingham**

**The Comprehensive Annual Financial Report for the City of Birmingham's fiscal year ended June 30, 2006, is hereby submitted. This report is the official comprehensive publication of the City's financial position at June 30, 2006. The City is responsible for both the accuracy of the data and the completeness and fairness of the presentation including all disclosures. To the best of our knowledge and belief, the enclosed report is accurate in all material respects and all statements; and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included.**

### **THE REPORT**

**The report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a list of the City's principal officials, an organizational chart, and the Governmental Finance Officer's Certificate of Achievement.**

**The financial section is prepared in accordance with generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board. This section of the CAFR contains the Management's Discussion & Analysis (MD&A), which is located immediately after the independent auditors' report, the basic financial statements, the combining and individual fund statements and schedules, as well as the independent auditors' report and any required supplementary information.**

**The MD&A provides an overview and analysis of the City's financial performance. This letter of transmittal is designed to supplement the MD&A and should be read in conjunction with it. The basic financial statements include the City's government-wide financial statements that present an overview of the City's**

entire operations; the fund level statements present the financial information of each of the City's major funds, as well as the nonmajor funds. The statistical section contains selected financial and demographic statistics, generally on a multi-year basis.

## CITY PROFILE

The City of Birmingham was incorporated in 1871 and is centrally located in the State of Alabama at the foothills of the Appalachian Mountains. The City is approximately 151 square miles in area with an estimated population of 242,820.

The City operates under a mayor-council form of government. There are nine council members representing the separate districts of the City. The Mayor and Council are elected at large and serve four-year terms.

The City of Birmingham provides a wide range of services to its citizens including the following:

- Police and fire protection
- Sanitation services
- Construction and maintenance of highways, streets, and infrastructure
- Recreational activities
- Cultural events
- Libraries and museums

## REPORTING ENTITY

This report includes all funds of the City of Birmingham. Also included are the funds of two separate legal entities, the Birmingham Airport Authority and the Birmingham Parking Authority. They are included because the City is financially accountable for their activities.

## ECONOMIC CONDITIONS AND OUTLOOK

The City of Birmingham has a diverse economy which has shown signs of increased economic activity and vitality evidenced by an increase in sales and use taxes for a second consecutive year. Unemployment levels have improved over the last year and are below the national median. The results of operations in fiscal year 2006 showed an increase in sales, use, and occupational taxes of \$4,765,000. The first five months of fiscal year 2007 indicate a continuing rise in the collection of business taxes. The City of Birmingham continues to serve as the financial and service center for the metropolitan area with a strong institutional presence anchored by the University of Alabama Medical Center and various federal, state, and local government employers.

In fiscal year 2006, the City of Birmingham entered into an agreement with Wal-Mart to revitalize the Eastwood Mall area of Birmingham. Wal-Mart officials



agreed to build a Wal-Mart Supercenter in the Eastwood Mall location. The old structure has been demolished and construction has begun in earnest to recreate a thriving shopping area for the citizens of the Crestwood and surrounding neighborhoods. With Wal-Mart as the anchor, there will be other retailers located in the same area such as a major electronics store, a major office supply store, and restaurants.

In 2005, the Birmingham City Council approved the newly-created Ensley Automotive District Urban Renewal and Redevelopment Plan to encourage automotive dealers to locate in the western area of the city. In December 2006, the first new dealership had their groundbreaking ceremony. Serra Honda will be located in the District which is located in the historical Tuxedo Junction section of Ensley; the project is estimated to cost over \$3 million and is expected to generate over \$400,000 annually in new sales tax revenue to the City.

The Mayor and City Council of the City of Birmingham continue to seek out opportunities to attract new businesses and retain current businesses in the City. Redevelopment agreements are becoming more commonplace to accomplish this goal; and the citizens should reap the rewards with improved infrastructure, better living conditions, and more opportunities for employment.

## **FUTURE INITIATIVES**

The future outlook for the City of Birmingham is staple with many capital improvement projects anticipated. The City is proud of its commitment to the Birmingham Public School system and its capital project initiatives. Of the proceeds received from the Water Works Board, \$126 million was dedicated to the school system. At the end of fiscal year 2006, over \$92 million had been spent in building new state-of-the-art school facilities and renovating existing facilities.

The leaders of the City are committed to using resources in the most efficient and effective ways and have embraced the use to technology to help accomplish this objective. To that end, they have begun to implement a new performance measurement system to ensure citizens' needs are met timely and that departments are meeting established goals. Also, they have approved the acquisition and implementation of a new human resources/payroll computer system as well as a new financial reporting system. The overall goal is to provide timely and accurate operational data and financial information for decision making.

The City's capital improvement program for the next few years proposes a continuance of improving the City's existing infrastructure and facilities as well as

the construction of new projects as needed. For fiscal year 2007, the following expenditures are projected for specific categories:

Storm Sewers	\$6.9 million
Street Improvements	\$7.8 million
Sanitary Sewers	\$4.6 million
Schools	\$9.2 million
Libraries	\$2.7 million
Park Improvements	\$5.9 million

### OTHER FINANCIAL INFORMATION

The City's management is responsible for the establishment and maintenance of accounting and other internal controls to ensure compliance with applicable laws and City policies, that assets are safeguarded, and that financial transactions are properly recorded and documented to provide reliable information for the preparation of the City's financial statements in accordance with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Section 3.18 of the Mayor-Council Act requires an independent audit of the financial records by a certified public accounting firm. The City's financial statements for June 30, 2006, have been audited by Hullett, Kellum & McKinney, P.C., Certified Public Accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Birmingham's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader federal and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on the administration of federal and state awards. The Single Audit is available upon request.

Included in this report is a narrative, Management's Discussion and Analysis (MD&A), that provides an overview and analysis of the City's financial performance. This letter of transmittal is designed to supplement the MD&A and

should be read in conjunction with it. The City's MD&A is located immediately following the auditor's report.

## **ACHIEVEMENTS**

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Birmingham for its Comprehensive Financial Audit Report (CAFR) for the fiscal year ended June 30, 2005.

The Certificate of Achievement is a prestigious national award presented to state and local governments for publishing an easily readable and efficiently organized CAFR whose contents conform to program standards and complies with generally accepted accounting principles and applicable legal requirements. The Certificate is valid for a period of one year.

The City of Birmingham has received the Certificate for the last 29 consecutive years. We believe our current CAFR continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA for consideration.

Additionally, the City's budget report for fiscal year beginning July 1, 2005, was awarded the Government Finance Officer's Association Award for Distinguished Budget Presentation. In order to receive this award, a governmental unit must publish a document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The City believes its current budget report also meets the above criteria, and we have submitted it to the GFOA for consideration.

## **ACKNOWLEDGMENT**

Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the staff of the Finance Department. I would also like to thank the Mayor, Council, and other department heads for their cooperation in the development of this financial report.

Respectfully submitted,

Michael Johnson, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Birmingham  
Alabama

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

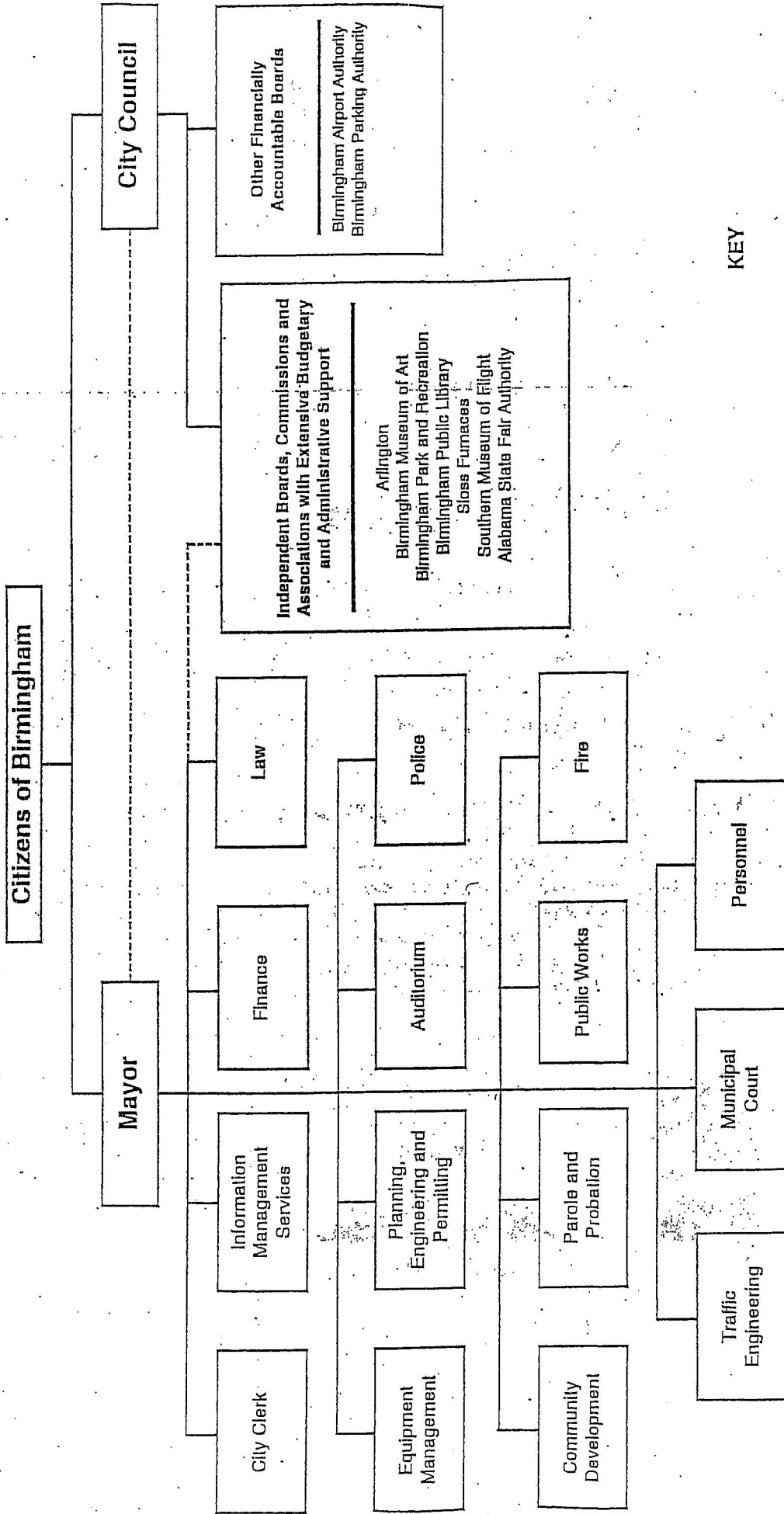
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# City of Birmingham, Alabama Organization Chart



**KEY**

————— Indicates appointive authority and management oversight

- - - - - Indicates administrative and budgetary support only

# FINANCIAL SECTION

- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Notes to the Financial Statements**
- **Required Supplementary Information**



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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council for  
The City of Birmingham, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Birmingham, Alabama (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Birmingham Parking Authority and the Birmingham Airport Authority, which represent 28.4 percent, 47.4 percent and 14.10 percent, respectively, of the assets, net assets, and revenues of the City. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Birmingham Parking Authority and Birmingham Airport Authority, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, whose standards request 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 opinion.

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

MEMBERS OF

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS - ALABAMA STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2006, on our consideration of the City'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 considered in assessing the results of our audit.

The management's discussion and analysis on pages 13 through 20 is not a required part of the basic financial statements but are 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 conducted for the purpose of forming opinions of the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison information, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the budgetary comparison information have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and 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.



Hullett, Kellum & McKinney, P.C.

December 15, 2006



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Birmingham, Alabama (City), we invite our readers to review this overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006 (fiscal year 2006). Its purpose is to provide an introduction and overview readers should use to interpret and analyze the City's basic financial statements and financial activities based upon currently known facts, decisions and conditions. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal at the front of this report and the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's net assets were \$283,283,000 for governmental activities and \$934,000 for business-type activities at June 30, 2006. This reflects a decrease in governmental activities' net assets of \$69,516,000, or 26.3% from fiscal year 2005.
- During fiscal year 2006, the City received \$363,371,000 in taxes and other revenues, which represents an increase of \$3,995,000 from fiscal year 2005. Increases in sales and use tax, occupational taxes, and property taxes accounted for the majority of the increase.
- Total expenditures for the year were \$432,887,000, which represent an increase of \$45,852,000 (12%) from fiscal year 2005. The increase in expenditures was a result of higher fuel and utility costs as well as an increase in personnel costs due mainly to a 2% cost-of-living salary increase for City employees.
- General fund operating revenues exceeded operating expenditures by \$3,795,000 for the fiscal year. Increases in sales and use tax, occupational taxes, and property taxes accounted for the majority of the increase.

- The City has one business-type activity, the Emergency Management Communications District (E911). Revenues are generated through charges assessed for E911 services. Total revenues received were \$3,037,000 and expenditures were \$3,157,000, resulting in a net loss of \$120,000 for fiscal year 2006.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, similar to that presented by private sector businesses. The City's basic financial statements are comprised of the following:

#### Government-wide Financial Statements

Government-wide financial statements provide the reader with both long-term and short-term information about the City's financial condition. Changes in the City's financial position may be measured over time by increases or decreases in net assets as shown on the Statement of Net Assets. The Statement of Activities shows how the City's net assets changed during the fiscal year. Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activity of the City is the Emergency Management Communications District (E911).

#### Fund Financial Statements

Fund financial statements report the City's operations in more detail than what is presented in the government-wide financial statements. Fund financial statements include the statements for governmental, proprietary, and fiduciary funds.

### Governmental funds

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

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

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund, both of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation.

Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found on pages 82-85 of this report.

The City adopts an annually appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 22-24 of this report.

### Proprietary funds

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The City maintains one type of proprietary fund, Emergency Management Communications District (E911), which is in an enterprise fund used to report the same functions presented in business-type activities in the government-wide financial statements.

The proprietary fund financial statements provide separate information for the Emergency Management Communications District (E911), considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 29-31 of this report.

### Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties external to the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 32-33 of this report.

### Notes to the Financial Statements

Accompanying notes to the financial statements provide the reader with additional information that is essential to understanding the data provided in the government-wide and fund financial statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 61-65 of this report. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information regarding pensions. Combining and individual fund statements and schedules can be found on pages 82-85 of this report.

The following table summarizes the major features of the basic financial statements of the City of Birmingham.

## Table of Financial Statements

### Fund Financial Statements

	<b>Government-wide Financial Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire City government (except fiduciary funds)	Activities of the City that are not proprietary or fiduciary	Activity of the City that operates similar to businesses	Activities for which the City acts as trustee for someone else's resources
Required financial statements	<ul style="list-style-type: none"> <li>•Statement of net assets</li> <li>•Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>•Balance sheet</li> <li>•Statement of revenues, expenditures, and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>•Statement of net assets</li> <li>•Statement of revenues, expenses, and changes in net assets</li> <li>•Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>•Statement of fiduciary net assets</li> <li>•Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be liquidated and liabilities that come due during the year or soon thereafter; no capital assets nor long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	<ul style="list-style-type: none"> <li>•Revenues for which cash is received during or soon after the end of the year</li> <li>•Expenditures when goods or services have been received and payment is due during the year or soon thereafter</li> </ul>	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

**GOVERNMENT-WIDE CONDENSED  
FINANCIAL INFORMATION**

Net assets represent the difference between the City's total assets and its total liabilities. Changes in the net assets can be a useful measuring tool for governments to gauge their performance over time. The City's net assets that are invested in capital assets net of related debt reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other revenue sources, since the capital assets themselves cannot be liquidated to satisfy these liabilities.

The City's restricted net assets of approximately \$205 million are subject to bond and warrant covenants and by federal and state grant requirements. Overall the City's total net assets decreased by approximately \$70 million in fiscal year 2006; over 80% of this decrease is attributed

to the aggressive capital projects campaign. The City allowed the Birmingham Board of Education to use a large portion of the proceeds it received from the Birmingham Water Works to build new schools and revitalize other existing structures. Additionally, the City used the proceeds from a 2002 bond issue on a vast number of capital improvement projects ranging from improvements to streets, sewers, facilities, parks, and economic development.

There was a reduction in net assets of \$120,000 in the Emergency Management Communication District, Emergency Management Communication District, an enterprise fund, which is the City's sole business-type fund. The decrease was due to revenues not increasing at a pace equivalent to expenditures. Revenue for the District is composed mainly of reimbursement charges to the City's general fund for personnel costs incurred in providing E-911 services to the citizens of Birmingham.

**Condensed Statement of Net Assets**

The following table presents a condensed statement of the City's net assets at June 30, 2006 and 2005:

**Table 2**

**CONDENSED STATEMENT OF NET ASSETS**  
**June 30, 2006 and 2005**  
**(in thousands)**

	Governmental Activities		Business-Type Activities		Totals	
	<u>06/30/06</u>	<u>06/30/05</u>	<u>06/30/06</u>	<u>06/30/05</u>	<u>06/30/06</u>	<u>06/30/05</u>
Current and other assets	\$501,557	601,837	(7)	335	501,550	602,172
Capital assets, net	<u>378,522</u>	<u>340,976</u>	<u>942</u>	<u>764</u>	<u>379,464</u>	<u>341,740</u>
Total assets	<u>880,079</u>	<u>942,813</u>	<u>935</u>	<u>1,099</u>	<u>881,014</u>	<u>943,912</u>
Current and other liabilities	63,637	68,993	1	45	63,638	69,038
Long-term liabilities	<u>533,159</u>	<u>551,231</u>	<u>0</u>	<u>0</u>	<u>533,159</u>	<u>551,231</u>
Total liabilities	<u>596,796</u>	<u>646,134</u>	<u>1</u>	<u>45</u>	<u>596,797</u>	<u>624,269</u>
Net assets:						
Invested in capital assets, net of related debt	53,708	(18,295)	942	764	54,65	(17,531)
Restricted	205,388	361,917			205,388	361,917
Unrestricted	<u>24,187</u>	<u>25,033</u>	<u>(8)</u>	<u>290</u>	<u>24,179</u>	<u>(24,743)</u>
Net assets	<u>\$283,283</u>	<u>318,589</u>	<u>934</u>	<u>1,054</u>	<u>284,217</u>	<u>319,643</u>

**TABLE 3**

**CONDENSED STATEMENT OF CHANGES IN NET ASSETS**  
**For Years Ended June 30, 2006 and 2005**  
**(in thousands)**

**Changes in Net Assets**

	Governmental		Business-Type		Totals	
	Activities		Activities			
	<u>6/30/2006</u>	<u>06/30/05</u>	<u>06/30/06</u>	<u>06/30/05</u>	<u>06/30/06</u>	<u>06/30/05</u>
<b>REVENUES:</b>						
Program revenues:						
Charges for services	\$80,491	76,482	2,998	2,954	83,489	79,436
Operating grants	8,221	13,797		0	8,221	13,797
General revenues:						
Sales and use tax	109,085	107,271		0	109,085	107,271
Occupational tax	72,297	69,346		0	72,297	69,346
Property tax	52,669	50,618		0	52,669	50,618
Unrestricted grants and contributions	19,585	21,618		0	19,585	21,618
Investment earnings	10,834	12,562	39	34	10,873	12,596
Other	<u>10,189</u>	<u>7,682</u>		<u>0</u>	<u>10,189</u>	<u>7,682</u>
Total revenues	<u>363,371</u>	<u>359,376</u>	<u>3,037</u>	<u>2,988</u>	<u>366,408</u>	<u>362,364</u>
<b>EXPENSES:</b>						
Program expenses:						
General government	122,163	94,662		0	122,163	94,662
Public safety	181,014	160,097	3,157	3,258	184,171	160,097
Streets and sanitation	68,749	80,229		0	68,749	80,229
Culture and recreation	38,547	39,047		0	38,547	39,047
Interest on long-term debt	<u>22,414</u>	<u>13,000</u>		<u>0</u>	<u>22,414</u>	<u>13,000</u>
Total expenses	<u>432,887</u>	<u>387,035</u>	<u>3,157</u>	<u>3,258</u>	<u>436,044</u>	<u>390,293</u>
Decrease in net assets	\$(69,516)	(27,659)	(120)	(270)	(69,636)	(27,929)
Beginning net assets, restated	<u>352,799</u>	<u>346,248</u>	<u>1,054</u>	<u>1,324</u>	<u>353,853</u>	<u>347,572</u>
Ending net assets	<u>\$283,283</u>	<u>\$318,589</u>	<u>\$934</u>	<u>\$1,054</u>	<u>\$284,217</u>	<u>\$319,643</u>

As shown in this table, the City's revenues from its governmental activities increased by 1% from the prior fiscal year. The increase was the result of increases in sales and use taxes, occupational taxes, and property taxes.

Expenses increased by 12% from the previous fiscal year as a result of higher fuel and utility costs as well as an increase in

personnel costs due mainly to a 2% cost-of-living salary increase for City employees.

The business-type activity of the City had a \$120,000 decline in net assets. Revenue received from charges for services increased by \$44,000 from prior fiscal year.

**FUND ANALYSIS**

Changes in fund balance for the major governmental funds for the fiscal year ended June 30, 2006 are as follows:

**Table 4**

	Beginning Fund <u>Balance</u>	Increases (Decrease)	Ending Fund <u>Balance</u>
General Fund	\$74,178	\$ 3,795	\$77,973
Birmingham Fund	80,710	(1,147)	79,563
Birmingham Water Work Proceeds	116,071	(54,153)	61,918
General Bond Debt Reserve	51,085	(6,043)	45,042
General Bond Debt Service	123	(4)	119
Total	<u>\$322,167</u>	<u>(\$51,171)</u>	<u>\$264,615</u>

Governmental Funds

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

The Fund balance of the General Fund increased due to an increase in sales and other taxes.

Other factors contributing to the reduction in fund balance include:

- A decrease in Debt Service Fund balance as a result of increased debt

service payments. The increase in payments is due to the issuance of an additional \$70,500,000 in Bonds in Fiscal Year 2002, which are serviced by the Debt Service Reserve Fund.

- An increase in Special Revenue Fund balance as a result of the City receiving additional grant funds.

The Capital Projects fund balance decreased by \$23,184,000 due to an increase in capital projects undertaken by the City. The Statement of Revenues, Expenditures, and Changes in Fund Balances for Nonmajor Governmental Funds details the changes.

### Budget Variances in the General Fund

During the fiscal year, revisions were made to the original budget adopted by the City due to changes in the projected revenues. Revenues exceeded the budgeted amounts in several categories. In additional revisions were made in the projected expenditures including additional appropriations.

### **CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

#### Capital Asset Activity

At June 30, 2006 the City of Birmingham reported \$378,522,000 in net capital assets, including its infrastructure, for governmental activities. The business-type activity reported \$942,000 in net capital assets. The notes to the financial statements on pages 48 & 49 report more information on capital assets including the changes that occurred during the fiscal year.

#### Long-term Debt Activity

At June 30, 2006, the City of Birmingham had \$519,190,000 total debt outstanding for its bonds and warrants payable; of this, \$493,370,000 is considered long-term. The notes to the financial statements on pages 52-54 include additional details for the City's long-term debt activity.

On November 14, 2005, the City issued its general obligation refunding bonds in the amount of \$28,230,000. The proceeds were used to refund a portion of the outstanding 1997-B refunding issue and a portion of the outstanding 1999-B refunding issue.

The City's bond ratings are AA, Aa3 by Standard & Poor's Rating Service & Moody Investors Service, respectively. The rating agencies cite the City's broad and diverse economy, including strong service, financial, and trade sectors as factors contributing to the strong rating. Noted also is the City's current policy of maintaining reserve balances equal to 15% of expenditures; currently, reserves equal approximately 26% of expenditures.

The notes to the financial statements contain more detailed information regarding the City's long-term debt and the changes that occurred. Please refer to them for additional information including the City's obligations for capitalized equipment leases, workmen's compensation claims, closure and post closure costs, and compensated

absences. The City does not have any debt for its business-type activities.

### **ECONOMIC FACTORS AFFECTING THE CITY OF BIRMINGHAM AND THE 2007 BUDGET INFORMATION**

As common in other municipalities across the country, the City of Birmingham

### **MITIGATING RISKS OF FRAUD**

The City of Birmingham is committed to maintaining a culture of honesty and integrity to ensure the safeguarding of its assets and proper presentation of its financial statements. To that end, the City will continue to employ and train competent personnel and evaluate the risks of fraud and implement processes, procedures and controls to mitigate risks and opportunities for fraud.

### **REQUEST FOR INFORMATION**

This financial report is designed to give a general overview of the City's finances. Questions concerning any of the information in this report may be sent to the Director of Finance, City of Birmingham, 710 North 20<sup>th</sup> Street, Suite A-100, Birmingham, AL, 35203.



# Basic Financial Statements

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City of Birmingham, Alabama  
Statement of Net Assets  
June 30, 2006  
(in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and investments	\$346,562	\$2,597	\$349,159	\$13,346
Cash with escrow agent	2,198		2,198	
<b>Receivables:</b>				
Accrued interest	1,000		1,000	
Accrued taxes receivable	21,241		21,241	
Accounts (net of uncollectibles)	5,620		5,620	2,348
Notes (net of uncollectibles)	399		399	
Lease obligations	180		180	
Loans	2,895		2,895	
Due from other governments	3,880		3,880	
Special assessments	8,804		8,804	
Other governments				711
Interfund balances	2,637	(2,637)	0	
Advances	11,000		11,000	
Inventories	1,382		1,382	
Prepaid items	378	33	411	508
Due from component unit	629		629	
Other current assets	131		131	
<b>Total current assets</b>	<b>408,936</b>	<b>(7)</b>	<b>408,929</b>	<b>16,913</b>
<b>Restricted assets:</b>				
Cash and cash equivalents				10,790
Investments				6,095
Accounts and grants receivable				2,095
Accrued interest receivable				35
<b>Total restricted assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,015</b>
<b>Noncurrent assets:</b>				
Deferred charges	12,826		12,826	1,621
Due from other governments	79,795		79,795	
<b>Total noncurrent assets</b>	<b>92,621</b>	<b>0</b>	<b>92,621</b>	<b>1,621</b>
<b>Capital assets:</b>				
Land	134,344		134,344	110,131
Buildings and capital facilities	192,032	1,025	193,057	110,293
Furniture and other equipment	152,060	2,237	154,297	8,666
Accumulated depreciation	(203,926)	(2,320)	(206,246)	(58,256)
Infrastructure	183,790		183,790	115,653
Accumulated depreciation, infrastructure	(94,898)		(94,898)	(49,807)
Construction in progress	15,120		15,120	74,461
<b>Net capital assets</b>	<b>378,522</b>	<b>942</b>	<b>379,464</b>	<b>311,141</b>
<b>TOTAL ASSETS</b>	<b>\$880,079</b>	<b>\$935</b>	<b>\$881,014</b>	<b>\$348,690</b>

The accompanying notes are an integral part of these financial statements.

City of Birmingham, Alabama  
Statement of Net Assets  
June 30, 2006  
(in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts and vouchers payable	\$5,122	1	\$5,123	\$2,289
Contracts payable	5,418		5,418	
Contracts payable-retainage	685		685	
Accrued payroll and payroll taxes payable	11,617		11,617	201
Due to primary government				629
Estimated claims payable	2,725		2,725	
Interest rebate liability	27		27	
Other liabilities	6,851		6,851	
Interest payable	3,860		3,860	1,711
<b>Current maturities of long-term liabilities:</b>				
Capitalized leases	404		404	90
Compensated absences	1,108		1,108	40
Notes payable				2,080
Bonds and warrants payable	25,820		25,820	3,210
<b>Total current liabilities</b>	<b>63,637</b>	<b>1</b>	<b>63,638</b>	<b>10,250</b>
<b>Long-term liabilities:</b>				
Capitalized leases	1,690		1,690	90
Compensated absences	12,893		12,893	583
Bonds and warrants payable, net	504,105		504,105	78,928
Closure and postclosure costs	7,271		7,271	
Workers' compensation claims payable	7,200		7,200	
<b>Total long-term liabilities</b>	<b>533,159</b>	<b>0</b>	<b>533,159</b>	<b>79,601</b>
<b>TOTAL LIABILITIES</b>	<b>596,796</b>	<b>1</b>	<b>596,797</b>	<b>89,851</b>
 <b>NET ASSETS</b>				
Invested in capital assets, net of related debt	53,708	942	54,650	228,364
<b>Restricted for:</b>				
Restricted for debt service	47,611		47,611	9,599
Restricted for future projects	157,777		157,777	6,340
Unrestricted	24,187	(8)	24,179	14,536
<b>TOTAL NET ASSETS</b>	<b>283,283</b>	<b>934</b>	<b>284,217</b>	<b>258,839</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$880,079</b>	 <b>\$935</b>	 <b>\$881,014</b>	 <b>\$348,690</b>

The accompanying notes are an integral part of these financial statements.

City of Birmingham, Alabama  
Statement of Activities  
For the Year Ended June 30, 2006  
(in thousands)

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
<b>Functions:</b>							
<b>Primary Government:</b>							
<b>Governmental activities:</b>							
General government	\$ 122,163	\$ 60,564	\$ 8,221			(\$53,378)	(\$53,378)
Public safety	181,014	17,244				(163,770)	(163,770)
Streets and sanitation	68,749	1,706				(67,043)	(67,043)
Culture and recreation	38,547	977				(37,570)	(37,570)
Interest on long-term debt	22,414					(22,414)	(22,414)
<b>Total governmental activities</b>	<b>432,887</b>	<b>80,491</b>	<b>8,221</b>	<b>0</b>	<b>(344,175)</b>	<b>(344,175)</b>	
<b>Business-type activities:</b>							
Emergency Management Communication District	3,157	2,998				(159)	(159)
<b>Total business-type activities</b>	<b>3,157</b>	<b>2,998</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(159)</b>	<b>(159)</b>
<b>Total primary government</b>	<b>\$436,044</b>	<b>\$83,489</b>	<b>\$8,221</b>	<b>\$0</b>	<b>(\$344,175)</b>	<b>(\$159)</b>	<b>(\$344,334)</b>
<b>Component Units:</b>							
Birmingham Airport Authority	30,921	30,325		19,378			18,782
Birmingham Parking Authority	4,998	5,130					132
<b>Total component units</b>	<b>\$35,919</b>	<b>\$35,455</b>	<b>\$0</b>	<b>\$19,378</b>	<b>\$0</b>	<b>\$0</b>	<b>\$18,914</b>
<b>General revenues:</b>							
Sales and use tax					109,085	109,085	
Occupational tax					72,297	72,297	
Property tax					52,669	52,669	
Grants and contributions not restricted to specific purposes					19,585	19,585	
Unrestricted investment earnings					10,834	10,873	839
Other					10,189	10,189	4,461
<b>Total general revenues</b>					<b>274,659</b>	<b>274,698</b>	<b>5,300</b>
Change in net assets					(69,516)	(69,636)	24,214
Net assets at beginning of year, restated					352,799	353,853	234,625
<b>Net assets at end of year</b>					<b>\$283,283</b>	<b>\$284,217</b>	<b>\$258,839</b>

The accompanying notes are an integral part of these financial statements.

City of Birmingham, Alabama  
Balance Sheet  
Governmental Funds  
June 30, 2006  
(in thousands)

	General	Birmingham Fund	Birmingham Water Works Proceeds	General Bond Debt Reserve	General Bond Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$97,381	\$79,098	\$65,986	\$44,756	\$204	\$59,137	\$346,562
Cash with fiscal agent						2,198	2,198
Receivables:							
Accrued interest	119	504	0	286	0	91	1,000
Accrued taxes receivable	21,241						21,241
Accounts (net of uncollectibles)	4,936					379	5,315
Notes (net of uncollectibles)	399						399
Lease obligations	180					0	180
Loans						2,895	2,895
Due from other governments				82,930		745	83,675
Special assessments						8,804	8,804
Due from other funds	2,746					38,244	40,990
Due from component units	934						934
Advances	11,000						11,000
Inventories	1,382						1,382
Prepaid items	378						378
Other	78					53	131
<b>TOTAL ASSETS</b>	<b>\$140,774</b>	<b>\$79,602</b>	<b>\$65,986</b>	<b>\$127,972</b>	<b>\$204</b>	<b>\$112,546</b>	<b>\$527,084</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Accounts and vouchers payable	3,084				85	1,833	5,002
Contracts payable		21	4,009			1,508	5,538
Contracts payable-retainage		18				667	685
Accrued payroll and payroll taxes payable	11,519		16			82	11,617
Due to other funds	37,876		43			1,206	39,125
Deferred revenue	801			82,930		12,735	96,466
Estimated claims payable	2,725						2,725
Other liabilities	6,796					55	6,851
<b>TOTAL LIABILITIES</b>	<b>62,801</b>	<b>39</b>	<b>4,068</b>	<b>82,930</b>	<b>85</b>	<b>18,086</b>	<b>168,009</b>
<b>FUND BALANCES:</b>							
Reserved for encumbrances	7,206	319	1,496			14,306	23,327
Reserved for debt service				45,042	119	1,513	46,674
Reserved for prepaid items	378						378
Reserved for capital projects		79,244	60,422			80,487	220,153
Unreserved reported in:							
General fund	70,389						70,389
Special revenue funds						(1,846)	(1,846)
<b>TOTAL FUND BALANCES</b>	<b>77,973</b>	<b>79,563</b>	<b>61,918</b>	<b>45,042</b>	<b>119</b>	<b>94,460</b>	<b>359,075</b>
<b>TOTAL LIABILITIES AND FUND BALANCE:</b>	<b>\$140,774</b>	<b>\$79,602</b>	<b>\$65,986</b>	<b>\$127,972</b>	<b>\$204</b>	<b>\$112,546</b>	
Amounts reported for governmental activities in the statement of net assets are different because:							
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds							378,522
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds							(551,525)
Deferred revenues are not recognized until available in the funds							96,466
Arbitrage rebate							(27)
Interfund eliminations							772
<b>Net assets of governmental activities</b>							<b>\$283,283</b>

The accompanying notes are an integral part of these financial statements.

City of Birmingham, Alabama  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2006  
(in thousands)

	General	Birmingham Fund	Birmingham Water Works Proceeds	General Bond Debt Reserve	General Bond Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Taxes	\$207,550			25,983		\$518	\$234,051
Licenses and permits	60,564						60,564
Intergovernmental	14,671					24,602	39,273
Charges for services	15,746						15,746
Fines and forfeitures	4,181						4,181
Investment income	2,647	3,999	2,273	53		1,862	10,834
Other operating revenues	2,947					2,524	5,471
<b>TOTAL REVENUES</b>	<b>308,306</b>	<b>3,999</b>	<b>2,273</b>	<b>26,036</b>	<b>0</b>	<b>29,506</b>	<b>370,120</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
Public safety	145,688						145,688
Street and sanitation	66,430	72				1,981	68,483
Cultural and recreational	35,259	2,727				561	38,547
General government	45,802	2,347	57,040			20,944	126,133
Other					416		416
<b>Total current operations</b>	<b>293,179</b>	<b>5,146</b>	<b>57,040</b>	<b>0</b>	<b>416</b>	<b>23,486</b>	<b>379,267</b>
<b>Debt service:</b>							
Principal					15,420	8,249	23,669
Interest					15,623	352	15,975
<b>Total debt service</b>					<b>31,043</b>	<b>8,601</b>	<b>39,644</b>
Capital outlays						38,075	38,075
Warrant issue costs						541	541
<b>TOTAL EXPENDITURES</b>	<b>293,179</b>	<b>5,146</b>	<b>57,040</b>	<b>0</b>	<b>31,459</b>	<b>70,703</b>	<b>457,527</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>15,127</b>	<b>(1,147)</b>	<b>(54,767)</b>	<b>26,036</b>	<b>(31,459)</b>	<b>(41,197)</b>	<b>(87,407)</b>
<b>Other financing sources (uses):</b>							
Proceeds from sale of property	4,230					582	4,812
Issuance of warrants						28,230	28,230
Capital lease						1,845	1,845
Discounts on warrants						1,767	1,767
Payment to escrow agent					(624)	(29,456)	(30,080)
Transfers in					32,079	17,142	49,221
Transfers out	(15,562)		614	(32,079)		(2,194)	(49,221)
<b>Net other financing sources (uses)</b>	<b>(11,332)</b>	<b>0</b>	<b>614</b>	<b>(32,079)</b>	<b>31,455</b>	<b>17,916</b>	<b>6,574</b>
<b>Net change in fund balances</b>	<b>3,795</b>	<b>(1,147)</b>	<b>(54,153)</b>	<b>(6,043)</b>	<b>(4)</b>	<b>(23,281)</b>	<b>(80,833)</b>
Fund balances, beginning of year	74,178	80,710	116,071	51,085	123	117,741	439,908
Fund balances, end of year	<u>\$77,973</u>	<u>\$79,563</u>	<u>\$61,918</u>	<u>\$45,042</u>	<u>\$119</u>	<u>\$94,460</u>	<u>\$359,075</u>

The accompanying notes are an integral part of these financial statements.

City of Birmingham, Alabama  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 2006  
(in thousands)

Net change, decrease, in fund balances - total governmental funds (80,833)

Governmental funds report capital outlays as expenditures. In the statement of activities, however, these costs are allocated over their estimated useful lives and reported as depreciation expense:

Reclassify new additions to general fixed assets	12,853	
Reclassify new additions to infrastructure	6,860	
Depreciation on general fixed assets	(10,126)	
Depreciation on infrastructure	(5,637)	3,950

The issuance of long-term debt provides current resources to governmental funds and the repayment of the principal of long-term debt uses current financial resources of governmental funds. These transactions have no effect on net assets:

Proceeds from capital lease	(1,845)	
Payment of principal on general obligation debt	21,415	
Payment on capital leases	168	
Payment on note payable	380	
Issuance costs of general obligation debt	624	20,742

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:

Change in compensated absences	(1,406)	
Change in closure and postclosure costs	(266)	
Amortization of deferred charges	(124)	
Arbitrage rebate liability	129	
Change in interest payable	(219)	(1,886)

Revenue not recognized until future years	5,108	
Revenue recognized in a prior year	(16,055)	
Elimination of interfund receivable	72	
Loss on disposal of fixed assets	(614)	(11,489)

Change, decrease, in net assets of governmental activities (\$69,516)

The accompanying notes are an integral part of these financial statements.

**City of Birmingham, Alabama**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**  
**(in thousands)**

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$203,540	\$204,340	\$207,549	\$3,209
Licenses and permits	55,876	59,066	60,564	1,498
Intergovernmental	14,301	14,527	14,671	144
Charges for services	16,671	19,405	18,384	(1,021)
Fines and forfeitures	4,400	4,400	4,181	(219)
Other operating revenues	8,612	6,588	5,668	(920)
<b>Total revenues</b>	<b>303,400</b>	<b>308,326</b>	<b>311,017</b>	<b>2,691</b>
<b>Expenditures:</b>				
Public safety	151,944	151,370	148,436	(2,934)
Environment and street	67,460	66,794	63,635	(3,159)
Cultural and recreational	35,678	35,816	35,154	(662)
General government	48,318	47,254	47,113	(141)
<b>Total expenditures</b>	<b>303,400</b>	<b>301,234</b>	<b>294,338</b>	<b>(6,896)</b>
<b>Excess revenue over expenditures</b>		<b>\$7,092</b>	<b>16,679</b>	<b>\$9,587</b>
<b>Other financing uses</b>			<b>(11,332)</b>	
<b>Deficiency of revenues over expenditures and other uses</b>			<b>5,347</b>	
<b>Fund balance, beginning of year</b>			<b>65,420</b>	
<b>Fund balance, end of year</b>			<b>\$70,767</b>	

The accompanying notes are an integral part of these financial statements



**City of Birmingham, Alabama**  
**Statement of Net Assets**  
**Proprietary Fund**  
**Emergency Management Communication District**  
**June 30, 2006**  
**(in thousands)**

<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and investments	\$2,597
Prepaid items	33
<b>Total current assets</b>	<b>2,630</b>
<b>Property, plant, and equipment:</b>	
Buildings and systems	1,025
Machinery and equipment	2,188
Furniture and fixtures	49
Less accumulated depreciation	(2,320)
<b>Total property, plant, and equipment</b>	<b>942</b>
<b>TOTAL ASSETS</b>	<b>\$3,572</b>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	\$1
Due to other funds	2,637
<b>TOTAL LIABILITIES</b>	<b>2,638</b>
<b>NET ASSETS</b>	
Invested in capital assets	942
Unrestricted	(8)
<b>NET ASSETS</b>	<b>934</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$3,572</b>

The accompanying notes are an integral part of these financial statements.

**City of Birmingham, Alabama**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Fund**  
**Emergency Management Communication District**  
**For the Year Ended June 30, 2006**  
**(in thousands)**

<b>OPERATING REVENUES:</b>	
Service fees	<u>\$2,998</u>
<b>OPERATING EXPENSES:</b>	
Public safety	2,637
General and administrative	49
Repairs and maintenance	451
Depreciation	20
Total operating expenses	<u>3,157</u>
Operating loss	(159)
<b>NONOPERATING REVENUES:</b>	
Interest income	<u>39</u>
Net loss	(120)
Net assets, beginning of year	<u>1,054</u>
Net assets, end of year	<u><u>\$934</u></u>

The accompanying notes are an integral part of these financial statements.

**City of Birmingham, Alabama**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Emergency Management Communication District**  
**For the Year Ended June 30, 2006**  
**(in thousands)**

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$2,998
Cash payments to suppliers	(3,172)
Cash payments to employees	(47)
Net cash used by operating activities	(221)
<b>Cash flows from capital activities:</b>	
Acquisition of capital assets	(198)
<b>Cash flows from investing activities:</b>	
Interest received	52
Net decrease in cash and cash equivalents	(367)
Cash and investments, beginning of year	2,964
Cash and investments, end of year	\$2,597
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	(\$159)
<b>Adjustments to reconcile operating loss to net cash used by operating activities:</b>	
Depreciation	20
Change in prepaid items	(48)
Change in accounts payable and other liabilities	(34)
Net cash used by operating activities	(\$221)

The accompanying notes are an integral part of these financial statements.

**City of Birmingham, Alabama**  
**Statement of Fiduciary Net Assets**  
**Pension Trust Funds**  
**June 30, 2006**  
**(in thousands)**

<b>ASSETS:</b>	
Cash and cash equivalents	\$66,069
Receivables:	
Members	2,376
Member loans	10,877
Interest and dividends	5,986
Due from other funds	776
Investments, at fair value:	
U. S. Government obligations	295,583
Domestic corporate bonds	159,164
Domestic stocks	420,799
	961,630
<b>TOTAL ASSETS</b>	<b>961,630</b>
 <b>LIABILITIES</b>	
Accounts payable and other	1,778
	1,778
 <b>NET ASSETS</b>	
Held in trust for future pension benefits	\$959,852
	<b>\$959,852</b>

The accompanying notes are an integral part of these financial statements.

**City of Birmingham, Alabama**  
**Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
**For the Year Ended June 30, 2006**  
**(in thousands)**

<b>ADDITIONS:</b>	
<b>Contributions:</b>	
Employer contributions	\$14,985
Plan member contributions	14,030
<b>Total contributions</b>	<u>29,015</u>
<b>Investment income:</b>	
Investment earnings	44,782
Securities lending	279
	<u>45,061</u>
Less investment expenses	3,430
<b>Net investment income</b>	<u>41,631</u>
Other income	<u>491</u>
<b>TOTAL ADDITIONS</b>	<u>71,137</u>
<b>DEDUCTIONS:</b>	
Benefits	51,543
Refunds of contributions	1,221
Administrative expenses	844
	<u>53,608</u>
<b>TOTAL DEDUCTIONS</b>	<u>53,608</u>
<b>Net increase</b>	<b>17,529</b>
<b>Net assets held in trust for future pension benefits:</b>	
Beginning of year	942,323
End of year	<u><u>\$959,852</u></u>

The accompanying notes are an integral part of these financial statements.

City of Birmingham, Alabama  
Statement of Net Assets - Component Units  
June 30, 2006  
(in thousands)

	Component Units		Total
	Birmingham Airport Authority	Birmingham Parking Authority	
<b>ASSETS:</b>			
<b>Current assets:</b>			
Cash and investments	\$10,610	\$2,736	\$13,346
Receivables:			
Accounts (net of allowances for uncollectibles)	2,241	107	2,348
Due from other governments	711		711
Prepaid items	469	39	508
<b>Total current assets</b>	<b>14,031</b>	<b>2,882</b>	<b>16,913</b>
<b>Capital assets:</b>			
Land	104,985	5,146	110,131
Buildings and capital facilities	106,303	3,990	110,293
Machinery and equipment	7,549	1,117	8,666
Infrastructure	115,653		115,653
Accumulated depreciation	(104,914)	(3,149)	(108,063)
Construction in progress	73,479	982	74,461
<b>Total capital assets</b>	<b>303,055</b>	<b>8,086</b>	<b>311,141</b>
Deferred charges	1,621		1,621
<b>Restricted assets:</b>			
Cash and cash equivalents	10,790		10,790
Investments	6,095		6,095
Grants and accounts receivable	2,095		2,095
Accrued interest receivable	35		35
<b>Total restricted assets</b>	<b>19,015</b>		<b>19,015</b>
<b>TOTAL ASSETS</b>	<b>\$337,722</b>	<b>\$10,968</b>	<b>\$348,690</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts and vouchers payable	\$2,226	\$63	\$2,289
Accrued payroll and payroll taxes payable		201	201
Due to primary government		629	629
Other liabilities:			
Capitalized leases	90		90
Compensated absences		40	40
Bonds and warrants payable	3,210		3,210
Notes payable		2,080	2,080
Interest payable	1,711		1,711
<b>Total current liabilities</b>	<b>7,237</b>	<b>3,013</b>	<b>10,250</b>
<b>Long-term liabilities:</b>			
Capitalized leases	90		90
Compensated absences	371	212	583
Bonds and warrants payable	78,928		78,928
<b>Total long-term liabilities</b>	<b>79,389</b>	<b>212</b>	<b>79,601</b>
<b>TOTAL LIABILITIES</b>	<b>86,626</b>	<b>3,225</b>	<b>89,851</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	222,358	6,006	228,364
Restricted for:			
Debt service	9,599		9,599
Future projects	6,340		6,340
Unrestricted	12,799	1,737	14,536
<b>TOTAL NET ASSETS</b>	<b>251,096</b>	<b>7,743</b>	<b>258,839</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$337,722</b>	<b>\$10,968</b>	<b>\$348,690</b>

The accompanying notes are an integral part of these financial statements.

City of Birmingham, Alabama  
Statement of Activities - Component Units  
For the Year Ended June 30, 2006  
(in thousands)

	Expenses	Charges for Services	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets		
				Birmingham Airport Authority	Birmingham Parking Authority	Total
Birmingham Airport Authority	\$30,921	\$30,325	\$19,378	\$18,782		\$18,782
Birmingham Parking Authority	4,998	5,130			132	132
<b>Total component units</b>	<b>\$35,919</b>	<b>\$35,455</b>	<b>\$19,378</b>	<b>18,782</b>	<b>132</b>	<b>18,914</b>
<b>General revenues:</b>						
Unrestricted investment earnings				819	20	839
Other				4,461		4,461
<b>Total general revenues</b>				<b>5,280</b>	<b>20</b>	<b>5,300</b>
<b>Change in net assets</b>				<b>24,062</b>	<b>152</b>	<b>24,214</b>
<b>Net assets - beginning of year</b>				<b>227,034</b>	<b>7,591</b>	<b>234,625</b>
<b>Net assets - end of year</b>				<b>\$251,096</b>	<b>\$7,743</b>	<b>\$258,839</b>

The accompanying notes are an integral part of these financial statements.

CITY OF BIRMINGHAM  
Notes to the Financial Statements  
June 30, 2006

**I. Organization and Summary of Significant Accounting Policies**

**A. Reporting Entity**

The City of Birmingham, located in Alabama, is a municipal corporation that was incorporated on December 19, 1871. The City operates under a Mayor-Council form of government as provided by Act No. 425 of the Alabama Legislature (The Mayor-Council Act) and is comprised of a Mayor and a nine-member council that is elected at large.

The financial statements of the City have been presented in conformity with accounting principles accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements present the City and its component units, entities for which the City of Birmingham is considered to be financially accountable. The City's discretely presented component units are presented in total in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

**Discretely presented component units**

- The Birmingham Airport Authority (BAA) is a seven-member board appointed by the City and is a non-profit corporation under the provisions of the Code of Alabama. The Authority is responsible for the operations of the Birmingham International Airport. Because the City of Birmingham appoints the BAA's governing body and the City is obligated in some manner for the debt of the BAA, the Authority is included as a component unit in these financial statements. The BAA's fiscal year ends June 30.

The BAA reimburses the City for the cost of providing security and fire protection services to the Airport. Amounts charged by the City for the fiscal year ended June 30, 2006, totaled \$2,927,404.

- The Birmingham Parking Authority (BPA) is a three-member board appointed by the City and operates parking facilities in the City and also acts as a financing agent for certain other parking facilities. Because the City appoints the BPA's governing body, the City is obligated to provide and receives specific financial benefits, and the City is obligated in some manner for the debt of the BPA, the Authority is included as a component unit in these financial statements. The BPA's fiscal year ends June 30.



CITY OF BIRMINGHAM  
Notes to the Financial Statements  
June 30, 2006

Complete financial statements for each component unit may be obtained at the following administrative offices:

Birmingham Airport Authority  
5900 Airport Highway  
Birmingham, Alabama 35222  
Financial statement date: June 30, 2006

Birmingham Parking Authority  
401 20<sup>th</sup> Street North  
Birmingham, Alabama 35203  
Financial statement date: June 30, 2006

**Related Organizations**

The City of Birmingham is also responsible for appointing a voting majority of the boards of other organizations, but the City's financial accountability for these organizations does not extend beyond making the appointments. The City appointed a voting majority of the Birmingham-Jefferson County Transit Authority (BJCTA) and the Birmingham Housing Authority (BHA). In fiscal year 2006, the City appropriated to these related organizations \$4,996,817 and \$39,565, respectively. These organizations are related organizations that have not been included within the City's financial statements.

**Joint Venture**

As defined in GASB Statement No. 14, a joint venture is a legal entity or other organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (1) an ongoing financial interest or (2) an ongoing financial responsibility. The City participates in the Birmingham-Jefferson County Civic Center Authority (BJCCA) which was created by the Alabama Legislature as a public corporation authorized to construct, maintain, operate, and manage a civic center in the City of Birmingham, Jefferson County, Alabama. The BJCCA also owns a hotel that is managed by an independent operator. The City is a joint participant in the BJCCA with Jefferson County; each is obligated by contract to remit amounts to supplement the BJCCA's operating revenues. In accordance with the interlocal agreement, the City remitted \$3,000,000 to the BJCCA during fiscal year 2006. The City does not have an equity ownership in this joint venture. Separate financial statements indicated a change in net assets of \$11,672,430 and \$19,449,847 for the years ended August 31, 2005 and 2006, respectively; net assets at August 31, 2005 and 2006, respectively, totaled \$76,939,205 and \$96,389,052.

CITY OF BIRMINGHAM  
Notes to the Financial Statements  
June 30, 2006

The City of Birmingham participates in the West Jefferson Amusement Authority which was created pursuant to Section 4 of Act No. 69-916 of the Alabama Legislature as a public corporation, which provides for the joint and cooperative development of an amusement park. The City is a joint participant in this entity with other municipalities in Jefferson County. The City and the other participants are obligated by an interlocal agreement to remit annually funds to supplement the West Jefferson Amusement Authority's operations in the amount of \$2,952,000. The City's share of the annual remittance is \$1,000,000. Pursuant to this agreement, the City is required to make this annual remittance for a period of five years beginning with fiscal year 2000. The City does not have an equity ownership in this joint venture. The Authority has filed for protection under bankruptcy.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements of the City consist of the statement of net assets and the statement of activities for all of the nonfiduciary activities of the City and its two component units. The effect of interfund activity has been removed from these statements. The statements report separately the *governmental activities* from the *business-type activities*. Governmental activities are normally supported by taxes and intergovernmental revenues, whereas business-type activities rely on fees and charges for support. The City as the *primary government* is shown separately from its two legally separate *component units*.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function; *program revenues* include (a) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. *General revenues* include taxes and other items not included in program revenues.

Included in this report are separate financial statements for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The City reports its major individual governmental funds as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial

CITY OF BIRMINGHAM  
Notes to the Financial Statements  
June 30, 2006

statements, the proprietary fund financial statements, and the fiduciary fund financial statements are all reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this focus and basis, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the cash is received or expended. Property taxes are recognized as revenues in the year of their levy; grants and similar items are recognized as revenue when all the eligibility requirements of the providers have been met.

All governmental funds are accounted for using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. The City of Birmingham considers revenues to be *available* if they are collected within 60 days of the end of the current fiscal period; the major sources of accrued revenue are the various business and ad valorem taxes the City collects as well as grant revenues. Expenditures are recorded when the liability is incurred, consistent with accrual accounting. Debt service expenditures, claims and judgments, as well as expenditures related to compensated absences are recorded only when payment is due.

The City of Birmingham reports the following major governmental funds:

The *General Fund* is the City's primary operating fund and accounts for all financial resources except those required to be accounted for in other funds.

The *General Bond Debt Reserve Fund* accounts for the receipt of property taxes earmarked for debt service.

The *General Bond Debt Service Fund* accounts for the payment of principal and interest on general obligation debt.

The *Birmingham Fund* is considered a Special Revenue Fund and is used to account for the proceeds the City received from the sale of the Industrial Water Board.

The *Birmingham Water Works Proceeds Fund* accounts for the proceeds received from the transfer of the assets of the Water Works and Sewer Board of the City of Birmingham.

The City reports its only proprietary fund as a *major* proprietary fund:

The *Emergency Management Communications District* accounts for the operation of the Enhanced Universal Emergency Number Service (E911).

Additionally, the City reports the following fund types:

The *Pension Trust Funds* accounts for the activities of the City's seven pension plans.

CITY OF BIRMINGHAM  
Notes to the Financial Statements  
June 30, 2006

GASB Statement No. 20 requires that each government make elections concerning proprietary funds. The City elected to apply Financial Accounting Standards Board (FASB) pronouncements and interpretations issued before or on November 20, 1989, unless they conflict with or contradict GASB pronouncements.

The accompanying financial statements reflect the elimination of interfund activity with the exception of the charges to the City's proprietary fund. These amounts are shown on the statement of net assets as *interfund balances*.

The operating revenues of the proprietary fund include charges to customers for the operation of the 911 telephone service. Nonoperating revenues include investment earnings. The operating expenses of the proprietary fund are those expenses incurred in the normal operations of providing the 911 services, as well as depreciation of the capital assets.

**D. Assets, Liabilities, and Net Assets or Equity**

1. Deposits and Investments – Cash and cash equivalents includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. State statutes authorize the City to invest in U. S. government obligations, U. S. government agency obligations, U. S. corporate stock, U. S. debt, State of Alabama obligations, county obligations, and other municipal obligations.

All investments, including those of the City's component units, are reported at fair value, market value, or best available estimates. Short-term investments are reported at cost which approximates market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. All investments have established markets to determine their fair value.

2. Receivables and Payables –

The City shows "due to/from other funds" at the end of the fiscal year to show the current outstanding balances from lending/borrowing arrangements.

Taxes Receivable – All property taxes levied by the State of Alabama, Jefferson and Shelby Counties are assessed by the Jefferson and Shelby Counties Tax assessors and collected by their tax collectors. The property tax calendars specify the following actions and dates:

Levy (assessment date)	September 30
Lien date	September 30
Due date	October 1
Collection dates	October 1 to December 31
Delinquent date	January 1

CITY OF BIRMINGHAM  
Notes to the Financial Statements  
June 30, 2006

The City of Birmingham receives a 3% sales tax for the sale of tangible goods within the City limits and a 1% occupational tax on wages of persons employed within the City limits. Tax collections are remitted to the City on a monthly basis. All amounts remitted within the bill paying period are included in revenue; taxes collected within the fiscal year but remitted to the City after year-end are accrued in both the government-wide and fund financial statements.

3. Inventories and Prepaid Items – Inventories are valued on the average cost basis. Inventory consists of expendable supplies held in the General Fund for consumption. The cost is recorded as an expenditure at the time individual inventory items are used (consumption method). Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items.

4. Restricted Assets – Certain assets of the Birmingham Airport Authority (component unit) are restricted by the terms of federal grants and programs. These particular funds are restricted for designated capital projects and any debt incurred to finance the construction of those projects.

5. Capital assets – Capital assets include property, buildings, furniture and other equipment, and infrastructure. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital outlays are recorded as expenditures of the governmental funds. Capital assets, other than infrastructure, are defined by the City as items with an estimated useful life of three years or more and an individual cost in excess of \$500. Capital assets are recorded at cost where historical cost is available or at estimated historical cost if actual cost is not available. Donated capital assets are recorded at their estimated fair value at time of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend useful lives are expensed. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings and capital facilities	50
Furniture and other equipment	10 – 20
Infrastructure	25 – 50

The City of Birmingham implemented the majority of the capital asset requirements, including infrastructure assets, of GASB Statement No. 34

CITY OF BIRMINGHAM  
Notes to the Financial Statements  
June 30, 2006

during fiscal year 2002. The City elected to capitalize all infrastructure assets that were purchased, constructed, or donated subsequent to June 30, 1980.

The City recognizes the intrinsic value of historical works and collections. As such, the City has adopted a policy that these items will not be considered capital items and subject to depreciation. This policy covers the historical works and collections housed at the City's various museums. Should the sale of any of these items occur, the City is committed to using the funds generated from the sale to purchasing other similar collectibles.

6. Compensated absences – City of Birmingham employees earn vacation leave at graduated rates based on the employee's length of service (one day per month of service, initially), and up to 40 days of unused leave may be carried over to the following year. Vacation pay is accrued when incurred in the government-wide financial statements. The City does not have a policy for vested sick pay, thus no liability for accumulated unpaid sick leave is accrued.

7. Long-term obligations – Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and issuance costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premiums. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, any bond premiums and issuance costs have been recognized in the current period. The face amount of the new debt issued and the premiums received are reported as other financing sources; issuance costs are reported as debt service expenditures.

8. Fund equity – In the fund financial statements, reservations of governmental funds are used to indicate that a portion of the fund balance is not appropriated for expenditure or is legally segregated for a specific use.

**II. Reconciliation of Government-Wide and Fund Financial Statements**  
**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets (dollars in thousands)**

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are

CITY OF BIRMINGHAM  
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not due and payable in the current period and therefore are not reported in the funds.” The details of this \$551,525 difference are as follows:

Bonds payable	\$519,190
Add: Issuance premium (to be amortized as interest expense)	10,766
Less: Discount on issuance of warrants	(31)
Less: Deferred charge for issuance costs (to be amortized over the life of the debt)	(12,826)
Accrued interest payable	3,860
Capital leases	2,094
Compensated absences	14,001
Landfill closure liability	7,271
Workmen's compensation claims	7,200
	\$551,525

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. In the statement of activities, however, these costs are allocated over their estimated useful lives and reported as depreciation expense.”

The details of this \$3,950 difference are as follows:

Capital outlay	\$19,713
Depreciation expense	(15,763)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$3,950

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Another element of that reconciliation states that “the issuance of long-term debt provides current resources to governmental funds and the repayment of the principal of long-term debt uses current financial resources of governmental funds. These transactions have no effect on net assets.” The details of this \$20,742 difference are as follows:

Proceeds from new capital lease	\$1,845
Principal payments of general obligation debt	(21,415)
Principal payments on capital leases	(168)
Payment of note payable	(380)
Issuance costs	<u>(624)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u><u>(\$20,742)</u></u>

**III. Stewardship, compliance, and accountability**

**A. Budgetary information**

The annual budget for the City of Birmingham’s General Fund is adopted on a basis consistent with generally accepted accounting principles. Budgets for the Special Revenue and Capital Projects Funds are adopted on an individual project basis. Budgets are not prepared for the Debt Service Funds because effective budgetary control is alternatively achieved through general obligation indenture provisions.

On or before May 20, the Mayor submits to the City Council a proposed General Fund operating budget for the upcoming fiscal year commencing July 1. The proposed budget includes proposed expenditures and the means of financing them. Subsequently, a public hearing is held to obtain taxpayer comments; and prior to July 1, the official budget is enacted through passage of an ordinance.

The City’s budget is prepared by fund, function, and department. The individual departments are authorized by the Mayor to make transfers of appropriations within their departments; however, any revisions that alter the total expenditures of any fund or transfer between departments must be approved by City Council. The legal level of budgetary control is the department level. This year’s General Fund budget was amended as needed throughout the year by City Council action provided that adequate funds were available at the time of the amendments.

Encumbrance accounting is used in governmental funds. The City reports purchase orders outstanding at the end of the fiscal year as reservations of fund balance. These encumbrances are subject to reappropriation by Council ordinance in the succeeding fiscal year.



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Reconciliation between the GAAP basis of reporting and the budgetary basis  
of reporting (dollars in thousands):

Excess of revenues and other sources over expenditures and other uses (GAAP basis)	\$3,795
Less prior year accrued expense (GAAP)	(3,281)
Plus current year accrued expense (GAAP)	2,508
Plus encumbrance elimination (GAAP)	10,142
Plus net decrease in fair market value of investments (GAAP)	75
Less current year encumbrances (budgetary basis)	(7,892)
Excess of revenues and other sources over expenditures and other uses (Budgetary basis)	\$5,347

**IV. Detailed notes on all funds**

**A. Deposits and Investments**

**Deposits** – At June 30, 2006 the carrying amount of the City’s demand deposits, certificates of deposits, and money market investments in all funds was \$183,781,543 and the bank balance was \$174,777,376.

Financial institutions utilized as depositories by the City must provide evidence of its designation by the Alabama State Treasurer as a qualified public depository under the Security of Alabama Funds Enhancement Act (SAFE). From time to time, the City may request that the depository provide evidence of its continuing designation as a qualified public depository. The enactment of the SAFE program changed the way all Alabama public deposits are collateralized. Each qualified public depository (QPD) is required to hold collateral for all its public depositories on a pooled basis in a custody account established by the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer who would use the SAFE pool collateral or other means to reimburse the loss.

**Investments** – At June 30, 2006, the City of Birmingham had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Avg. Maturity</u> <u>(years)</u>
U.S. Govt. agency obligations	\$ 202,293,021	3.49
U.S. Treasuries	199,221,097	6.43
U.S. Corporate debt	168,271,853	7.95
U.S. Corporate stock	506,389,454	-
Total fair value	\$1,076,175,425	
Portfolio weighted avg. maturity		5.96

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**Interest Rate Risk**

The City has a formal investment policy for its internally managed funds which limits the weighted average duration of fixed income investments as a means of controlling the portfolio's exposure to undesirable interest rate risk. The guidelines for these various internally managed fund groups are as follows:

<u>Fund Group</u>	<u>Weighted Avg Duration Limit</u>
Operating & Investment Fund	3 years
Sinking Fund	5 years
1992 Street Warrants	2 years
Investible Grants	1 year
HUD Trust	1 year
Firemen's & Policemen's Supplemental	7 years
Emergency Management Communication District	1 year
1990 G.O. Bonds	2 years
1990 Storm/Sewer Bonds	2 years
1992 G.O. Bond	2 years
1993 G.O. Bond	2 years
Birmingham Fund	7 years

Retirement & Relief System – The City's investment policy for its Retirement & Relief System does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments Highly Sensitive to Interest Rate Changes

The City also invests in mortgage-backed securities, representing U.S. government agency obligations with a fair value of \$7,770,464, and U.S. corporate debt with a fair value of \$2,165,764. Mortgage-backed securities are based on cash flows from the collection of mortgages. Prepayments arise when, for example, mortgage holders redeem their mortgages early. The investor's investment is returned early, or in extreme cases, not returned at all. Mortgage-backed securities may be considered to be investments with terms that may cause their fair values to be highly sensitive to interest rate changes.

**Credit Risk:** The City's Retirement & Relief System's investment policy limits investments in all bonds to securities having a Standard & Poors rating of AAA, AA, A, or BBB, or a Moody's rating of Aaa, Aa, A, or Baa. The City's investments included the following bonds at June 30, 2006:

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<u>Description</u>	<u>Rating</u>	<u>Fair Value</u>
U.S. Govt Agency Discount Notes, Bonds	AAA	\$202,293,021
U. S. Corporate Bonds:	A	\$ 86,707,244
	AA	27,867,731
	AAA	13,292,855
	BB	980,270
	BBB	<u>39,423,754</u>
		<u>168,271,854</u>
		<u>\$370,564,875</u>

**Securities Lending Transactions** – Under the provisions of State statutes, the City lends securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. One of the City’s custodial banks manage the securities lending program and received both cash and domestic bonds as collateral. The collateral securities cannot be pledged nor sold by the City unless the borrower defaults. Collateral securities are initially pledged at 102 % of the market value of the securities lent and this collateral is adjusted weekly to maintain the 102% level. The City’s Pension Plans authorize the lending of domestic bonds and equity securities. The cash collateral is invested in commingled short-term fixed income accounts. The City, as a program participant, assumes the risk that (a) the overnight investment will not equal or exceed the rebate rate, (b) a loss of principal in the overnight investment, and (c) the collateral will not be sufficient if called upon to repurchase the lost security. As of June 30, 2006, the City has approximately \$278,462,990 of securities in the securities lending program and has incurred no loss through its participation in this program and has no anticipated risk exposure.

**B. Receivables**

The City entered into a Lease, Assignment, and Operating Agreement with the Birmingham Airport Authority. Under the lease portion of the agreement, the Authority leased the entire airport facility and operation with net assets of \$16,490,000 for a term of fifty years beginning September 16, 1986. The lease, which has been properly recognized as a direct financing lease, has been recorded in the General Fund financial statements at the minimum lease payments. The following is a schedule of minimum rentals to be received for the periods ending June 30 (in thousands):

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Year	Amount
2007	96
2008	92
Total minimum lease payments	188
Less amount representing interest	(8)
Present value of minimum lease payments	\$180

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows (in thousands):

	June 30, 2005	Increases	Decreases	June 30, 2006
<b>Governmental activities:</b>				
Capital assets, nondepreciable:				
Land	\$134,401		57	134,344
Construction in progress	13,115	4,043	2,038	15,120
Land, infrastructure projects	15,220	465		15,685
Total nondepreciable capital assets	162,736	4,508	2,095	165,149
Capital assets, depreciable:				
Buildings & capital facilities	192,517	3	488	192,032
Furniture & other equipment	140,958	12,850	1,748	152,060
Infrastructure	163,715	4,390		168,105
Total depreciable capital assets	497,190	17,243	2,236	512,197
Less accumulated depreciation:				
Buildings & capital facilities	87,298	2,995	176	90,117
Furniture & other equipment	108,181	7,131	1,503	113,809
Infrastructure	89,261	5,637		94,898
Total accumulated depreciation	284,740	15,763	1,679	298,824
Net depreciable capital assets	212,450	1,480	557	213,373
Governmental activities, net capital assets	\$375,186	5,988	2,652	378,522

Note: Beginning balance for accumulated depreciation on buildings was increased by \$54,031 to correct a coding error that occurred when GASB34 was implemented whereby some of the City's buildings that were fully depreciated did not have the depreciation properly recorded. Additionally, the beginning balance for land was increased by \$88,241 to capture the cost of ROW the City acquired for the period of 1980-2002.

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**Business-type activities:**

Buildings & other capital facilities	\$1,025			1,025
Furniture & other equipment	2,039	198		2,237
Total capital assets	<u>3,064</u>	<u>198</u>		<u>3,262</u>
Less accumulated depreciation:				
Buildings & other capital facilities	297	20		307
Furniture & other equipment	2,003			2,003
Total accumulated depreciation	<u>2,300</u>	<u>20</u>		<u>2,320</u>
Business-type activities, net capital assets	<u>\$764</u>	<u>178</u>		<u>942</u>

Depreciation expense was charged to the following functions (in thousands):

**Governmental activities:**

Public safety, including depreciation of infrastructure assets	\$9,196
Streets and sanitation	2,094
Cultural and recreation	1,202
General government	<u>3,271</u>
Total depreciation - governmental activities	<u>\$15,763</u>

**Business-type activities:**

E-911 operations	<u>\$20</u>
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**D. Interfunds receivable, payable, and transfers**

The City uses interfund receivables/payables to record interfund reimbursements that arise when one fund reimburses another fund for costs incurred on its behalf. The composition of interfund balances as of June 30, 2006, is as follows (in thousands):

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Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Capital Improvements	General Fund	\$37,098
	Special Revenue	43
	Capital Projects	1,093
Special Revenue	General Fund	10
	Birmingham Emergency Mgt. Communication District	2,637
General Fund	Pension Trust Fund	3
	Special Revenue	105
Pension Trust Funds	General Fund	768
	Special Revenue	8
		\$41,765

The City uses interfund transfers to record the resources one fund provides another fund with no expectation of repayment, such as occurs with companion funds. The composition of interfund transfer balances at June 30, 2006, is as follows (in thousands):

Interfund transfers:

Transfers Out	Transfers In		Total
	Debt Service	Other Governmental Funds	
General Fund		\$15,562	\$15,562
General Bond Debt Reserve	\$32,079		32,079
Birmingham Water Works Proceeds		614	614
Nonmajor Governmental Funds		966	966
	\$32,079	\$17,142	\$49,221

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**E. Interest rebate liability**

Under the 1986 Tax Reform Act, governmental entities that issue tax-exempt bonds are required to rebate excess net interest earnings on deposits of bond proceeds. Net interest earnings consist of interest income on bond proceed deposits less interest payments to bond holders under debt service requirements.

The interest rebate is reviewed over a five-year period at which time the actual interest rebate, if any, will be paid to the Internal Revenue Service. Because of possible changes in interest rates in subsequent years, the current estimate of the interest rebate liability may change and, accordingly, the actual rebate due the IRS in subsequent years is uncertain. At June 30, 2006, the City had an interest rebate liability of approximately \$27,000 on the following bond/warrant issues:

Debt Issue	Amount
2000 Tax Increment Warrants	\$ 26,938

**F. Leases**

The City entered into a capital lease in fiscal year 2005 to finance the acquisition of printing equipment. The lease agreement qualifies as a capital lease for accounting purposes. The equipment is capitalized at a cost of \$417,000.

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

Year ending June 30,	
2007	\$70,000
2008	70,000
2009	70,000
2010	70,000
2011	70,000
2012	53,000
Total minimum lease payments	403,000
Less amount representing interest	( 41,000)
Present value of minimum lease payments	\$362,000

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The City entered into a capital lease in fiscal year 2006 to finance the acquisition of a new financial reporting and human resource/payroll computer system. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, are as follows:

Year ending June 30,	
2007	\$405,000
2008	405,000
2009	405,000
2010	405,000
2011	<u>270,000</u>
Total minimum lease payments	1,890,000
Less amount representing interest	<u>( 156,000)</u>
Present value of minimum lease payments	<u>\$1,734,000</u>

**G. Long-term debt**

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and/or construction of capital assets. The bonds are direct obligations of the City, and the full faith and credit of the City is pledged against the bonds. The bonds outstanding at June 30, 2006, are as follows (in thousands):

1977 A-M; 4%-8%	\$2,960
1996; 3.75%-5.25%	4,000
1997-A; variable rate	61,735
1997-B, A-E; 4.5%-5.375%	3,790
1998-A, A-B; 3.7%-5.125%	8,875
1999-A; 3.1%-5.0%	21,225
1999-B; 3.5%-5.75%	14,260
2001-A; 2.3%-5.75%	58,725
2002-A; 5%-5.5%	31,690
2002-B; 2.25%-5.25%	74,430
2005-A; 3.75%-5.75%	<u>28,230</u>
	<u>\$309,920</u>



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Annual debt service requirements to maturity for general obligation bonds are as follows (in thousands):

June 30,	Principal	Interest
2007	16,335	15,582
2008	16,390	15,083
2009	17,190	14,268
2010	18,125	13,325
2011	19,030	12,370
2012-2016	100,290	45,273
2017-2021	59,445	20,425
2022-2026	23,325	12,542
2027-2031	26,930	6,719
2032-2033	12,860	651
	\$309,920	\$156,537

On November 14, 2005, the City issued \$28,230,000 in refunding bonds, Series 2005-A. The proceeds of the issue were used to retire a portion of the City's outstanding General Obligation Bonds, Series 1999-B, and a portion of the City's outstanding General Obligation Bonds, Series 1997-B. Interest rates range from 3.75%-5.75, and the bonds mature on November 1, 2023. The City realized a net present value benefit of \$972,506 on the advance refunding.

General obligation warrants and revenue warrants:

The City issues general obligation warrants for the same purposes as general obligation bonds. The warrants are also direct obligations of the City for which it pledges its full faith and credit. Under state statute, general obligation warrants can be issued without an election and must be issued for a period of maturity of not longer than thirty years. Revenue warrants are tax increment financing district warrants in which ad valorem taxes are collected to fund the debt service.

The warrants outstanding at June 30, 2006 are as follows (in thousands):

1997; 3.8%-5.0%	\$5,180
1998-A; variable rate	5,535
1998-B; variable rate	26,875
2000-A; 4.3%-5.5%	50,520
2001-B; 5%-5.5%	11,795
2001-C; 4%-5.75%	20,800
2003-A; 1.7%-5.25%	17,520
2003-B; 1.2%-5%	28,445
2004-A; variable rate	22,750
2004-B; 2.3%-4%	8,015
	\$197,435

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Revenue Warrants:	
2000 Tax Increment Financing; variable rate	<u>\$11,835</u>

Annual debt service requirements to maturity for the City's general obligation and revenue warrants are as follows (in thousands):

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	8,860	9,234
2008	9,230	8,867
2009	9,640	8,458
2010	10,060	8,042
2011	10,505	7,605
2012-2016	63,180	33,962
2017-2021	47,425	16,987
2022-2026	31,920	5,627
2027-2029	6,615	517
	<u>\$197,435</u>	<u>\$92,553</u>

Total outstanding bonds and warrants payable (in thousands):

Bonds payable	\$309,920
Warrants payable	197,435
Revenue warrants	<u>11,835</u>
	519,190
Less current maturities	(25,820)
Unamortized premium & discount	<u>10,735</u>
Total bonds and warrants payable	<u>\$504,105</u>

Changes in long-term liabilities (in thousands):

Governmental activities:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
Bonds and warrants payable (net of premium and discounts)	\$553,674	28,230	51,979	529,925	25,820
Capital leases	417	1,845	168	2,094	404
Worker's compensation claims	7,200			7,200	0
Compensated absences	12,595	14,001	12,595	14,001	1,108
Closure and postclosure costs	7,005	266		7,271	0
Notes payable	380		380		
	<u>\$581,271</u>	<u>\$44,342</u>	<u>\$65,122</u>	<u>\$560,491</u>	<u>\$27,332</u>

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The City's general fund is typically used to liquidate long-term liabilities with the exception of the debt which is paid from the City's debt service fund.

**H. Risk Management**

The City of Birmingham is exposed to various risks of loss related to torts, theft, errors and omissions, job-related illnesses and injuries, and natural disasters. Risk management is the process of managing the City's activities to minimize the adverse effects of certain types of losses and to obtain finances to provide for or restore the economic damages of those losses. The City finances its risk through self-insurance (risk retention) and through the purchase of insurance with a commercial insurance carrier (risk transfer).

The City funds the dental expense reimbursement plan that provides coverage up to a maximum of \$1,000 for each covered individual per claim year. The plan is financed by City and employee contributions. Settled claims have not exceeded the self-insured retention in any of the past three fiscal years. At June 30, the estimated liability for claims and changes in the liability from the preceding fiscal year were as follows (in thousands):

June 30	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2006	\$0	698	698	\$0
2005	\$0	720	720	\$0
2004	\$0	697	697	\$0

The City covers all workers' compensation claims out of its General Fund resources. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. At June 30, the amount of the incurred but not reported liability for the past three fiscal years is as follows (in thousands):

June 30	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2006	\$7,200	0	0	\$7,200
2005	\$7,200	0	0	\$7,200
2004	\$7,200	0	0	\$7,200

The City covers all claims expenditures out of its General Fund resources. Claims expenditures and liabilities are reported when it is probable that a loss

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has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2006, the amount of these liabilities totaled \$2.725 million. The liability is the City's best estimate based on available information. Changes in the General Fund's claims liability amount in the last three fiscal years are as follows (in thousands):

<u>June 30</u>	<u>Beginning Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2006	\$3,144	(759)	1,178	\$2,725
2005	\$3,975	1,768	2,599	\$3,144
2004	\$7,792	(1,806)	2,011	\$3,975

**I. Commitments and Contingencies**

The City of Birmingham is required by Act 232 of the 1977 Alabama Legislature to pay the Birmingham Jefferson County Transit Authority an amount equal to 10% of the ad valorem taxes collected for the County on property located within the municipality. Such amount was approximately \$3,000,000 for the 2006 fiscal year.

The City entered into an agreement with Jefferson County and the Birmingham-Jefferson County Civic Center Authority (BJCCA) for the improvement of the Civic Center facilities. Under the agreement, both the City and the County agreed to appropriate, pledge, and pay to the BJCCA an annual amount of tax revenue proceeds for the retirement of debt and for financing Civic Center improvements. The City is committed to expend \$3,000,000 of tax revenue for twenty years beginning in 1992.

The City is a joint participant in the West Jefferson Amusement and Public Park Authority (the Authority) along with ten other municipalities in Jefferson County, Alabama. The Authority provides for the joint and cooperative development of the VisionLand Amusement Park. The City and the Authority entered into a funding agreement whereby the City agreed to pay to the Authority the sum of \$5,000,000 in annual installments of \$1,000,000 beginning October 15, 1999, through and including October 15, 2004, for the purpose of assisting the Authority in the payment of bonds used to construct the VisionLand Amusement Park. The funding agreement has provisions which obligate the City to pay to the Authority the additional sum of \$1,000,000 annually by October 15 of each year, beginning October 15, 2004, unless the City gives notice by September 30 of each year, that it will not renew its obligation for that additional year. As of June 30, 2003, the Authority defaulted on its long-term debt payments to bondholders and other

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debtors. On September 30, 2002, the City gave notice to the Authority that it would not renew the funding agreement. As a result, the City's obligation to the Authority ended in fiscal year 2006.

The City of Birmingham, along with nine other cities and four counties participates in the East Central Alabama Industrial Development Authority. As a participant, the City entered into funding agreements whereby the City agreed to make annual payments on February 1 of each year beginning 2001 and ending 2015 of approximately \$195,000, to pay principal and interest on \$2,000,000 of bonds issued by the East Central Alabama Industrial Development Authority.

The City of Birmingham entered into an agreement with Wal-Mart Real Estate Trust in May 2002. Wal-Mart agreed to purchase and construct within the City limits two retail sales components – one being a Wal-Mart Supercenter and the other a retail gasoline station. The City, in return, agreed to rebate the City's portion of sales taxes collected at the new location up to \$10,000,000. The two new locations began operations in December 2003; to date the City has rebated approximately \$4,256,209 to Wal-Mart.

In August 2002, the City entered into funding agreements with the Greater Birmingham Convention & Visitors Bureau (the Bureau) and with the Birmingham Jefferson Civic Center Authority (BJCCA). The purpose of the agreements is to encourage and promote tourism and convention business within the city. On July 30, 2002, the City Council levied and imposed a privilege tax on every person, firm, or corporation engaged in the business of renting or furnishing any type accommodations to people in hotels, motels, inns, cabins, or any other type lodging. The tax is 3% of the charges of the lodging accommodations. The City agreed to rebate one-third of the taxes collected to the Bureau and two-thirds to the BJCCA. The terms of the agreements are from July 1, 2002, through June 30, 2007, with options for renewal of successive five-year terms. As of June 30, 2006, the City has collected approximately \$7,515,000 in lodging tax revenues and has remitted approximately \$2,278,000 to the Bureau and approximately \$4,557,000 to the BJCCA.

**J. Subsequent events**

On December 21, 2006, the City issued three series of debt. The Series 2006-A General Obligation Refunding Bonds in the amount of \$84,295,000 was used to advance refund the Series 1998-A Bonds, the Series 1999-A Bonds, the Series 1999-B Bonds, the Series 2001-A Bonds, and the Series 2002-A Bonds. The Series 2006-B General Obligation Bonds in the amount of \$64,550,000 was used as a current refunding of the City's General Obligation Refunding Bonds, Series 1997-A and to pay all or a portion of the costs of

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certain fees payable with respect to assignment of the City's position in the Interest Rate Swap. The Series 2006-C General Obligation Parking Improvement Warrants in the amount of \$24,740,000 will be used to construct a new public parking deck and to make improvements and repairs to other off-street parking facilities.

**K. Closure and post closure cost**

State and federal laws and regulations require the City to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the estimated closure and postclosure cost liability as a long-term liability. The liability is increased or decreased each period based on landfill capacity used as of each balance sheet date.

The approximate \$7 million reported as closure and postclosure care liability at June 30, 2006, represents the cumulative amount reported to date based on the use of approximately 95 percent of the estimated capacity of the landfill. The City will decrease the existing liability by approximately \$1.1 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. Actual costs may be higher due to inflation, changes in technology, and/or changes in regulations.

**L. Pension Funds**

The City of Birmingham maintains seven single employer defined benefit pension plans covering substantially all employees. These plans consist of the Retirement and Relief System, Firemen's and Policemen's Supplemental Pension System, Firemen's Pension and Relief System, Policemen's Pension and Relief System, Limited Firemen's Retirement and Relief, Limited Policemen's Retirement and Relief, and the Unclassified Employees Pension and Relief System. Each of the seven plans was established by state law and is administered by a separate board of managers.

Plan Description

The funding methods and determination of benefits payable were established by the legislative acts creating such plans and provide that the pension plans' funds are to be accumulated from employee contributions, employer contributions, and income from the investment of accumulated funds. The cost of administering the plans is funded by the City. The City acts as the

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trustee for six of these plans. Separate financial statements are presented in this report for the pension funds.

The two plans listed below are funded by contributions from employees, the City, and income from the investment of accumulated funds:

*City of Birmingham Retirement and Relief System* – This system covers all civil service employees, elected officials, and appointed employees. Membership is mandatory for covered employees and is effective upon employment. Appointed employees have the option of participating in this plan or in an alternative retirement plan. The City and employees each contribute one-half of the required contribution payable as a percent of compensation for the year, exclusive of overtime and subject to statutory limits. Current membership as of the last actuarial valuation of July 1, 2005, was 3,802 active members, 231 inactive members, 1,810 retired service pensioners, and 429 beneficiaries.

*City of Birmingham Firemen's and Policemen's Supplemental Pension System*- This system covers sworn firemen and policemen and provides retirement benefits for twenty or twenty-five years of service. Membership is mandatory for such personnel and is effective upon employment. Employees hired prior to May 2, 1978, contribute 3.3% of payroll, exclusive of overtime; those hired on or subsequent to May 2, 1978, contribute 5.22% and the City matches these amounts. Current membership as of the last actuarial valuation of July 1, 2005, was 1,417 active members, 164 retired service pensioners, and 84 beneficiaries.

The membership of the five plans listed below is closed and are funded by City contributions approximately equal to current benefit payments.

*City of Birmingham Unclassified Employees Pension and Relief System* – This system covers laborers not hired under civil service. Employees contribute \$10.00 bi-weekly. The City is required by City ordinance to contribute a sum, computed as a percentage of payroll, to fund the annual cost of the unfunded liability over thirty years. There are currently 8 active members and 49 pensioners including 2 beneficiaries.

*Firemen's Pension and Relief Fund* – This system covers firemen employed prior to September 1939. All participants are currently retired and receiving benefits. Funding is provided by a tax of 1 ½% of premiums on fire insurance on property in Birmingham and by City contributions. Retired members include 10 beneficiaries.

CITY OF BIRMINGHAM  
Notes to the Financial Statements  
June 30, 2006

*Policemen's Pension and Relief Fund* – This system covers policemen employed prior to September 1939. There are 7 beneficiaries currently in the plan.

*Limited Firemen's Retirement and Relief System* – This system covers certain designated firemen formerly members of the Firemen's Pension and Relief Fund. Current membership includes 1 service pensioner and 5 beneficiaries.

*Limited Policemen's Retirement and Relief System* – This system covers certain designated policemen formerly members of the Policemen's Pension and Relief Fund. Current membership includes 1 service pensioners and 5 beneficiaries.

#### Post-Retirement Benefits

In addition to the pension benefits described above, the City provides post-retirement health care benefits to retired employees who are eligible for pension benefits. The plan requires retirees to reduce their life insurance coverage, which retirees are required to pay in its entirety, and in exchange, the City will subsidize a portion of the retirees' health insurance premiums. The amount of the subsidy is based on the type of health insurance coverage chosen by retirees and the percentage of the retirees' life insurance reduction.

The City's subsidy for each covered retired employee ranges from \$30 to \$121 per month, and total insurance premiums range from \$12 to \$34 per month for dental insurance, and \$116 to \$953 for medical insurance. Currently, there are 2,568 retired members. Expenditures for post-retirement health care insurance costs are made and recognized monthly.

#### Summary of Significant Accounting Policies

The activities and the financial statements of the pension plans are accounted for on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Each pension plan's cash assets are invested in equity and fixed-income securities. All plan assets are reported at fair value. Investments traded on the national exchange are valued at the last reported sales price on the government's balance sheet date. Actuarial valuations are performed annually, and the latest are all dated July 1, 2004. The plans do not issue stand-alone financial reports, and all required disclosures are included in this report.



CITY OF BIRMINGHAM  
Notes to the Financial Statements  
June 30, 2006

Trend analysis for the City's pension plans are presented on the following pages.

**Schedule of Funding Progress**  
**(dollars in thousands)**

<u>Plan</u>	<u>Date</u>	<u>Actuarial Valuation</u>	<u>Actuarial Valuation of Assets</u>	<u>Actuarial Accrued Liability (AAL)- Entry Age</u>	<u>Unfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
Retirement & Relief	7/1/1996	468,396	468,396	439,162	(29,234)	106.66%	116,944	-25.00%
	7/1/1997	513,509	513,509	464,100	(49,409)	110.65%	120,831	-40.89%
	7/1/1998	575,642	575,642	496,911	(78,731)	115.84%	123,507	-63.75%
	7/1/1999	658,647	658,647	532,898	(125,749)	123.60%	125,105	-100.51%
	7/1/2000	738,898	738,898	615,476	(123,422)	120.05%	135,975	-90.77%
	7/1/2001	773,453	773,453	727,361	(46,092)	106.34%	149,422	-30.85%
	7/1/2002	778,605	778,605	758,085	(20,520)	102.71%	151,180	-13.57%
	7/1/2003	785,647	785,647	796,084	10,437	98.69%	152,242	6.86%
	7/1/2004	801,612	801,612	838,486	36,873	95.60%	158,062	23.33%
	7/1/2005	819,167	819,167	875,792	56,625	93.53%	158,898	35.64%
Firemen's and Policemen's Supplemental	7/1/1996	25,760	25,760	40,241	14,481	64.01%	48,784	29.68%
	7/1/1997	26,152	26,152	41,198	15,046	63.48%	51,647	29.13%
	7/1/1998	28,228	28,228	40,658	12,430	69.43%	52,553	23.65%
	7/1/1999	27,283	27,283	37,004	9,721	73.73%	53,264	18.25%
	7/1/2000	25,936	25,936	47,979	22,043	54.06%	56,456	39.04%
	7/1/2001	26,993	26,993	49,827	22,834	54.17%	61,270	37.27%
	7/1/2002	29,150	29,150	52,276	23,126	55.76%	62,815	36.82%
	7/1/2003	31,646	31,646	53,771	22,125	58.85%	61,435	36.01%
	7/1/2004	33,868	33,868	56,331	22,464	60.12%	64,550	34.80%
	7/1/2005	36,527	36,527	57,546	21,019	63.48%	65,475	32.10%
Unclassified Employees' Pension	7/1/1996	4,313	4,313	2,909	(1,404)	148.26%	334	-420.36%
	7/1/1997	4,571	4,571	N/A	(4,571)	N/A	N/A	N/A
	7/1/1998	4,846	4,846	N/A	(4,846)	N/A	N/A	N/A
	7/1/1999	4,837	4,837	N/A	(4,837)	N/A	N/A	N/A
	7/1/2000	2,508	2,508	N/A	(2,508)	N/A	N/A	N/A
	7/1/2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	7/1/2002	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	7/1/2003	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	7/1/2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	7/1/2005	N/A	N/A	N/A	N/A	N/A	N/A	N/A

CITY OF BIRMINGHAM  
Notes to the Financial Statements  
June 30, 2006

**Schedule of Funding Progress (continued)**  
**(dollars in thousands)**

Plan	Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial		Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
			Liability (AAL)- Entry Age	Unfunded (Overfunded) AAL (UAAL)			
Firemen's Pension & Relief	7/1/1996	2,285	1,273	(1,012)	179.50%	N/A	N/A
	7/1/1997	2,913	1,106	(1,807)	263.38%	N/A	N/A
	7/1/1998	2,922	987	(1,935)	296.05%	N/A	N/A
	7/1/1999	3,443	820	(2,623)	419.88%	N/A	N/A
	7/1/2000	4,178	642	(3,536)	650.78%	N/A	N/A
	7/1/2001	4,692	600	(4,092)	782.00%	N/A	N/A
	7/1/2002	5,800	1,187	(4,613)	488.63%	N/A	N/A
	7/1/2003	5,731	561	(5,170)	1021.57%	N/A	N/A
	7/1/2004	6,189	501	(5,688)	1235.30%	N/A	N/A
7/1/2005	6,677	468	(6,209)	1426.71%	N/A	N/A	
Policemen's Pension & Relief	7/1/1996	513	513	0	0.00%	N/A	N/A
	7/1/1997	433	433	0	0.00%	N/A	N/A
	7/1/1998	384	384	0	0.00%	N/A	N/A
	7/1/1999	334	334	0	0.00%	N/A	N/A
	7/1/2000	282	282	0	0.00%	N/A	N/A
	7/1/2001	302	302	0	0.00%	N/A	N/A
	7/1/2002	226	226	0	0.00%	N/A	N/A
	7/1/2003	0	186	186	0.00%	N/A	N/A
	7/1/2004	0	159	159	0.00%	N/A	N/A
7/1/2005	0	129	129	0.00%	N/A	N/A	
Limited Firemen's Retirement & Relief	7/1/1996	539	539	0	0.00%	N/A	N/A
	7/1/1997	473	473	0	0.00%	N/A	N/A
	7/1/1998	400	400	0	0.00%	N/A	N/A
	7/1/1999	382	382	0	0.00%	N/A	N/A
	7/1/2000	341	341	0	0.00%	N/A	N/A
	7/1/2001	298	298	0	0.00%	N/A	N/A
	7/1/2002	284	284	0	0.00%	N/A	N/A
	7/1/2003	0	130	130	0.00%	N/A	N/A
	7/1/2004	0	123	123	0.00%	N/A	N/A
7/1/2005	0	128	128	0.00%	N/A	N/A	
Limited Policemen's Retirement & Relief	7/1/1996	745	745	0	0.00%	N/A	N/A
	7/1/1997	621	621	0	0.00%	N/A	N/A
	7/1/1998	521	521	0	0.00%	N/A	N/A
	7/1/1999	403	403	0	0.00%	N/A	N/A
	7/1/2000	419	419	0	0.00%	N/A	N/A
	7/1/2001	397	397	0	0.00%	N/A	N/A
	7/1/2002	361	361	0	0.00%	N/A	N/A
	7/1/2003	0	278	278	0.00%	N/A	N/A
	7/1/2004	0	239	239	0.00%	N/A	N/A
7/1/2005	0	201	201	0.00%	N/A	N/A	

CITY OF BIRMINGHAM  
Notes to the Financial Statements  
June 30, 2006

**Schedule of Employer Contributions**

City of Birmingham Retirement & Relief			Firemen's & Policemen's Supplemental		
Fiscal Year	Annual Required	Percentage	Fiscal Year <u>End June</u> 30,	Annual Required	Percentage
<u>End June 30,</u>	<u>Contribution</u>	<u>Contribution</u>	<u>30,</u>	<u>Contribution</u>	<u>Contribution</u>
1996	8,574,845	100.00%	1996	1,485,656	100.00%
1997	9,327,208	100.00%	1997	1,725,118	100.00%
1998	6,621,250	100.00%	1998	1,704,350	100.00%
1999	8,157,000	100.00%	1999	1,734,200	100.00%
2000	7,073,900	100.00%	2000	1,757,550	100.00%
2001	10,151,206	100.00%	2001	2,371,000	100.00%
2002	8,580,579	100.00%	2002	2,756,102	100.00%
2003	9,756,787	100.00%	2003	2,722,342	100.00%
2004	11,290,871	100.00%	2004	2,570,134	100.00%
2005	12,875,198	84.5%	2005	2,647,128	100.00%

Unclassified Employees' Pension			Firemen's Pension & Relief		
Fiscal Year	Annual Required	Percentage	Fiscal Year <u>End June</u> 30,	Annual Required	Percentage
<u>End June 30,</u>	<u>Contribution</u>	<u>Contribution</u>	<u>30,</u>	<u>Contribution</u>	<u>Contribution</u>
1996	2,583	100.00%	1996	0	100.00%
1997	2,076	100.00%	1997	0	100.00%
1998	0	100.00%	1998	0	100.00%
1999	0	100.00%	1999	0	100.00%
2000	0	100.00%	2000	0	100.00%
2001	0	100.00%	2001	0	100.00%
2002	0	100.00%	2002	0	100.00%
2003	0	100.00%	2003	0	100.00%
2004	0	100.00%	2004	0	100.00%
2005	0	100.00%	2005	0	100.00%

Policemen's Pension & Relief			Limited Firemen's Retirement & Relief		
Fiscal Year	Annual Required	Percentage	Fiscal Year <u>End June</u> 30,	Annual Required	Percentage
<u>End June 30,</u>	<u>Contribution</u>	<u>Contribution</u>	<u>30,</u>	<u>Contribution</u>	<u>Contribution</u>
1996	123,230	100.00%	1996	104,592	100.00%
1997	101,229	100.00%	1997	103,711	100.00%
1998	90,100	100.00%	1998	96,700	100.00%
1999	82,700	100.00%	1999	88,100	100.00%
2000	67,686	100.00%	2000	84,461	100.00%
2001	70,759	100.00%	2001	75,381	100.00%
2002	66,425	100.00%	2002	69,862	100.00%
2003	57,585	100.00%	2003	51,953	100.00%
2004	51,617	100.00%	2004	34,926	100.00%
2005	42,714	100.00%	2005	34,450	100.00%

CITY OF BIRMINGHAM  
Notes to the Financial Statements  
June 30, 2006

**Schedule of Employer Contributions (continued)**

<b>Limited Policemen's Retirement &amp; Relief</b>		
<b>Fiscal Year</b>	<b>Annual Required Contribution</b>	<b>Percentage Contribution</b>
<b>End June 30,</b>		
1996	166,881	100.00%
1997	132,479	100.00%
1998	116,500	100.00%
1999	100,100	100.00%
2000	87,849	100.00%
2001	88,094	100.00%
2002	81,903	100.00%
2003	64,832	100.00%
2004	61,913	100.00%
2005	48,701	100.00%

**Notes to Trend Data - Pension Plans**

	<b>Retirement &amp; Relief System</b>	<b>Firemen's &amp; Policemen's Supplemental</b>	<b>Unclassified Employees' Pension</b>
<b>Actuarial Valuation:</b>			
Frequency	Annual	Annual	Annual
Latest Date	7/1/2005	7/1/2005	7/1/2005
Basis for Contributions	7/1/2005	7/1/2005	7/1/2005
Cost Method	Entry Age Normal	Entry Age Normal	Aggregate *
<b>Amortization:</b>			
Method	Level Dollar	Level Dollar	
Open/Closed	Open/Rolling 30 years	Open/Rolling 30 years	Closed
Equivalent Single Period Remaining	30	30	N/A
Asset Valuation Method	Smoothing=20% of Market Value	Smoothing=20% of Market Value	
<b>Assumptions:</b>			
Investment Earnings	7.50%	7.50%	
Salary Increase:			
Inflation	4%	4%	
Merit, Longevity, etc.	Varies from .00% to 6%	Varies from .00% to 6%	
Mortality Table	1983 GAM	1983 GAM	
Retirements	Table	Table	
Turnover	Table	Table	
Post Retirement Benefits	N/A	N/A	

CITY OF BIRMINGHAM  
Notes to the Financial Statements  
June 30, 2006

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**Notes to Trend Data - Pension Plans (continued)**

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	Firemen's Pension & Relief	Policemen's Pension & Relief	Limited Firemen's Retirement & Relief	Limited Policemen's Retirement & Relief
<b>Actuarial Valuation:</b>				
Frequency	Annual	Annual	Annual	Annual
Latest Date	7/1/2005 7/1/20	7/1/2005	7/1/2005	7/1/2005
Basis for Contributions	05 Funded Frozen Plan	7/1/2005 Frozen with Additional Benefit Payments	7/1/2005 Frozen with Additional Benefit Payments	7/1/2005 Frozen with Additional Benefit Payments
Cost Method				
<b>Amortization:</b>				
Method	N/A	N/A	N/A	N/A
Open/Closed	Closed	Closed	Closed	Closed
Equivalent Single Period Remaining	N/A	N/A	N/A	N/A
Asset Valuation Method	N/A	N/A	N/A	N/A
<b>Assumptions:</b>				
Investment Earnings	7%	7%	7%	7%
Salary Increase:				
Inflation	N/A	N/A	N/A	N/A
Merit, Longevity, etc.	N/A	N/A	N/A	N/A
Mortality Table	1971 GAM	1971 GAM	1971 GAM	1971 GAM
Retirements	N/A	N/A	N/A	N/A
Turnover	N/A	N/A	N/A	N/A
Post Retirement Benefits	N/A	N/A	N/A	N/A

\* For the Unclassified Plan, the aggregate actuarial cost method does not identify or separately amortize any unfunded actuarial accrued liabilities.

City of Birmingham, Alabama  
Combining Statement of Fiduciary Net Assets  
Pension Trust Funds  
June 30, 2006  
(in thousands)

	Retirement and Relief System	Firemen's and Policemen's Supplemental Pension System	Firemen's Pension and Relief	Policemen's Pension and Relief	Limited Firemen's Retirement & Relief System	Limited Policemen's Retirement & Relief System	Unclassified Employees Pension & Relief System	Total
<b>ASSETS:</b>								
Cash and cash equivalents	\$46,679	\$10,402	\$7,214	\$1		\$3	\$1,770	\$66,069
Receivables:								
Members	1,798	578						2,376
Member loans	10,877							10,877
Interest and dividends	5,730	253					3	5,986
Due from other funds	581	194			1			776
Investments, at fair value:								
U. S. Government obligations	276,523	19,060						295,583
Domestic corporate bonds	151,961	7,203						159,164
Domestic stocks	420,309	490						420,799
<b>TOTAL ASSETS</b>	<b>914,458</b>	<b>38,180</b>	<b>7,214</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>1,773</b>	<b>961,630</b>
<b>LIABILITIES</b>								
Accounts payable and other	1,663	111	1			3		1,778
<b>NET ASSETS</b>								
Held in trust for future pension benefits	<u>\$912,795</u>	<u>\$38,069</u>	<u>\$7,213</u>	<u>\$1</u>	<u>\$1</u>	<u>\$0</u>	<u>\$1,773</u>	<u>\$959,852</u>

City of Birmingham, Alabama  
Combining Statement of Changes in Plan Net Assets  
Pension Trust Funds  
for the Year Ended June 30, 2006  
(in thousands)

	Retirement and Relief System	Firemen's and Policemen's Supplemental Pension System	Firemen's Pension and Relief	Policemen's Pension and Relief	Limited Firemen's Retirement & Relief System	Limited Policemen's Retirement & Relief System	Unclassified Employees Pension & Relief System	Total
<b>ADDITIONS</b>								
<b>Contributions:</b>								
Employer	\$11,434	\$3,463		\$31	\$28	\$29		\$14,985
Plan Members	10,610	3,418					2	14,030
<b>Total contributions</b>	<b>22,044</b>	<b>6,881</b>	<b>0</b>	<b>31</b>	<b>28</b>	<b>29</b>	<b>2</b>	<b>29,015</b>
<b>Investment income:</b>								
Investment earnings	44,244	240	212				86	44,782
Securities lending	279							279
	44,523	240	212	0	0	0	86	45,061
Less investment expenses	3,258	172						3,430
<b>Net investment income</b>	<b>41,265</b>	<b>68</b>	<b>212</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>86</b>	<b>41,631</b>
Other income	36	2	453					491
<b>Total additions</b>	<b>63,345</b>	<b>6,951</b>	<b>665</b>	<b>31</b>	<b>28</b>	<b>29</b>	<b>88</b>	<b>71,137</b>
<b>DEDUCTIONS</b>								
Benefits	46,845	4,321	127	28	25	27	170	51,543
Refunds of contributions	1,004	217						1,221
Administrative expenses	322	502	2	2	2	2	12	844
<b>Total deductions</b>	<b>48,171</b>	<b>5,040</b>	<b>129</b>	<b>30</b>	<b>27</b>	<b>29</b>	<b>182</b>	<b>53,608</b>
<b>Net increase (decrease)</b>	<b>15,174</b>	<b>1,911</b>	<b>536</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>(94)</b>	<b>17,529</b>
<b>Net assets held in trust for pension benefits:</b>								
Beginning of year	897,621	36,158	6,677				1,867	942,323
End of year	\$912,795	\$38,069	\$7,213	\$1	\$1	\$0	\$1,773	\$959,852

## **OTHER SUPPLEMENTARY INFORMATION**

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**City of Birmingham, Alabama**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Encumbrances**  
**Budget and Actual**  
**for the year ended June 30, 2006**

Revenues:	Budget	Actual	Over (Under) Budget
<b>Taxes:</b>			
<b>Sales and use:</b>			
Sales	\$87,500	\$86,324	(\$1,176)
Use	20,500	22,761	2,261
	<u>108,000</u>	<u>109,085</u>	<u>1,085</u>
<b>Occupational:</b>			
Occupational tax	70,750	72,297	1,547
<b>Property:</b>			
County tax collection	22,600	23,015	415
County director of revenue	1,700	1,851	151
County tax collector	150	123	(27)
State of Alabama	60	96	36
Library .5 mill tax	1,080	1,083	3
	<u>25,590</u>	<u>26,168</u>	<u>578</u>
<b>Total taxes</b>	<u>204,340</u>	<u>207,549</u>	<u>3,209</u>
<b>Licenses and permits:</b>			
<b>Business:</b>			
General	32,100	32,665	565
Public utilities	14,790	14,791	1
Beer - wholesale	1	1	0
Beer retail	26	26	0
Liquor	860	939	79
Liquor and wine	140	144	4
Table wine tax	190	179	(11)
Lease or rental tax	6,400	6,205	(195)
	<u>54,507</u>	<u>54,951</u>	<u>444</u>
<b>Nonbusiness:</b>			
Building permits	4,313	5,241	928
Electrical inspection fees	72	137	65
Elevator permits	0	24	24
Plumbing permits	17	18	1
Gas permits	26	18	(8)
Blasting permits	1	0	(0)
Engineering permits	1	0	(1)
Excavation permits	10	34	24
Clearing and earthwork permits	25	27	2
Billboard permits	35	49	14
Mechanical permits	15	20	5
Dance permits	35	31	(5)
Other	10	13	3
	<u>4,559</u>	<u>5,613</u>	<u>1,054</u>
<b>Total licenses and permits</b>	<u>59,066</u>	<u>60,564</u>	<u>1,497</u>
<b>Fines and forfeitures:</b>			
Municipal court fines	1,700	1,649	(51)
Traffic citations	1,600	1,506	(94)
Partial payments	925	863	(62)
False Alarm Fine	10	3	(7)
Library	165	160	(5)
<b>Total fines and forfeitures</b>	<u>4,400</u>	<u>4,181</u>	<u>(219)</u>

**City of Birmingham, Alabama**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Encumbrances**  
**Budget and Actual**  
**for the year ended June 30, 2006**

	Budget	Actual	Over (Under) Budget
<b>Intergovernmental revenue:</b>			
<b>Shared from local units:</b>			
County gasoline tax	1,850	1,902	52
County tobacco tax	375	295	(80)
County road tax	2,200	2,388	188
County library contributions	272	272	0
Sales tax on sale of used cars	506	457	(49)
State-wide uniform beer tax	1,735	1,707	(28)
	<u>6,938</u>	<u>7,021</u>	<u>83</u>
<b>Shared state revenue:</b>			
Bank excise tax	1,400	1,658	258
Motor vehicle license	700	731	31
Share of State liquor profits	200	214	14
State table wine tax	3	1	(2)
Interstate Regulatory Plan registration fees	475	337	(138)
Liquor store sales tax	240	264	24
Alabama trust fund	1,464	1,422	(42)
Business privilege tax	2,656	2,667	11
Oil production privilege tax	35	68	33
	<u>7,173</u>	<u>7,364</u>	<u>191</u>
<b>Other:</b>			
Civil Defense	26	46	20
Industrial Development Board	110	65	(45)
County Animal Control Contribution	30	0	(30)
Indirect cost reimbursement - C.D.	250	175	(75)
	<u>416</u>	<u>286</u>	<u>(130)</u>
<b>Total intergovernmental revenue</b>	<u>14,527</u>	<u>14,671</u>	<u>144</u>
<b>Charges for services:</b>			
<b>Culture and recreation:</b>			
Admission fees	44	46	2
Concessions	270	139	(131)
Parking	300	321	21
Rent	490	433	(57)
Gifts	16	12	(4)
Lunches	26	24	(2)
Miscellaneous	1	3	2
	<u>1,147</u>	<u>977</u>	<u>(170)</u>
<b>Highways and streets:</b>			
Streets, sidewalks, and curbs	10	7	(3)
Parking meters	1,300	1,295	(5)
Street vacation fees	200	404	204
	<u>1,510</u>	<u>1,706</u>	<u>196</u>

**City of Birmingham, Alabama**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Encumbrances**  
**Budget and Actual**  
**for the year ended June 30, 2006**

	Budget	Actual	Over (Under) Budget
<b>(Revenues, Charges for services - continued):</b>			
<b>General government:</b>			
Subdivision fees	45	56	11
Zoning fees	20	9	(11)
Parking authority	5,600	5,227	(373)
Right-Of-Way Fiber Optic Fee	136	0	(136)
Franchise fees - AT&T	250	250	(0)
	<u>6,051</u>	<u>5,543</u>	<u>(508)</u>
<b>Public safety:</b>			
Accident and defense reports	200	198	(2)
Auto storage	480	503	23
Auto sales	374	398	24
Airport	2,735	2,927	193
E-911 cost reimbursement	2,960	2,637	(323)
Ambulance application fee	2	2	(1)
Advanced life support transportation fees	2,985	2,424	(561)
Domestic violence fees	40	46	6
Housing Authority	500	531	31
Court ordered restoration	6	3	(3)
Photo lab fees	6	1	(5)
Other	1	8	7
	<u>10,289</u>	<u>9,678</u>	<u>(611)</u>
<b>Sanitation:</b>			
Garbage special services	1	1	0
Junk sales	8	5	(2)
Landfill charges	400	473	73
	<u>408</u>	<u>479</u>	<u>71</u>
Total other	<u>16,748</u>	<u>15,700</u>	<u>(1,048)</u>
Total charges for services	<u>19,405</u>	<u>18,384</u>	<u>(1,021)</u>
<b>Other operating revenue:</b>			
<b>Interest earnings:</b>			
On investments	2,810	3,183	373
On loans	50	27	(23)
	<u>2,860</u>	<u>3,210</u>	<u>350</u>
<b>Other:</b>			
Warrants-airport	51	51	0
Airport lease payments	51	51	0
State Fair Receipts	350	420	70
Rents and royalties	600	635	35
Discounts on purchase of stores	4	3	(1)
Commission on toll phones	70	58	(12)
Adjustment of prior years' encumbrances	750	334	(416)
Inventory adjustments	0	(32)	(32)
Damage to City property	100	127	27
Expense reimbursement	14	3	(11)
Snack Bar rental	4	4	0
Race track city distribution	435	368	(67)
Race track county distribution	240	204	(36)
Refund of insurance stabilization	400	628	228
Income from recycling	2	13	11
F.E.M.A. reimbursement	0	369	369
Miscellaneous	657	620	(37)
	<u>3,727</u>	<u>3,857</u>	<u>129</u>
Total other operating revenues	<u>6,588</u>	<u>7,066</u>	<u>479</u>
Total revenues	<u>308,326</u>	<u>312,415</u>	<u>4,089</u>

**City of Birmingham, Alabama**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Encumbrances**  
**Budget and Actual**  
**for the year ended June 30, 2006**

	Budget	Actual	Over (Under) Budget
<b>Expenditures and encumbrances:</b>			
<b>Public safety:</b>			
<b>Police:</b>			
Personnel services	68,021	65,797	(2,224)
Other	8,069	8,533	464
	<u>76,090</u>	<u>74,330</u>	<u>(1,760)</u>
<b>Fire:</b>			
Personnel services	42,623	41,845	(777)
Other	4,414	5,124	710
	<u>47,037</u>	<u>46,970</u>	<u>(67)</u>
<b>Other:</b>			
<b>Engineering</b>			
Personnel services	13,520	12,737	(783)
Other	1,071	1,276	206
	<u>14,591</u>	<u>14,013</u>	<u>(578)</u>
<b>Traffic engineering:</b>			
Personnel services	4,550	4,057	(493)
Other	4,179	4,286	107
	<u>8,729</u>	<u>8,343</u>	<u>(387)</u>
<b>Municipal Court:</b>			
Personnel services	3,198	3,133	(64)
Other	178	157	(21)
	<u>3,375</u>	<u>3,290</u>	<u>(85)</u>
<b>Parole Office:</b>			
Personnel services	695	663	(32)
Other	11	6	(5)
	<u>706</u>	<u>669</u>	<u>(37)</u>
<b>Nondepartmental:</b>			
TASC	34	34	0
Police Pension and Relief	48	31	(17)
Limited Police Retirement and Relief	50	29	(21)
Limited Fire Retirement and Relief	35	28	(7)
Police Community Relations	4	4	0
City Action Partnership	10	10	0
Jefferson County Civil Defense	231	231	0
Supplemental Retirees	431	454	23
	<u>843</u>	<u>821</u>	<u>(22)</u>
<b>Total other</b>	<u>28,244</u>	<u>27,137</u>	<u>(1,107)</u>
<b>Total public safety</b>	<u>151,370</u>	<u>148,436</u>	<u>(2,934)</u>
<b>Environment and streets:</b>			
<b>Streets and sanitation:</b>			
Personnel services	44,852	41,029	(3,824)
Other	6,661	7,997	1,337
	<u>51,513</u>	<u>49,026</u>	<u>(2,487)</u>

**City of Birmingham, Alabama**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Encumbrances**  
**Budget and Actual**  
**for the year ended June 30, 2006**

	Budget	Actual	Over (Under) Budget
<b>(Expenditures &amp; encumbrances, Environments &amp; streets - continued):</b>			
<b>Other:</b>			
<b>Parking Authority:</b>			
Personnel services	3,267	3,731	464
Other	772	1,034	262
	<u>4,039</u>	<u>4,765</u>	<u>726</u>
<b>Nondepartmental:</b>			
Birmingham Cable Television	1	0	(1)
DART	84	84	0
Debt service	6,160	5,044	(1,116)
B.J.C.T.A.-Ext Fixed Route	679	679	0
B.J.C.T.A.-Hwy 31 Route	14	14	0
B.J.C.T.A.-Para Transit	287	287	0
B.J.C.T.A.-Titusville-Westend	178	178	0
B.J.C.T.A.-Saturday Service	453	453	0
B.J.C.T.A.-Holiday Service	25	25	0
B.J.C.T.A.-Latenite/Wkd	58	58	0
Birmingham Transit Authority	3,302	3,022	(280)
	<u>11,242</u>	<u>9,845</u>	<u>(1,397)</u>
Total other	<u>15,280</u>	<u>14,609</u>	<u>(671)</u>
Total environment and streets	<u>66,794</u>	<u>63,635</u>	<u>(3,158)</u>
<b>Cultural and recreational:</b>			
<b>Park and recreation:</b>			
Personnel services	6,579	6,006	(573)
Other	2,766	2,857	91
	<u>9,345</u>	<u>8,863</u>	<u>(482)</u>
<b>Library:</b>			
Personnel services	11,240	10,875	(365)
Other	3,527	3,574	47
	<u>14,767</u>	<u>14,449</u>	<u>(318)</u>
<b>Other:</b>			
<b>Southern Museum of Flight:</b>			
Personnel services	296	309	13
Other	208	221	13
	<u>504</u>	<u>530</u>	<u>26</u>
<b>Museum:</b>			
Personnel services	1,568	1,486	(82)
Other	1,669	1,707	38
	<u>3,237</u>	<u>3,194</u>	<u>(43)</u>
<b>Auditorium:</b>			
Personnel services	829	812	(18)
Other	256	334	78
	<u>1,085</u>	<u>1,146</u>	<u>61</u>
<b>Arlington:</b>			
Personnel Services	300	308	8
Other	225	213	(11)
	<u>525</u>	<u>522</u>	<u>(3)</u>
<b>Sloss Furnace:</b>			
Personnel services	608	679	70
Other	161	153	(9)
	<u>770</u>	<u>831</u>	<u>62</u>

**City of Birmingham, Alabama**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Encumbrances**  
**Budget and Actual**  
**for the year ended June 30, 2006**

	Budget	Actual	Over (Under) Budget
<b>Nondepartmental:</b>			
Birmingham Historical Society	18	18	0
Jefferson - Blount - St. Clair Mental Health	100	100	0
Ruffner Mountain Agency	71	71	0
Board of Education - Crossing Guards	92	92	0
Board of Education - Adult Learning Center	50	50	0
Board of Education - Recreation Support Program	33	33	0
Board of Education - Reading Initiative	50	50	0
Board of Education - Family Education	27	27	0
High School football Championships	10	10	0
Alabama Sports Festival	18	18	0
Birmingham Zoo	250	250	0
Southwestern Athletic Conference	561	561	0
Oak Hill Memorial Cemetery	126	126	0
Kids One Transport	35	35	0
Alabama Symphony Matching Funds	63	63	0
City Stages	50	50	0
Board of Education Student Safety Program	180	180	0
JCCEO	74	74	0
Magic City Classic	13	12	(0)
Literacy Council	18	18	0
Birmingham Public Schools B.A.C.C. Arts	90	90	0
Camp Anytown	18	18	0
African American Arts and Heritage	35	35	0
Space One Eleven	18	18	0
Jefferson County Historical Development Board	7	7	0
Birmingham Youth Program	140	140	0
Veterans Day	4	4	0
Discovery 2000	597	597	0
Youth Services	454	454	0
Southern Intercollegiate Conference	25	25	0
High School Basketball	14	14	0
UAB Football	225	225	0
Birmingham Urban Youth Soccer	35	35	0
Rickwood Field	68	68	0
Birmingham Civil Rights Institute	700	700	0
Sister City Program	21	21	0
Alabama State Fair Authority	594	631	37
Smithfield-Bruno Center	7	7	0
Festival of Arts	21	21	0
Alabama Symphony	117	117	0
Police Athletic Team	89	89	0
Jazz Hall of Fame	193	193	0
PING Athletic Activities	29	29	0
Function at the Junction	27	27	0
Boys Scouts Leadership Camp	18	18	0
S.W.A.C. and M.E.A.C. Challenge	25	25	0
Bd of Ed Workforce Development	100	100	0
Barber Motorsports	63	63	0
Central Ala. Women's Business	15	15	0
	<u>5,583</u>	<u>5,620</u>	<u>37</u>
Total other	<u>11,704</u>	<u>11,843</u>	<u>139</u>
Total cultural and recreational	<u>35,816</u>	<u>35,154</u>	<u>(661)</u>

**City of Birmingham, Alabama**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Encumbrances**  
**Budget and Actual**  
**for the year ended June 30, 2006**

	Budget	Actual	Over (Under) Budget
<b>(Expenditures &amp; encumbrances - continued):</b>			
<b>General government:</b>			
<b>Finance:</b>			
Personnel services	6,933	6,424	(509)
Other	1,804	1,746	(58)
	<u>8,737</u>	<u>8,170</u>	<u>(567)</u>
<b>Municipal Garage:</b>			
Personnel services	5,003	4,678	(325)
Other	275	391	116
	<u>5,278</u>	<u>5,069</u>	<u>(209)</u>
<b>Information Management Services:</b>			
Personnel services	4,051	3,884	(167)
Other	1,353	1,275	(78)
	<u>5,405</u>	<u>5,159</u>	<u>(246)</u>
<b>Other:</b>			
<b>City Clerk:</b>			
Personnel services	512	504	(8)
Other	829	654	(175)
	<u>1,341</u>	<u>1,158</u>	<u>(183)</u>
<b>Community Development:</b>			
Personnel services	699	670	(29)
Other	129	133	3
	<u>828</u>	<u>803</u>	<u>(25)</u>
<b>Council:</b>			
Personnel services	1,640	1,547	(94)
Other	676	652	(24)
	<u>2,317</u>	<u>2,199</u>	<u>(117)</u>
<b>Legal:</b>			
Personnel services	2,885	2,673	(212)
Other	1,091	1,051	(39)
	<u>3,976</u>	<u>3,724</u>	<u>(251)</u>
<b>Mayor's office:</b>			
Personnel services	3,297	2,968	(328)
Other	423	462	39
	<u>3,719</u>	<u>3,430</u>	<u>(290)</u>
<b>Office of Personnel:</b>			
Personnel services	1,109	957	(152)
Other	539	532	(7)
	<u>1,648</u>	<u>1,489</u>	<u>(159)</u>
<b>Nondepartmental:</b>			
Unemployment compensation	184	194	10
Pensioners health insurance	330	328	(2)
Employee auto insurance	6	2	(4)
Telephone and telegraph	700	977	277
Telecommunications	93	92	(0)
Board of Equalization	64	64	1
Consulting Fees	200	200	(0)
Bank custodial service	272	343	71
Communication airtime	370	350	(20)
Collection Fees	743	743	0
Property reappraisal	607	1,111	504
Insurance - fire, theft, etc.	10	8	(2)
Employee parking	420	433	13
Birmingham Regional Planning Commission	110	110	0
Jefferson County Personnel Board	3,000	3,000	0
Jefferson County Board of Health	1,534	1,535	0
Jefferson County Board of Health DOPEPP	35	35	0
Construction Industry Authority	105	105	0

City of Birmingham, Alabama  
General Fund  
Schedule of Revenues, Expenditures, and Encumbrances  
Budget and Actual  
for the year ended June 30, 2006

	Budget	Actual	Over (Under) Budget
(Expenditures & encumbrances, General government, Nondepartmental - continued):			
Birmingham Housing Authority	40	40	0
Birmingham Urban League	66	66	0
Crisis Center	6	6	0
Southeast Police & Fire Championship	11	11	0
R.E.S.P.E.C.T. Organization	7	7	0
Impact Program	25	25	0
Ministerial Brotherhood	18	18	0
Municipal expansion	5	6	1
Professional services other	260	260	0
National League of Cities	11	11	0
U.S. Conference of Mayors	11	11	0
Alabama League of Municipalities	18	18	0
A. R. C. of Jefferson County	18	18	0
Alcoholism Recovery Service	11	11	0
Vulcan Restoration	188	188	0
Summer Youth Jobs	70	70	0
JCCEO-PING	61	61	0
Birmingham Aids Outreach	30	30	0
Birmingham Area Technical Leadership	50	50	0
Village Creek Human Justice	25	25	0
Better Business Bureau of Cent. Alabama	30	30	0
Housing for Mentally Ill	100	100	0
Birmingham Business Network	117	117	0
B.B.R.C. Administration	175	175	0
B.B.R.C. Micro Lending	35	35	0
Brownfield Match	35	0	(35)
Development Solution	51	51	0
Metropolitan Development Board	517	517	0
Birmingham Foreign Trade Zone	10	0	(10)
Grant Match	0	(3)	(3)
B.C.W.L.D.C.-SBA Micro Loan	27	27	0
Greenwood Cemetery	60	60	0
Vulcan Park Foundation	198	198	0
Civil Rights Activist Committee	25	25	0
Bd of Ed Camp Birmingham	86	86	0
Operation New Birmingham	350	350	0
Health Care for Homeless	59	59	0
Sickle Cell Foundation	21	21	0
Jefferson County Mayor's Association	24	24	0
Local Government Leadership	22	22	0
Environmental Center	14	14	0
Birmingham Humane Society	668	668	0
Planning and Zoning Commission	7	6	(2)
PING operating expenses	5	5	0
Birmingham Youth Jazz Ensemble	14	14	0
Birmingham Regional Medical System	1	1	0
Meals on Wheels	25	25	0
Clergy That Care	23	23	0
Land	0	1,525	1,525
Damage Claims	1,597	1,178	(419)
Total nondepartmental	<u>14,006</u>	<u>15,912</u>	<u>1,906</u>
Total other	<u>27,834</u>	<u>28,715</u>	<u>881</u>
Total general government	<u>47,254</u>	<u>47,113</u>	<u>(141)</u>
Total expenditures and encumbrances	<u>\$301,234</u>	<u>\$294,339</u>	<u>(\$6,895)</u>



## Nonmajor Governmental Funds

### Special Revenue Funds

**Federal Revenue Sharing Fund** accounts for funds received and disbursed under Federal Revenue Sharing.

**Community Development Fund** accounts for those funds received and used for Community Urban Development Block Grants.

**HUD Rental Rehabilitation Loan Fund** accounts for funds used for rehabilitation of rental property.

**Miscellaneous Grant Fund** accounts for funds arising from miscellaneous grants. Although the funds are consolidated, each grant is accounted for individually.

**Law Enforcement Block Grant** accounts for funds received for reducing crime and improving public safety.

**Mortgage Subsidy Fund** accounts for funds used to subsidize residential mortgages.

**UDAG Repayment Fund** accounts for funds received in repayment of UDAG loans.

**HUD 108 Loan Fund** accounts for funds used for economic development.

**Home Investment Trust Fund** accounts for funds received from Housing and Urban Development to provide loans for low to moderate income housing.

**Other Funds** represent small donations funds used to account for specific donations.

### Debt Service Funds

**Tax Increment Financing** accounts for ad valorem taxes received from Jefferson County specifically for the repayment of the debt for the Tax Increment Financing Warrants.

**Tax Increment Reserve** accounts for the funds with the escrow agent for the repayment of the debt for the Tax Increment Financing Warrants.

### Capital Projects Funds

**Special Assessment Fund** accounts for construction of Public Improvements which are to be paid wholly or in part from assessments levied against the property benefited by the improvements.

**General Obligation Bond Issues** accounts for the expenditure of the proceeds from bond issues that are for capital projects.

**Capital Improvement Fund** accounts for funds derived from specific grants and from current funds used for capital improvements.

**Fuel Tax Fund** accounts for proceeds of a \$ .04 State gasoline tax. The use of these funds is restricted for street projects.

**Highway Improvement Fund** accounts for proceeds of a \$ .07 State gasoline tax. The use of these funds is restricted for street projects.

## **Capital Projects Funds**

**Industrial Park Improvement Fund** accounts for proceeds from the sale of industrial park property.

**Capital Improvement General Obligation Warrant Fund** accounts for proceeds of General Obligation Warrants designated for building and construction facilities.

**Street Improvement Warrant Fund** accounts for proceeds of the 1988 and 1992 Street Improvement Warrants.

The remaining funds presented represent the funds used to account for the proceeds from the particular General Obligation Warrant issue.

**1994 General Obligation Warrant Fund**

**1997 General Obligation Warrant Fund**

**1998-A General Obligation Warrant Fund**

**1998-B General Obligation Warrant Fund**

**2004-A General Obligation Warrant Fund**

**Tax Increment Financing Warrants Fund**

City of Birmingham, Alabama  
Combining Balance Sheets  
Nonmajor Governmental Funds  
June 30, 2006  
(in thousands)  
(Page 1 of 2)

	<i>Special Revenue Funds</i>										<i>Debt Service Funds</i>			
	Federal Revenue Sharing	Community Development	HUD Rental Rehabilitation Loan	Miscellaneous Grants	Law Enforcement Block Grant	Mortgage Subsidy	UDAG Repayment	HUD 108 Loan	Home Investment Trust	Other Funds	Total Special Revenue Funds	Tax Increment Financing	Tax Increment Reserve	Total Debt Service Funds
<b>ASSETS</b>														
Cash and investments	\$847	\$0	\$965	\$2,223	\$124	\$4,615	\$5,063	\$101	\$0	\$4,926	\$18,864	\$34		\$34
Cash with escrow agent													1,479	1,479
Receivables:														
Accrued interest receivable	3				0	9	10	1		0	23			
Accounts				6					0	15	21			
Lease obligations											0			
Loans		1,865				359	671				2,895			
Assessments														
Collateral deposited for surety										53	53			
Due from other governments		438							307		745			
Due from other funds				10							10		0	0
<b>TOTAL ASSETS</b>	<b>\$850</b>	<b>\$2,303</b>	<b>\$965</b>	<b>\$2,239</b>	<b>\$124</b>	<b>\$4,983</b>	<b>\$5,744</b>	<b>\$102</b>	<b>\$307</b>	<b>\$4,994</b>	<b>\$22,611</b>	<b>\$34</b>	<b>\$1,479</b>	<b>\$1,513</b>
<b>LIABILITIES AND FUND BALANCE</b>														
<b>LIABILITIES</b>														
Accounts payable		145		282					282	\$120	\$829			
Contracts payable		167		167			77		21		432			
Contracts payable-retainage		45		31							76			
Accrued payroll and taxes payable		69		9					4		82			
Due to other funds		12								101	113			0
Deferred revenue		1,865		1,750			388	123			4,126			
Other liabilities										55	55			
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>2,303</b>		<b>2,239</b>	<b>0</b>	<b>0</b>	<b>465</b>	<b>123</b>	<b>307</b>	<b>276</b>	<b>5,713</b>	<b>0</b>		<b>0</b>
<b>FUND BALANCES</b>														
Reserved for encumbrances		1,723				112	380			544	2,759			
Reserved for future projects	850		965		124	4,871	4,899			4,174	15,883			
Reserved for debt service												34	1,479	1,513
Unreserved and undesignated (deficit)		(1,723)						(21)			(1,744)			
<b>TOTAL FUND BALANCES</b>	<b>850</b>	<b>0</b>	<b>965</b>	<b>0</b>	<b>124</b>	<b>4,983</b>	<b>5,279</b>	<b>(21)</b>	<b>0</b>	<b>4,718</b>	<b>16,898</b>	<b>34</b>	<b>1,479</b>	<b>1,513</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$850</b>	<b>\$2,303</b>	<b>\$965</b>	<b>\$2,239</b>	<b>\$124</b>	<b>\$4,983</b>	<b>\$5,744</b>	<b>\$102</b>	<b>\$307</b>	<b>\$4,994</b>	<b>\$22,611</b>	<b>\$34</b>	<b>\$1,479</b>	<b>\$1,513</b>

City of Birmingham, Alabama  
Combining Balance Sheets  
Nonmajor Governmental Funds  
June 30, 2005  
(in thousands)  
(Page 2 of 2)

<i>Capital Projects Funds</i>																
	Special Assessments	General Obligation Bond Issues	Capital Improvement	Fuel Tax	Highway Improvement	Industrial Park Improvement	Capital Improvement Gen. Obli. Warrants	Street Improvement Warrants	1994 General Obligation Warrants	1997 General Obligation Warrants	1998-A General Obligation Warrants	1998-B General Obligation Warrants	2004-A General Obligation Warrants	Tax Increment Financing Warrants	Total Capital Projects Funds	Total Nonmajor Funds
<b>ASSETS</b>																
Cash and investments		\$21,748		\$2,891	\$996	\$887	\$3,694	\$1,853	\$1,222	\$137	\$1,384	\$3,838		\$1,589	\$40,239	\$59,137
Cash with escrow agent													719		719	2,198
Receivables:																
Accrued interest receivable	3	12		0	14	4	5	7	4	0	5	14		0	68	91
Accounts				133	225											21
Lease obligations																0
Loans																2,895
Assessments	8,804														8,804	8,804
Collateral deposited for surety																53
Due from other funds	1,136		37,098												38,234	38,244
<b>TOTAL ASSETS</b>	<b>\$9,943</b>	<b>\$21,760</b>	<b>\$37,098</b>	<b>\$3,024</b>	<b>\$1,235</b>	<b>\$891</b>	<b>\$3,699</b>	<b>\$1,860</b>	<b>\$1,226</b>	<b>\$137</b>	<b>\$1,389</b>	<b>\$3,852</b>	<b>\$719</b>	<b>\$1,589</b>	<b>\$88,422</b>	<b>\$112,546</b>
<b>LIABILITIES AND FUND BALANCE</b>																
<b>LIABILITIES</b>																
Accounts payable	1,122				2										\$1,124	\$1,953
Contracts payable	3	276	459		55		92	5			52	14			956	1,388
Contracts payable-retainage		291	6	48	62		29	1	45		78	7		24	591	667
Accrued payroll and taxes payable																82
Due to other funds			1,093													113
Deferred revenue	8,609														8,609	12,735
Other liabilities																55
<b>TOTAL LIABILITIES</b>	<b>9,734</b>	<b>567</b>	<b>1,558</b>	<b>48</b>	<b>119</b>	<b>0</b>	<b>121</b>	<b>6</b>	<b>45</b>	<b>0</b>	<b>130</b>	<b>21</b>	<b>0</b>	<b>24</b>	<b>11,280</b>	<b>16,993</b>
<b>FUND BALANCES</b>																
Reserved for encumbrances	311	6,657	1,354	418	872	4	259	107	445	10	317	480		313	\$11,547	\$14,306
Reserved for future projects		14,536	34,186	2,558	244	887	3,319	1,747	736	127	942	3,351	719	1,252	64,604	80,487
Reserved for debt service																1,513
Unreserved and undesignated (deficit)	(102)														(102)	(1,846)
<b>TOTAL FUND BALANCES</b>	<b>209</b>	<b>21,193</b>	<b>35,540</b>	<b>2,976</b>	<b>1,116</b>	<b>891</b>	<b>3,578</b>	<b>1,854</b>	<b>1,181</b>	<b>137</b>	<b>1,259</b>	<b>3,831</b>	<b>719</b>	<b>1,565</b>	<b>76,049</b>	<b>94,460</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$9,943</b>	<b>\$21,760</b>	<b>\$37,098</b>	<b>\$3,024</b>	<b>\$1,235</b>	<b>\$891</b>	<b>\$3,699</b>	<b>\$1,860</b>	<b>\$1,226</b>	<b>\$137</b>	<b>\$1,389</b>	<b>\$3,852</b>	<b>\$719</b>	<b>\$1,589</b>	<b>\$88,422</b>	<b>\$112,546</b>

City of Birmingham, Alabama  
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2006  
(in thousands)  
(Page 1 of 2)

	<i>Special Revenue Funds</i>										<i>Debt Service Funds</i>		
	Federal Revenue Sharing	Community Development	HUD Rental Rehabilitation Loan	Miscellaneous Grants	Law Enforcement Block Grant	Mortgage Subsidy	UDAG Repayment	HUD 108 Loan	Home Investment Trust	Other Funds	Total Special Revenue Funds	Tax Increment Financing	Tax Increment Reserve
<b>REVENUES</b>													
Taxes												\$518	\$518
Intergovernmental		5,504		10,534				3,650		19,688			
Investment income	24				(7)	136	180	3	165	501	2	51	53
Other							194	(118)	2,133	2,209			
<b>TOTAL REVENUES</b>	<b>24</b>	<b>5,504</b>		<b>10,534</b>	<b>(7)</b>	<b>136</b>	<b>374</b>	<b>(115)</b>	<b>3,650</b>	<b>2,298</b>	<b>520</b>	<b>51</b>	<b>571</b>
<b>EXPENDITURES</b>													
Current:													
Streets and sanitation		344								344			
Cultural and recreation		445							116	561			
General government	115	4,715		10,534		130	604		3,650	1,196			
Total current operations	115	5,504		10,534		130	604		3,650	1,312			
Debt service												947	947
Capital outlays					270					270			
Bond issue costs													
<b>TOTAL EXPENDITURES</b>	<b>115</b>	<b>5,504</b>		<b>10,534</b>	<b>270</b>	<b>130</b>	<b>604</b>		<b>3,650</b>	<b>1,312</b>		<b>947</b>	<b>947</b>
Excess (deficiency) of revenues over (under) expenditures	(91)			0	(277)	6	(230)	(115)	986	279	520	(896)	(376)
Other financing sources (uses):													
Proceeds from sale of property													
Issuance of bonds													
Capital leases													
Premiums on issuance of bonds													
Payment to escrow agent													
Operating transfers in										0		486	486
Operating transfers out											(486)		(486)
Total other financing sources (uses)										0	(486)	486	0
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(91)				(277)	6	(230)	(115)	986	279	34	(410)	(376)
Fund balances, beginning of year	941	0	965	0	401	4,977	5,509	94	0	3,732	0	1,889	1,889
Fund balances, end of year	\$850	\$0	\$965	\$0	\$124	\$4,983	\$5,279	(\$21)	\$0	\$4,718	\$34	\$1,479	\$1,513

City of Birmingham  
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2006  
(in thousands)  
(Page 2 of 2)

	<i>Capital Projects Funds</i>														Total Nonmajor Funds	
	Special Assessments	General Obligation Bond Issues	Capital Improvement	Fuel Tax	Highway Improvement	Industrial Park Improvement	Capital Improvement Gen.Obligation Warrants	Street Improvement Warrants	1994 General Obligation Warrants	1997 General Obligation Warrants	1998-A General Obligation Warrants	1998-B General Obligation Warrants	2004-A General Obligation Warrants	Tax Increment Financing Warrants		Total Capital Projects Funds
<b>REVENUES</b>																
Taxes															\$518	
Intergovernmental															4,914	24,602
Investment income	(4)	966		1,566	3,348	(4)	(46)	62	50	4	55	133	65	(41)	1,308	1,862
Other	202	113		80	(12)	0									315	2,524
<b>TOTAL REVENUES</b>	<b>198</b>	<b>1,079</b>		<b>1,646</b>	<b>3,336</b>	<b>(4)</b>	<b>(46)</b>	<b>62</b>	<b>50</b>	<b>4</b>	<b>55</b>	<b>133</b>	<b>65</b>	<b>(41)</b>	<b>6,537</b>	<b>29,506</b>
<b>EXPENDITURES</b>																
Current:																
Streets and sanitation															1,637	1,981
Cultural and recreation																561
General government																20,944
Total current operations															1,637	23,486
Debt service															7,654	8,601
Capital outlays	544	22,284	3,452	691	3,271	0	240	1,452			470	289	3,325		37,805	38,075
Warrant issue costs		541		51											541	541
<b>TOTAL EXPENDITURES</b>	<b>544</b>	<b>22,825</b>	<b>12,842</b>	<b>742</b>	<b>3,829</b>	<b>0</b>	<b>1,692</b>	<b>193</b>	<b>329</b>		<b>470</b>	<b>289</b>	<b>3,325</b>	<b>557</b>	<b>47,637</b>	<b>70,703</b>
Excess (deficiency) of revenues over (under) expenditures	(346)	(21,746)	(12,842)	904	(493)	(4)	(1,738)	(131)	(279)	4	(415)	(156)	(3,260)	(598)	(41,100)	(41,197)
Other financing sources (uses):															582	582
Proceeds from sale of bonds		28,230													28,230	28,230
Proceeds from sale of property			1,845												1,845	1,845
Premiums on issuance of bonds		1,767													1,767	1,767
Payment to escrow agent		(29,456)													(29,456)	(29,456)
Operating transfers in	1,093		15,563												16,656	17,142
Operating transfers out	(615)		(1,093)												(1,708)	(2,194)
Total other financing sources (uses)	478	541	16,315			582									17,916	17,916
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	132	(21,205)	3,473	904	(493)	578	(1,738)	(131)	(279)	4	(415)	(156)	(3,260)	(598)	(23,184)	(23,281)
Fund balances, beginning of year	77	42,398	32,067	2,072	1,609	313	5,316	1,985	1,460	133	1,674	3,987	3,979	2,163	99,233	117,741
Fund balances, end of year	\$209	\$21,193	\$35,540	\$2,976	\$1,116	\$891	\$3,578	\$1,854	\$1,181	\$137	\$1,259	\$3,831	\$719	\$1,565	\$76,049	\$94,460

# Statistical Section

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This portion of the City of Birmingham's comprehensive financial annual report presents additional information to be used in conjunction with the preceding statements to gauge the City's overall financial well being.

## Financial Trends

These schedules present information on how the City's financial performance has changed over the past five fiscal years.

## Revenue Capacity

These schedules present information on the collection of the City's most significant local revenue source, the sales and use tax.

## Debt Capacity

These schedules present information on the City's outstanding debt and its ability to issue additional debt in the future.

## Demographic and Economic Information

These schedules present indicators of the City's demographic and economic environment.

## Operating Information

These schedules present data regarding the City's services and infrastructure.



**City of Birmingham, Alabama  
Net Assets by Component  
Last Five Fiscal Years  
(in thousands)**

Table A-1

	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
<b>Governmental activities:</b>					
Invested in capital assets, net of related debt	\$46,665	\$78,637	\$62,685	(\$18,295)	\$53,708
Restricted	93,059	117,253	114,982	361,917	205,388
Unrestricted	<u>271,655</u>	<u>181,986</u>	<u>168,581</u>	<u>(25,033)</u>	<u>24,187</u>
<b>Total governmental activities net assets</b>	<b>411,379</b>	<b>377,876</b>	<b>346,248</b>	<b>318,589</b>	<b>283,283</b>
<b>Business-type activities:</b>					
Invested in capital assets, net of related debt	933	871	784	764	942
Unrestricted	<u>795</u>	<u>844</u>	<u>540</u>	<u>290</u>	<u>(8)</u>
<b>Total business-type activities net assets</b>	<b>1,728</b>	<b>1,715</b>	<b>1,324</b>	<b>1,054</b>	<b>934</b>
<b>Primary Government:</b>					
Invested in capital assets, net of related debt	47,598	79,508	63,469	(17,531)	54,650
Restricted	93,059	117,253	114,982	361,917	205,388
Unrestricted	<u>272,450</u>	<u>182,830</u>	<u>169,121</u>	<u>(24,743)</u>	<u>24,179</u>
<b>Total primary government net assets</b>	<b><u>\$413,107</u></b>	<b><u>\$379,591</u></b>	<b><u>\$347,572</u></b>	<b><u>\$319,643</u></b>	<b><u>\$284,217</u></b>

Source: City Finance Department Data



City of Birmingham, Alabama  
Changes in Net Assets  
Last Five Fiscal Years  
(in thousands)

Table A-2

	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
<b>Expenses:</b>					
<b>Governmental activities:</b>					
General government	\$73,183	\$91,771	\$84,411	\$94,662	\$122,163
Public safety	175,491	140,226	138,260	160,097	181,014
Streets & sanitation	70,472	93,381	97,657	80,229	68,749
Culture & recreation	40,012	41,657	39,359	39,047	38,547
Interest on long-term debt	10,633	15,115	13,179	13,000	22,414
<b>Total governmental activities expenses</b>	<u>369,791</u>	<u>382,150</u>	<u>372,866</u>	<u>387,035</u>	<u>432,887</u>
<b>Business-type activities:</b>					
E-911 Services	3,196	3,168	3,471	3,258	3,157
<b>Total primary government expenses</b>	<u>\$372,987</u>	<u>\$385,318</u>	<u>\$376,337</u>	<u>\$390,293</u>	<u>\$436,044</u>
<b>Program Revenues:</b>					
<b>Governmental activities:</b>					
Charges for services	\$72,407	\$72,170	\$74,145	\$76,482	\$80,491
Operating grants and contributions	20,684	13,385	18,051	13,797	8,221
<b>Total governmental activities program revenues</b>	<u>93,091</u>	<u>85,555</u>	<u>92,196</u>	<u>90,279</u>	<u>88,712</u>
<b>Business-type activities:</b>					
E-911 Services	3,102	3,126	3,058	2,954	2,998
<b>Total primary government program revenues</b>	<u>\$96,193</u>	<u>\$88,681</u>	<u>\$95,254</u>	<u>\$93,233</u>	<u>\$91,710</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	(\$276,700)	(\$296,595)	(\$280,670)	(\$296,756)	(\$344,175)
Business-type activities	(94)	(42)	(413)	(304)	(159)
	<u>(\$276,794)</u>	<u>(\$296,637)</u>	<u>(\$281,083)</u>	<u>(\$297,060)</u>	<u>(\$344,334)</u>
<b>General Revenues and Other Changes in Net Assets:</b>					
<b>Governmental activities:</b>					
<b>Taxes:</b>					
Sales and use taxes	\$103,834	\$101,434	\$100,608	\$107,271	\$109,085
Occupational taxes	63,051	64,522	65,537	69,346	72,297
Property taxes	42,058	42,858	48,596	50,618	52,669
Unrestricted grants and contributions	18,101	18,249	18,434	21,618	19,585
Investment earnings	17,647	18,023	9,304	12,562	10,834
Other	25,817	18,006	6,563	7,682	10,189
<b>Total governmental activities</b>	<u>270,508</u>	<u>263,092</u>	<u>249,042</u>	<u>269,097</u>	<u>274,659</u>
<b>Business-type activities:</b>					
Investment earnings	44	29	22	34	39
<b>Total primary government</b>	<u>\$270,552</u>	<u>\$263,121</u>	<u>\$249,064</u>	<u>\$269,131</u>	<u>\$274,698</u>
<b>Change (decrease) in Net Assets:</b>					
Governmental activities	(\$6,192)	(\$33,503)	(\$31,628)	(\$27,659)	(\$69,516)
Business-type activities	(50)	(13)	(391)	(270)	(120)
<b>Total primary government</b>	<u>(\$6,242)</u>	<u>(\$33,516)</u>	<u>(\$32,019)</u>	<u>(\$27,929)</u>	<u>(\$69,636)</u>

Source: City Finance Department Data

**City of Birmingham, Alabama**  
**Fund Balances, Governmental Funds**  
**Last Five Fiscal Years**  
**(in thousands)**

Table A-3

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>General Fund</b>					
Reserved	\$6,193	\$6,892	\$5,417	\$13,969	\$7,584
Unreserved	85,653	81,120	78,316	60,209	70,389
<b>Total general fund</b>	<u>\$91,846</u>	<u>\$88,012</u>	<u>\$83,733</u>	<u>\$74,178</u>	<u>\$77,973</u>
<b>Other Governmental Funds:</b>					
Reserved, reported in:					
Special revenue funds	\$102,791	\$267,364	\$250,697	\$216,063	\$160,123
Debt service funds	64,356	64,246	61,310	53,097	46,674
Capital projects funds	85,732	132,461	106,470	99,964	76,151
	<u>252,879</u>	<u>464,071</u>	<u>418,477</u>	<u>369,124</u>	<u>282,948</u>
Unreserved, reported in:					
Special revenue funds	(3,522)	(2,351)	(3,618)	(2,663)	(1,744)
Debt service funds	(1,738)	(2,889)	(274)		
Capital projects funds			(502)	(731)	(102)
	<u>(5,260)</u>	<u>(5,240)</u>	<u>(4,394)</u>	<u>(3,394)</u>	<u>(1,846)</u>
<b>Total other governmental funds</b>	<u>\$247,619</u>	<u>\$458,831</u>	<u>\$414,083</u>	<u>\$365,730</u>	<u>\$281,102</u>

Source: City Finance Department Data

City of Birmingham, Alabama  
 Changes in Fund Balances, Governmental Funds  
 Last Five Fiscal Years  
 (in thousands)

Table A-4

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>REVENUES:</b>					
Taxes	\$208,943	\$208,814	\$214,741	\$227,235	\$234,051
Licenses and permits	51,743	50,758	52,776	55,622	60,564
Intergovernmental	38,785	31,568	30,428	33,699	39,273
Charges for services	15,806	16,300	16,776	16,119	15,746
Fines and forfeitures	4,858	5,112	4,593	4,741	4,181
Investment income	17,648	18,038	9,304	12,562	10,834
Other operating revenues	16,642	16,752	7,213	6,862	5,471
<b>TOTAL REVENUES</b>	<u>354,425</u>	<u>347,342</u>	<u>335,831</u>	<u>356,840</u>	<u>370,120</u>
<b>EXPENDITURES:</b>					
Current:					
Public safety	131,523	136,268	137,803	140,215	145,688
Street and sanitation	68,485	71,283	71,401	77,573	68,483
Cultural and recreational	38,741	40,429	38,138	37,854	38,547
General government	71,718	87,219	81,859	91,708	126,133
Other	3,585	1,852			416
<b>Total current operations</b>	<u>314,052</u>	<u>337,051</u>	<u>329,201</u>	<u>347,350</u>	<u>379,267</u>
Debt service:					
Principal	10,835	24,041	9,345	19,457	23,669
Interest	16,462	17,528	16,350	18,180	15,975
<b>Total debt service</b>	<u>27,297</u>	<u>41,569</u>	<u>25,695</u>	<u>37,637</u>	<u>39,644</u>
Capital outlays	47,827	32,405	53,474	31,079	38,075
Warrant/Bond issue costs	2,132	2,604	545	217	541
<b>TOTAL EXPENDITURES</b>	<u>391,308</u>	<u>413,629</u>	<u>408,915</u>	<u>416,283</u>	<u>457,527</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,883)</u>	<u>(66,287)</u>	<u>(73,084)</u>	<u>(59,443)</u>	<u>(87,407)</u>
Other financing sources (uses):					
Proceeds from sale of property	5,017	197,000	568	887	4,812
Issuance of warrants/bonds	139,475	135,735	23,490	8,985	28,230
Capital lease		4,409		431	1,845
Premiums/(discounts)on warrants/bonds	6,721	6,035		(35)	1,767
Payment to escrow agent	(144,064)	(69,514)		(8,733)	(30,080)
Transfers in	38,819	229,415	32,809	63,764	49,221
Transfers out	(38,819)	(229,415)	(32,809)	(63,764)	(49,221)
<b>Net other financing sources</b>	<u>7,149</u>	<u>273,665</u>	<u>24,058</u>	<u>1,535</u>	<u>6,574</u>
<b>Net change in fund balances</b>	<u>(29,734)</u>	<u>207,378</u>	<u>(49,026)</u>	<u>(57,908)</u>	<u>(80,833)</u>
Fund balances, beginning of year	369,199	339,465	546,842	497,816	439,908
<b>Fund balances, end of year</b>	<u>\$339,465</u>	<u>\$546,843</u>	<u>\$497,816</u>	<u>\$439,908</u>	<u>\$359,075</u>

Source: City Finance Department Data

**City of Birmingham, Alabama  
Sales and Use Tax Revenues  
Last Five Fiscal Years  
(dollars in thousands)**

Table B-1

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Sales and Use Tax Revenue</b>	<b>\$103,834</b>	<b>\$101,834</b>	<b>\$100,608</b>	<b>\$107,271</b>	<b>\$109,085</b>
<b>Percentage Change from Prior Year</b>	<b>-2.36%</b>	<b>-1.93%</b>	<b>-1.20%</b>	<b>6.62%</b>	<b>1.69%</b>
 <b>Breakdown of Sales/Use Tax By Industry Type:</b>					
Apparel	5,583	6,150	5,594	5,950	5,001
Automotive, RV's, Motor Homes	10,290	10,150	9,419	9,154	8,581
Building & Construction Related	8,710	8,976	10,013	11,103	10,241
Communications	1,505	1,506	1,794	1,481	1,520
Equipment & Machinery	8,262	8,228	9,422	9,633	8,636
Food and Restaurants	20,135	19,680	18,809	18,436	16,239
Furniture and Furnishings	2,145	2,409	2,261	2,457	2,154
Insurance, Finance, Real Estate	951	673	1,022	811	459
Medical	1,889	2,262	2,874	2,418	1,332
Personal Services, Entertainment	8,624	7,869	7,891	7,508	6,483
All Other Industries	35,740	33,531	31,509	38,320	48,439
	<u>103,834</u>	<u>101,434</u>	<u>100,608</u>	<u>107,271</u>	<u>109,085</u>

The City of Birmingham imposes a 1% sales tax on the retail sales of automotive vehicles, house trailers, and mobile home set-up materials and supplies; a 1% sales tax on the retail sales of machines, machinery, or equipment used in mining, quarrying, compounding, processing, and manufacturing tangible personal property; a 3% sales tax on the retail sales of other tangible personal property.

Source: City of Birmingham Revenue Division

**City of Birmingham, Alabama  
Sales and Use Tax Revenues to Total Taxes  
Last Five Fiscal Years  
(dollars in thousands)**

**Table B-2**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Breakdown of Tax Revenues:</b>					
Sales and Use Tax	\$103,834	\$101,434	\$100,608	\$107,271	\$109,085
Occupational Tax	63,051	64,522	65,537	69,346	72,297
Property Tax	42,058	42,858	48,596	50,618	52,669
	<u>\$208,943</u>	<u>\$208,814</u>	<u>\$214,741</u>	<u>\$227,235</u>	<u>\$234,051</u>
<b>% of Sales &amp; Use to Total Taxes</b>	49.69%	48.58%	46.85%	47.21%	46.61%

**Source: Finance Department Data**

**City of Birmingham, Alabama  
Ratios of Outstanding Debt by Type  
Last Five Fiscal Years**

Table C-1

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>General Obligation Warrants</b>	<b>Revenue Warrants</b>	<b>Capital Leases</b>	<b>Total</b>	<b>Personal Income</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
2002	295,100,000	213,870,000	13,000,000	11,432,000	533,402,000	3,803,289,660	14.02%	\$2,197
2003	354,000,000	196,060,000	13,000,000	11,442,000	574,502,000	3,803,289,660	15.11%	\$2,366
2004	344,655,000	212,695,000	13,000,000	0	570,350,000	3,803,289,660	15.00%	\$2,349
2005	325,340,000	205,935,000	12,430,000	417,000	544,122,000	3,803,289,660	14.31%	\$2,241
2006	309,920,000	197,435,000	11,835,000	2,094,000	521,284,000	3,803,289,660	13.71%	\$2,147

Source: City Finance Department data

Personal income computed from 2000 census population and per capita income data (see table D-1).

**City of Birmingham, Alabama**  
**Ratio of Net General Obligation Bonded Debt to**  
**Assessed Value and Net Bonded Debt Per Capita**  
**Last Ten Fiscal Years**

Table C-2

Fiscal Year	Population		Assessed Value *	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt per Capita
	Census Year	Number						
1996	1990	265,968	1,643,331,173	441,330,000	115,677,000	325,653,000	19.82%	\$1,224
1997	1990	265,968	1,715,561,180	427,255,000	66,217,000	361,038,000	21.04%	\$1,357
1998	1990	265,968	1,840,047,341	449,855,000	63,970,000	385,885,000	20.97%	\$1,451
1999	1990	265,968	2,293,311,948	485,510,000	60,754,000	424,756,000	18.52%	\$1,597
2000	2000	242,820	2,150,472,432	539,555,000	58,724,000	480,831,000	22.36%	\$1,980
2001	2000	242,820	2,197,436,352	521,970,000	60,704,000	461,266,000	20.99%	\$1,900
2002	2000	242,820	2,271,867,532	563,060,000	59,400,000	503,660,000	22.17%	\$2,074
2003	2000	242,820	2,422,011,707	570,350,000	58,850,000	511,500,000	21.12%	\$2,106
2004	2000	242,820	2,515,810,000	543,705,000	51,208,000	492,497,000	19.58%	\$2,028
2005	2000	242,820	2,567,735,000	519,190,000	45,161,000	474,029,000	18.46%	\$1,952

\* Source: Jefferson County Tax Assessor

City of Birmingham, Alabama  
 Assessed Value and Estimated True Value of All Taxable Property  
 Last Ten Fiscal Periods  
 (dollars in thousands)

Table C-3

Assessment Date October 1,	Real Property *		Personal Property *		Automobile **		Total Assessed Value	Total Estimated True Value	Ratio of Assessed Value to Estimated True Value
	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value			
1996	1,183,673	6,928,706	343,817	1,718,883	130,517	870,111	1,658,007	9,517,700	17.42%
1997	1,201,575	7,006,392	386,870	1,934,235	143,375	955,835	1,731,820	9,896,462	17.50%
1998	1,245,579	7,221,650	465,625	2,327,559	128,843	858,953	1,840,047	10,408,162	17.68%
1999	1,483,666	8,269,172	634,398	3,171,990	175,248	1,168,318	2,293,312	12,609,480	18.19%
2000	1,492,553	8,766,013	442,548	2,212,740	215,371	1,435,807	2,150,472	12,414,560	17.32%
2001	1,481,383	8,738,667	459,883	2,299,375	256,170	1,708,655	2,197,436	12,746,697	17.24%
2002	1,527,622	8,988,867	491,702	2,458,367	252,544	1,683,624	2,271,868	13,130,858	17.30%
2003	1,674,340	10,542,808	496,546	2,482,650	251,126	1,674,170	2,422,012	14,699,628	16.48%
2004	1,776,272	11,123,810	489,175	2,445,835	250,363	1,669,088	2,515,810	15,238,733	16.51%
2005	1,821,769	11,612,895	479,231	2,396,157	266,735	1,778,233	2,567,735	15,787,286	16.26%

Ad valorem taxes are assessed and collected for the City of Birmingham by Jefferson and Shelby Counties

\* Source: Tax Assessors for Jefferson and Shelby Counties

\*\* Source: Directors of Revenue, Jefferson and Shelby Counties

Property is assessed on the following basis:

Class I-Public Utility	30%
Class II-Commercial	20%
Class III-Residential	10%
Class IV-Automobile	15%



**City of Birmingham, Alabama  
Schedule of Direct and Overlapping Debt  
Last Five Fiscal Years**

Table C-4

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b><u>Direct Debt</u></b>					
<b>City of Birmingham:</b>					
Gross bonded debt and warrants outstanding	\$521,970,000	\$563,060,000	\$570,350,000	\$543,705,000	\$519,190,000
Less debt service funds net assets	<u>(60,704,000)</u>	<u>(59,400,000)</u>	<u>(58,850,000)</u>	<u>(51,208,000)</u>	<u>(45,161,000)</u>
Direct Debt	461,266,000	503,660,000	511,500,000	492,497,000	\$474,029,000
<b><u>Overlapping Debt</u></b>					
Jefferson County, Alabama overlapping debt <sup>1</sup>	284,550,853	268,230,000	297,830,000	330,825,000	1,359,650,000
Jefferson County Board of Education <sup>2</sup>	165,128,164	165,128,164	159,346,848	157,007,440	139,582,778
Total bonds and warrants outstanding	<u>449,679,017</u>	<u>433,358,164</u>	<u>457,176,848</u>	<u>487,832,440</u>	<u>1,499,232,778</u>
% of debt applicable to City of Birmingham	<u>36.40%</u>	<u>36.40%</u>	<u>36.40%</u>	<u>36.40%</u>	<u>36.40%</u>
City of Birmingham Debt Burden	<u>163,683,162</u>	<u>157,742,372</u>	<u>166,412,373</u>	<u>177,571,008</u>	<u>545,720,731</u>
Shelby County, Alabama					46,550,000
Shelby County, Alabama Board of Education <sup>3</sup>	<u>151,920,508</u>	<u>144,480,138</u>	<u>136,971,563</u>	<u>129,813,760</u>	<u>115,415,272</u>
	151,920,508	144,480,138	136,971,563	129,813,760	161,965,272
% of debt applicable to City of Birmingham	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>
City of Birmingham Debt Burden	<u>2,278,808</u>	<u>2,167,202</u>	<u>2,054,573</u>	<u>1,947,206</u>	<u>2,429,479</u>
<b>Total Direct and Overlapping Debt</b>	<b><u>\$627,227,970</u></b>	<b><u>\$663,569,574</u></b>	<b><u>\$679,966,946</u></b>	<b><u>\$672,015,215</u></b>	<b><u>\$1,022,179,210</u></b>

The debt for schools of the Board of Education of the City of Birmingham, Alabama, is included in the City's general obligation debt shown above.

The figures for Jefferson County, the Jefferson County Board of Education, and the Shelby County Board of Education are for their fiscal years ended 9/30/05.

<sup>1</sup> All of the gross debt of Jefferson County is payable from one of several specially pledged revenues, each of which produces a substantial margin of revenue above the necessary debt service requirements.

Source: Jefferson County Director of Finance

<sup>2</sup> The entire debt of the Jefferson County Board of Education is paid by appropriations from their General Fund. No portion of this debt is paid from the school funds of the City of Birmingham.

Source: Jefferson County Board of Education

<sup>3</sup> All of the gross debt of Shelby County is payable from one of several specially pledged revenues, each of which produces a substantial margin of revenue above the necessary debt service requirements.

Source: Shelby County Director of Finance Education

**City of Birmingham, Alabama**  
**Property Taxes - Direct and Overlapping Governments**

Table C-5

City of Birmingham and Jefferson and Shelby Counties  
(Per \$100 of Assessed Value)  
Last Ten Fiscal Years

Fiscal Year	City of Birmingham					Jefferson County				
	General Fund	Debt Service Fund	Board of Education Fund	Library	Total	County	County Schools	Total	State of Alabama	Total Tax
1996	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
1997	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
1998	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
1999	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
2000	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
2001	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
2002	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
2003	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
2004	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95
2005	\$0.90	\$1.20	\$1.98	\$0.05	\$4.13	\$1.35	\$0.82	\$2.17	\$0.65	\$6.95

Source: Jefferson County Tax Assessor

Fiscal Year	City of Birmingham					Shelby County				
	General Fund	Debt Service Fund	Board of Education Fund	Library	Total	County	County Schools	Total	State of Alabama	Total Tax
1996	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
1997	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
1998	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
1999	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
2000	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
2001	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
2002	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
2003	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
2004	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22
2005	\$0.90	\$1.20	\$2.07	\$0.05	\$4.22	\$0.75	\$1.60	\$2.35	\$0.65	\$7.22

Source: Shelby County Tax Assessor

**City of Birmingham, Alabama  
Legal Debt Margin  
Last Five Fiscal Years**

Table C-6

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Assessed value of real and personal property <sup>1</sup>	<u>\$2,197,436,352</u>	<u>\$2,150,472,432</u>	<u>\$2,422,011,707</u>	<u>\$2,515,810,000</u>	<u>\$2,567,735,000</u>
Debt limit, 20% of assessed property value (see note below)	439,487,270	430,094,486	484,402,341	503,162,000	513,547,000
Outstanding general obligation bonds and warrants	521,970,000	563,060,000	570,350,000	543,705,000	519,190,000
Less exemption for schools and sewer bonds	(192,349,000)	(201,509,000)	(178,171,623)	(189,122,423)	(178,483,266)
Less debt service fund balances	<u>(60,704,000)</u>	<u>(59,400,000)</u>	<u>(58,850,000)</u>	<u>(51,208,000)</u>	<u>(45,161,000)</u>
Net outstanding general obligation bonds and warrants	<u>268,917,000</u>	<u>302,151,000</u>	<u>333,328,377</u>	<u>303,374,577</u>	<u>295,545,734</u>
Legal debt margin	<u>\$170,570,270</u>	<u>\$127,943,486</u>	<u>\$151,073,964</u>	<u>\$199,787,423</u>	<u>\$218,001,266</u>

<sup>1</sup> Source: Jefferson County Tax Assessor and Department of Revenue

Note: Section 225, as amended, of the Constitution of the State of Alabama, limits debt of the City of Birmingham to 20% of the assessed value of taxable property. Excluded from this limitation are bonds issued for schools and sewers.

City of Birmingham, Alabama  
Property Taxes Levied and Collected for  
Birmingham, Jefferson and Shelby Counties  
Last Ten Fiscal Years

Table C-7

City of Birmingham				
Beginning October 1	Assessed Valuation	Total Taxes Levied	Uncollectible at Sale Date	
			Amount	Percentage
1996	1,527,489,953	37,816,069	245,076	0.65%
1997	1,588,444,600	39,343,333	234,158	0.60%
1998	1,711,204,381	42,226,013	278,750	0.66%
1999	2,118,433,717	51,753,527	203,417	0.39%
2000	1,935,101,332	47,038,556	234,328	0.50%
2001	1,942,139,212	50,637,230	365,764	0.72%
2002	1,929,418,765	52,780,331	679,324	1.29%
2003	2,170,886,167	59,048,850	692,802	1.17%
2004	2,265,446,818	61,440,447	362,036	0.59%
2005	2,301,000,783	62,890,413	504,279	0.80%

Jefferson County				
Beginning October 1	Assessed Valuation	Total Taxes Levied	Uncollectible at Sale Date	
			Amount	Percentage
1996	4,260,514,692	254,823,293	761,341	0.30%
1997	4,431,527,963	265,673,868	687,408	0.26%
1998	4,647,424,025	284,182,209	892,304	0.31%
1999	5,684,682,452	349,807,893	633,356	0.18%
2000	5,523,608,900	340,759,254	897,388	0.26%
2001	5,596,211,994	351,730,297	1,169,066	0.33%
2002	5,771,213,901	365,507,555	2,879,114	0.79%
2003	6,506,073,106	420,329,739	2,610,384	0.62%
2004	6,355,450,405	445,840,218	1,523,732	0.34%
2005	6,692,146,321	469,456,560	2,180,748	0.46%

Shelby County				
Beginning October 1	Assessed Valuation	Total Taxes Levied	Uncollectible at Sale Date	
			Amount	Percentage
1996	989,392,240	40,039,344	1,017,398	2.54%
1997	1,074,185,000	43,834,362	1,135,602	2.59%
1998	1,172,999,000	56,556,936	1,645,171	2.91%
1999	1,435,400,100	71,537,000	2,201,200	3.08%
2000	1,478,400,100	77,733,000	194,700	0.25%
2001	1,595,590,500	80,076,800	1,720,600	2.15%
2002	1,688,065,200	84,633,100	2,048,200	2.42%
2003	1,754,022,160	104,069,970	347,557	0.33%
2004	1,874,130,720	110,323,626	253,097	0.23%
2005	2,339,693,320	109,863,446	371,368	0.34%

Source: Jefferson County and Shelby County Tax Assessors and Tax Collectors

City of Birmingham, Alabama  
Principal Property Taxpayers  
Current Fiscal Year and Nine Years Prior

Table C-8

Assessed Entity	Fiscal Year Ended June 30, 2006			Fiscal Year Ended June 30, 1996		
	Total Assessed Value of Property Within City Limits	Rank	% of Total Property Taxes Collected	Total Assessed Value of Property Within City Limits	Rank	% of Total Property Taxes Collected
Alabama Power Company	\$111,623,680	1	6.35%	88,997,000	1	5.66%
Bellsouth Telecommunications	56,948,760	2	3.23%	68,206,220	2	4.34%
Healthsouth Corporation	54,098,675	3	2.38%	12,508,070	6	0.80%
American Cast Iron & Pipe Company	30,910,439	4	1.42%	18,222,192	4	1.16%
Murray-Ash Plaza, Inc.	18,916,420	5	1.07%	15,070,742	5	0.96%
Chase Bank of Texas NA	17,883,260	6	1.01%			
Alabama Gas Corporation	17,195,120	7	0.97%	10,670,220	7	0.68%
Tish Robert Preston	16,729,760	8	0.95%			
A T & T Communications	16,039,640	9	0.91%	20,484,180	3	1.30%
AP-Knight LP	10,739,780	10	0.61%			
Century Plaza Company				7,547,176	8	0.48%
Fifth Avenue Realty Company				6,594,405	9	0.42%
Sonat Services Inc.				5,916,674	10	0.38%
	<u>\$351,085,534</u>		<u>18.90%</u>	<u>\$254,216,879</u>		<u>16.18%</u>

Source: Jefferson and Shelby Counties Tax Collectors

**City of Birmingham, Alabama  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

**Table D-1**

<b>Year</b>	<b>Population</b>	<b>Average Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
1997	265,968	32,037	13,322	3.4%
1998	265,968	32,037	13,322	2.8%
1999	265,968	31,851	15,663	3.1%
2000	242,820	31,851	15,663	5.6%
2001	242,820	31,851	15,663	6.4%
2002	242,820	31,851	15,663	7.8%
2003	242,820	31,851	15,663	8.5%
2004	242,820	31,851	15,663	8.2%
2005	242,820	31,851	15,663	5.0%
2006	242,820	31,851	15,663	4.7%

**Population figures based on 1990 and 2000 census**

**Unemployment rates source: Alabama Department of Industrial Relations**

**Personal income and per capital personal income source: U. S. Bureau of the Census 1990 and 2000**

**City of Birmingham, Alabama  
Principal Employers  
Current Fiscal Year and Nine Years Ago**

Table D-2

Employer	2006			1997		
	# of Employees	Rank	% of Total City Employment	# of Employees	Rank	% of Total City Employment
University of Alabama in Birmingham	18,750	1	3.62%	14,975	1	3.42%
BellSouth	5,485	2	1.06%	6,020	3	1.37%
Baptist Health System, Inc.	5,000	3	0.97%	5,364	6	1.22%
Birmingham Board of Education	5,000	4	0.97%	4,500	8	1.03%
City of Birmingham	4,989	5	0.96%	4,500	9	1.03%
Jefferson County Board of Education	4,800	6	0.93%	6,121	4	1.40%
Jefferson County Commission	3,875	7	0.75%			
AmSouth Bancorporation	3,785	8	0.73%			
Bruno's Supermarkets, Inc.	3,477	9	0.67%	4,950	7	1.13%
Children's Health System	3,200	10	0.62%			
U. S. Government				8,925	2	2.04%
State of Alabama				5,600	5	1.28%
WalMart				4,000	10	0.91%

Source: Birmingham Regional Chamber of Commerce

City of Birmingham, Alabama  
Full-Time Equivalent City Employees by Function/Program  
Last Ten Fiscal Years

Table E-1

Function/Program	Full-Time Equivalents as of June 30,									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>General Government:</b>										
City Clerk	9	9	9	9	9	9	9	8	8	8
City Council	37	37	38	40	45	45	43	43	43	44
Community Development	10	10	8	8	8	8	11	11	11	11
Economic Development	11	11	11	0	0	0	0	0	0	0
Finance	105	106	114	116	119	119	119	116	119	118
Law	30	30	30	31	33	33	35	34	38	36
Mayor's Office	41	41	44	53	54	56	48	53	53	53
Equipment Management	83	83	89	89	89	89	89	86	86	86
Information Management Services	44	44	44	46	62	62	61	58	65	61
Personnel	16	16	16	16	18	18	18	17	18	19
<b>Public Safety:</b>										
Planning, Engineering, & Permits	215	216	230	227	233	232	235	226	225	213
Communications	16	16	16	16	0	0	0	0	0	0
Facility Services	97	97	0	0	0	0	0	0	0	0
Fire	683	683	683	688	688	688	689	687	687	723
Parole & Probation	12	12	11	11	11	11	11	10	10	10
Police	1,174	1,174	1,181	1,207	1,210	1,216	1,217	1,187	1,187	1,179
Municipal Court	54	54	56	62	63	65	71	67	66	64
Traffic Engineering	88	88	89	89	89	89	89	86	86	84
<b>Police:</b>										
Officers	921	921	921	916	917	917	892	862	864	859
Civilians	253	253	260	291	293	299	325	327	323	620
<b>Fire:</b>										
Officers	628	628	628	628	628	628	628	628	628	648
Civilians	55	55	55	60	60	60	60	58	58	75
<b>Environmental &amp; Streets:</b>										
Street & Sanitation	877	877	988	1,008	0	0	0	0	0	0
Public Works	0	0	0	0	1,012	1,165	1,204	1,177	1,174	1,166
Horticulture & Urban Forestry	147	147	156	153	153	0	0	0	0	0
<b>Culture &amp; Recreation:</b>										
State Fairgrounds	0	0	0	0	0	0	2	1	1	1
Auditorium	40	39	39	39	39	39	39	34	34	23
Arlington	9	8	8	9	8	8	8	8	8	7
Library	297	298	300	300	300	300	308	305	305	305
Museum of Art	30	30	30	35	35	32	32	30	30	28
Parks & Recreation	399	399	399	280	280	280	278	264	265	263
Southern Museum of Flight	5	5	6	6	6	6	6	6	6	6
Sloss Furnaces	16	17	18	18	18	18	18	17	17	14
<b>Totals</b>	<b>4,545</b>	<b>4,547</b>	<b>4,613</b>	<b>4,556</b>	<b>4,582</b>	<b>4,588</b>	<b>4,640</b>	<b>4,531</b>	<b>4,542</b>	<b>4,522</b>

Source: City Budget Office

Note: Economic Development Office was merged with the Mayor's Office in FY 2000.

Communications Department was merged with IMS Department in FY 1999

Facility Services Department was merged with Planning, Engineering, & Permits and the Street & Sanitation Departments in FY 1999.

The Public Works Department was formed in FY 2001 eliminating the Street & Sanitation Department; the Horticulture Department was merged with the Public Works Department in FY 2001.



**City of Birmingham, Alabama  
Operating Indicators by Function/Program  
Last Five Fiscal Years**

Table E-2

Function/Program	2002	2003	2004	2005	2006
<b>Fire:</b>					
# of fires extinguished	2,568	2,558	2,428	3,648	9,073
Emergency Responses	48,140	48,568	49,026	51,383	51,642
# of inspections	4,073	6,964	6,964	7,500	6,651
<b>Library:</b>					
Volumes in collection	905,596	902,071	894,943	902,614	898,266
Circulation	1,845,447	1,704,473	1,595,944	1,434,350	1,425,546
<b>Planning, Engineering &amp; Permits:</b>					
Building Permits Issued	3,403	3,649	3,511	3,731	3,629
Other Permits Issued	11,677	12,399	12,473	13,364	14,018
<b>Police:</b>					
# of arrests	27,118	21,996	21,379	20,859	not available

Source: Various City departments

**City of Birmingham, Alabama  
Capital Asset Statistics by Function/Program  
Last Five Fiscal Years**

Table E-3

Function/Program	2002	2003	2004	2005	2006
<b>Police precincts</b>	4	4	4	4	4
<b>Police substations</b>	6	6	6	6	6
<b>Fire stations</b>	30	30	30	30	30
<b>Miles of sewers:</b>					
<b>Sanitary</b>	890	890	890	890	1411
<b>Storm</b>	475	475	475	475	691
<b>Street lights</b>	28,000	28,000	28,000	28,000	28,000
<b>Traffic signals</b>	700	700	700	700	700
<b>Street miles</b>	1,500	1,500	1,500	1,500	1,500
<b>Parks &amp; recreation:</b>					
<b># of Parks</b>	106	106	106	106	106
<b>Acreage of Parks</b>	2,137	2,137	2,137	2,137	2,137
<b>Recreation/community centers</b>	18	18	18	18	18
<b>Playgrounds</b>	73	73	73	73	73
<b>Baseball/softball fields</b>	45	45	45	45	45
<b>Soccer/football fields</b>	18	18	18	18	18
<b>Libraries:</b>					
<b>Central</b>	1	1	1	1	1
<b>Branches</b>	19	19	19	19	19

Source: Various City departments