THE CITY OF MONTGOMERY, ALABAMA

Comprehensive Annual Financial Report

For the Fiscal Year Ended

September 30, 2010

CITY OF MONTGOMERY, ALABAMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Prepared by: Department of Finance
E. Lloyd Faulkner, Director of Finance

CITY OF MONTGOMERY, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2010

TABLE OF CONTENTS

PAGE

I. INTRODUCTORY SECTION

Letter of Transmittal 1

Certificate of Achievement for Excellence in Financial Reporting 7

Organizational Chart 8

Elected and Appointed Officials 9

II. FINANCIAL SECTION

Independent Auditors' Report 10

Management's Discussion and Analysis 12

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

Statement of Net Assets 25

Statement of Activities 26

Fund Financial Statements

Balance Sheet – Governmental Funds 28

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets 29

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 30

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 31

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund 33

TABLE OF CONTENTS (Continued)

PAGE

II. FINANCIAL SECTION (Continued)

Fund Financial Statements (Continued)

Statement of Net Assets – Proprietary Funds 36

Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds 37

Statement of Cash Flows – Proprietary Funds 38

Statement of Fiduciary Net Assets – Fiduciary Fund 40

Statement of Changes in Fiduciary Net Assets – Fiduciary Fund 41

Notes to Financial Statements 42

REQUIRED SUPPLEMENTAL INFORMATION

Schedules of Funding Progress and Employer Contributions –
Employees' Retirement System of the City of Montgomery, Alabama 77

Schedule of Funding Progress – Employees' Health Insurance Plan of the
City of Montgomery, Alabama 78

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Combining Balance Sheet – Nonmajor Governmental Funds 79

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Governmental Funds 80

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Gasoline Tax Fund 81

Combining Statement of Net Assets – Nonmajor Enterprise Funds 82

TABLE OF CONTENTS (Continued)

PAGE

II. FINANCIAL SECTION (Continued)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds 83

Combining Statement of Cash Flows – Nonmajor Enterprise Funds 84

Combining Statement of Net Assets (Deficit) – Internal Service Funds 86

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets (Deficit) – Internal Service Funds 87

Combining Statement of Cash Flows – Internal Service Funds 88

III. STATISTICAL SECTION

Financial Trends

Schedule 1 Net Assets by Component 90

Schedule 2 Changes in Net Assets 91

Schedule 3 Fund Balances of Governmental Funds 93

Schedule 4 Changes in Fund Balances of Governmental Funds 94

Revenue Capacity

Schedule 5 Tax Revenues by Source, Governmental Funds 95

Schedule 6 Net Taxable Sales by Category 96

Schedule 7 Sales Tax Revenue Payers by Category 97

Schedule 8 Direct and Overlapping Sales Tax Rates 98

Schedule 9 Principal Sales Tax Remitters 99

TABLE OF CONTENTS (Continued)

PAGE

III. STATISTICAL SECTION (Continued)

Debt Capacity

Schedule 10 Ratios of Outstanding Debt by Type 100

Schedule 11 Ratios of Net General Bonded Debt Outstanding 101

Schedule 12 Direct and Overlapping Governmental Activities Debt 102

Schedule 13 Legal Debt Margin Information 105

Schedule 14 Pledged-Revenue Coverage 106

Demographic and Economic Information

Schedule 15 Demographic and Economic Statistics 107

Schedule 16 Principal Employers 108

Operating Information

Schedule 17 Full-Time Equivalent City Government Employees By Function 109

Schedule 18 Operating Indicators by Function/Program 110

Schedule 19 Capital Asset Statistics By Function/Program 111

INTRODUCTORY SECTION

- LETTER OF TRANSMITTAL
- CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING
- ORGANIZATIONAL CHART
- ELECTED AND APPOINTED OFFICIALS

City of Montgomery, Alabama

Lloyd Faulkner
Finance Director

Todd Strange
Mayor

Montgomery City Council Members

Charles W. Jinright - President
Tracy Larkin - Pro tem
David Burkette
Cornelius Calhoun
Willie Cook
Glen Pruitt, Jr
Martha Roby
Charles Smith
Jim Spear

March 21, 2011

To the Citizens of
The City of Montgomery
Montgomery, Alabama

Local government is required by law to publish within six (6) months of the close of each fiscal year audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2010. We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Montgomery, Alabama (the City) for the fiscal year ended September 30, 2010. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City.

Management assumes full responsibility for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, rather than absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance that all financial information has been recorded accurately.

Governmental accounting and auditing principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditors' report.

P. O. Box 1111 ♦ Montgomery, Alabama 36101-1111 ♦ Phone (334) 241-2025 ♦ Fax (334) 241-4422

GOVERNMENT PROFILE

The City of Montgomery is the capital city of the State of Alabama, incorporated on December 3, 1819, and is located in the south central section of the state. It serves a population of approximately 201,500. In 2009, the City adopted its current vision to sustain a safe, vibrant, and growing Montgomery in its entirety that all citizens can be proud to call "home." That vision continues to come to fruition in the way services are provided to the citizen, construction of new public facilities, and the expansion and addition of new businesses in the City. The City of Montgomery operates under a Mayor/Council form of government with a fiscal year from October 1st through September 30th. The Mayor and nine (9) Council members are each elected to four (4) year terms. City services include police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events.

The City of Montgomery is empowered to levy a property tax on both real and personal property located within its boundaries. However, a referendum must be presented to the citizenry for a vote. The City is also empowered by state statute and voluntarily petition to extend its corporate limits by annexation, which has been done from time to time.

Formal budgetary integration is employed as a management control device. On a day to be set by the Council, but no later than August 20th of each year, the Mayor submits to the Council a balanced budget for the next fiscal year. The Council schedules public hearings for the purpose of discussing and adopting the budget and may add to or delete from the budget submitted by the Mayor as long as the budget remains in balance. The Council, by a majority vote, shall adopt the budget no later than September 20th. Activities of the General Fund and the State Gasoline Tax Fund are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Project Funds. The level of budgetary control (the level at which expenditures cannot legally exceed appropriated funding) is established by function within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Appropriations lapse at the end of the fiscal year unless expended or encumbered.

In order to prepare a financial report, it is necessary to identify all components of the reporting entity. Potential component units were evaluated to determine whether they should be reported in the City's financial report. A component unit was considered to be part of the City's reporting entity if it was concluded that the City was financially accountable for the entity or the nature and significance of the relationship between the City and the entity was such that exclusion would cause the City's financial statements to be misleading or incomplete. The Montgomery City-County Public Library was determined to be the only reportable component unit and has been included in this report.

ECONOMIC CONDITION AND OUTLOOK

Government makes up one-fourth of the work force at the local, state, and federal levels which allows it to play a major role in the economy of Montgomery. The military presence of Maxwell Gunter Air Force Base makes a significant contribution to the local economy. The federal government accounts for more than 12,000 jobs in the City; whereas, state government accounts for more than 9,000 jobs, and city government accounts for approximately 2,500 of total government jobs in the region. Additionally, local colleges and universities have given rise to a growing economy in the City. Although the automobile industry is relatively new in central Alabama, the industry has created many new opportunities and currently accounts for approximately 10% of the workforce in the region

Montgomery's location in the state has made it an important processing and shipping center for products such as cotton, dairy, and other farm products. The City's role as a regional trade center has been firmly established; consequently, allowing the City to serve as a wholesaling and distribution gateway for the entire southeast. In addition to the processing and shipping of farm products, the City has industries in metal fabrication, lumber processing, furniture production, food processing, textiles, printing and publication, and software engineering. The Alabama River flows around the City and is used to move sand, gravel, grain, and chemicals north and south of the region via barges.

The City of Montgomery continues to lead the state in the creation of new and expanded industry. The economic future for the City of Montgomery is showing signs of growth which is primarily due to the creation of new and expanded industry in the region. The decline in the unemployment rate from 10.1% to 9.2% is an indicator that the economy in Montgomery is beginning to grow. Since the local economy is buffered by the presence of local, state, and federal governments, including two military bases, the unemployment rate for Montgomery remained less than the national average in 2010. Although the economy was still struggling in 2010, sales tax receipts and hotel occupancy in the City increased over the previous year.

The face of Downtown Montgomery has changed significantly during the last year. The occupancy rate for the central business district continues to increase due to the revitalization of buildings for housing and retail businesses. The Convention Center is still boasting revenue by bringing in major performances and events to the City. The construction of a bridge connecting the Intermodal Transit Facility to a tower on the Riverfront was completed in 2010. Construction in Grocer's Alley was nearly complete in 2010 and now has several new restaurants and bars which are boasting retail growth in Downtown Montgomery.

The City's Amphitheater and Baseball Stadium are located at the Riverfront. The Amphitheater is also a venue that hosts many artists who entertain the citizenry of Montgomery and surrounding areas. The City's Baseball Stadium is home to a minor league baseball team which has completed several successful seasons in Montgomery. The minor league team has won two Southern League Championships.

The City's economic development continued to expand in 2010 as outlined below:

(1) New capital investments in excess of $320,000,000 for creation of new industry and expansion of existing industries that will ultimately bring additional jobs to the region. The new and expanded industries include the following:

Company	Capital Investment	#Jobs
Hausted Patient Handling Systems	$ 3,100,000	49
Community Newspaper Holdings Inc. (CNHI)	----	70
Hyundai Power Transformers USA	125,000,000	1000
Medline	12,500,000	40
Shinsung	3,800,000	25
Dow Corning	32,400,000	30
GenPak	3,100,000	40
Hyundai Motor Manufacturing Alabama	50,500,000	---
Mobis Alabama	59,700,000	250

(2) Completion of new junior high school and high school buildings to provide state of the art education to the youth in the City.
(3) Plans for renovating Cramton Bowl Football Field and adding an indoor sports facility were underway with an expected completion date in the spring of 2012.
(4) Acquisition of blighted properties that are being sold to private investors for new retail businesses, restaurants, and loft apartments.
(5) Plans for construction of new public safety facilities to enhance the safety of the City's citizens.
(6) Construction continues on the Maxwell Boulevard (formerly Bell Street) project. This infrastructure project will provide better access to Maxwell Air Force Base and allow a safer thoroughfare for traffic.
(7) Plans are still underway to extend the Riverwalk to Powder Magazine Park. This expansion is expected to increase private investment and development along the Riverfront.
(8) Infrastructure changes are still in process in the City. The widening of some major streets is to be completed in 2011 which will ease traffic congestion and allow easier access to various secondary streets for a growing population.
(9) The median family income in Montgomery increased 3.4% over the previous year.

Montgomery continues to attract new businesses by emphasizing its strategic location and attractive facilities. The high technology growth associated with the United States Air Force Computer Complex remains stable in the federal employment sector.

RELEVANT FINANCIAL POLICIES

During the last few years, the City's General Fund has had an accumulation of funds that were "due to" the General Fund because of the insurmountable expenditures that have plagued the Internal Service Fund for related healthcare costs as well as due to a small shortfall in certain Enterprise Funds. The Internal Service Fund does not have any source from which revenue can be generated. Consequently, the General Fund has been the only source of cash flows for the Internal Service Fund. Management made a bold decision to eradicate the Internal Service Fund and Enterprise Funds "due to" the General Fund by transferring approximately $25,000,000 of expenditures to the General Fund. Consequently, the result of such a transfer had an adverse effect on the balance sheet for governmental funds. The financial statements of this report verify the resulting decrease in the unreserved, undesignated section on the balance sheet and a decrease in the total fund balance. This change is one of reporting only.

The renovations on the Washington Avenue Building purchased by the City to set up a "one-stop shop" for customers is nearing completion and all departments having direct contact with citizens for the purchase of business licenses, permits, and remitting of sales receipts will be located in the building by the spring of 2011.

The joint venture entered into by the City with Montgomery County to open two (2) primary healthcare clinics has been very successful in providing City employees and their dependents with those services that would be rendered by a family practice physician. A third facility was added in 2010 due to the overwhelming use of the initial clinics. The City hired CareHere, LLC to manage all aspects of operations for these clinics.

GOALS AND OBJECTIVES

The City will continue its fiscally sound management policies while providing its citizens excellent services, enhancing the quality of life in Montgomery, and maximizing the use of taxpayer dollars. Major industries located within the City's boundaries or in close proximity include Tier I and II suppliers for the automotive industry, office and medical suppliers, as well as financial institutions and insurance companies. Continuing economic growth led by the automotive industry and its suppliers, Maxwell-Gunter, and Riverfront/Downtown Redevelopment is a top priority to ensure the fiscal health of the City. The City will continue to strive to make Montgomery and the region one of the best communities in the nation by working with its partners, whether they are public, private, or governmental.

ADDITIONAL INFORMATION

Independent Audit - State statutes require an annual audit by independent certified public accountants. The accounting firm of Jackson Thornton & Co., P.C. was selected to conduct the 2010 audit. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the federal Single Audit Act of 1996 and related OMB Circular A-133. The auditors' report on the basic financial statements is included in the front of the financial section of this report. The auditors' reports related specifically to the single audit are included in a separate report.

Awards - The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Montgomery for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2009. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe the City's 2010 CAFR continues to meet the Certificate of Achievement Program's requirements, and it is being submitted to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the professional dedication and knowledge of our independent auditors, Jackson Thornton & Company, P.C. The independent auditors have issued an unqualified or "clean" opinion on the City of Montgomery's financial statements for the year ended September 30, 2010.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit must also be given to members of the City Council for their interest and unfailing support in planning, conducting, and maintaining the highest standards of professionalism in the management of the City of Montgomery's finances.

Respectfully submitted,

Todd Strange
Mayor

E. Lloyd Faulkner
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Montgomery Alabama

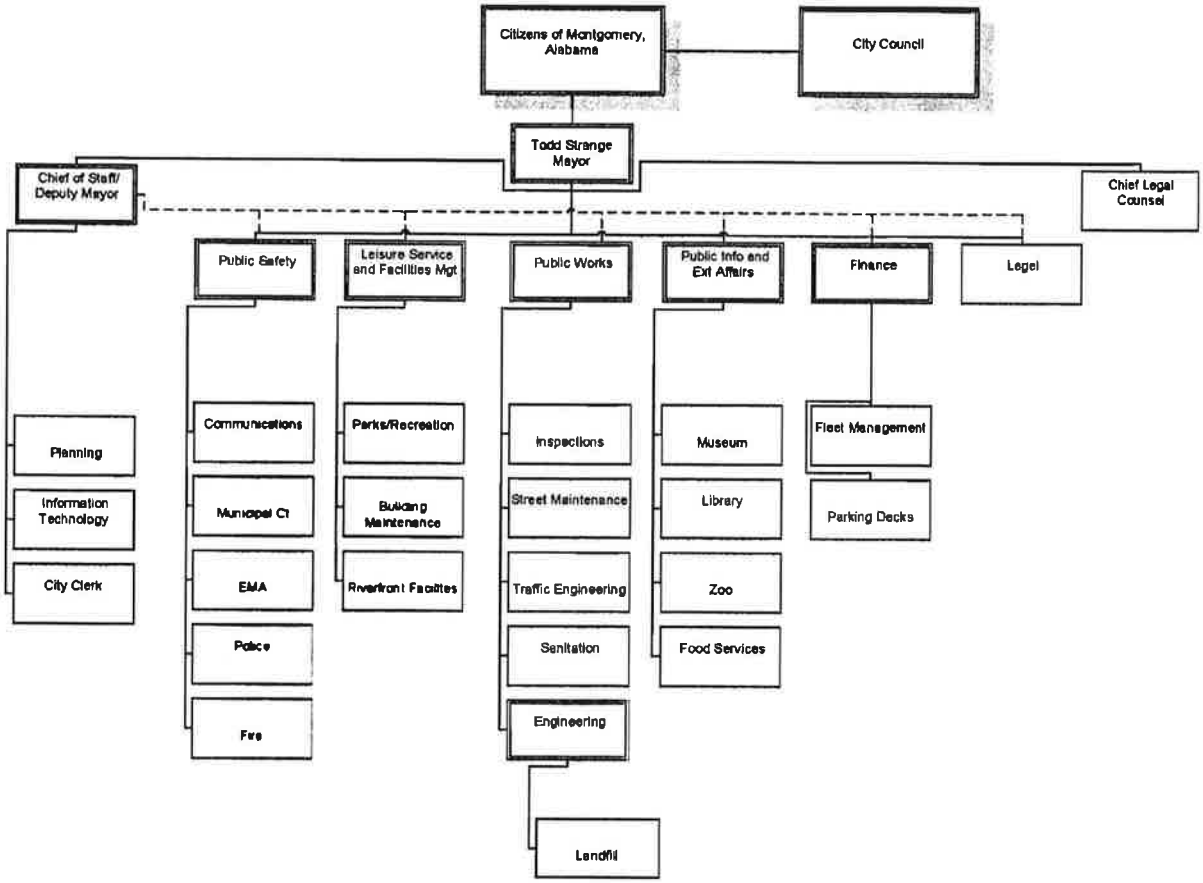
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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 MONTGOMERY, ALABAMA
ORGANIZATIONAL CHART



CITY OF MONTGOMERY, ALABAMA
ELECTED AND APPOINTED OFFICIALS
SEPTEMBER 30, 2010

Elected Officials

Mayor	Todd Strange
Council Members	
District 9	Charles W. Jinright, President
District 3	Tracy Larkin, President Pro Tem
District 1	Jim Spear
District 2	Charles W. Smith
District 4	David Burkette
District 5	Cornelius Calhoun
District 6	Vacant
District 7	Martha Roby
District 8	Glen O. Pruitt, Jr.

Appointed Officials

Building Maintenance	Doug Jones
Chief Legal Counsel	Walter R. Byars, Jr.
Chief of Staff/Deputy Mayor	Jeffrey Downes
City Attorney	Kim Fehl
City Clerk	Brenda Gale Blalock
Communications	Larry Fisher
Director of Public Information & External Affairs	Michael Briddell
Director of Public Works	Christopher W. Conway
Emergency Management	Steve Jones
Engineering	Patrick Dunson
Finance	E. Lloyd Faulkner, Director Betty P. Beville, Deputy Director
Fire	Chief Miford Jordan
Fleet Management	Terry H. Gaddis
Food Services	James H. Lisenby
Information Technology	Don McCanless
Inspections	Dorian D. Brunson
Landfill	Noah Johnson
Leisure Services	Wiley Steen
Library	Jaunita M. Owes
Maintenance	Gail J. Gipson
Montgomery Zoo	Doug Goode
Municipal Court	Judge Les Hayes Ken Nixon, Court Administrator
Museum	Mark M. Johnson
Parking Decks	Bryan Dunn
Parks and Recreation	Scott Miller
Planning and Development	Kenneth Groves
Police	Chief Arthur Baylor
Riverfront Facilities	Branch D. Kloess
Sanitation	Daniel R. Dickey
Traffic Engineering	Locke D. Bowden

The elected and appointed officials were those in office at September 30, 2010.

FINANCIAL SECTION

- INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS
- MANAGEMENT'S DISCUSSION AND ANALYSIS
- BASIC FINANCIAL STATEMENTS
- REQUIRED SUPPLEMENTAL INFORMATION
- COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

JACKSON THORNTON
A PROFESSIONAL CORPORATION www.jacksonthornton.com

MONTGOMERY, ALABAMA

Dothan
Prattville
Wetumpka

Independent Auditors' Report

Honorable Mayor and Members of
The City Council
City of Montgomery, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montgomery, Alabama (the City) as of and for the year ended September 30, 2010, 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of the Montgomery City-County Public Library, the discretely presented component unit of the City. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Montgomery City-County Public Library, is based solely on the report of the other auditor.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A PROFESSIONAL CORPORATION CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2011 on our consideration of the City's internal control over financial reporting and 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 and the schedule of funding progress of the Employees' Retirement System and the Employees' Health Insurance Plan are 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 and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, 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 schedules 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.

Jackson Thornton & Co. PC

Montgomery, Alabama
March 21, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's Management Discussion and Analysis (MD&A) is a narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2010. It is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, and identify individual fund issues or concerns.

Readers are encouraged to read the MD&A in conjunction with additional information furnished in the letter of transmittal and the City's financial statements included in this report.

The intent of this MD&A is to provide a brief, objective, and easily readable analysis of the City's financial performance for the year and its financial position at fiscal year end September 30, 2010.

Financial Highlights

The City of Montgomery's assets exceeded its liabilities at September 30, 2010, by $111,151,769 (net assets). However, $356,635,884 was either restricted or invested in capital assets leaving a deficit unrestricted balance of $245,484,115.

The City's total net assets decreased by $25,703,867. This decrease approximates the depreciation expense for the year.

At September 30, 2010, the City of Montgomery's governmental funds reported combined ending fund balances of $91,289,116, an increase of $16,025,774 over the previous fiscal year. Of the ending governmental fund balance, $66,280,118 remains in the various fund types of the City as unreserved and undesignated. The increase in the unreserved, undesignated governmental fund balance from the previous year was due to the receipt of proceeds from the issuance of municipal bonds for various capital projects in the City, which are reported in a capital project fund.

The general fund reported an unreserved, undesignated balance of ($359,423) or (0.20%) of the total general fund expenditures due to the transfer of accumulated expenditures in the City's Internal Service Fund for rising healthcare costs and deficits in some of the City's enterprise funds. Expenditures of healthcare costs have risen in recent years for City employees and their dependents due to some catastrophic illnesses. It is the intent of management to ensure that adequate appropriations are included in future budgets to circumvent the need to transfer the accumulation of such expenditures.

Governmental Activities revenue increased by $19,252,880 or 8.42%, and expenses decreased $5,725,371 or 2.09% from the previous year. The increase in revenues was primarily attributable to a 118% increase in capital grants and contributions and an increase of 54.65% in the availability of operating grants and contributions. Property tax revenue only increased 0.90% in fiscal year 2010. However, the combination of other miscellaneous revenue increased 11.65% over the previous year which was an enhancement for the increase in total revenue for governmental activities in 2010. Sales tax revenue did rebound slightly by 2.58% over 2009 collections.

Long-term debt, consisting of general obligation bonds and capital leases, increased by $57,274,189 or 24.30% from the previous year. Long-term debt increased in 2010 due to the issuance of the Series 2010A and 2010B General Obligations warrants in the amounts of $42,090,000 and $60,065,000, respectively. A portion of the proceeds was used for refunding older debt and the remainder will be used for several capital projects throughout the City to include a new indoor sports complex, new public safety facilities, acquisition of blighted properties that will be resold, and renovations on Cramton Bowl football stadium, a new municipal court building, and the City Hall building.

Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the City of Montgomery's financial statements which includes: government-wide financial statements, fund financial statements, and notes to the financial statements. In addition to the basic financial statements, this report contains supplementary information which may be of interest to the reader.

Government-Wide Financial Statements

Government-wide financial statements are designed to provide the reader with a broad overview of the financial position of the City of Montgomery and are similar to private-sector financial statements. The statements include a Statement of Net Assets and a Statement of Activities.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. This statement combines and consolidates governmental funds' current financial resources (short-term expendable resources) with capital assets and long-term debt. Over time, increases or decreases may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities follows the Statement of Net Assets and presents information on how the City's net assets changed during the fiscal year. The statement presents all underlying events, which give rise to the change in net assets, regardless of the timing of the related cash flows. Items such as accounts payable or vacation leave (earned, but unused) will produce changes in cash in a future fiscal period.

Both of the government-wide financial statements distinguish functions that are 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).

Governmental activities reported in the statements include general government, public works, public safety, and cultural and recreational. The business-type activities include Montgomery Area Transit System, Lagoon and Gateway Parks, Municipal Parking Decks, the Montgomery River Boat, and the Montgomery Zoo.

The government-wide financial statements not only include the City of Montgomery (the primary government), but also a legally separate component, the Montgomery City-County Public Library, for which the City of Montgomery is financially accountable. Financial information for this component unit is reported separately from the information presented for the primary government.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for the same functions as those reported under the government-wide Statement of Net Assets and Statement of Activities. However, unlike the government-wide financial statements, governmental fund financial statements focus on events that produce near-term inflows and outflows of expendable resources as well as the balances of expendable resources available at the end of the year.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare information presented in the governmental funds with similar information presented in the governmental activities in the government-wide financial statements. Comparing functions between the statements for governmental funds and statement of activities, the reader may better understand the long-term impact of the City'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 fourteen (14) 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 Balance of the major funds. Data from eleven (11) 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 in the supplementary information section of this report.

The City of Montgomery adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds

The City of Montgomery maintains two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Montgomery Area Transit System, Lagoon and Gateway Parks, the Municipal Parking Decks, the Montgomery River Boat, and the Montgomery Zoo. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Montgomery uses internal funds to account for its employees' medical insurance, workers' compensation, and liability insurance. The internal service funds are presented, in total, in the fund financial statements but may be reviewed in the combining statements in the supplementary information section of this report.

Enterprise Funds - At September 30, 2010, the total net assets for enterprise funds amounted to $16,141,080. Net asset changes are a result of operations, other non-operating revenues and expenses and capital contributions. All enterprise funds receive transfer revenue from the general fund. These sources assist in offsetting losses.

The Montgomery Zoo, the Montgomery Area Transit System (MATS), Lagoon and Gateway Parks, the Municipal Parking Decks, and the Montgomery River Boat are the enterprise funds of the City of Montgomery. Individual and fund data for each non-major enterprise fund is provided in the form of combining statements in the supplementary information section of this report.

Internal Service Funds - Internal service funds are designed to recover the internal costs of general services provided to other fund groups. Net assets in the internal service funds reflect a negative fund balance for unfunded estimated claims payable.

Fiduciary Funds

The City of Montgomery uses fiduciary funds to account for resources held for the benefit of parties outside of City government. These funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support City programs. Accounting for these funds is similar to accounting for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in both government-wide and fund financial statements.

Other Information

Combining and individual statements and schedules referred to earlier, which present more detailed views of non-major funds used in governmental and enterprise activities, can be found beginning on page 79 of this report.

Government-Wide Financial Analysis

As noted earlier, changes in net assets over time can be one of the best and most useful indicators of the City's financial position. The City of Montgomery's total assets exceeded liabilities by $111,151,769, as reflected in the following table:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets (net of internal balances)	$ 116,387,837	$ 81,210,158	$ 2,614,027	$ 1,558,511	$ 119,001,864	$ 82,768,669
Internal balances	537,466	7,299,419	(537,466)	(7,299,419)	-	-
Capital assets	369,067,773	360,621,080	14,351,455	14,675,876	383,419,228	375,296,956
Total Assets	485,993,076	449,130,657	16,428,016	8,934,968	502,421,092	458,065,625
Long-term liabilities	349,089,380	283,218,068	687,487	693,872	349,776,867	283,911,940
Other liabilities	40,894,091	36,551,649	598,365	746,400	41,492,456	37,298,049
Total Liabilities	389,983,471	319,769,717	1,285,852	1,440,272	391,269,323	321,209,989
Net assets						
Invested in capital assets, net of related debt	253,437,449	220,950,653	14,351,455	14,675,876	267,788,904	235,626,529
Restricted	88,846,980	50,377,124	-	-	88,846,980	50,377,124
Unrestricted	(246,274,824)	(141,966,837)	790,709	(7,181,180)	(245,484,115)	(149,148,017)
Total Net Assets	$ 96,009,605	$ 129,360,940	$ 15,142,164	$ 7,494,696	$ 111,151,769	$ 136,855,636

The largest portion of net assets is investment in capital assets (e.g., land, construction in progress, buildings, infrastructure, and machinery and equipment) less any related outstanding debt used to acquire those assets. Because City capital assets are used to provide services to citizens, the assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the capital assets are not used to liquidate the liability. Consequently, other resources are used to repay any associated debt.

An additional portion of the City's resources is restricted, or has restrictions on how they may be used. Governmental activities restricted net assets totaled $88,846,980 and are restricted for use in public works, public safety, cultural and recreational, capital projects, and debt service. The remaining balance of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors. As of September 30, 2010, the City reported positive net asset balances in both governmental and business-type activities. As reflected in the following table, the City's net assets decreased by $25,703,867 or 18.78% during the fiscal year. This decrease was primarily due to the following reasons:

(1) The City recognized a net increase in other postemployment benefit (OPEB) liability of $10,970,005 for the year ended September 30, 2010.

(2) Depreciation expense of $25,982,130 on governmental activities and $1,138,343 on business-type activities.

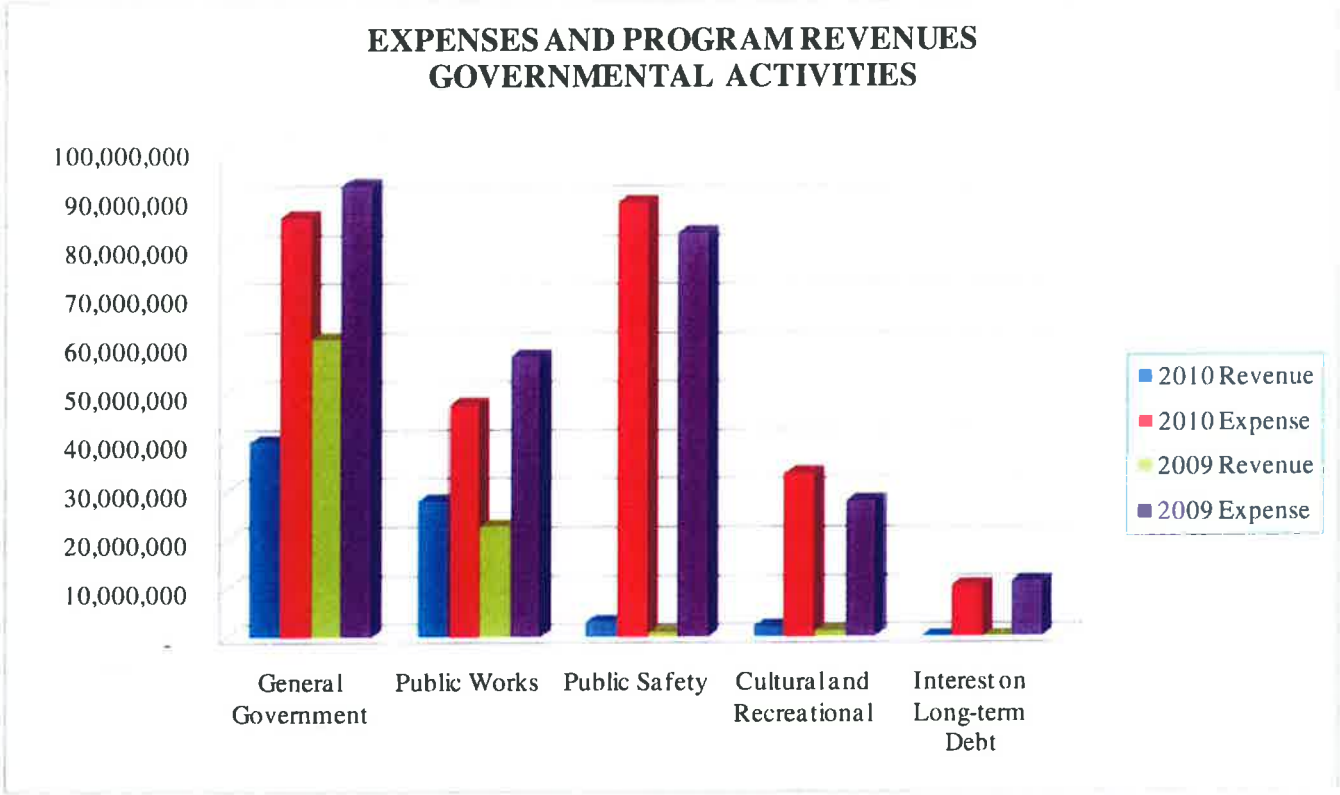
(3) Offset by an increase in operating and capital grants and contributions.

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for services *	$ 37,117,393	$ 66,860,187	$ 5,287,416	$ 5,353,480	$ 42,404,809	$ 72,213,667
Operating grants and contributions	14,727,336	9,522,821	-	-	14,727,336	9,522,821
Capital grants and contributions	21,969,518	10,074,229	-	-	21,969,518	10,074,229
General revenues						
Property taxes	31,378,176	31,099,699	-	-	31,378,176	31,099,699
Sales taxes	86,150,767	83,980,254	-	-	86,150,767	83,980,254
Other taxes	18,872,906	16,903,173	-	-	18,872,906	16,903,173
Business licenses *	30,482,588	-			30,482,588	-
Other	7,301,356	10,306,797	391	14,414	7,301,747	10,321,211
Total revenues	248,000,040	228,747,160	5,287,807	5,367,894	253,287,847	234,115,054
Expenses						
General government	86,120,124	92,913,247	-	-	86,120,124	92,913,247
Public works	47,781,026	57,752,898	-	-	47,781,026	57,752,898
Public safety	89,288,506	83,265,102	-	-	89,288,506	83,265,102
Cultural and recreational	33,837,935	27,939,722	-	-	33,837,935	27,939,722
Interest on long-term debt	10,561,682	11,443,675	-	-	10,561,682	11,443,675
Montgomery Zoo	-	-	5,889,762	5,709,728	5,889,762	5,709,728
Montgomery Area Transit System	-	-	2,291,121	3,205,634	2,291,121	3,205,634
Lagoon and Gateway Parks	-	-	2,014,501	2,932,109	2,014,501	2,932,109
Municipal Parking Decks	-	-	348,955	318,963	348,955	318,963
Montgomery River Boat	-	-	858,102	553,658	858,102	553,658
Total expenses	267,589,273	273,314,644	11,402,441	12,720,092	278,991,714	286,034,736
Decrease in assets before transfers	(19,589,233)	(44,567,484)	(6,114,634)	(7,352,198)	(25,703,867)	(51,919,682)
Transfers in (out)	(13,762,102)	(4,249,246)	13,762,102	4,249,246	-	-
Decrease in net assets	(33,351,335)	(48,816,730)	7,647,468	(3,102,952)	(25,703,867)	(51,919,682)
Net assets - beginning	129,360,940	178,177,670	7,494,696	10,597,648	136,855,636	188,775,318
Net assets - ending	$ 96,009,605	$ 129,360,940	$ 15,142,164	$ 7,494,696	$ 111,151,769	$ 136,855,636

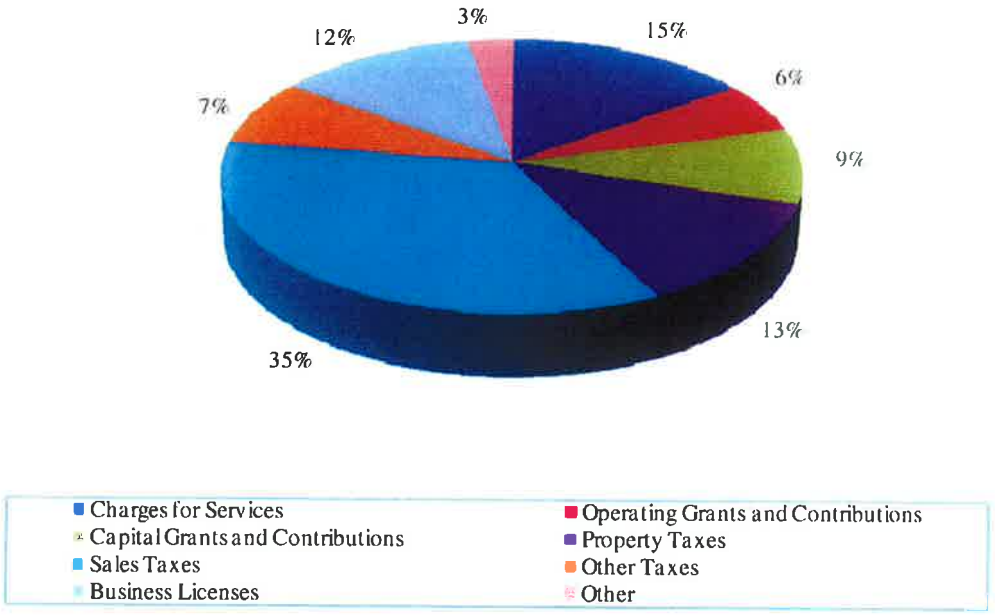
* The City converted a portion of business licenses to a fee based on the taxpayer's gross receipts. This is a tax, reported as general revenue.

Governmental Activities

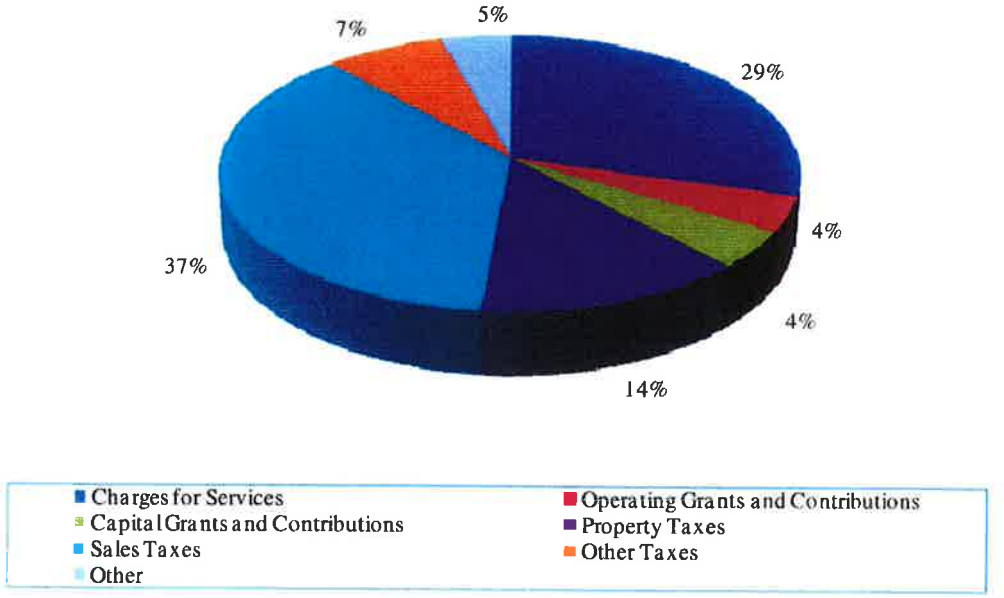
Governmental activities decreased the City's net assets by $33,351,335, thereby accounting for 129.75% of the total decline in net assets of the City. Key elements of the decrease in net assets were due to depreciation expense, increase in other postemployment benefits, and transfers to business-type activities. The decrease was offset by the availability of more operating and capital grants and contributions.


EXPENSES AND PROGRAM REVENUES
GOVERNMENTAL ACTIVITIES
100,000,000
90,000,000
80,000,000
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
-
General Government
Public Works
Public Safety
Cultural and Recreational
Interest on Long-term Debt
2010 Revenue
2010 Expense
2009 Revenue
2009 Expense

REVENUE BY SOURCE - GOVERNMENTAL ACTIVITIES FISCAL YEAR 2010

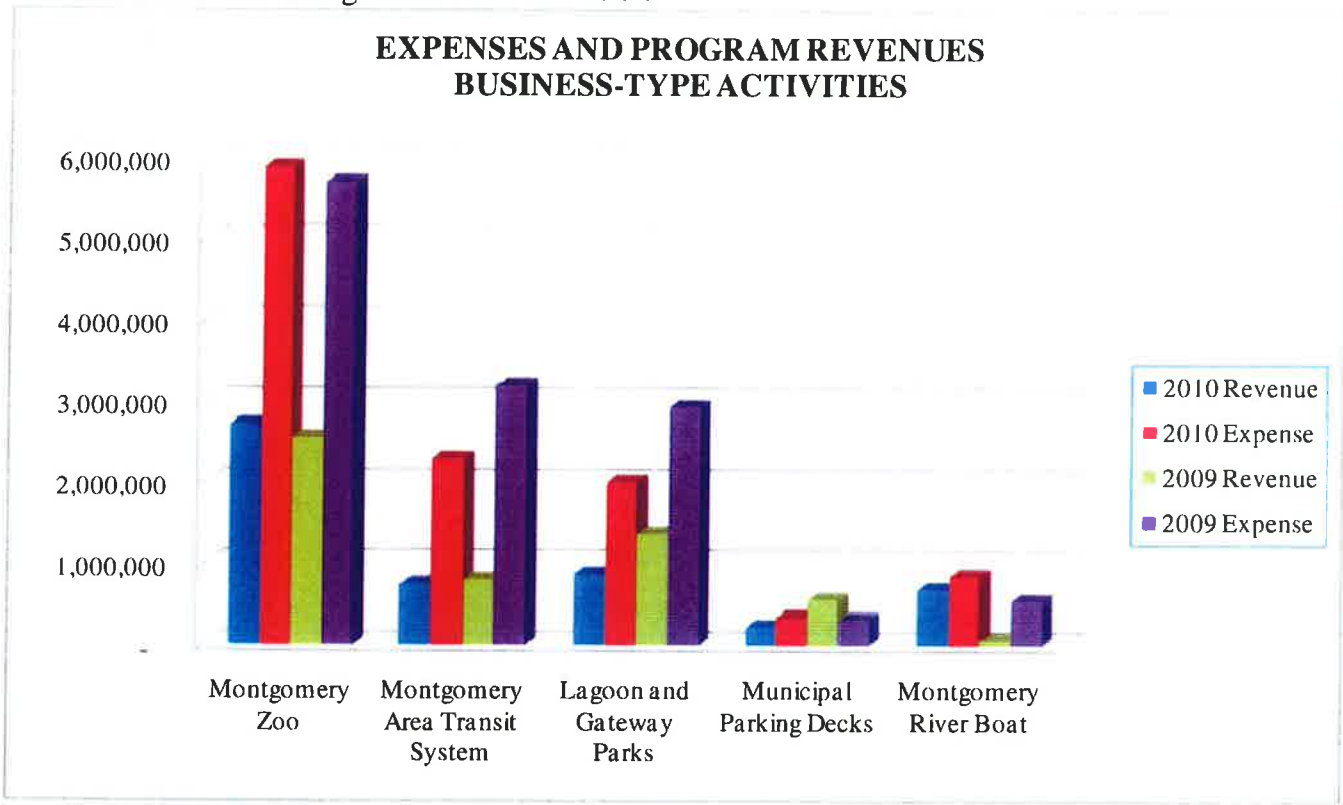


REVENUE BY SOURCE - GOVERNMENTAL ACTIVITIES FISCAL YEAR 2009



Business-type Activities

Business-type activities increased the City's net assets by $7,647,468, thereby accounting for a 29.75% off set to the total decline in the net assets of the City. The primary factor for the increase in net assets was due to transfers from governmental activities.



Fund Level Information

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

Governmental Funds

Governmental funds provide information on near-term inflows, outflows, and balances of expendable resources. Governmental fund types include General, Debt Service, Capital Projects, and Special Revenue Funds.

In assessing the City of Montgomery's financing requirements, unreserved, undesignated fund balance is a particularly useful measure of net resources available for spending at the end of the fiscal year. As of September 30, 2010, the City of Montgomery's Governmental Funds had a balance of $66,280,118 of unreserved undesignated fund balance available for spending for governmental activities. As detailed in Note 10 in the financial statements, the City had $17,428,806 of reserved fund balance. Unreserved, designated debt service fund balance includes $2,000,065 for contractual requirements related to general obligation bonds.

At September 30, 2010, total fund balance in the general fund was $9,401,106 of which $5,220,704 was unreserved. The general fund balance decreased $24,407,239 or 72.19% from the previous year. The decline in the general fund balance was due to the transfer of the accumulated expenditures in the Internal Service Fund for rising healthcare costs and deficits in some of the enterprise funds. Expenditures of healthcare costs have risen in recent years for City employees and their dependents due to some catastrophic illnesses. It is the intent of management to ensure that adequate appropriations are included in future budgets to circumvent the need to transfer the accumulation of such expenditures. Additionally, fund balance decreased due to use of cash reserves to offset the decline in tax revenue and charges for services.

Net revenue of the general fund increased by $7,138,169 or 3.67% in 2010 compared to the previous year due to an improvement in sales tax collections and slight increases in licenses and permits, charges for services, and fines and forfeitures. Expenditures of the general fund at fiscal year-end were $1,932,436 or 1.08% greater than the previous year which was due primarily to the increased operational costs.

Capital Project Funds – G.O. Warrants fund balance increased $47,616,441 from the previous year due to an increase in the inflows from other financing sources (i.e., issuance of general obligation warrants). Those net inflows were offset by costs to complete several projects (i.e., Grocer's Alleyway and municipal parking decks). The net inflows increased due to the procurement of proceeds from issuance of bonds for improvements to and construction of some new facilities (i.e., football field, indoor sport facility, etc.).

Series 2005B Refunding Bonds fund balance increased $54,857 over the previous year due to net inflows of other financing sources.

Proprietary Funds

Proprietary fund statements provide the same information as in the business activities column of the government-wide statements, but in greater detail and on a fund basis for enterprise funds and the City's internal service funds.

Enterprise Funds - Net assets of the Montgomery Zoo, Montgomery Area Transit System (MATS), Lagoon and Gateway Parks, the Municipal Parking Decks, and the Montgomery River Boat at the end of the year was $16,141,080. Total net assets increased for enterprise funds by $7,813,251 or 93.82% in 2010 from the previous year. Total operating revenue remained stable for enterprise funds.

Internal Service Funds - Internal service funds are designed to recover the internal costs of government services provided to other fund groups. At September 30, 2010, the internal service funds reported a deficit of $3,646,079 for its net asset balance, which was due to the amount of estimated claims payable.

Capital Assets and Debt Administration

Capital Assets - The City of Montgomery's investment in capital assets for governmental and business-type activities as of September 30, 2010, was $383,419,228 (net of accumulated depreciation). Capital asset investments include land, buildings, building improvements, machinery and equipment, net of depreciation.

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 48,054,424	$ 43,077,092	$ 1,047,942	$ 1,047,942	$ 49,102,366	$ 44,125,034
Buildings	127,264,488	105,671,950	8,865,231	9,122,997	136,129,719	114,794,947
Improvements other than buildings	36,873,204	34,756,894	2,042,827	2,199,774	38,916,031	36,956,668
Machinery and equipment	29,869,929	27,310,829	2,395,455	2,305,163	32,265,384	29,615,992
Infrastructure	112,978,223	115,310,120	-	-	112,978,223	115,310,120
Construction in progress	14,027,505	34,494,195	-	-	14,027,505	34,494,195
	$ 369,067,773	$ 360,621,080	$ 14,351,455	$ 14,675,876	$ 383,419,228	$ 375,296,956

Additional information on the City of Montgomery's capital assets can be found in Note 7 on page 59 of this report.

Long-Term Debt - At the end of the fiscal year the City of Montgomery had secured and bonded debt outstanding of $292,967,576. Of this amount $281,964,445 comprises debt backed by the full faith and credit of the City and $11,003,131 in long-term leases. The City's long-term debt increased $57,274,189 or 24.30% from the previous year due to the issuance of Series 2010A and 2010B General Obligation Warrants in the amounts of $42,090,000 and $60,065,000, respectively. Some of the proceeds from the Series 2010A warrants were used to refund existing debt.

Long-term Debt

	2010	2009	Increase (Decrease)
General Obligation Bonds	$ 281,964,445	$ 221,345,000	$ 60,619,445
Capital Leases	11,003,131	14,348,387	(3,345,256)
	$ 292,967,576	$ 235,693,387	$ 57,274,189

The City of Montgomery carries an Aa2 rating from Moody's and an AA+ rating from Standard and Poor's. Standard and Poor's raised the City of Montgomery's rating on long-term debt from AA to AA+ in early 2010. This rating increase was based on the City's historical practice of adjusting expenditures as necessary to limit the impact of revenue declines which has allowed it to continue to maintain a sound financial position. These ratings reflect the strength of the City's economy and the efficiency of operations by management and its staff. See Note 8 beginning on page 62 for a detailed description of the City's total outstanding obligations.

General Fund Budgetary Highlights

Budget to actual statements and schedules are provided in the financial statements for the General Fund and Gasoline Tax Fund. Columns are provided for both the original adopted budget as well as the final budget. These budgets are followed by columns for actual expenditures and for variances between the final budget and actual expenditures.

The operation of a city the size of Montgomery is a dynamic business that requires the budget be strictly controlled throughout the year. An adequate budget balance must be available for the particular line item for which a payment request has been submitted. If the budget balance is not adequate, the payment will be rejected. A payment will be approved after a budget adjustment for that cost center has been processed.

General Fund

As of September 30, 2010, actual revenues were less than budgeted revenues by $1,156,837. The primary reasons for the variance are as follows:

- Fines and forfeitures had a variance of $2,860,073 or 22.53% due to a significant decline in issuance of parking and traffic tickets.
- Licenses and permits remained relatively flat due to the building industry not having recovered from the downturn in the economy in previous years.
- Intergovernmental revenues also remained flat due to the pre-2009 decline in federal and state funding which was directly attributable to declining economic conditions.

As of September 30, 2010, actual expenditures were less than budgeted expenditures by $7,341,743 due to the following:

- General Government actual expenditures were less than budgeted expenditures by $2,973,860.
- Public Works actual expenditures were less than budgeted expenditures by $1,172,721.
- Public Safety actual expenditures were less than budgeted expenditures by $1,321,325.
- Cultural and Recreational actual expenditures were less than budgeted expenditures by $1,601,411.

Listed below are the primary reasons for variances in the General Fund:

- Efficient utilization of resources accounted for actual expenditures being less than budgeted expenditures.
- Departmental budgets were reduced by 1.41% to insure that expenditures would not exceed revenue.
- Personnel costs were less than budgeted amounts due to the inability to fill and maintain budgeted personnel positions and through attrition. All positions that were considered non-essential positions were not filled in 2010.

Economic Factors and Year 2011

The following factors were considered in preparing The City of Montgomery's Budget for Fiscal Year 2011:

- Although Montgomery's unemployment rate decreased from 10.1% in 2009 to 9.2% in 2010, the unemployment rate remained higher than the average for years prior to 2009. This was directly related to the sluggish economy. The unemployment rate for the City of Montgomery remained lower than the national rate of unemployment.
- The City of Montgomery's increased population has caused it to be ranked the second largest city in the state. The occupancy rate of the City's Downtown District continues to have steady growth. Additional city services will have to be provided for a growing population citywide.
- The City's Downtown Riverfront Development continues to create economic growth through tourism development. Grocer's Alley was completed in 2010. This alleyway boasts retail shops and restaurants for visitors and citizens of Montgomery. The bridge and tower connecting the Intermodal Transit Facility to the bank of the Alabama River were also completed in 2010.
- Revenues, especially sales tax revenue, began a slight increase in 2010. It is anticipated that revenue will increase slowly as the economy rebounds.
- Continued increases in industrial and residential development.

At September 30, 2010, fund balance in the general fund was $9,401,106. The City of Montgomery has appropriated $4,482,899 from the 2010 fund balance for spending in the 2011 fiscal year budget. This will enable the City to continue services to its citizens, keep a level of essential staff to provide services to the community and pay for one-time expenditures for capital needs. Fund balance was appropriated to offset the shortfall in sales tax and other revenues created by a sluggish economy.

Requests for Information

This financial report is designed to provide a general overview of The City of Montgomery's finances for anyone with an interest in the economic well-being of the City. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Office of the Finance Director, 103 North Perry Street, Montgomery, Alabama 36104.

BASIC FINANCIAL STATEMENTS

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CITY OF MONTGOMERY, ALABAMA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Public Library
ASSETS				
Cash and cash equivalents	$ 19,922,981	$ 2,300,338	$ 22,223,319	$ 795,485
Cash held by fiscal agent	62,199,298	-	62,199,298	-
Internal balances	537,466	(537,466)	-	-
Receivables	17,550,668	81,556	17,632,224	513
Inventories	1,269,338	232,133	1,501,471	-
Prepaid items	1,248,229	-	1,248,229	-
Assets held for resale	916,500	-	916,500	-
Note receivable	1,010,255	-	1,010,255	-
Mortgage receivable	188,289	-	188,289	-
Lease receivable	5,321,646	-	5,321,646	-
Warrants receivable	2,746,656	-	2,746,656	-
Deferred debt expense	2,534,399	-	2,534,399	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	1,479,578	-	1,479,578	-
Capital assets not being depreciated:				
Land	48,054,424	1,047,942	49,102,366	-
Construction in progress	14,027,505	-	14,027,505	84,256
Collections	-	-	-	10,418,925
Capital assets net of accumulated depreciation:				
Buildings and system	127,264,488	8,865,231	136,129,719	1,749,335
Improvements other than buildings	36,873,204	2,042,827	38,916,031	-
Machinery and equipment	29,869,929	2,395,455	32,265,384	391,155
Infrastructure	112,978,223	-	112,978,223	23,442
TOTAL ASSETS	485,993,076	16,428,016	502,421,092	13,463,111
LIABILITIES				
Accounts payable and accrued expenses	18,255,086	539,634	18,794,720	83,817
Retainage payable	250,709	-	250,709	-
Unearned revenue	451,442	6,483	457,925	-
Funds held in escrow	268,772	5,198	273,970	-
Noncurrent liabilities:				
Due within one year	21,668,082	47,050	21,715,132	-
Due in more than one year	349,089,380	687,487	349,776,867	-
TOTAL LIABILITIES	389,983,471	1,285,852	391,269,323	83,817
NET ASSETS				
Invested in capital assets, net of related debt	253,437,449	14,351,455	267,788,904	12,667,113
Restricted for:				
Public works	1,487,038	-	1,487,038	-
Public safety	769,875	-	769,875	-
Cultural and recreational	4,260,063	-	4,260,063	-
Capital projects	72,261,635	-	72,261,635	-
Debt service	10,068,369	-	10,068,369	-
Nonexpendable	-	-	-	100,000
Unrestricted	(246,274,824)	790,709	(245,484,115)	612,181
TOTAL NET ASSETS	$ 96,009,605	$ 15,142,164	$ 111,151,769	$ 13,379,294

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	$ 86,120,124	$ 20,029,894	$ 6,547,038	$ 13,703,767
Public works	47,781,026	15,849,768	6,261,618	5,825,676
Public safety	89,288,506	-	1,462,789	1,862,494
Cultural and recreational	33,837,935	1,237,731	455,891	577,581
Interest on long-term debt	10,561,682	-	-	-
Total governmental activities	267,589,273	37,117,393	14,727,336	21,969,518
Business-type activities:				
Montgomery Zoo	5,889,762	2,719,497	-	-
Montgomery Area Transit System	2,291,121	761,053	-	-
Lagoon and Gateway Parks	2,014,501	883,908	-	-
Montgomery River Boat	858,102	691,978	-	-
Municipal Parking Decks	348,955	230,980	-	-
Total business-type activities	11,402,441	5,287,416	-	-
Total primary government	$ 278,991,714	$ 42,404,809	$ 14,727,336	$ 21,969,518
Component Unit				
Public Library	$ 4,768,131	$ 101,666	$ 250,028	$ 318,450

General Revenues
- Sales taxes
- Property taxes
- Business licenses
- Motor fuel taxes
- Lodging taxes
- Rental taxes
- Tobacco taxes
- Alcoholic beverage taxes
- Grants and contributions not restricted to specific programs
- Investment earnings
- Miscellaneous revenue
- Gain on sale of assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Public Library
$ (45,839,425)	$ -	$ (45,839,425)	$ -
(19,843,964)	-	(19,843,964)	-
(85,963,223)	-	(85,963,223)	-
(31,566,732)	-	(31,566,732)	-
(10,561,682)	-	(10,561,682)	-
(193,775,026)	-	(193,775,026)	-
-	(3,170,265)	(3,170,265)	-
-	(1,530,068)	(1,530,068)	-
-	(1,130,593)	(1,130,593)	-
-	(166,124)	(166,124)	-
-	(117,975)	(117,975)	-
-	(6,115,025)	(6,115,025)	-
(193,775,026)	(6,115,025)	(199,890,051)	-
			(4,097,987)
86,150,767	-	86,150,767	-
31,378,176	-	31,378,176	-
30,482,588	-	30,482,588	-
8,335,705	-	8,335,705	-
5,578,274	-	5,578,274	-
3,285,663	-	3,285,663	-
1,438,763	-	1,438,763	-
234,501	-	234,501	-
199,092	-	199,092	4,189,375
50,449	391	50,840	3,277
6,905,175	-	6,905,175	86,983
146,640	-	146,640	-
(13,762,102)	13,762,102	-	-
160,423,691	13,762,493	174,186,184	4,279,635
(33,351,335)	7,647,468	(25,703,867)	181,648
129,360,940	7,494,696	136,855,636	13,197,646
$ 96,009,605	$ 15,142,164	$ 111,151,769	$ 13,379,294

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General	Capital Project Funds - G.O. Warrants	Series 2005B Refunding Bonds	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 8,699,425	$ 796,407	$ 1,286,079	$ 8,132,004	$ 18,913,915
Cash held by fiscal agent	-	62,199,298	-	-	62,199,298
Receivables	12,443,259	34,145	-	4,966,621	17,444,025
Inventories	1,269,338	-	-	-	1,269,338
Prepaid items	1,124,946	-	-	123,283	1,248,229
Assets held for resale	916,500	-	-	-	916,500
Note receivable	700,000	310,255	-	-	1,010,255
Due from other funds	9,618,572	423,936	-	17,425,684	27,468,192
Mortgage receivable	-	-	-	188,289	188,289
Lease receivable	-	-	5,321,646	-	5,321,646
Warrants receivable	-	-	2,746,656	-	2,746,656
Advances to other funds	39,000	-	-	-	39,000
Cash - restricted	-	-	-	1,479,578	1,479,578
TOTAL ASSETS	$ 34,811,040	$ 63,764,041	$ 9,354,381	$ 32,315,459	$140,244,921
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	$ 7,350,992	$ 528,779	$ -	$ 2,315,463	$ 10,195,234
Retainage payable	-	7,724	-	242,985	250,709
Due to other funds	18,058,942	841,882	332,076	8,706,266	27,939,166
Funds held in escrow	-	-	-	268,772	268,772
Deferred revenue	-	-	8,068,302	2,233,622	10,301,924
TOTAL LIABILITIES	25,409,934	1,378,385	8,400,378	13,767,108	48,955,805
FUND BALANCES					
Reserved	4,180,402	4,544,600	-	8,703,804	17,428,806
Unreserved, designated for:					
Economic stabilization	5,580,127	-	-	-	5,580,127
Debt service	-	-	954,003	1,046,062	2,000,065
Unreserved, undesignated reported in:					
General fund	(359,423)	-	-	-	(359,423)
Capital projects funds	-	57,841,056	-	6,433,451	64,274,507
Special revenue funds	-	-	-	2,365,034	2,365,034
TOTAL FUND BALANCES	9,401,106	62,385,656	954,003	18,548,351	91,289,116
TOTAL LIABILITIES AND FUND BALANCES	$ 34,811,040	$ 63,764,041	$ 9,354,381	$ 32,315,459	$140,244,921

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

Differences in amounts reported for governmental activities in the Statement of Net Assets		
Total fund balances - governmental funds		$ 91,289,116
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		369,067,773
Long-term receivables are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		10,113,635
Internal service funds are used by management to charge the costs of employee medical insurance, workers compensation insurance, and general liability insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		(2,647,164)
Long-term liabilities, including bonds payable, and accrued interest are not due and payable in the current period and, therefore, are not reported in the governmental funds. Balances at September 30, 2010 were:		
Bonds, warrants, leases, and notes payable	$ 292,967,576	
Deferred loss on advance refunding	(3,233,466)	
Unamortized net premiums	5,609,026	
Unamortized net discounts	(153,782)	
Accrued interest	3,327,539	
Compensated absences	18,249,866	
Retirement and disability benefits	8,522,082	
Postemployment benefit plans other than pensions	43,286,771	
Landfill closure and postclosure costs	5,509,389	
Total long-term liabilities		(374,085,001)
Deferred debt expenses are allocated over their estimated useful lives and are shown net of amortization expense as an asset in the Statement of Net Assets.		2,534,399
Funds considered available in the governmental funds are unearned in the statement of net assets.		(263,153)
Net assets of governmental activities		$ 96,009,605

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General	Capital Project Funds - G.O. Warrants	Series 2005B Refunding Bonds	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 131,837,921	$ -	$ -	$ 4,563,928	$ 136,401,849
Licenses and permits	38,203,350	-	-	65,940	38,269,290
Intergovernmental revenues	3,782,033	-	-	27,627,010	31,409,043
Charges for services	14,444,392	-	-	147,719	14,592,111
Fines and forfeitures	9,834,116	-	-	-	9,834,116
Interest	16,151	11,878	-	22,417	50,446
Miscellaneous revenues	3,490,075	-	406,123	4,374,136	8,270,334
Total revenues	201,608,038	11,878	406,123	36,801,150	238,827,189
EXPENDITURES					
Current:					
General government	39,753,028	-	-	8,220,734	47,973,762
Public works	30,688,028	-	-	11,683,518	42,371,546
Public safety	77,948,144	-	-	2,334,244	80,282,388
Cultural and recreational	27,210,590	8,883	-	794,883	28,014,356
Intergovernmental	-	13,574,524	-	1,019,881	14,594,405
Capital outay	-	1,759,146	-	21,194,205	22,953,351
Debt service:					
Principal	4,871,560	4,440,000	1,835,000	7,780,555	18,927,115
Interest	349,172	-	728,911	9,858,569	10,936,652
Debt issuance cost	-	1,011,871	-	-	1,011,871
Total expenditures	180,820,522	20,794,424	2,563,911	62,886,589	267,065,446
Excess of revenues over (under) expenditures	20,787,516	(20,782,546)	(2,157,788)	(26,085,439)	(28,238,257)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	177,871	-	-	-	177,871
Transfers in	8,660,607	2,540,859	2,212,645	33,113,221	46,527,332
Transfers (out)	(59,999,537)	(6,567,985)	-	(14,666,067)	(81,233,589)
Capital leases	5,966,304	-	-	-	5,966,304
Issuance of bonds	-	64,505,000	-	400,000	64,905,000
Issuance of refunding bonds	-	42,090,000	-	-	42,090,000
Payment to refunded bonds escrow agent	-	(39,108,572)	-	-	(39,108,572)
Bond premium	-	4,953,335	-	-	4,953,335
Bond discount	-	(13,650)	-	-	(13,650)
Total other financing sources (uses)	(45,194,755)	68,398,987	2,212,645	18,847,154	44,264,031
Net change in fund balances	(24,407,239)	47,616,441	54,857	(7,238,285)	16,025,774
FUND BALANCES - BEGINNING	33,808,345	14,769,215	899,146	25,786,636	75,263,342
FUND BALANCES - ENDING	$ 9,401,106	$ 62,385,656	$ 954,003	$ 18,548,351	$ 91,289,116

See accompanying notes to financial statements.

CITY OF MONTGOMERY, 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 SEPTEMBER 30, 2010

Differences in amounts reported for governmental activities in the Statement of Activities.		
Net change in fund balances - total governmental funds		$ 16,025,774
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Assets.		23,805,534
Donations of capital assets increase net assets in the Statement of Net Assets but do not appear in the governmental funds because they are not financial resources.		10,391,368
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.		(25,982,130)
The net effect of transactions involving the sale and disposal of capital assets is to decrease net assets in the Statement of Net Assets.		(31,231)
Revenues are reported in the funds when there is an established claim to the resources and the resources are available to finance current expenditures. Revenues are reported in the Statement of Activities when there is an established claim with no availability criterion. The funds report revenue deferred in prior periods as current year revenue.		(1,365,159)
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets.		
Bond proceeds	$ 64,905,000	
Refunding bond proceeds	42,090,000	
Capital lease financing	5,966,304	
Premium on bonds	4,953,335	
Discount on bonds	(13,650)	
Issuance costs	(1,011,871)	
Total proceeds		(116,889,118)

(Continued)

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONTINUED)
SEPTEMBER 30, 2010

Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the Statement of Net Assets.		
General obligation bonds	$ 9,615,555	
Capital leases	9,311,560	
Payment to escrow agent for refunding	39,108,572	
Total repayments		$ 58,035,687
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	242,938	
Retirement and disability benefits	785,956	
Accrued interest	(508,833)	
Postemployment benefit plans other than pensions	10,970,005	
Landfill closure and postclosure costs	808,230	
Additional expenses		(12,298,296)
Governmental funds report the effect of issuance costs, premiums and discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Amortization	(133,864)	
Reduction of expenses		(133,864)
Internal service funds are used by management to charge the costs of employee medical insurance and general liability insurance to individual funds. The net income (expense) of certain activities of internal service funds is reported with governmental activities.		15,090,100
Change in net assets of governmental activities		$ (33,351,335)

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	$ 129,967,896	$ 129,967,896	$ 131,837,921	$ 1,870,025
Licenses and permits	38,721,991	38,721,991	38,203,350	(518,641)
Intergovernmental revenues	4,131,321	4,131,321	3,782,033	(349,288)
Charges for services	13,882,801	13,882,801	14,444,392	561,591
Fines and forfeitures	12,344,189	12,694,189	9,834,116	(2,860,073)
Interest	18,917	18,917	16,151	(2,766)
Miscellaneous revenues	2,541,060	3,347,760	3,490,075	142,315
Total revenues	201,608,175	202,764,875	201,608,038	(1,156,837)
EXPENDITURES				
Current:				
General government:				
Council	333,432	333,432	325,046	8,386
Mayor and cabinet	787,577	787,577	754,088	33,489
Finance department	3,816,044	3,686,044	3,137,402	548,642
Information technology	2,438,906	2,324,906	1,931,069	393,837
Retirement	7,404,104	7,404,104	7,358,292	45,812
Insurance	2,000,000	214,794	214,794	-
Payments to government agencies	4,912,545	4,912,545	4,454,238	458,307
Payments for education	3,784,209	107,804	-	107,804
Miscellaneous activities	13,335,040	13,026,440	12,116,371	910,069
City Clerk	265,090	265,090	262,554	2,536
Municipal Court	2,921,567	2,921,567	2,652,867	268,700
Legal Department	1,068,672	1,068,672	1,032,088	36,584
Planning and development	1,761,041	1,785,756	1,633,776	151,980
Garage	3,834,778	3,834,778	3,827,064	7,714
Total general government	48,663,005	42,673,509	39,699,649	2,973,860

(Continued)

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public works:				
Engineering Department	$ 1,717,306	$ 1,717,306	$ 1,710,130	$ 7,176
Landfill Division	1,566,254	1,566,254	1,555,555	10,699
Sanitation Department	13,155,270	13,348,575	13,348,575	-
Maintenance	8,213,310	8,213,310	7,614,855	598,455
Inspections Division	2,358,609	2,358,609	2,263,364	95,245
Traffic Engineering Department	4,860,067	4,666,762	4,205,616	461,146
Total public works	31,870,816	31,870,816	30,698,095	1,172,721
Public Safety:				
Police Department	43,734,384	43,651,925	42,840,215	811,710
Fire Department	30,468,442	30,217,442	30,098,196	119,246
Communications Department	5,054,728	5,001,688	4,611,319	390,369
Emergency Management	282,600	351,583	351,583	-
Total public safety	79,540,154	79,222,638	77,901,313	1,321,325
Cultural and Recreational:				
Parks and recreation	16,499,855	16,087,421	14,886,407	1,201,014
Downtown redevelopment	1,090,647	1,090,647	1,076,643	14,004
Museum	2,952,919	2,952,685	2,561,996	390,689
Library	3,087,514	3,087,514	3,237,427	(149,913)
Building maintenance	5,194,268	5,186,268	5,081,880	104,388
Public information and external affairs	409,699	409,699	368,470	41,229
Total cultural and recreational	29,234,902	28,814,234	27,212,823	1,601,411
Debt Service:				
Principal	5,346,829	5,021,829	4,871,560	150,269
Interest	668,961	471,329	349,172	122,157
Debt issuance cost	-	-	-	-
Total debt service	6,015,790	5,493,158	5,220,732	272,426
Total expenditures	195,324,667	188,074,355	180,732,612	7,341,743
Excess of revenues over expenditures	6,283,508	14,690,520	20,875,426	6,184,906

(Continued)

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	$ 97,755	$ 97,755	$ 177,871	$ 80,116
Transfers in	8,900,807	7,744,107	8,660,607	916,500
Transfers out	(25,472,038)	(32,722,350)	(59,999,537)	(27,277,187)
Capital leases	7,082,566	7,082,566	5,966,304	(1,116,262)
Total other financing uses	(9,390,910)	(17,797,922)	(45,194,755)	(27,396,833)
Net changes in fund balance	(3,107,402)	(3,107,402)	(24,319,329)	(21,211,927)
FUND BALANCES - BEGINNING	33,808,345	33,808,345	33,808,345	-
FUND BALANCES - ENDING	$ 30,700,943	$ 30,700,943	$ 9,489,016	$ (21,211,927)

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,300,338	$ 1,009,066
Receivables	81,556	106,643
Inventories	232,133	-
Due from other funds	621,998	9,524
Total current assets	3,236,025	1,125,233
NONCURRENT ASSETS		
Capital assets:		
Land	1,047,942	-
Buildings and system	13,375,401	-
Improvements other than buildings	7,820,165	-
Machinery and equipment	9,644,246	-
Less accumulated depreciation	(17,536,299)	-
Total capital net assets, net of accumulated depreciation	14,351,455	-
TOTAL ASSETS	17,587,480	1,125,233
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	539,634	368,035
Claims payable	-	4,364,277
Deferred revenue	6,483	-
Funds in escrow	5,198	-
Due to other funds	160,548	-
Compensated absences	47,050	-
Total current liabilities	758,913	4,732,312
NONCURRENT LIABILITIES		
Advances from other funds	-	39,000
Compensated absences	687,487	-
Total noncurrent liabilities	687,487	39,000
TOTAL LIABILITIES	1,446,400	4,771,312
NET ASSETS		
Invested in capital assets	14,351,455	-
Unrestricted	1,789,625	(3,646,079)
TOTAL NET ASSETS	16,141,080	$ (3,646,079)
Adjustment to reflect the consolidation of internal service fund activities related to Enterprise Funds	(998,916)	
Net assets of business-type activities	$ 15,142,164	

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Charges for goods and services	$ 5,287,416	$ 26,135,932
Total operating revenues	5,287,416	26,135,932
OPERATING EXPENSES		
Cost of sales and services	738,376	-
Administration	9,355,341	32,159,102
Depreciation	1,138,343	-
Total operating expenses	11,232,060	32,159,102
OPERATING LOSS	(5,944,644)	(6,023,170)
NONOPERATING REVENUES (EXPENSES)		
Loss on sale of capital assets	(4,598)	-
Interest income	391	3,332
Loss before transfers	(5,948,851)	(6,019,838)
Transfers in	13,762,102	20,944,155
Change in net assets	7,813,251	14,924,317
TOTAL NET ASSETS - BEGINNING		(18,570,396)
TOTAL NET ASSETS - ENDING		$ (3,646,079)
Adjustment to reflect the consolidation of internal service fund activities related to Enterprise Funds	(165,783)	
Change in net assets of business-type activities	$ 7,647,468	

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 5,265,665	$ -
Receipts from interfund services provided	-	26,329,326
Payments to suppliers	(4,927,029)	(33,295,747)
Payments to employees	(4,773,423)	-
Payments for interfund services used	(513,193)	-
Net cash used by operating activities	(4,947,980)	(6,966,421)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	-	-
Transfers from other funds	13,762,102	20,944,155
Net cash payments from other funds	(6,927,739)	(13,067,793)
Net cash provided by noncapital financing activities	6,834,363	7,876,362
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(848,467)	-
Proceeds from sale of capital assets	25,350	-
Net cash used for capital and related financing activities	(823,117)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	391	3,332
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,063,657	913,273
CASH AND CASH EQUIVALENTS - BEGINNING	1,236,681	95,793
CASH AND CASH EQUIVALENTS - ENDING	$ 2,300,338	$ 1,009,066

(Continued)

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$ (5,944,644)	$ (6,023,170)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,138,343	-
Loss on sale of capital assets	4,598	-
(Increase) decrease in receivables	(1,088)	193,394
Decrease in inventories	8,079	-
Decrease in prepaid items	1,150	-
Decrease in accounts payable and accrued expenses	(138,314)	(970,642)
Decrease in deferred revenue	(30,071)	-
Increase in funds in escrow	4,810	-
Decrease in claims payable	-	(166,003)
Increase in compensated absences	9,157	-
Total adjustments	996,664	(943,251)
Net cash used by operating activities	$ (4,947,980)	$ (6,966,421)

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2009

	Employees' Retirement System
ASSETS	
Investments, at fair value:	
United States Government Securities	$ 35,247,528
Corporate bonds and debentures	19,578,378
Stocks	25,863,607
Mutual funds	200,638,443
Cash equivalents	4,357,992
Total investments	285,685,948
Cash	72,236
Receivables:	
Accrued interest and dividends	335,222
Contributions receivable	932,385
Other receivables	16,446
Total receivables	1,284,053
Total assets	287,042,237
LIABILITIES	
Accounts payable	128,387
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 286,913,850

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Employees' Retirement System
ADDITIONS	
Investment income:	
Interest	$ 3,863,696
Dividends	5,597,795
Net appreciation in fair value of investments	46,751,086
	56,212,577
Less: Investment expense	664,359
Net investment loss	55,548,218
Contributions:	
Employers	9,500,748
Employees	5,960,181
Total contributions	15,460,929
Other additions:	
Interest on reinstatement contributions	72,047
Total other additions	72,047
Total additions	71,081,194
DEDUCTIONS	
Benefit payments	23,320,894
Withdrawals and refunds	1,064,405
Administration expenses	119,551
Total deductions	24,504,850
Net increase in net assets	46,576,344
Net assets held in trust for pension benefits at beginning of year	240,337,506
Net assets held in trust for pension benefits at end of year	$ 286,913,850

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Montgomery (the City) was incorporated under the laws of the State of Alabama in 1837 and operates under an elected Mayor-Council form of government as required by State of Alabama Legislative Act No. 73-618 approved August 28, 1973. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component unit. The Montgomery City-County Public Library is the only entity for which the City is considered to be financially accountable. The component unit is discretely reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. It is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

The Montgomery City-County Public Library (Library) is fiscally dependent on the City because the Library's operational and capital budgets are approved by the City Council. In addition, the Library is prohibited from issuing bonded debt without the approval of the City Council. The members of the governing board of the Library are jointly appointed by the City Council and Montgomery County. The Library is presented as a governmental fund type. Complete financial statements of the individual component unit can be obtained directly from its administrative office.

The City Council is also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City Council appoints the board members of the Water Works and Sanitary Sewer Board, the Housing Authority, the Airport Authority, and the Industrial Development Board. Financial information for these entities is not reflected in the City's financial statements.

Government-wide and Fund Financial Statements

The basic financial statements consist of the government-wide financial statements and fund financial statements. Both sets of statements distinguish between governmental and business-type activities. Government-wide financial statements are comprised of the statement of net assets and the statement of activities and reports information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. The exception to this is interfund services provided and used which are eliminated in the consolidation process. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are classified into three categories: charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that help support all functions of government and contribute to the change in the net assets for the fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

The fund financial statements follow and report additional and detailed information about operations for major funds individually and nonmajor funds in the aggregate for governmental and fiduciary funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year received or when an enforceable legal claim exists, whichever comes first. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, considered to be sixty days for property taxes and ninety days for all other revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The following are reported as major governmental funds:

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

Capital Project Funds – G.O. Warrants – Accounts for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. Specific projects accounted for are school construction, recreational facilities, convention center, and miscellaneous projects.

Series 2005B Refunding Bonds – Accounts for the reserves allocated and payments made for principal and interest on the Series 2005B General Obligation Refunding Bonds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the City reports the following fund types:

Internal Service Funds – Accounts for the operations of the self-insured medical insurance plan, workers' compensation plan, and the self-insured liability insurance plan provided to other departments of the City on a cost reimbursement basis. The liability insurance plan includes general liability, public officials' liability, and law enforcement officers' liability.

Pension Trust Fund – Accounts for the activities of the Employees' Retirement System of the City of Montgomery, Alabama, which accumulates resources for pension benefit payments to qualified City employees.

Proprietary Funds – Accounts for the operations of the Montgomery Zoo, Montgomery Area Transit System, Lagoon and Gateway Park, Municipal Parking Decks, and Montgomery River Boat.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available expendable financial resources.

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

City property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and delinquent after December 31. In accordance with the non-exchange transactions provision of GASB Statement No. 33, a receivable for taxes is recorded when an enforceable legal claim has arisen or when resources are received, whichever is first. That date for the City is October 1, 2009.

Inventories and Prepaid Items

Inventories are stated at cost using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. An equivalent fund balance is reserved for inventories indicating that it does not constitute "available expendable resources" even though it is a component of net current assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items (Continued)
Inventories are summarized as follows:

	Governmental Activities	Business-type Activities	Total
Automotive parts	$ 269,233	$ 111,662	$ 380,895
Fuels and lubricants	175,661	-	175,661
Materials and supplies	538,151	-	538,151
Tobacco tax stamps	31,598	-	31,598
Merchandise and concessions	1,188	120,471	121,659
Police uniforms	126,369	-	126,369
Other	127,138	-	127,138
Totals	$ 1,269,338	$ 232,133	$ 1,501,471

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain proceeds of the City's Series 2003A revenue warrants, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "Series 2003A Reserve Fund" account is used to report resources set aside to pay debt service on the Series 2003A Warrants, but only if the amount then on deposit in the "debt service fund" is insufficient for such purpose. The "debt service fund" account is used to segregate resources accumulated for debt service payments on the Series 2003A Revenue Warrants as they become due and payable.

Portfolio Valuation Method

Investments are reported at fair value. For fixed income securities, fair value is based on quoted market prices provided by independent pricing services. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgage related securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than $5,000 for equipment and $25,000 for land, buildings, and other capital assets with an estimated useful life in excess of two years. The amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City was able to estimate the historical cost for the initial reporting of all infrastructure assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year) if the actual cost was not available. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant, and equipment of the City, as well as the component unit, is depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 - 99 years
Improvements	5 - 25 years
Equipment	3 - 25 years
Infrastructure	20 - 50 years

Intangible assets with a finite life are amortized using the straight-line method over the predetermined life. The City has no intangible assets with a finite life.

Compensated Absences

The City allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Also, employees may elect to receive vacation days up to a certain limit in lieu of overtime pay. Upon termination of employment, an employee receives payment of accumulated vacation hours and one-half of accumulated sick leave hours up to certain limits at current wage rates. All leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Postemployment Benefits

The City records a liability in the government-wide financial statements for future benefits due employees who were covered by the City's previous pension plan and the Trinity Act. These benefits are determined based on an employee's years of service and the current laborers' hourly rate of pay. The liability is recorded at the present value of the retirement payments. The retirement and disability benefits liability at September 30, 2010 totaled $8,522,082.

The City also records a liability in the government-wide financial statements for future healthcare benefits for eligible retirees and their spouses. The postemployment benefit other than pension liability at September 30, 2010 totaled $43,286,771.

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Lease Obligations

Capital lease obligations are stated at the original fair value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest in the lease. Also, in the year an asset is acquired by capital lease, the expenditure for the asset and the offsetting amount of the financing source are reflected in the Fund Financial Statements in the Statement of Revenues, Expenditures, and Changes in Fund Balance. Capital lease obligations of proprietary funds and governmental activities in the government-wide financial statements and the cost of assets so acquired are reflected in the accounts of those funds and statements.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from estimates used.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Each year formal budgets are legally adopted and amended as required by the City Council for the General Fund and State Gasoline Tax Fund. Management can approve transfers within government function categories only. Transfers of appropriations or revisions between government function categories require the approval of the Council. The level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the government function category level.

In addition to the legally adopted budgets, formal budgetary integration is employed as a management control device during the year for the Grant Funds and Capital Projects Fund.

Budgets for the governmental funds are adopted on a modified accrual basis which differs from generally accepted accounting principles (GAAP) insofar as encumbrances are included with expenditures. Reconciliation of expenditures reported in accordance with GAAP and those presented in accordance with the non-GAAP budgetary basis are noted below.

Appropriations lapse at the end of the year unless expended or encumbered. Encumbered appropriations are carried forward.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities of the fund. The only exception to this rule is in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund. Actual expenditures in this statement include outstanding encumbrances at September 30, 2010, of $130,618. Encumbrances are included in the actual expenditure figures on this statement so that a meaningful comparison can be made with the adopted budget.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A reconciliation of the two statements is as follows:

Net change in fund balances (GAAP)	$ (24,407,239)
Encumbrances at beginning of year	218,528
Encumbrances at end of year	(130,618)
Net change in fund balances - actual (budget)	$ (24,319,329)

Excess of Expenditures over Appropriations

For the year ended September 30, 2010, no general fund functional expenditure category (the legal level of budgetary control) exceeded appropriations. The City exceeded its budgeted appropriation in other financing uses as a result of transfers made to enterprise and internal service funds. These transfers were funded using available fund balance.

Deficit Fund Equity

Funds with deficit unrestricted net assets are as follows:

	Deficit Amount
Internal Service Fund:	
Employees' medical insurance	$ 2,630,178
Liability insurance	1,015,901

The Employees' Medical Insurance Fund is a self-insured medical insurance plan and workers' compensation plan. The various departments of the City are proportionately charged for the insurance provided for them. The City's intent is to appropriate funds from the General Fund and increase the amount to be paid from the participating employees in order to reduce the deficit. The Liability Insurance Fund is a self-insured liability insurance fund of the City including General Liability, Public Officials' Liability, and Law Enforcement Officers' Liability. The City's intent is to appropriate funds from the General Fund in order to reduce the deficit.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits

Custodial Credit Risk – The City's investment policy requires that bank deposits be fully insured by the Federal Deposit Insurance Corporation or be covered under the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE program is a multiple financial collateral pool administered by the State Treasurer according to State of Alabama statute.

As of September 30, 2010, the City has approximately $2,283,000 on deposit in a money market fund that is exposed to custodial risk because it is uninsured and collateralized with investment securities held by a financial institution's trust department, but not in the City's name. The securities are direct obligations of, or fully guaranteed by, the United States of America.

Investments

The City of Montgomery, Alabama Employees' Retirement System, (the Plan) engages money managers to invest plan assets. The System also has an investment consultant who assists the Board of Directors in monitoring compliance with the Plan's investment policy and monitoring performance of the money managers.

Investments are subject to certain types of risks including interest rate risk, credit risk (including custodial credit risk and credit quality), foreign currency risk, and concentration risk. The following describes those risks.

Interest Rate Risk – The fair value of fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, and other general market conditions. Certain fixed maturity investments have call provisions that could result in shorter maturity periods. The adopted investment policy of the Plan does not address interest rate risk.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. The Plan's custodian holds all investments of the Plan in the Plan's name. The adopted investment policy of the Plan does not address custodial credit risk.

Credit Quality – Nationally recognized statistical rating organizations provide ratings of debt securities quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations. The adopted investment policy of the Plan does not address credit quality.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Investments (Continued)

Foreign Currency Risk – For an investment, foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The adopted investment policy of the Plan does not address foreign currency risk.

Concentration of Credit Risk – The investment policies of the Plan limit the aggregate amount that can be invested in each class of investments and any one issuer. The investment policy limits equity investments to 60% of the portfolio value, plus or minus 5% and limits fixed income investments to 40% of the portfolio value, plus or minus 5%. Equity investments are further limited as follows:

Asset Class of Sub Class	Target Allocation
Large/Mid Cap Equity	35%, plus or minus 5%
Small Cap Equity	12.5%, plus or minus 5%
International Equity	12.5%, plus or minus 5%

Equity investments shall be diversified within the Plan such that no single issue exceeds 5% of the portfolio value of the Plan. Also, the aggregate investment of the Plan in the equity of any one issuing corporation shall not exceed 4% of the outstanding shares of such corporation.

Fixed income securities are to be diversified so that no one issue shall exceed 5% of the total portfolio of the Plan, except for U.S. Government and Agency securities.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The following table provides information as of December 31, 2009, concerning the fair value of investments, interest rate risk, and foreign currency risk:

Type of Investment	Investment Maturities at Fair Value (in Years)				Total Fair Value	Cost
	Less Than 1	1 - 5	6 - 10	More Than 10		
Fixed Maturity						
GNMA/FNMA/ FHLMC Pools	$ -	$ 17,991	$ 2,606,394	$ 3,349,725	$ 5,974,110	$ 6,032,945
REMICS and Other Government Paydowns	-	17,913,314	6,469,303	4,890,801	29,273,418	29,641,381
Preferred Stocks	-	45,890	-	-	45,890	596,918
Corporate Securities	-	7,592,413	2,251,992	9,247,516	19,091,921	18,385,404
Foreign Bonds	$ 43,589	288,092	154,776	-	486,457	458,621
Mutual Bond Fund	30,602,778	19,474,495	5,007,727	556,414	55,641,414	54,744,910
Total Fixed Maturity	$ 30,646,367	$ 45,332,195	$ 16,490,192	$ 18,044,456	110,513,210	109,860,179
Equities						
Domestic					24,017,620	23,389,652
International					1,800,097	1,705,803
Total Equities					25,817,717	25,095,455
Mutual Equity Funds					144,997,029	140,668,325
Cash Equivalents					4,357,992	4,357,992
Total Investments					$ 285,685,948	$ 279,981,951

Cash Equivalents – Cash equivalents consist of money market funds backed by securities of the U.S. Government.

Mortgage-Backed Securities – As of December 31, 2009, the Plan had investments in mortgage-backed securities. Embedded prepayment options cause these investments to be highly sensitive to changes in interest rates. Prepayments by the obligees of the underlying assets reduce the total interest payments to be received. Generally, when interest rates fall, obligees tend to prepay the mortgages thus eliminating the stream of interest payments that would have been received under the original amortization schedule. The resulting reduction in cash flow diminishes the fair value of mortgage-backed securities.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Mortgage-Backed Securities (Continued)
Maturities may differ from contractual maturities (as shown in the table of investments) in mortgage-backed securities due to prepayment characteristics of these securities. Average life is an acceptable expected maturity.

Credit Risk – The following table provides information as of December 31, 2009, concerning credit risk:

RATING OF FIXED MATURITY INVESTMENTS

Moody's Ratings § (Unless Noted)	Fair Value	Cost	Fair Value as a Percent of Total Fixed Maturity Fair Value
Aaa	$ 39,472,329	$ 39,864,153	35.72%
AAA(SP)	38,392,576	37,773,988	34.74%
Aa3	236,655	224,987	0.21%
AA(SP)	6,120,556	6,021,940	5.54%
A1	1,375,626	1,316,929	1.24%
A2	442,180	359,258	0.40%
A3	915,337	840,557	0.83%
A(SP)	5,564,141	5,474,491	5.03%
Baa1	1,209,154	1,111,172	1.09%
Baa2	936,350	826,024	0.85%
Baa3	610,701	538,213	0.55%
BBB(SP)	3,338,485	3,284,695	3.02%
Ba1	1,215,379	1,097,044	1.10%
Ba2	1,067,538	1,070,440	0.97%
Ba3	1,251,785	1,243,892	1.13%
BB(SP)	1,112,828	1,094,898	1.01%
B1	384,361	318,575	0.35%
B2	440,149	459,397	0.40%
B3	581,934	512,288	0.53%
B(SP)	556,414	547,449	0.50%
Ca	763,681	1,531,532	0.69%
Caa1	160,925	186,588	0.15%
Caa2	162,726	148,778	0.15%
Caa3	303,704	323,396	0.27%
CCC(SP)	556,414	547,449	0.50%
C	79,824	51,107	0.07%
Not Rated	3,261,458	3,090,939	2.96%
	$ 110,513,210	$ 109,860,179	100.00%

§ - The Moody's ratings are used when available. The Standard & Poor's rating is used when it is available and a Moody rating is not available. Standard & Poor's ratings are denoted by (SP).

4. RECEIVABLES

Receivables as of year-end for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, are considered fully collectible and are recorded at net realizable value as follows:

	General	Capital Projects Fund GO Warrants	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds	Employee Retirement System	Total
Interest and dividends	$ -	$ -	$ -	$ -	$ -	$ 335,222	$ 335,222.00
Contributions receivable	-	-	-	-	-	932,385	932,385
Taxes	9,428,948	-	288,697	-	-	-	9,717,645
Accounts	2,001,403	34,145	2,264,327	$ 81,556	$ 106,643	16,446	4,504,520
Intergovernmental	1,012,908	-	2,413,597	-	-	-	3,426,505
Total receivables	$ 12,443,259	$ 34,145	$ 4,966,621	$ 81,556	$ 106,643	$ 1,284,053	$ 18,916,277

5. INTERFUND BALANCES

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. Except for amounts due from Enterprise and Internal Service Funds, these amounts should be repaid during the next fiscal year. The composition of interfund balances as of September 30, 2010 is shown below.

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Capital Project Funds G.O. Warrants	$ 419,682
	Series 2005B Refunding Bonds	332,076
	Nonmajor Governmental	8,706,266
	Nonmajor Enterprise	160,548
Capital Project Funds - G.O. Warrants	General	423,936
Nonmajor Governmental	General	17,003,483
	Capital Project Funds - G.O. Warrants	422,201
Nonmajor Enterprise	General	621,998
Internal Service	General	9,524
Total		$ 28,099,714

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Liability Insurance	$ 39,000

5. INTERFUND BALANCES (Continued)

Interfund Transfers:

	Transfer In:			
Transfer Out:	General	Capital Project Funds G.O. Warrants	Series 2005B Refunding Bonds	Nonmajor Governmental
General	$ -	$ 2,490,522	$ 2,212,645	$ 21,325,981
Capital Project Funds - G.O. Warrants	-	-	-	6,567,985
Nonmajor Governmental	$ 8,660,607	50,337	-	5,219,255
Totals	**$ 8,660,607**	**$ 2,540,859**	**$ 2,212,645**	**$ 33,113,221**

	Transfer In:		
Transfer Out:	Nonmajor Enterprise	Internal Service	Total
General	$ 13,026,234	$ 20,944,155	$ 59,999,537
Capital Project Funds - G.O. Warrants	-	-	6,567,985
Nonmajor Governmental	735,868	-	14,666,067
Totals	**$ 13,762,102**	**$ 20,944,155**	**$ 81,233,589**

Transfers are used to move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, and to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

6. NOTE, WARRANTS, AND LEASE RECEIVABLE

During 2001, Montgomery Development Corporation, an Alabama non-profit corporation, and Montgomery Housing Partners, Ltd., an Alabama limited partnership, issued a note payable to the City of Montgomery through 2021. Annual interest payments are due on the note at a rate of .5% per year. Principal of $700,000 is due at maturity.

6. NOTE, WARRANTS, AND LEASE RECEIVABLE (Continued)

During 2005, the Montgomery County Commission issued a limited obligation warrant payable to the City of Montgomery through 2018. The limited obligation warrant of $2,746,656 is recorded as a receivable and deferred revenue in the Series 2005B Refunding Bonds Fund.

Annual debt service receivables to maturity for limited obligation warrants are as follows:

	Governmental Activities	
	Principal	Interest
Year ending September 30:		
2011	$ 300,960	$ 106,767
2012	309,672	96,015
2013	323,136	84,445
2014	334,224	73,431
2015	346,104	61,693
2016 - 2018	1,132,560	84,363
Total	$ 2,746,656	$ 506,714

In 2005, the Montgomery County Board of Education entered into a lease agreement with the City of Montgomery for the construction of public schools. This lease with the Montgomery County Board of Education is classified as a direct financing lease expiring in the year 2018. The lease receivable of $5,321,646 is recorded as a receivable and deferred revenue in the Series 2005B Refunding Bonds Fund.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, are as follows:

	Amount
Year ending September 30:	
2011	$ 798,717
2012	798,103
2013	800,018
2014	800,841
2015	801,841
2016 - 2018	2,411,686
Total minimum lease payments	6,411,206
Less amounts representing interest	1,089,560
Present value of minimum lease payments	$ 5,321,646

7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 43,077,092	$ 4,977,332	$ -	$ 48,054,424
Construction in progress	34,494,195	15,301,277	35,767,967	14,027,505
Total capital assets, not being depreciated	77,571,287	20,278,609	35,767,967	62,081,929
Capital assets, being depreciated:				
Buildings and system	148,449,188	24,788,585	-	173,237,773
Improvements other than buildings	48,106,670	4,223,394	-	52,330,064
Machinery and equipment	84,162,519	8,848,640	2,031,829	90,979,330
Infrastructure	504,664,640	12,088,793	-	516,753,433
Total capital assets, being depreciated	785,383,017	49,949,412	2,031,829	833,300,600
Less accumulated depreciation for:				
Buildings and system	42,777,238	3,196,047	-	45,973,285
Improvements other than buildings	13,349,776	2,107,084	-	15,456,860
Machinery and equipment	56,851,690	6,258,309	2,000,598	61,109,401
Infrastructure	389,354,520	14,420,690	-	403,775,210
Total accumulated depreciation	502,333,224	25,982,130	2,000,598	526,314,756
Total capital assets, being depreciated, net	283,049,793	23,967,282	31,231	306,985,844
Governmental activities capital assets, net	$ 360,621,080	$ 44,245,891	$ 35,799,198	$ 369,067,773

7. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 1,047,942	$ -	$ -	$ 1,047,942
Capital assets, being depreciated:				
Buildings and system	13,363,622	11,780	-	13,375,402
Improvements other than buildings	7,771,998	48,167	-	7,820,165
Machinery and equipment	8,973,686	788,521	117,961	9,644,246
Total capital assets, being depreciated	30,109,306	848,468	117,961	30,839,813
Less accumulated depreciation for:				
Buildings and system	4,240,625	269,546	-	4,510,171
Improvements other than buildings	5,572,224	205,114	-	5,777,338
Machinery and equipment	6,668,523	663,683	83,415	7,248,791
Total accumulated depreciation	16,481,372	1,138,343	83,415	17,536,300
Total capital assets, being depreciated, net	13,627,934	(289,875)	34,546	13,303,513
Governmental activities capital assets, net	$ 14,675,876	$ (289,875)	$ 34,546	$ 14,351,455

7. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	$ 20,174,198
Public Works	1,228,978
Public Safety	3,155,794
Cultural and Recreational	1,423,160
Total depreciation expense - governmental activities	$ 25,982,130
Business-type Activities:	
Montgomery Zoo	$ 374,272
Montgomery Area Transit System	555,035
Lagoon and Gateway Parks	143,534
Municipal Parking Decks	65,502
Total depreciation expense - business-type activities	$ 1,138,343

8. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	$ 202,960,000	$ 106,995,000	$ (46,195,555)	$ 263,759,445	$ 6,066,666
Less deferred amounts:					
For issuance discounts	(155,298)	(13,650)	15,166	(153,782)	-
On refunding	(1,013,460)	(2,348,570)	128,564	(3,233,466)	-
Add deferred amounts:					
For issuance premiums	773,319	4,953,335	(117,628)	5,609,026	-
Total general obligation bonds payable	202,564,561	109,586,115	(46,169,453)	265,981,223	6,066,666
Revenue warrants	18,385,000	-	(180,000)	18,205,000	230,000
Capital leases	14,348,387	5,966,304	(9,311,560)	11,003,131	4,742,749
Compensated absences	18,006,928	1,820,944	(1,578,006)	18,249,866	1,578,006
Retirement and disability benefits	7,736,126	1,437,606	(651,650)	8,522,082	651,650
Post employment benefits other than pensions	32,316,766	19,369,016	(8,399,011)	43,286,771	8,399,011
Landfill closure and postclosure	4,701,159	808,230	-	5,509,389	-
Governmental activity long-term liabilities	298,058,927	138,988,215	(66,289,680)	370,757,462	21,668,082
Business-type activities:					
Compensated absences	725,380	56,210	(47,053)	734,537	47,050
Total long-term debt	$ 298,784,307	$ 139,044,425	$ (66,336,733)	$ 371,491,999	$ 21,715,132

8. LONG-TERM DEBT (Continued)

Long-term debt payable at September 30, 2010 is comprised of the following:

General Obligation Bonds

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. Included in the City's outstanding indebtedness is amounts incurred for facilities owned by the Montgomery County Board of Education. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The original amount of general obligation bonds issued was $310,585,000 with current outstanding balances as follows:

$57,900,000 Series 2003A General Obligation Bonds due in annual installments of $1,180,000 to $6,340,000 on 11-01-07 to 11-01-23; with a maximum principal of $6,340,000 in fiscal year 2024; interest at 3.25% to 5.00%.	$ 38,560,000
$32,500,000 Series 2005A General Obligation Bonds due in annual installments of $1,065,000 to $2,485,000 on 4-01-08 to 4-01-26, with a maximum principal of $2,485,000 in fiscal year 2026, interest at 4.168% to 5.19%.	28,150,000
$26,035,000 Series 2005B General Obligation Refunding Bonds due in annual installments of $1,730,000 to $2,505,000 on 11-01-07 to 11-01-17, with a maximum principal of $2,505,000 in fiscal year 2018, interest at 2.80% to 5.00%.	11,240,000
$9,265,000 Series 2006A Taxable General Obligation Tax Increment Warrants due in annual installments of $315,000 to $785,000 on 1-01-09 to 1-01-26, with a maximum principal of $785,000 in fiscal year 2026, interest at 5.05% to 5.55%. In addition to being general obligations of the City, the Warrants are secured by a special pledge of the incremental increase in local non-educational ad valorem tax receipts attributable to the increase in equalized values of taxable properties located within the Downtown revitalization area.	8,615,000
$8,995,000 Series 2006B General Obligation Tax Increment Warrants due in annual installments of $355,000 to $690,000 on 1-01-09 to 1-01-26, with a maximum principal of $690,000 in fiscal year 2026, interest at 3.20% to 4.40%. In addition to being general obligations of the City, the Warrants are secured by a special pledge of the incremental increase in local non-educational ad valorem tax receipts attributable to the increase in equalized values of taxable properties located within the Downtown revitalization area.	8,270,000
$18,795,000 Series 2006C General Obligation Warrants due in annual installments of $640,000 to $1,405,000 on 1-01-07 to 1-01-26, with a maximum principal of $1,405,000 in fiscal year 2026, interest at 3.20% to 4.50%.	16,185,000
$44,400,000 Series 2007 General Obligation Warrants due in annual installments of $1,080,000 to $2,930,000 on 2-01-08 to 2-01-31, with a maximum principal of $2,930,000 in fiscal year 2031, interest at 4.00% to 4.375%.	41,025,000
$700,000 Series 2007 General Obligation Warrants due in annual installments of $65,000 to $75,000 on 8-15-08 to 8-15-17, with a maximum principal of $75,000 in fiscal years 2015 - 2017, interest at 2.20%.	505,000

8. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

$5,000,000 Series 2009 General Obligation Warrants due in annual installments of $333,333 on 4-23-10 to 4-23-14, with outstanding balance due 4-23-14, interest at a variable rate.	$ 4,666,667
$4,440,000 Series 2009B General Obligation Warrants due in monthly installments of $41,000 on 11-26-09 to 10-26-14, with outstanding balance due 10-26-14, interest at a variable rate.	3,987,778
$400,000 Series 2010 General Obligation Warrants due 11-15-10, interest at a variable rate.	400,000
$42,090,000 Series 2010A General Obligation Warrants due in annual installments of $715,000 to $3,980,000 on 2-01-12 to 2-01-27, with a maximum principal of $3,980,000 in fiscal year 2027, interest at 2.00% to 5.00%.	42,090,000
$60,065,000 Series 2010B Taxable General Obligation Recovery Zone Economic Development Term Warrants, with principal of $10,920,000 due 2-1-30, $22,665,000 due 2-1-35, and $26,480,000 due 2-1-40, with a maximum principal of $26,480,000 in fiscal year 2040, interest at 5.30% to 5.70%.	60,065,000
Total general obligation bonds	$ 263,759,445

Revenue Warrants

The City has issued revenue warrants to provide for the acquisition and construction of major capital facilities. These warrants are secured by 2.5% of the 8.5% lodging tax levied by the City of Montgomery, Alabama and a letter of credit.

$18,690,000 Taxable Special Lodging Tax Revenue Warrants (Riverfront Stadium Project), Series 2003A due in annual installments of $95,000 to $1,390,000 on 11-1-07 to 11-1-33, with a maximum principal of $1,390,000 in fiscal year 2034, interest at 5.00% to 6.05%.	$ 18,205,000

8. LONG-TERM DEBT (Continued)

The following schedule illustrates debt service to maturity for General Obligation Bonds and Revenue Warrants at September 30, 2010.

	Governmental Activities					
	General Obligation Bonds			Revenue Warrants		
	Principal	Interest	Total	Principal	Interest	Total
Year ending September 30:						
2011	$ 6,066,666	$ 12,318,776	$ 18,385,442	$ 230,000	$ 1,067,212	$ 1,297,212
2012	6,296,666	12,450,235	18,746,901	285,000	1,054,337	1,339,337
2013	6,481,666	12,219,828	18,701,494	340,000	1,038,712	1,378,712
2014	10,080,003	11,972,377	22,052,380	400,000	1,020,212	1,420,212
2015	8,934,444	11,554,245	20,488,689	465,000	996,727	1,461,727
2016 - 2020	67,145,000	49,592,075	116,737,075	2,780,000	4,531,090	7,311,090
2021 - 2025	68,030,000	32,373,907	100,403,907	3,680,000	3,599,165	7,279,165
2026 - 2030	38,650,000	18,846,900	57,496,900	4,915,000	2,323,951	7,238,951
2031 - 2035	25,595,000	10,861,834	36,456,834	5,110,000	640,995	5,750,995
2036 - 2040	26,480,000	3,868,306	30,348,306	-	-	-
	$ 263,759,445	$ 176,058,483	$ 439,817,928	$ 18,205,000	$ 16,272,401	$ 34,477,401

	Governmental Activities		
	Total Annual Requirements		
	Principal	Interest	Total
Year ending September 30:			
2011	$ 6,296,666	$ 13,385,988	$ 19,682,654
2012	6,581,666	13,504,572	20,086,238
2013	6,821,666	13,258,540	20,080,206
2014	10,480,003	12,992,589	23,472,592
2015	9,399,444	12,550,972	21,950,416
2016 - 2020	69,925,000	54,123,165	124,048,165
2021 - 2025	71,710,000	35,973,072	107,683,072
2026 - 2030	43,565,000	21,170,851	64,735,851
2031 - 2035	30,705,000	11,502,829	42,207,829
2036 - 2040	26,480,000	3,868,306	30,348,306
	$ 281,964,445	$ 192,330,884	$ 474,295,329

8. LONG-TERM DEBT (Continued)

Covenants – There are a number of limitations and restrictions contained in various bond indentures. The amount of long-term debt the City can incur is limited by State statute. The amount of debt applicable to this limit during a year can be no greater than 20% of the assessed value of taxable property as of the beginning of the fiscal year. As of September 30, 2010, the amount of outstanding debt applicable to this limit was equal to 8.02% of property assessments as of October 1, 2010.

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

Advance and Current Refundings – The City issued $42,090,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of $36,760,000 general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $2,348,570. This amount is being netted against the new debt and amortized over the life of the new debt. As a result of the advance refunding, the City decreased its total debt service requirements for the first five years by $19,533,952. Over the life of the bonds, the City increased its total debt service requirements by $5,480,698. The result of this refunding was an economic gain of $343,947.

LEASE OBLIGATIONS

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of property and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Machinery and equipment	$ 14,657,613
Less accumulated depreciation	(3,068,883)
Total	$ 11,588,730

8. LONG-TERM DEBT (Continued)

LEASE OBLIGATIONS (Continued)

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, were as follows:

	Governmental Activities
Year ending September 30:	
2011	$ 4,980,219
2012	3,275,457
2013	1,544,030
2014	847,020
2015	847,020
Total minimum lease payments	$ 11,493,746
Less amount representing interest	490,615
Present value of minimum lease payments	$ 11,003,131

Operating Leases

The City is obligated under an operating ground lease for the municipal parking decks through June 30, 2011. The lease is for $2,832 per month as adjusted for inflation and contains five five-year renewal options. The scheduled future minimum lease payment under this lease is $25,488 through 2011.

Total rental expense for the above operating lease is $33,981 for the year ended September 30, 2010.

Other Long-Term Debt

Compensated absences, benefits, landfill closure costs, and other governmental activity obligations are generally liquidated by the general fund.

9. CLOSURE AND POSTCLOSURE COSTS

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenditures related to current activities of the landfill, a liability is recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used to date.

In October 1995, the City suspended use of its landfill for solid waste disposal, and began operation of a new landfill in compliance with Subtitle D at the same site area of the existing landfill. The City can continue to dispose inert waste in the old landfill and, as such, closure costs are not current.

The estimated liability of landfill closure and postclosure costs is approximately $5,509,389 as of September 30, 2010, which is based on 60% usage. It is estimated that an additional $3,690,611 will be recognized as closure and postclosure care expenses between the balance sheet date and the date the landfill is expected to be filled to capacity (2043).

The estimated total current cost of the landfill closure and postclosure care of $9,200,000 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2010. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

10. RESERVED FUND BALANCE

The City has established certain reservations of fund equity to indicate the portion of fund balance that is not appropriable for expenditures or is legally segregated for a specific future use.

Reserved Fund Balance		
General Fund		
Prepaid items	$ 1,124,946	
Inventories	1,269,338	
Assets held for resale	916,500	
Note receivable	700,000	
Encumbrances	130,618	
Advances to other funds	39,000	
Total general fund		$ 4,180,402
Capital Projects Fund - G.O. Warrants		
Note receivable	310,255	
Encumbrances	4,234,345	
Total capital project funds - G.O. Warrants		4,544,600
Nonmajor Governmental Funds		
Encumbrances	8,580,521	
Prepaid items	123,283	
Total nonmajor governmental funds		8,703,804
Total reserved fund balance		$ 17,428,806

11. OPERATING LEASES

The City is the lessor of real estate under operating leases expiring in various years through 2014. Following is a summary of property held for lease as of September 30, 2010:

Real estate - Union Station	$ 2,142,853
Real estate - N. Jackson St.	13,200
Less accumulated depreciation	1,247,890
	$ 908,163

11. OPERATING LEASES (Continued)

The minimum future rentals on noncancelable operating leases as of September 30, 2010 are:

Year ending September 30:	
2011	$ 182,405
2012	105,110
2013	50,880
2014	20,200
Total minimum future rentals	$ 358,595

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and self-insured employee health. The City purchases commercial insurance for claims in excess of coverage provided by Employees' Medical Insurance Fund and the Liability Insurance Fund and for all other risks of loss.

The City maintains the Employees' Medical Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss related to employees' medical insurance and workers' compensation liability.

The City maintains the Liability Insurance Fund (an internal service fund) to account for and finance its general liability, law enforcement liability, and public official liability uninsured risk of loss.

Liabilities of the funds are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of $350,000 for employees' medical insurance and $250,000 for the liabilities financed in the Liability Insurance Fund. An excess coverage insurance policy covers individual claims in excess of $600,000 for workers' compensation. Settlements have not exceeded coverage for each of the past three fiscal years. It is anticipated that all claims outstanding as of September 30, 2010 will be paid during the next fiscal year.

12. RISK MANAGEMENT (Continued)

Changes in the balances of claims liabilities during the past two years are as follows:

Employees' Medical Insurance Fund	**2010**	**2009**
Unpaid claims, beginning of fiscal year	$ 2,948,435	$ 2,822,298
Incurred claims (including IBNRs)	30,250,915	30,277,991
Claim payments	(30,348,674)	(30,151,854)
Unpaid claims, end of fiscal year	$ 2,850,676	$ 2,948,435

Liability Insurance Fund	**2010**	**2009**
Unpaid claims, beginning of fiscal year	$ 1,581,845	$ 1,384,642
Incurred claims (including IBNRs)	1,908,187	1,855,322
Claim payments	(1,976,431)	(1,658,119)
Unpaid claims, end of fiscal year	$ 1,513,601	$ 1,581,845

All funds of the City, except the Montgomery Area Transit System Enterprise Fund, participate in the employees' medical insurance program and make payments to the Employees' Medical Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims.

13. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Plan Description

The City contributes to the Employees' Retirement System of the City of Montgomery (the System), a cost-sharing, multiple-employer defined benefit plan. The System was established by the City to provide retirement allowances to City employees and employees of one other participating governmental unit. Responsibility for the administration and operation of the System is vested in a nine-member Board of Trustees. The System issues a publicly available financial report that includes financial statements and required supplementary information for fiscal years ending December 31. That report may be obtained by writing to the Employees' Retirement System, 103 North Perry Street, Montgomery, Alabama 36104.

13. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Funding Policy

Plan members are required to contribute 6% of their annual covered salary. The City is required to contribute at an actuarially determined rate. Contribution requirements of plan members and the City are established by, and may be amended by, the State Legislature. The City's contributions to the System for the years ended September 30, 2010, 2009, and 2008 were, $10,276,977, $8,920,832, and $8,587,141, respectively, equal to the required contributions for each year.

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City administers a single-employer postemployment defined benefit healthcare plan ("the Employees' Medical Insurance Plan") for employees of the City. The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. The Employees' Medical Insurance Plan does not issue a publicly available financial report. At September 30, 2010, the plan had approximately 2,562 active participants and 1,436 retired members and beneficiaries.

Funding Policy

The employer requires monthly contributions of $40 to $200 from active participants. Retirees' or their beneficiaries are required to contribute certain amounts based on level of coverage and date of retirement as follows:

	Monthly Contribution
Retiree and spouse over 65, after January 1, 1988	$ 180
Retiree and spouse under 65, after January 1, 1988	186
Retiree and spouse over 65	111
Retiree	59
Beneficiary and family	859
Retiree and family	209
Retiree over 65	40
Beneficiary under 65	372
Retiree over 65 and family	200
Beneficiary over 65	222
Retiree and spouse (one over 65 and one under 65)	135
Blue Cross Blue Shield family W/C Beneficiary	185

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funding Policy (Continued)

Total member contributions were $3,868,298 for active participants and $2,006,405 for retirees and beneficiaries.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the unit credit actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Employees' Medical Insurance Plan:

Annual required contribution	$19,178,104
Interest on net OPEB obligation	2,059,794
Adjustment to ARC	(1,868,882)
Annual OPEB cost	19,369,016
Contributions made	(8,399,011)
Increase in net OPEB obligation	10,970,005
Net OPEB obligation - beginning of year	32,316,766
Net OPEB obligation - end of year	$43,286,771

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 and the previous two years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2008	$ 30,761,140	27.6%	$22,281,100
9/30/2009	19,547,954	48.6%	32,316,766
9/30/2010	19,369,016	43.4%	43,286,771

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress

As of September 30, 2009, the actuarial accrued liability for benefits was $241,728,637 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $103,173,996, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 234%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following significant assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire as follows:

Fire and Police – age 40 with 20 years of service or age 62, regardless of service
Non-Fire and Police – age 40 with 20 years of service or age 65, regardless of service

Marital status – At the calculation date, it was assumed that wives are two years younger than husbands and 60% are assumed to have an eligible spouse who will elect coverage upon retirement.

Mortality – Life expectancies were based on the 1994 GAM sex-distinct tables.

Turnover – Group-specific age-based turnover data was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Healthcare cost trend rate – Claim costs in future years are estimated by adjusting the starting claim costs by an assumed ongoing cost trend. Such trends are based on the healthcare cost trend rate adjusted for the impact of plan design, cost containment features, and Medicare coordination. The rates used for 2010 were 7.10% for pre-65, and 6.40% for post-65, reduced to an ultimate rate of 5.50% in year 2020.

Health insurance premiums – 2010 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Discount rate – 4% per annum, compounded annually, if unfunded
6% per annum, compounded annually, if funded

The Projected Unit Credit Actuarial Cost Method was utilized in computing actuarial liabilities and costs. The unfunded actuarial accrued liability is being amortized on an open basis over the maximum permissible period under GASB 45 of 30 years. The remaining amortization period at September 30, 2010, was 27 years.

15. CONTINGENT LIABILITIES

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

The City is a defendant in various lawsuits whose outcome is not presently determinable. In the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City. The City has established reserves for future settlements in the Liability Insurance Fund.

16. CONSTRUCTION COMMITMENTS

As of September 30, 2010, the City had commitments on construction of capital projects as follows:

Gross commitments	$ 16,147,521
Spent-to-date	7,990,129
Net commitments	$ 8,157,392

As of February 8, 2011, the City's total net construction commitments were approximately $26,463,000.

17. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the year ended September 30, 2010:

The City appropriated approximately $3,200,000 to the Montgomery City-County Public Library, a component unit, for salaries, operating costs, and miscellaneous capital projects. The City's appropriation is gross of Montgomery County's reimbursements to the City for its share.

The Montgomery Water Works and Sanitary Sewer Board paid the City $3,031,547 in lieu of taxes. The Board, as an agent for the City, collects the City's garbage collection fees from City residents. The City paid the Board $390,000 for the Board's collection services. Also, during the year, the City paid the Board $704,869 in charges for the use of fire hydrants.

The City made payments of $212,752 to a Council Member's insurance agency for City insurance coverage.

18. EFFECT OF NEW PRONOUNCEMENTS

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010.

GASB Statement No. 57, *OPEB Measurement by Agent Employers and Agent Multi-Employer Plans.* This statement is intended to improve consistency in the measurement and financial reporting of other post-employment benefits (OPEB) such as retiree health insurance. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2011.

GASB Statement No. 59, *Financial Instruments Omnibus.* This statement is intended to provide accounting and financial reporting guidance related to certain financial instruments and external investment pools. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010.

REQUIRED SUPPLEMENTAL INFORMATION

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CITY OF MONTGOMERY, ALABAMA

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MONTGOMERY, ALABAMA
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date January 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2001	$ 233,055,600	$ 287,385,009	$ 54,329,409	81.10%	$ 84,722,345	64.13%
2002	269,121,306	304,711,835	35,590,529	88.32%	85,536,800	41.61%
2003	270,239,474	325,890,307	55,650,833	82.92%	90,383,037	61.57%
2004	276,199,626	319,398,748	43,199,122	86.47%	93,622,922	46.14%
2005	291,211,681	354,021,708	62,810,027	82.26%	94,998,692	66.12%
2006	276,138,290	351,283,025	75,144,735	78.61%	90,371,587	83.15%
2007	291,557,649	369,268,711	77,711,062	78.96%	91,581,898	84.85%
2008	314,139,305	399,403,756	85,264,451	78.65%	98,665,428	86.42%
2009	287,305,854	404,943,531	117,637,677	70.95%	99,906,543	117.75%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Annual Required Contributions	Percentage Contributed
2001	$ 5,132,879	100%
2002	5,191,323	100%
2003	4,564,047	100%
2004	5,486,264	100%
2005	5,810,664	100%
2006	6,822,144	100%
2007	7,843,685	100%
2008	8,882,309	100%
2009	9,500,748	100%

CITY OF MONTGOMERY, ALABAMA

EMPLOYEES' HEALTH INSURANCE PLAN OF THE CITY OF MONTGOMERY, ALABAMA
SCHEDULE OF FUNDING PROGRESS

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/2007	$ -	$ 358,952,521	$ 358,952,521	0.00%	$ 103,392,796	347%
9/30/2008	-	235,686,390	235,686,390	0.00%	104,442,140	226%
9/30/2009	-	241,728,637	241,728,637	0.00%	103,173,996	234%

The 2008 Actuarial Accrued Liability reflects a reduction due to recognition of the Medicare Advantage Plan implemented October 1, 2009.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds include operating funds that are restricted as to use by the Federal or State governments and special purpose funds established by authority of the City Council.

State Gasoline Tax Fund accounts for proceeds from a state gasoline tax. The use of this funding is restricted to expenditures related to construction, improvement, and maintenance of highways, bridges, and streets.

Alabama Trust Fund accounts for funds received from the Alabama Trust Fund to be used solely for capital improvements and the renovation of capital improvements determined by the municipal governing body.

Riverfront Stadium Fund accounts for proceeds received from lodging tax receipts. Two and one-half (2½) percent of total lodging tax collections are earmarked for the fund. Collections from the Montgomery Pro Baseball Club for leasing and concessions sales are also accounted for in this fund. All proceeds are used for capital improvements, repairs, and maintenance on the stadium and debt service payments.

Miscellaneous Grant Fund accounts for funding arising from miscellaneous federal and state government grants.

Montgomery Area Transit System Grant Fund accounts for grant funding received primarily from the Federal Transit Administration to be used for the Montgomery Area Transit System.

Housing and Urban Development Grant Fund accounts for grant funding used for Community Development Block Grant programs and Housing Development Action Grant programs.

DEBT SERVICE FUNDS

Debt service funds are used to accumulate monies for payment of principal and interest on general obligation debt of the City.

CAPITAL PROJECT FUNDS

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

CITY OF MONTGOMERY, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	Special Revenue Funds							Capital Project Funds				
	State Gasoline Tax	Alabama Trust Fund	Riverfront Stadium	Miscellaneous Grant Fund	Montgomery Area Transit System Grant Fund	Housing and Urban Development Grant Fund	Debt Service Funds	Municipal Court Corrections	Emergency Management Fund	Landfill Upgrade Fund	Misc. Capital Project Funds	Total
ASSETS												
Cash and cash equivalents	$ 1,074,896	$ -	$ 376,857	$ 4,821,016	$ 656,883	$ 368,921	$ 570	$ 404,257	$ 364,109	$ 17	$ 64,478	$ 8,132,004
Cash held by fiscal agent	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	288,697	-	139,014	1,157,294	649,764	577,659	-	-	8,060	-	2,146,133	4,966,621
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	123,283	-	-	-	-	-	-	-	123,283
Due from other funds	3,348,428	-	3,620,217	1,682,250	278,561	134,444	139,055	3,769,248	49	3,984,191	469,241	17,425,684
Mortgage receivable	-	-	-	-	-	188,289	-	-	-	-	-	188,289
Cash - restricted	-	-	-	-	-	-	1,479,578	-	-	-	-	1,479,578
TOTAL ASSETS	$ 4,712,021	$ -	$ 4,136,088	$ 7,783,843	$ 1,585,208	$ 1,269,313	$ 1,619,203	$ 4,173,505	$ 372,218	$ 3,984,208	$ 2,679,852	$ 32,315,459
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Accounts payable and accrued expenses	$ 316,770	$ -	$ 2,500	$ 672,153	$ 271,945	$ 373,206	$ -	$ -	$ -	$ 169,174	$ 509,715	$ 2,315,463
Retainage payable	-	-	-	66,863	167,333	3,492	-	1,994	-	3,303	-	242,985
Due to other funds	3,915,542	-	-	2,540,255	706,929	667,716	573,141	-	3,858	-	298,825	8,706,266
Deferred revenue	-	-	-	-	-	188,289	-	-	-	-	2,045,333	2,233,622
Funds held in escrow	-	-	-	242,162	-	26,610	-	-	-	-	-	268,772
TOTAL LIABILITIES	4,232,312	-	2,500	3,521,433	1,146,207	1,259,313	573,141	1,994	3,858	172,477	2,853,873	13,767,108
FUND BALANCES												
Reserved for:												
Encumbrances	-	-	-	1,552,342	5,224,967	59,082	-	7,250	-	434,424	1,302,456	8,580,521
Prepaid items	-	-	-	123,283	-	-	-	-	-	-	-	123,283
Mortgage receivable	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved, designated for:												
Debt service	-	-	-	-	-	-	1,046,062	-	-	-	-	1,046,062
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved, undesignated reported in:												
Capital projects funds	-	-	-	-	-	-	-	4,164,261	368,360	3,377,307	(1,476,477)	6,433,451
Special revenue funds	479,709	-	4,133,588	2,586,785	(4,785,966)	(49,082)	-	-	-	-	-	2,365,034
TOTAL FUND BALANCES	479,709	-	4,133,588	4,262,410	439,001	10,000	1,046,062	4,171,511	368,360	3,811,731	(174,021)	18,548,351
TOTAL LIABILITIES AND FUND BALANCES	$ 4,712,021	$ -	$ 4,136,088	$ 7,783,843	$ 1,585,208	$ 1,269,313	$ 1,619,203	$ 4,173,505	$ 372,218	$ 3,984,208	$ 2,679,852	$ 32,315,459

CITY OF MONTGOMERY, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Special Revenue Funds							Capital Project Funds				
	State Gasoline Tax	Alabama Trust Fund	Riverfront Stadium	Misc. Grant Fund	Montgomery Area Transit System Grant Fund	Housing and Urban Development Grant Fund	Debt Service Funds	Municipal Court Corrections	Emergency Management Fund	Landfill Upgrade Fund	Misc. Capital Project Funds	Total
REVENUES												
Taxes	$ 3,125,165	$ -	$ -	$ 1,438,763	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,563,928
Licenses and permits	65,940	-	-	-	-	-	-	-	-	-	-	65,940
Intergovernmental revenues	-	1,321,522	-	6,071,624	9,311,374	5,089,880	-	-	43,154	-	5,789,456	27,627,010
Charges for goods and services	-	-	-	147,719	-	-	-	-	-	-	-	147,719
Interest	-	-	-	8,041	-	-	55	8,110	-	6,192	19	22,417
Miscellaneous revenues	-	-	380,299	2,086,211	430,542	373,854	-	-	252,918	254	850,058	4,374,136
Total revenues	3,191,105	1,321,522	380,299	9,752,358	9,741,916	5,463,734	55	8,110	296,072	6,446	6,639,533	36,801,150
EXPENDITURES												
Current:												
General government	-	-	-	1,881,409	832,736	4,329,310	-	180,426	130,491	21,356	845,006	8,220,734
Public works	2,848,071	-	-	1,385,749	5,902,302	7,736	-	-	-	225,788	1,313,872	11,683,518
Public safety	-	-	-	1,353,001	-	-	-	-	-	-	981,243	2,334,244
Cultural and recreational	-	-	64,120	221,765	-	157,063	-	-	-	-	351,935	794,883
Intergovernmental	-	-	-	-	-	-	-	-	60,450	-	959,431	1,019,881
Capital outlay	-	-	-	2,648,966	5,107,012	969,625	-	55,233	166,960	218,725	12,027,684	21,194,205
Debt service:												
Principal	-	-	-	-	-	-	7,780,555	-	-	-	-	7,780,555
Interest	-	-	-	-	-	-	9,858,569	-	-	-	-	9,858,569
Debt issuance cost	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	2,848,071	-	64,120	7,490,890	11,842,050	5,463,734	17,639,124	235,659	357,901	465,869	16,479,171	62,886,589
Excess of revenues over (under) expenditures	343,034	1,321,522	316,179	2,261,468	(2,100,134)	-	(17,639,069)	(227,549)	(61,829)	(459,423)	(9,839,638)	(26,085,439)
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	1,618,591	43,198	2,675,364	193	17,082,928	2,803,038	-	1,321,522	7,568,387	33,113,221
Transfers out	(140,000)	(1,321,522)	(1,692,461)	(2,943,084)	(735,869)	(193)	-	(6,221,647)	-	-	(1,611,291)	(14,666,067)
Issuance of bonds	-	-	-	-	-	-	-	-	-	-	400,000	400,000
Total other financing sources (uses)	(140,000)	(1,321,522)	(73,870)	(2,899,886)	1,939,495	-	17,082,928	(3,418,609)	-	1,321,522	6,357,096	18,847,154
Net change in fund balance	203,034	-	242,309	(638,418)	(160,639)	-	(556,141)	(3,646,158)	(61,829)	862,099	(3,482,542)	(7,238,285)
FUND BALANCES - BEGINNING	276,675	-	3,891,279	4,900,828	599,640	10,000	1,602,203	7,817,669	430,189	2,949,632	3,308,521	25,786,636
FUND BALANCES - ENDING	$ 479,709	$ -	$ 4,133,588	$ 4,262,410	$ 439,001	$ 10,000	$ 1,046,062	$ 4,171,511	$ 368,360	$ 3,811,731	$ (174,021)	$ 18,548,351

CITY OF MONTGOMERY, ALABAMA

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GASOLINE TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	$ 3,011,840	$ 3,011,840	$ 3,125,165	$ 113,325
Licenses	45,304	45,304	65,940	20,636
Total revenues	3,057,144	3,057,144	3,191,105	133,961
EXPENDITURES				
Public works:				
Maintenance	1,155,689	1,015,689	946,616	(69,073)
Traffic engineering	1,901,455	1,901,455	1,901,455	-
Total expenditures	3,057,144	2,917,144	2,848,071	(69,073)
Excess of revenues over expenditures	-	140,000	343,034	203,034
OTHER FINANCING USES				
Operating transfers out	-	(140,000)	(140,000)	-
Total other financing uses	-	(140,000)	(140,000)	-
Net change in fund balance	-	-	203,034	203,034
FUND BALANCES - BEGINNING	276,675	276,675	276,675	-
FUND BALANCES - ENDING	$ 276,675	$ 276,675	$ 479,709	$ 203,034

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are employed to account for the operations of a commercial nature, which private organizations do not provide. All activities necessary to provide such services are accounted for in these funds, including, but not limited to, administration, operations, maintenance, financing, and related debt services. It is the intent of the governing body that the costs of providing these services to the general public be financed primarily through user charges.

Montgomery Zoo Fund accounts for the operations of the City-owned and operated zoo and food services department.

Montgomery Area Transit Fund accounts for the operations of the public transportation system within the City.

Lagoon and Gateway Parks Fund accounts for the operations of the City's recreational complexes.

Municipal Parking Decks Fund accounts for the operations of the City-owned parking decks.

Montgomery River Boat Fund accounts for the operations of the City's River Boat.

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CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2010

	Montgomery Zoo	Montgomery Area Transit System	Lagoon and Gateway Parks	Municipal Parking Decks	Montgomery River Boat	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 1,202,038	$ 88,489	$ 824,827	$ 156,123	$ 28,861	$ 2,300,338
Receivables	74,820	346	5,291	86	1,013	81,556
Inventories	92,498	111,662	18,130	-	9,843	232,133
Prepaid items	-	-	-	-	-	-
Due from other funds	-	-	396,219	225,779	-	621,998
Total current assets	1,369,356	200,497	1,244,467	381,988	39,717	3,236,025
NONCURRENT ASSETS						
Capital assets:						
Land	38,165	344,436	665,341	-	-	1,047,942
Buildings and system	5,915,676	3,102,583	1,316,843	3,040,299	-	13,375,401
Improvements other than buildings	4,997,855	33,941	2,760,911	27,458	-	7,820,165
Machinery and equipment	1,353,158	6,190,782	2,036,772	63,534	-	9,644,246
Less accumulated depreciation	(5,788,617)	(6,029,990)	(4,239,787)	(1,477,905)	-	(17,536,299)
Total capital net assets, net of accumulated depreciation	6,516,237	3,641,752	2,540,080	1,653,386	-	14,351,455
TOTAL ASSETS	7,885,593	3,842,249	3,784,547	2,035,374	39,717	17,587,480
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable and accrued expenses	259,624	161,767	85,279	9,892	23,072	539,634
Deferred revenue	-	-	-	-	6,483	6,483
Funds in escrow	-	-	-	-	5,198	5,198
Due to other funds	-	-	30	-	160,518	160,548
Compensated absences	31,641	-	14,525	884	-	47,050
Total current liabilities	291,265	161,767	99,834	10,776	195,271	758,913
NONCURRENT LIABILITIES						
Compensated absences	471,169	-	197,255	19,063	-	687,487
Total noncurrent liabilities	471,169	-	197,255	19,063	-	687,487
TOTAL LIABILITIES	762,434	161,767	297,089	29,839	195,271	1,446,400
NET ASSETS						
Invested in capital assets, net of related debt	6,516,237	3,641,752	2,540,080	1,653,386	-	14,351,455
Unrestricted	606,922	38,730	947,378	352,149	(155,554)	1,789,625
TOTAL NET ASSETS	$ 7,123,159	$ 3,680,482	$ 3,487,458	$ 2,005,535	$ (155,554)	$ 16,141,080

CITY OF MONTGOMERY, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Montgomery Zoo	Montgomery Area Transit System	Lagoon and Gateway Parks	Municipal Parking Decks	Montgomery River Boat	Total
OPERATING REVENUES						
Charges for goods and services	$ 2,719,497	$ 761,053	$ 883,908	$ 230,980	$ 691,978	$ 5,287,416
Total operating revenues	2,719,497	761,053	883,908	230,980	691,978	5,287,416
OPERATING EXPENSES						
Cost of sales and services	512,436	-	35,989	-	189,951	738,376
Administration	4,897,471	1,731,487	1,774,779	283,453	668,151	9,355,341
Depreciation	374,272	555,035	143,534	65,502	-	1,138,343
Total operating expenses	5,784,179	2,286,522	1,954,302	348,955	858,102	11,232,060
OPERATING INCOME (LOSS)	(3,064,682)	(1,525,469)	(1,070,394)	(117,975)	(166,124)	(5,944,644)
NONOPERATING REVENUES (EXPENSES)						
Loss on sale of capital assets	-	(4,598)	-	-	-	(4,598)
Interest income	260	-	-	107	24	391
Income (loss) before transfers	(3,064,422)	(1,530,067)	(1,070,394)	(117,868)	(166,100)	(5,948,851)
Capital contributions	-	-	-	-	-	-
Transfers in	6,618,626	6,160,717	928,669	54,090	-	13,762,102
Change in net assets	3,554,204	4,630,650	(141,725)	(63,778)	(166,100)	7,813,251
TOTAL NET ASSETS - BEGINNING	3,568,955	(950,168)	3,629,183	2,069,313	10,546	8,327,829
TOTAL NET ASSETS - ENDING	$ 7,123,159	$ 3,680,482	$ 3,487,458	$ 2,005,535	$ (155,554)	$ 16,141,080

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Montgomery Zoo	Montgomery Area Transit System	Lagoon and Gateway Parks	Municipal Parking Decks	Montgomery River Boat	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	$ 2,716,884	$ 765,884	$ 883,266	$ 230,980	$ 668,651	$ 5,265,665
Payments to suppliers	(1,558,551)	(1,844,413)	(523,692)	(142,144)	(858,229)	(4,927,029)
Payments to employees	(3,493,838)	-	(1,148,788)	(121,396)	(9,401)	(4,773,423)
Payments for interfund services used	(338,805)	-	(156,025)	(16,530)	(1,833)	(513,193)
Net cash used by operating activities	(2,674,310)	(1,078,529)	(945,239)	(49,090)	(200,812)	(4,947,980)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	6,618,626	6,160,717	928,669	54,090	-	13,762,102
Net cash payments from other funds	(3,102,155)	(4,337,523)	303,198	83,742	124,999	(6,927,739)
Net cash provided by noncapital financing activities	3,516,471	1,823,194	1,231,867	137,832	124,999	6,834,363
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets	(91,277)	(735,869)	-	(21,321)	-	(848,467)
Proceeds from sale of capital assets	-	25,350	-	-	-	25,350
Net cash provided by capital and related financing activities	(91,277)	(710,519)	-	(21,321)	-	(823,117)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	260	-	-	107	24	391
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	751,144	34,146	286,628	67,528	(75,789)	1,063,657
CASH AND CASH EQUIVALENTS - BEGINNING	450,894	54,343	538,199	88,595	104,650	1,236,681
CASH AND CASH EQUIVALENTS - ENDING	$ 1,202,038	$ 88,489	$ 824,827	$ 156,123	$ 28,861	$ 2,300,338

(Continued)

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Montgomery Zoo	Montgomery Area Transit System	Lagoon and Gateway Parks	Municipal Parking Decks	Montgomery River Boat	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	$ (3,064,682)	$ (1,525,469)	$ (1,070,394)	$ (117,975)	$ (166,124)	$ (5,944,644)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	374,272	555,035	143,534	65,502	-	1,138,343
Loss on sale of capital assets	-	4,598	-	-	-	4,598
(Increase) decrease in receivables	(2,613)	233	(642)	-	1,934	(1,088)
(Increase) decrease in inventories	1,687	(6,247)	12,132	-	507	8,079
Decrease in prepaid items	-	-	-	-	1,150	1,150
Increase (decrease) in accounts payable and accrued expenses	14,138	(106,679)	(31,273)	(1,482)	(13,018)	(138,314)
Decrease in deferred revenue	-	-	-	-	(30,071)	(30,071)
Increase in funds in escrow	-	-	-	-	4,810	4,810
Increase in compensated absences	2,888	-	1,404	4,865	-	9,157
Total adjustments	390,372	446,940	125,155	68,885	(34,688)	996,664
Net cash provided (used) by operating activities	$ (2,674,310)	$ (1,078,529)	$ (945,239)	$ (49,090)	$ (200,812)	$ (4,947,980)

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Employees' Medical Insurance Fund accounts for the operations of the self-insured medical insurance plan and the workers' compensation plan of the City.

Liability Insurance Fund accounts for the operations of the self-insured liability insurance fund of the City including General Liability, Public Officials' Liability, and Law Enforcement Officers' Liability.

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CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF NET ASSETS (DEFICIT)
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2010

	Employees' Medical Insurance	Liability Insurance	Total
ASSETS			
CURRENT ASSETS			
Cash	$ 530,424	$ 478,642	$ 1,009,066
Receivables	42,643	64,000	106,643
Due from other funds	9,524	-	9,524
TOTAL ASSETS	582,591	542,642	1,125,233
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	362,093	5,942	368,035
Claims payable	2,850,676	1,513,601	4,364,277
Due to other funds	-	-	-
Total current liabilities	3,212,769	1,519,543	4,732,312
NONCURRENT LIABILITIES			
Advances from other funds	-	39,000	39,000
TOTAL LIABILITIES	3,212,769	1,558,543	4,771,312
NET ASSETS (DEFICIT)			
Unrestricted	$ (2,630,178)	$ (1,015,901)	$ (3,646,079)

CITY OF MONTGOMERY, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS (DEFICIT)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Employees' Medical Insurance	Liability Insurance	Total
OPERATING REVENUES			
Charges for services	$ 25,712,440	$ 423,492	$26,135,932
Total operating revenues	25,712,440	423,492	26,135,932
OPERATING EXPENSES			
Benefits paid	30,250,915	1,908,187	32,159,102
OPERATING LOSS BEFORE TRANSFERS	(4,538,475)	(1,484,695)	(6,023,170)
NONOPERATING REVENUE			
Interest income	-	3,332	3,332
Loss before transfers	(4,538,475)	(1,481,363)	(6,019,838)
Transfers in	20,226,370	717,785	20,944,155
Change in net assets	15,687,895	(763,578)	14,924,317
TOTAL NET ASSETS (DEFICIT) - BEGINNING	(18,318,073)	(252,323)	(18,570,396)
TOTAL NET ASSETS (DEFICIT) - ENDING	$ (2,630,178)	$(1,015,901)	$ (3,646,079)

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Employees' Medical Insurance	Liability Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	$ 25,905,834	$ 423,492	$ 26,329,326
Payments to suppliers	(31,322,662)	(1,973,085)	(33,295,747)
Net cash used by operating activities	(5,416,828)	(1,549,593)	(6,966,421)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	20,226,370	717,785	20,944,155
Net cash payments to other funds	(14,326,667)	1,258,874	(13,067,793)
Net cash provided by noncapital financing activities	5,899,703	1,976,659	7,876,362
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	-	3,332	3,332
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	482,875	430,398	913,273
CASH AND CASH EQUIVALENTS - BEGINNING	47,549	48,244	95,793
CASH AND CASH EQUIVALENTS - ENDING	$ 530,424	$ 478,642	$ 1,009,066

(Continued)

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Employees' Medical Insurance	Liability Insurance	Total
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating loss	$ (4,538,475)	$ (1,484,695)	$ (6,023,170)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Decrease in accounts receivable	193,394	-	193,394
Increase (decrease) in accounts payable and accrued expenses	(973,988)	3,346	(970,642)
Decrease in claims payable	(97,759)	(68,244)	(166,003)
Total adjustments	(878,353)	(64,898)	(943,251)
Net cash used by operating activities	$ (5,416,828)	$ (1,549,593)	$ (6,966,421)

STATISTICAL SECTION

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

Contents **Page**

Financial Trends 90

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

Revenue Capacity 95

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

Debt Capacity 100

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

Demographic and Economic Information 107

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

Operating Information 108

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the current year.

Note: Information in the statistical section is provided for the last nine years since implementation of Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments (MD&A). Information for the year prior to 2002 is not readily available.

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CITY OF MONTGOMERY, ALABAMA

SCHEDULE 1

NET ASSETS BY COMPONENT

(accrual basis of accounting)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:									
Invested in capital assets, net of related debt	$ 67,436,526	$ 74,362,844	$ 205,346,513	$ 199,904,624	$ 221,977,996	$ 225,335,184	$ 214,327,085	$ 220,950,653	$ 253,437,449
Restricted:									
Public works	4,180,492	2,225,395	3,351,095	2,378,291	2,954,236	5,367,112	4,084,839	3,510,905	1,487,038
Public safety	1,014,792	1,350,902	2,257,121	1,390,644	950,068	1,365,804	1,821,728	1,144,993	769,875
Cultural and recreational	7,045,719	-	-	1,839,281	2,925,208	4,880,585	7,314,372	4,280,263	4,260,063
Capital projects	-	40,439,649	27,590,513	44,321,792	64,066,096	84,775,102	89,389,536	30,017,486	72,261,635
Debt reserve	14,388,721	14,018,447	14,065,589	15,748,287	16,251,227	13,601,228	12,104,664	11,423,477	10,068,369
Unrestricted	(48,934,138)	(88,709,817)	(90,925,777)	(58,500,583)	(92,420,194)	(114,274,551)	(150,164,554)	(141,966,837)	(246,274,824)
Total governmental activities net assets	$ 45,132,112	$ 43,687,420	$ 161,685,054	$ 207,082,336	$ 216,704,637	$ 221,050,464	$ 178,877,670	$ 129,360,940	$ 96,009,605
Business-type activities:									
Invested in capital assets, net of related debt	$ 36,601,500	$ 36,915,948	$ 31,334,654	$ 14,801,042	$ 17,355,041	$ 16,311,677	$ 15,775,925	$ 14,675,876	$ 14,351,455
Unrestricted	(3,282,856)	(2,940,521)	(2,731,319)	(3,238,311)	(4,022,236)	(4,128,744)	(5,178,277)	(7,181,180)	790,709
Total business-type activities net assets	$ 33,318,644	$ 33,975,427	$ 28,603,335	$ 11,562,731	$ 13,332,805	$ 12,182,933	$ 10,597,648	$ 7,494,696	$ 15,142,164
Primary government:									
Invested in capital assets, net of related debt	$ 104,038,026	$ 111,278,792	$ 236,681,167	$ 214,705,666	$ 239,333,037	$ 241,646,861	$ 230,103,010	$ 235,626,529	$ 267,788,904
Restricted	26,629,724	58,034,393	47,264,318	65,678,295	87,146,835	109,989,831	114,715,139	50,377,124	88,846,980
Unrestricted	(52,216,994)	(91,650,338)	(93,657,096)	(61,738,894)	(96,442,430)	(118,403,295)	(155,342,831)	(149,148,017)	(245,484,115)
Total primary government net assets	$ 78,450,756	$ 77,662,847	$ 190,288,389	$ 218,645,067	$ 230,037,442	$ 233,233,397	$ 189,475,318	$ 136,855,636	$ 111,151,769

CITY OF MONTGOMERY, ALABAMA

SCHEDULE 2
CHANGES IN NET ASSETS
(accrual basis of accounting)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:									
Expenses									
Governmental activities:									
General government	$ 34,138,712	$ 34,591,410	$ 78,931,937	$ 66,537,712	$ 66,407,230	$ 64,197,483	$ 72,773,403	$ 92,913,247	$ 86,120,124
Public works	36,177,853	42,859,229	41,488,912	47,787,350	53,005,558	52,259,298	60,747,459	57,744,148	47,781,026
Public safety	58,908,851	70,673,837	68,384,575	79,464,966	72,695,668	75,159,784	90,376,182	83,265,102	89,288,506
Cultural and recreational	25,040,795	26,759,700	21,730,045	24,672,173	20,414,279	23,220,119	30,131,588	27,939,722	33,837,935
Economic development	220,915	8,761	4,185,554	-	-	-	-	-	-
Interest on long-term debt	3,356,214	3,058,130	7,534,729	7,805,568	9,089,961	11,467,071	11,822,764	11,452,425	10,561,682
Total governmental activities expenses	157,843,340	177,951,067	222,255,752	226,267,769	221,612,696	226,303,755	265,851,396	273,314,644	267,589,273
Program revenues									
Governmental activities:									
Charges for services:									
General government	30,013,528	32,768,067	54,760,806	45,312,166	41,954,623	44,037,361	47,421,394	51,000,292	20,029,894
Public works	11,144,484	12,456,115	12,114,646	17,459,232	13,075,274	12,906,112	12,795,231	14,943,331	15,849,768
Public safety	3,886,419	3,418,400	1,337,736	6,445,108	-	-	-	-	-
Cultural and recreational	804,074	773,392	739,958	2,962,792	1,045,697	1,141,386	988,058	916,564	1,237,731
Operating grants and contributions	9,062,069	11,603,891	8,390,585	13,576,462	11,280,471	12,694,612	9,307,772	9,522,821	14,727,336
Capital grants and contributions	3,097,525	5,575,502	5,463,137	22,831,189	19,777,090	9,351,999	5,859,738	10,074,229	21,969,518
Total governmental activities program revenues	58,008,099	66,595,367	82,806,868	108,586,949	87,133,155	80,131,470	76,372,193	86,457,237	73,814,247
Total primary government net expense	(99,835,241)	(111,355,700)	(139,448,884)	(117,680,820)	(134,479,541)	(146,172,285)	(189,479,203)	(186,857,407)	(193,775,026)
General revenues and other changes in net assets									
Governmental activities:									
Taxes									
Sales taxes	58,846,775	84,681,283	88,388,951	93,272,301	96,432,102	98,174,542	93,799,356	83,980,254	86,150,767
Property taxes	21,496,585	21,882,127	23,444,630	24,529,629	26,763,925	28,552,456	30,241,233	31,099,699	31,378,176
Business licenses	-	-	-	-	-	-	-	-	30,482,588
Motor fuel taxes	8,281,319	8,259,778	8,756,356	9,237,249	8,645,857	8,560,057	8,363,071	8,202,877	8,335,705
Lodging taxes	2,905,311	4,091,513	4,425,295	5,099,540	5,656,263	5,444,264	5,550,268	5,269,547	5,578,274
Rental taxes	-	-	-	-	-	-	-	1,764,595	3,285,663
Tobacco tax	278,055	259,525	791,787	1,951,430	1,781,887	1,761,227	1,619,508	1,411,990	1,438,763
Alcoholic beverage taxes	214,159	212,452	183,272	210,227	177,033	248,883	227,511	254,164	234,501
Grants and contributions not restricted to specific programs	3,157,437	1,785,138	118,246	122,422	131,995	158,378	141,631	186,693	199,092
Investment earnings	1,356,478	1,409,449	844,348	2,191,059	5,937,376	6,875,303	3,862,641	425,825	50,449
Miscellaneous revenue	3,129,884	2,149,735	4,172,305	5,397,967	6,189,366	5,514,223	6,531,834	5,794,279	6,905,175
Gain on sale of assets	-	247,543	131,625	155,785	-	41,745	323,158	-	146,640
Change in accounting estimate	-	-	5,485,022	-	-	-	-	-	-
Extraordinary item	-	-	-	-	-	-	-	3,900,000	-
Transfers	(5,130,469)	(5,125,186)	(3,881,742)	12,308,550	(7,613,962)	(4,812,966)	(4,753,802)	(4,249,246)	(13,762,102)
Total governmental activities general revenues and other changes in net assets	94,535,534	119,853,357	132,860,095	154,476,159	144,101,842	150,518,112	145,906,409	138,040,677	160,423,691
Total governmental activities change in net assets	$ (5,299,707)	$ 8,497,657	$ (6,588,789)	$ 36,795,339	$ 9,622,301	$ 4,345,827	$ (43,572,794)	$ (48,816,730)	$ (33,351,335)

(Continued)

CITY OF MONTGOMERY, ALABAMA

SCHEDULE 2

CHANGES IN NET ASSETS (CONTINUED)

(accrual basis of accounting)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Business-type Activities:									
Expenses:									
Montgomery Zoo	$ 3,497,558	$ 4,110,764	$ 4,934,524	$ 5,235,307	$ 5,632,383	$ 5,953,913	$ 6,223,595	$ 5,709,728	$ 5,889,762
Montgomery Area Transit System	3,418,439	1,183,154	1,163,388	1,306,932	1,741,793	1,749,082	2,194,586	3,205,634	2,291,121
Lagoon and Gateway Parks	2,258,095	2,078,425	1,999,766	2,170,024	2,803,024	3,043,118	3,290,143	2,932,109	2,014,501
Civic Center	3,120,364	3,148,573	3,121,091	609,091	-	-	-	-	-
Montgomery River Boat	-	-	-	-	-	-	-	553,658	858,102
Municipal Parking Decks	155,916	160,436	201,244	203,308	199,525	217,947	266,244	318,963	348,955
Total business-type activities expenses	12,450,372	10,681,352	11,420,013	9,524,662	10,376,725	10,964,060	11,974,568	12,720,092	11,402,441
Revenues:									
Charges for services:									
Montgomery Zoo	1,729,089	2,094,816	2,478,257	2,524,089	2,685,908	2,931,547	3,284,339	2,553,288	2,719,497
Montgomery Area Transit System	455,642	487,290	551,530	629,508	613,269	605,931	750,752	800,896	761,053
Lagoon and Gateway Parks	1,456,936	1,038,230	1,133,254	941,163	1,069,817	1,347,708	1,528,342	1,372,814	883,908
Civic Center	1,833,516	2,302,715	2,319,784	495,378	-	-	-	-	-
Montgomery River Boat	-	-	-	-	-	-	-	564,180	691,978
Municipal Parking Decks	140,548	138,219	155,138	159,087	152,555	99,604	56,369	62,302	230,980
Operating grants and contributions:									
Montgomery Area Transit System	35,361	-	-	-	-	-	-	-	-
Total business-type activities revenues	5,651,092	6,061,270	6,637,963	4,749,225	4,521,549	4,984,790	5,619,802	5,353,480	5,287,416
Total business-type activities net program expense	(6,799,280)	(4,620,082)	(4,782,050)	(4,775,437)	(5,855,176)	(5,979,270)	(6,354,766)	(7,366,612)	(6,115,025)
Other changes in net assets:									
Investment earnings	-	794	779	8,341	11,288	16,432	15,679	3,329	391
Capital contributions	-	-	-	-	-	-	-	11,085	-
Gain on sale of assets	-	-	-	35,042	-	-	-		-
Transfers	5,130,469	5,125,186	3,881,742	(12,308,550)	7,613,962	4,812,966	4,753,802	4,249,246	13,762,102
	5,130,469	5,125,980	3,882,521	(12,265,167)	7,625,250	4,829,398	4,769,481	4,263,660	13,762,493
Total business-type activities change in net assets	$ (1,668,811)	$ 505,898	$ (899,529)	$ (17,040,604)	$ 1,770,074	$ (1,149,872)	$ (1,585,285)	$ (3,102,952)	$ 7,647,468
Total primary government change in net assets	$ (6,968,518)	$ 9,003,555	$ (7,488,318)	$ 19,754,735	$ 11,392,375	$ 3,195,955	$ (45,158,079)	$ (51,919,682)	$ (25,703,867)

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

* The City converted a portion of business licenses to a fee based on the taxpayer's gross receipts. This is a tax, reported as general revenue.

CITY OF MONTGOMERY, ALABAMA

SCHEDULE 3

FUND BALANCES OF GOVERNMENTAL FUNDS

(modified accrual basis of accounting)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund:									
Reserved	$ 2,543,186	$ 2,382,924	$ 2,122,008	$ 2,517,653	$ 3,234,275	$ 2,536,789	$ 2,538,295	$ 3,006,134	$ 4,180,402
Unreserved, designated	4,852,300	4,852,300	4,852,300	4,852,300	4,852,300	4,852,300	4,852,300	12,480,127	5,580,127
Unreserved	7,138,397	18,636,297	22,097,748	39,562,340	46,083,120	48,725,745	36,114,095	18,322,084	(359,423)
Total general fund	$ 14,533,883	$ 25,871,521	$ 29,072,056	$ 46,932,293	$ 54,169,695	$ 56,114,834	$ 43,504,690	$ 33,808,345	$ 9,401,106
All other governmental funds:									
Reserved	$ 3,276,075	$ 17,771,002	$ 15,458,107	$ 13,192,117	$ 17,436,580	$ 8,184,796	$ 12,773,443	$ 5,912,466	$ 13,248,404
Unreserved, designated, reported in:									
Debt service funds	1,922,097	2,119,567	2,760,685	4,443,282	4,137,141	2,808,696	2,351,976	2,501,349	2,000,065
Capital projects funds	-	-	-	50,000	50,000	-	-	-	-
Unreserved, undesignated, reported in:									
Capital projects funds	7,784,941	24,057,239	13,471,615	40,427,193	54,274,757	80,089,520	56,863,500	27,053,980	64,274,507
Special revenue funds	1,139,129	2,101,629	4,269,007	(450,272)	(639,014)	8,114,287	9,332,375	5,987,202	2,365,034
Total all other governmental funds	$ 14,122,242	$ 46,049,437	$ 35,959,414	$ 57,662,320	$ 75,259,464	$ 99,197,299	$ 81,321,294	$ 41,454,997	$ 81,888,010

CITY OF MONTGOMERY, ALABAMA

SCHEDULE 4

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

(modified accrual basis of accounting)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:									
Taxes	$ 92,022,204	$ 119,386,678	$ 123,263,827	$ 134,300,376	$ 139,457,067	$ 142,741,429	$ 139,800,947	$ 131,983,126	$ 136,401,849
Licenses and permits	27,464,309	28,127,922	32,414,716	31,241,991	33,263,521	35,066,083	37,956,968	37,874,584	38,269,290
Intergovernmental revenues	13,514,031	19,689,700	18,406,321	22,121,849	28,314,508	20,493,406	17,382,785	22,849,318	31,409,043
Charges and fees for services	12,425,605	11,949,627	11,326,781	11,343,893	11,685,509	11,599,115	11,360,885	13,457,972	14,592,111
Fines and forfeitures	3,555,762	4,461,474	4,393,491	4,434,492	4,769,262	5,574,497	6,817,336	8,648,985	9,834,116
Interest	1,356,478	1,366,462	808,659	2,138,199	5,780,989	6,766,329	3,862,641	425,830	50,446
Contributions	251,947	-	-	-	-	-	-	-	-
Miscellaneous	3,619,031	3,228,487	4,927,604	9,504,326	6,055,198	7,070,652	7,336,803	6,624,840	8,270,334
Total revenues	154,209,367	188,210,350	195,541,399	215,085,126	229,326,054	229,311,511	224,518,365	221,864,655	238,827,189
Expenditures:									
Current:									
General government	27,697,380	31,163,708	38,659,335	40,831,666	42,878,968	41,644,554	40,290,264	41,762,638	47,973,762
Public works	35,434,666	44,061,582	43,949,580	45,702,938	57,770,842	56,619,086	54,863,215	55,801,973	42,371,546
Public safety	56,029,695	66,777,416	68,160,583	68,816,756	72,042,280	75,033,957	81,551,085	80,660,653	80,282,388
Cultural and recreational	15,676,613	22,388,605	20,664,500	21,395,371	24,549,676	24,983,988	26,859,709	20,439,052	28,014,356
Economic development	10,781,990	13,433,799	4,185,121	-	-	-	-	-	-
Intergovernmental	-	-	-	-	5,614,812	3,088,263	3,870,401	25,666,518	14,594,405
Capital projects	10,243,582	12,970,591	28,487,344	22,038,981	19,431,041	21,074,966	22,574,761	19,903,596	22,953,351
Debt service:									
Principal payments	4,394,118	16,362,858	21,982,120	5,608,882	6,266,217	11,173,939	11,429,727	18,364,694	18,927,115
Interest	3,553,148	3,058,130	6,686,245	6,709,210	8,440,090	11,030,577	11,794,593	11,324,313	10,936,652
Debt issuance costs	-	1,391,659	642,647	964,232	570,965	546,817	-	-	1,011,871
Total expenditures	163,811,192	211,608,348	233,417,475	212,068,036	237,564,891	245,196,147	253,233,755	273,923,437	267,065,446
Excess of revenue over (under) expenditures	(9,601,825)	(23,397,998)	(37,876,076)	3,017,090	(8,238,837)	(15,884,636)	(28,715,390)	(52,058,782)	(28,238,257)
Other Financing Sources (Uses):									
Proceeds from sale of assets	-	-	-	-	217,810	499,260	461,044	209,170	177,871
Transfers in	7,132,065	21,003,783	37,125,537	25,252,973	32,220,327	52,478,773	36,134,376	53,853,006	46,527,332
Transfers out	(13,687,168)	(29,001,558)	(44,014,889)	(32,681,963)	(40,375,333)	(60,534,047)	(43,990,008)	(61,568,260)	(81,233,589)
Capital leases	2,591,652	2,592,724	3,079,891	946,756	3,795,309	4,715,409	4,923,829	5,010,974	5,966,304
Bond anticipation notes	9,152,171	9,696,463	8,106,054	-	-	-	-	-	-
Issuance of bonds	-	58,400,000	26,690,000	32,500,000	37,055,000	44,400,000	-	5,000,000	64,905,000
Issuance of refunding bonds	-	8,505,000	-	26,035,000	-	-	-	-	42,090,000
Payment to refunded bonds escrow agent	-	(8,505,000)	-	(25,267,700)	-	-	-	-	(39,108,572)
Bond premium and discount, net	-	3,971,417	-	509,672	160,270	208,215	-	-	4,939,685
Total other financing sources (uses)	5,188,720	66,662,829	30,986,593	27,294,738	33,073,383	41,767,610	(2,470,759)	2,504,890	44,264,031
Net change in fund balance	$ (4,413,105)	$ 43,264,831	$ (6,889,483)	$ 30,311,828	$ 24,834,546	$ 25,882,974	$ (31,186,149)	$ (49,553,892)	$ 16,025,774
Debt service as a percentage of noncapital expenditures	5.38%	10.67%	14.43%	6.69%	7.34%	10.52%	10.45%	11.98%	12.28%

CITY OF MONTGOMERY, ALABAMA

SCHEDULE 5

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

FISCAL YEAR	CITY SALES TAX	REAL AND PERSONAL PROPERTY TAX	MOTOR FUEL TAX	LODGING TAX	ALCOHOLIC BEVERAGE TAX	TOBACCO TAX	RENTAL TAX	TOTAL
2002	$ 58,846,775	$ 21,496,585	$ 8,281,319	$ 2,905,311	$ 214,159	$ 278,055	$ -	$ 92,022,204
2003	84,681,283	21,882,127	8,259,778	4,091,513	212,452	259,525	-	119,386,678
2004	88,388,951	23,444,630	8,756,356	4,425,295	183,272	791,787	-	125,990,291
2005	93,272,301	24,529,629	9,237,249	5,099,540	210,227	1,951,430	-	134,300,376
2006	96,432,102	26,763,925	8,645,857	5,656,263	177,033	1,781,887	-	139,457,067
2007	98,174,542	28,552,456	8,560,057	5,444,264	248,883	1,761,227	-	142,741,429
2008	93,799,356	30,241,233	8,363,070	5,550,268	227,511	1,619,508	-	139,800,946
2009	83,980,254	31,099,698	8,202,877	5,269,547	254,164	1,411,990	1,764,595	131,983,125
2010	86,150,767	31,378,176	8,335,705	5,578,274	234,501	1,438,763	3,285,663	136,401,849

Note: The City of Montgomery raised the sale tax rate by one (1) percent in 2003 to a total sales tax rate of ten (10) percent. See schedule 8 for sale tax rates.

Note: The City of Montgomery increased the tobacco tax rate from $0.02 to $0.12 per pack of cigarettes in 2004. This significant increase was due to a state law that capped the tobacco tax rate for all municipalities.

Note: The City of Montgomery instituted a rental tax in 2009 of four (4) percent for tangible personal property, linens, and garments and one and one-half (1.5) percent for vehicles, truck trailers, and house trailers.

CITY OF MONTGOMERY, ALABAMA

SCHEDULE 6

NET TAXABLE SALES BY CATEGORY

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
General merchandise	$2,189,615,465	$2,230,132,067	$2,348,673,951	$2,481,480,428	$2,556,259,577	$2,580,287,236	$2,485,139,504	$2,259,586,708	$2,262,566,175
Auto and agriculture	448,367,162	463,793,934	431,431,271	447,811,511	461,498,197	486,483,247	420,546,870	323,164,949	358,467,479
Manufacturing machine	59,488,356	47,573,930	45,282,889	47,028,557	68,243,989	82,408,703	69,707,851	52,592,609	141,720,419
Total	$2,697,470,983	$2,741,499,931	$2,825,388,111	$2,976,320,496	$3,086,001,763	$3,149,179,186	$2,975,394,225	$2,635,344,266	$2,762,754,073
City direct sales tax rate	2.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%

Source: City Revenue Division of the Department of Finance.

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 7
SALES TAX REVENUE PAYERS BY CATEGORY

	2002			2003			2004		
	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers
General merchandise	$ 54,740,416	5,250	26.95%	$ 78,051,314	5,398	26.50%	$ 82,203,608	5,356	25.36%
Auto and agriculture	3,362,754	154	70.75%	5,797,425	164	66.14%	5,392,892	165	67.28%
Manufacturing machine	743,605	276	49.59%	832,544	273	45.78%	792,451	283	35.75%
Total	$ 58,846,775	5,680		$ 84,681,283	5,835		$ 88,388,951	5,804	

	2005			2006			2007		
	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers
General merchandise	$ 86,851,656	5,524	23.65%	$ 89,469,104	5,546	22.86%	$ 90,622,355	6,544	22.80%
Auto and agriculture	5,597,645	175	66.59%	5,768,728	182	67.03%	6,110,034	262	66.95%
Manufacturing machine	823,000	270	40.74%	1,194,270	257	52.99%	1,442,153	362	63.34%
Total	$ 93,272,301	5,969		$ 96,432,102	5,985		$ 98,174,542	7,168	

	2008			2009			2010		
	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers
General merchandise	$ 87,322,631	6,327	21.87%	$ 78,160,260	6,311	23.25%	$ 79,189,817	6,082	24.33%
Auto and agriculture	5,256,837	251	67.53%	4,723,801	276	59.06%	4,480,843	216	62.29%
Manufacturing machine	1,219,888	360	51.55%	1,096,193	352	53.75%	2,480,107	348	54.80%
Total	$ 93,799,356	6,938		$ 83,980,254	6,939		$ 86,150,767	6,646	

Note: Top ten taxpayers represents the percentage of total tax remitted by the largest ten sale tax remitters per sales category.

Source: City Revenue Division of the Department of Finance.

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 8
DIRECT AND OVERLAPPING SALES TAX RATES

Fiscal Year	City Direct Rate	Montgomery County	State of Alabama	Total Sales Tax
2002	2.50%	2.50%	4.00%	9.00%
2003	3.50%	2.50%	4.00%	10.00%
2004	3.50%	2.50%	4.00%	10.00%
2005	3.50%	2.50%	4.00%	10.00%
2006	3.50%	2.50%	4.00%	10.00%
2007	3.50%	2.50%	4.00%	10.00%
2008	3.50%	2.50%	4.00%	10.00%
2009	3.50%	2.50%	4.00%	10.00%
2010	3.50%	2.50%	4.00%	10.00%

Sources: City Revenue Division of the Department of Finance and Montgomery County Department of Finance.

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 9
PRINCIPAL SALES TAX REMITTERS

	2002		2003		2004		2005		2006		2007		2008		2009		2010	
Tax Remitter	Rank	Percentage of Total Sales Tax Remitted	Rank	Percentage of Total Sales Tax Remitted	Rank	Percentage of Total Sales Tax Remitted	Rank	Percentage of Total Sales Tax Remitted	Rank	Percentage of Total Sales Tax Remitted	Rank	Percentage of Total Sales Tax Remitted	Rank	Percentage of Total Sales Tax Remitted	Rank	Percentage of Total Sales Tax Remitted	Rank	Percentage of Total Sales Tax Remitted
Wal-Mart East, LP	1	6.46%	1	6.83%	1	6.61%	1	6.42%	1	6.44%	1	6.88%	1	6.06%	1	6.36%	1	6.98%
Winn Dixie of Montgomery	2	4.83%	2	4.46%	2	3.93%	2	3.54%	2	2.84%	3	2.68%	2	2.71%	2	2.95%	5	2.77%
Brunos Super Markets	3	2.92%	4	2.64%	4	2.70%	4	2.44%	5	1.54%	7	1.17%	5	1.20%	-	-	-	-
Sams East	4	2.53%	3	2.89%	3	2.94%	3	2.87%	3	2.83%	2	2.78%	3	2.59%	4	2.81%	3	3.32%
K Mart Corporation	5	1.84%	9	1.03%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gayfers/Dillards	6	1.72%	5	1.56%	9	1.09%	-	-	-	-	-	-	8	1.09%	6	1.27%	9	1.28%
Lowes of Montgomery	7	1.44%	6	1.51%	5	1.51%	6	1.46%	6	1.38%	6	1.31%	6	1.20%	8	1.14%	6	2.23%
Home Depot USA, INC	8	1.43%	7	1.45%	6	1.43%	5	1.50%	8	1.18%	9	0.91%	-	-	10	0.79%	-	-
Sears Roebuck & Company	9	1.09%	8	1.04%	7	1.20%	-	-	-	-	-	-	-	-	-	-	-	-
Capitol Chevrolet/IMF INC	10	0.85%	-	-	-	-	9	0.88%	-	-	-	-	-	-	-	-	7	1.86%
Parisian	-	-	10	1.01%	-	-	10	0.85%	10	0.91%	10	0.87%	-	-	-	-	-	-
Target Store	-	-	-	-	8	1.18%	7	1.19%	7	1.32%	5	1.36%	7	1.19%	7	1.21%	10	1.21%
Best Buy Stores, LP	-	-	-	-	10	1.00%	8	0.93%	9	0.98%	8	0.95%	10	0.93%	9	0.91%	-	-
Publix Alabama, LLC	-	-	-	-	-	-	-	-	4	1.80%	4	2.13%	4	2.43%	3	2.89%	4	3.14%
Costco Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	9	0.97%	5	1.31%	8	1.50%
Hyundai Manufacturing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	3.93%
Total		25.11%		24.42%		23.59%		22.08%		21.22%		21.04%		20.37%		21.64%		28.22%

Source: City Revenue Division of the Department of Finance.

CITY OF MONTGOMERY, ALABAMA

SCHEDULE 10

RATIOS OF OUTSTANDING DEBT BY TYPE

	Governmental Activities						
Fiscal Year	General Obligation Bonds	Revenue Warrants	Capital Leases	Total Outstanding Debt	Percentage of Taxable Sales (b)	Percentage of Personal Income (a)	Liability Per Capita Population (a)
2002	$ 58,915,000	$ -	$ 8,612,247	$ 67,527,247	2.50%	1.73%	$ 335.01
2003	113,300,000	-	9,847,805	123,147,805	4.49%	3.15%	610.95
2004	109,175,000	26,690,000	11,384,571	147,249,571	5.21%	3.77%	730.52
2005	141,665,000	26,190,000	9,472,445	177,327,445	5.96%	4.54%	879.74
2006	176,420,000	24,670,000	10,821,537	211,911,537	6.87%	4.63%	1,051.32
2007	213,765,000	24,115,000	12,673,006	250,553,006	7.96%	5.35%	1,243.02
2008	206,325,000	23,520,000	14,202,106	244,047,106	8.20%	5.14%	1,210.74
2009	202,960,000	18,385,000	13,445,826	234,790,826	8.91%	5.03%	1,164.82
2010	263,759,445	18,205,000	11,003,131	292,967,576	10.60%	6.06%	1,453.44

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) See the Schedule 15 for personal income and population data.

(b) See Schedule 6 for net taxable sales.

CITY OF MONTGOMERY, ALABAMA

SCHEDULE 11

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

Fiscal Year	General Obligation Bonds	Percentage of Net Taxable Sales (a)	Liability Per Capita Population (b)
2002	$ 58,915,000	2.18%	$ 292.28
2003	113,300,000	4.13%	562.09
2004	109,175,000	3.86%	541.63
2005	141,665,000	4.76%	702.81
2006	176,420,000	5.72%	875.24
2007	213,765,000	6.79%	1,060.51
2008	206,325,000	6.93%	1,023.60
2009	202,960,000	7.70%	1,006.91
2010	263,759,445	9.55%	1,308.54

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) See Schedule 6 for net taxable sales.

(b) See Schedule 15 for population data.

CITY OF MONTGOMERY, ALABAMA

SCHEDULE 12

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Direct and Overlapping Debt
2002			
Direct			
City of Montgomery:			
General Obligation including Capital Leases	$ 76,679,418	100.000%	$ 76,679,418
Overlapping			
County of Montgomery:			
Montgomery County General and Limited Obligation Warrants	35,169,580	86.57%	30,446,305
Total direct and overlapping debt	$ 111,848,998		$ 107,125,723
2003			
Direct			
City of Montgomery:			
General Obligation including Capital Leases	$ 123,147,805	100.000%	$ 123,147,805
Overlapping			
County of Montgomery:			
Montgomery County General and Limited Obligation Warrants	47,203,428	88.59%	41,817,517
Total direct and overlapping debt	$ 170,351,233		$ 164,965,322
2004			
Direct			
City of Montgomery:			
General Obligation including Capital Leases	$ 147,249,571	100.000%	$ 147,249,571
Overlapping			
County of Montgomery:			
Montgomery County General and Limited Obligation Warrants	44,500,000	87.43%	38,906,350
Total direct and overlapping debt	$ 191,749,571		$ 186,155,921
2005			
Direct			
City of Montgomery:			
General Obligation including Capital Leases	$ 177,327,445	100.000%	$ 177,327,445
Overlapping			
County of Montgomery:			
Montgomery County General and Limited Obligation Warrants	41,270,000	85.81%	35,413,787
Total direct and overlapping debt	$ 218,597,445		$ 212,741,232

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 12
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (CONTINUED)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Direct and Overlapping Debt
2006			
Direct			
City of Montgomery:			
General Obligation including Capital Leases	$ 211,911,537	100.00%	$ 211,911,537
Overlapping			
County of Montgomery:			
Montgomery County General and Limited Obligation Warrants	112,877,677	85.03%	95,976,480
Total direct and overlapping debt	$ 324,789,214		$ 307,888,017
2007			
Direct			
City of Montgomery:			
General Obligation including Capital Leases	$ 250,553,006	100.00%	$ 250,553,006
Overlapping			
County of Montgomery:			
Montgomery County General and Limited Obligation Warrants	144,875,820	85.02%	123,179,018
Total direct and overlapping debt	$ 395,428,826		$ 373,732,024
2008			
Direct			
City of Montgomery:			
General Obligation including Capital Leases	$ 244,047,106	100.00%	$ 244,047,106
Overlapping			
County of Montgomery:			
Montgomery County General and Limited Obligation Warrants	140,090,000	79.48%	111,336,779
Total direct and overlapping debt	$ 384,137,106		$ 355,383,885
2009			
Direct			
City of Montgomery:			
General Obligation including Capital Leases	$ 234,790,826	100.00%	$ 234,790,826
Overlapping			
County of Montgomery:			
Montgomery County General and Limited Obligation Warrants	136,055,000	85.58%	116,433,543
Total direct and overlapping debt	$ 370,845,826		$ 351,224,369

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 12
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (CONTINUED)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Direct and Overlapping Debt
2010			
Direct			
City of Montgomery:			
General Obligation including Capital Leases	$ 292,967,576	100.00%	$ 292,967,576
Overlapping			
County of Montgomery:			
Montgomery County General and Limited Obligation Warrants	132,070,000	86.81%	114,648,161
Total direct and overlapping debt	$ 425,037,576		$ 407,615,737

Sources: Assessed value data used to estimate applicable percentages provided by the Montgomery County Revenue Commissioner. Debt outstanding data provided by the Montgomery County Commission.

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

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

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 13
LEGAL DEBT MARGIN INFORMATION

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	$303,867,792	$322,265,419	$ 355,876,420	$ 390,490,584	$ 453,968,000	$ 453,972,540	$ 549,783,152	$ 565,013,780	$ 559,440,631
Total net debt applicable to limit	57,679,418	104,147,805	128,249,571	158,327,445	192,911,537	189,594,143	185,430,776	178,602,164	224,288,072
Legal debt margin	$ 246,188,374	$ 218,117,614	$ 227,626,849	$ 232,163,139	$ 261,056,463	$ 264,378,397	$ 364,352,376	$ 386,411,616	$ 335,152,559
Total net debt applicable to the limit as a percentage of debt limit	18.98%	32.32%	36.04%	40.55%	42.49%	41.76%	33.73%	31.61%	40.09%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed property value	$ 2,797,203,157
Debt limit (20% of assessed property value)	$ 559,440,631
Debt applicable to limit:	
General obligation debt including capital leases	292,967,576
Less: Debt attributable to construction of school houses	(68,679,504)
Total net debt applicable to limit	224,288,072
Legal debt margin	$ 335,152,559

CITY OF MONTGOMERY, ALABAMA

SCHEDULE 14

PLEDGED-REVENUE COVERAGE

	Revenue Warrants			
		Debt Service		
Fiscal Year	Lodging Tax Revenue	Principal	Interest	Coverage
2002	$ -	$ -	$ -	$ -
2003	1,128,133	-	-	-
2004	1,301,557	-	495,863	2.62
2005	1,499,865	500,000	1,301,632	0.83
2006	1,599,457	1,520,000	1,445,468	0.54
2007	1,613,870	555,000	1,417,613	0.82
2008	1,622,584	595,000	1,288,115	0.86
2009	6,587,815	5,135,000	1,105,969	1.06
2010	5,578,274	180,000	1,077,463	4.44

Notes: Details regarding the City's revenue warrants can be found in the notes to the financial statements. The revenue warrants issued in December 2003 are secured by 2.5% of the 8.5% lodging tax levied by the City.

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 15
DEMOGRAPHIC AND ECONOMIC STATISTICS

Calendar Year	Population	Personal Income	Per Capita Personal Income	School Enrollment	Montgomery County Unemployment Rate
2002	201,568	$3,907,395,680	$ 19,385	32,692	4.7%
2003	201,568	3,907,395,680	19,385	32,587	4.8%
2004	201,568	3,907,395,680	19,385	32,106	5.1%
2005	201,568	3,907,395,680	19,385	32,653	4.3%
2006	201,568	4,572,368,512	22,684	32,520	3.4%
2007	201,568	4,682,223,072	23,229	31,939	3.7%
2008	201,568	4,743,902,880	23,535	31,588	5.4%
2009	201,568	4,672,346,240	23,180	31,743	10.1%
2010	201,568	4,831,181,824	23,968	31,681	9.2%

Sources: Population information provided by the 2000 Census. Personal income information provided by the Economic Development Partnership of Alabama. Unemployment data provided by the State Department of Labor. School enrollment data provided by Montgomery County Public School Board.

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 16
PRINCIPAL EMPLOYERS

	2002		2010	
Employer	**Employees**	**Percentage of Total City Employment**	**Employees**	**Percentage of Total City Employment**
Maxwell-Gunter Air Force Base	15,000	7.81%	12,280	6.31%
State of Alabama	9,500	4.95%	9,500	4.88%
Montgomery Public Schools	4,000	2.08%	4,524	2.32%
Baptist Health Systems	4,300	2.24%	4,300	2.21%
Hyundai Motor Manufacturing AL	-	0.00%	2,800	1.44%
ALFA Insurance Companies	2,267	1.18%	2,568	1.32%
City of Montgomery	2,300	1.20%	2,500	1.28%
Jackson Hospital & Clinic, Inc.	1,300	0.68%	1,300	0.67%
Regions Bank	977	0.51%	977	0.50%
GKN Aerospace	-	0.00%	945	0.49%
754th Electronic Systems Group	-	0.00%	-	0.00%
Rheem Water Heaters	1,150	0.60%	-	0.00%
Baptist Medical Center South	1,400	0.73%	-	0.00%
Total	42,194	21.98%	41,694	21.42%

Source: Montgomery Chamber of Commerce.

Note: This schedule presents 2010 compared to 2002. Information for 2001 (nine years ago) is not presented because it is not readily available.

CITY OF MONTGOMERY, ALABAMA

SCHEDULE 17

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Function/Program	Full-time-Equivalent Employees as of September 30								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government:									
Mayor	7	7	6	6	6	6	6	5	6
City Clerk	3	3	3	3	3	3	4	4	4
City Attorney	7	8	8	5	9	9	13	7	11
Finance	81	81	76	69	76	55	59	54	55
Information Technology	-	-	-	-	-	19	24	14	20
Garage	71	75	77	77	77	80	75	78	74
Municipal Court	31	32	31	40	40	43	48	52	49
Municipal Parking Decks	2	2	2	2	2	3	4	5	5
Planning and Development	33	33	37	35	36	38	36	36	34
Public safety:									
Police:									
Officers	466	538	527	501	483	485	512	507	500
Civilians	164	186	191	143	141	142	147	173	168
Fire:									
Officers	529	527	550	550	537	515	542	539	496
Civilians	19	23	24	7	7	7	8	9	8
City/County Emergency Management Agency	2	3	3	3	3	4	3	5	11
Communications	-	-	-	84	85	79	88	86	81
Public works:									
Engineering	86	86	88	88	87	89	87	26	25
Inspections	-	-	-	-	-	-	-	38	36
Landfill	-	-	-	-	-	-	-	20	21
Maintenance	158	159	326	340	324	313	326	276	201
Sanitation	138	142	324	322	323	336	311	316	281
Traffic Engineering	40	42	42	41	43	45	44	41	42
Culture and recreation:									
Parks and Recreation	178	179	318	304	306	304	294	286	267
Civic Center	31	32	43	6	-	-	-	-	-
Downtown Redevelopment	-	-	-	-	6	9	9	8	8
Lagoon and Gateway Parks	17	16	30	30	41	41	42	31	28
Library	55	60	67	72	67	67	67	65	63
Montgomery Zoo and Food Services	40	72	92	82	91	92	87	92	89
Museum	37	39	38	39	36	37	40	36	34
Old Alabama Town	-	-	-	-	4	4	4	4	-
Leisure Department - Building Maintenance	-	-	-	-	-	-	-	103	67
Public Information and External Affairs	-	-	-	-	-	-	-	4	4
Total	2,195	2,345	2,903	2,849	2,832	2,825	2,880	2,920	2,688

Source: City Finance Department.

Notes: A full-time employee is scheduled to work 40 hours per week (including vacation and sick leave).

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 18
OPERATING INDICATORS BY FUNCTION/PROGRAM

Function/Program	Fiscal Year 2002	2003	2004	2005	2006	2007	2008	2009	2010
General government:									
Business licenses issued	18,465	16,652	17,092	17,264	17,664	17,811	16,909	16,922	15,353
Building permits issued	11,774	11,208	11,237	12,457	11,176	10,649	7,813	5,919	6,578
Public safety:									
Police:									
Physical arrests	9,481	8,430	7,378	8,773	8,423	10,104	6,981	10,436	11,493
Parking violations	77,093	74,113	74,816	77,476	77,205	68,667	73,006	57,674	51,744
Traffic violations	42,820	54,704	50,603	46,244	56,777	66,669	119,416	117,158	104,462
Fire:									
Emergency responses	23,775	24,424	26,248	27,564	29,042	30,032	30,211	28,578	25,510
Fires extinguished	5,197	4,914	4,608	5,487	5,341	5,236	5,666	5,006	5,339
Inspections	16,772	21,210	20,622	19,178	24,122	28,792	18,140	18,966	15,661
Public works:									
Refuse collected (tons per year)	128,718	137,000	152,463	141,959	132,813	130,537	132,645	123,504	112,889
Recyclables collected (tons per year)	2,212	2,316	2,052	2,225	2,222	2,185	2,690	2,775	1,275
Streets resurfaced (tons of paving material)	17,924	44,635	46,400	43,680	52,884	42,885	44,228	44,247	28,023
Transit:									
Passengers	511,162	562,923	632,277	749,554	907,999	1,086,762	1,328,459	1,336,936	1,255,463
Culture and recreation:									
Library:									
Total circulation	433,973	449,521	447,157	471,328	497,872	445,882	458,072	450,285	448,993
Parks and recreation:									
Golf rounds played	32,859	33,838	29,277	25,386	27,926	39,871	39,926	40,053	40,108
Youth baseball/softball games played	6,314	6,208	6,189	6,296	6,231	6,278	6,295	6,361	6,291
League and tournament games played	3,447	3,448	2,970	2,663	2,845	2,920	2,935	2,568	3,018
Games played in athletic facilities:									
Basketball	750	749	750	739	765	790	810	825	832
Volleyball	56	58	58	58	58	75	84	75	82
Football	375	378	377	375	378	385	395	408	415
Soccer	1,109	1,120	1,205	1,230	1,245	1,275	1,290	1,305	1,320

Sources: Various City departments.

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 19
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Function/Program	Fiscal Year 2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety:									
Police:									
Stations	1	1	1	1	1	1	1	1	1
Patrol cars	255	255	260	270	270	224	224	248	216
Fire stations	15	15	15	15	15	15	15	15	15
Public works:									
Streets (miles)	-	-	-	-	1,079	1,085	1,099	1,107	1,203
Traffic signals	388	397	406	420	429	438	438	470	474
Street lights	27,486	27,623	27,682	27,812	27,906	28,011	28,230	29,013	29,057
Refuse collection trucks	120	121	136	119	134	130	128	125	130
Transit:									
Buses	54	69	55	43	43	43	50	50	45
Cultural and recreation:									
Acreage	1,626	1,626	1,690	1,720	1,722	1,722	1,822	1,827	1,836
Golf courses (acres)	410	410	410	410	610	610	610	610	610
Playgrounds	59	59	60	60	60	60	60	60	60
Baseball/softball fields	84	84	84	84	84	90	90	87	87
Tennis courts	42	42	42	42	42	42	42	46	46
Special facilities	6	6	6	6	6	6	6	6	6
Community centers	28	28	28	28	28	28	28	28	26

Sources: Various City departments.

Notes: No capital asset indicators are available for the general government. Street mileage for years prior to 2006 could not be determined.