

CITY OF MONTGOMERY, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

CITY OF MONTGOMERY, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2011

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INTRODUCTORY SECTION

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- 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. Jirright - President	Cornelius Calhoun	Arch Lee
Tracy Larkin - Pro tem	Jon Dow	Charles Smith
David Burkette	Glen Pruitt, Jr.	Jim Spear

March 27, 2012

To the Citizens of
The City of Montgomery
Montgomery, Alabama

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, 2011. 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.

Local government is required by law to publish within six (6) months of the close of each fiscal year audited financial statements. State statutes require an annual audit by independent certified public accountants. This report is published to fulfill that requirement for the fiscal year ended September 30, 2011. The accounting firm of Jackson Thornton & Co., P.C. was selected to conduct the 2011 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.

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 more than 205,000. The City's vision to sustain a safe, vibrant, and growing Montgomery in its entirety that all citizens can be proud to call "home" has become a reality in the way services are provided to its citizens, construction of new public facilities, along with expansion and the 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 in the General Fund 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

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. The automobile industry in central Alabama has created many new opportunities and currently accounts for approximately 10% of the workforce in the region

Montgomery's central location in the state has made it an important processing and shipping hub for products such as cotton, peanuts, 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 still leads the state in the creation of new and expanded industry. The economic future for the City of Montgomery continues to show signs of growth which is primarily due to the creation of new and expanded industry in the region. Although the local economy is buffered by the presence of local, state, and federal governments, including two military bases, the unemployment rate for Montgomery increased slightly from 9.2% to 10.0% in 2011. Although the economy was still struggling in 2011, sales tax receipts and hotel occupancy in the City increased over the previous year 2.96% and 2.40%, respectively.

The face of Downtown Montgomery continued to change in 2011. 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. Construction in Grocer's Alley was completed in 2011 and 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 eleven (11) seasons in Montgomery. The minor league team has won two Southern League Championships.

The Montgomery metropolitan area has been ranked #7 in economic growth potential by *Business Facilities* magazine. The ranking was based on job creation and project development in specific industry sectors along with incentive programs and the availability of a skilled workforce. Also, an independent economic research firm specializing in analyzing local and state economies ranked Montgomery 84th out of 366 U.S. metro areas in economic strength. The firm measured twenty-three (23) different economic factors over a twenty-year period.

The City's economic development continued to expand in 2011 as outlined below:

- (1) New capital investments in excess of \$237,000,000 for the creation of new industry and expansion of existing industries that is expected to bring approximately 607 additional jobs to the region. The new and expanded industries include the following:

<u>Company</u>	<u>Capital Investment</u>	<u>#Jobs</u>
All State Beverage Company	\$ 4,000,000	20
Hartzell Engine Technologies	2,100,000	20
Hyundai Motor Manufacturing Alabama	173,000,000	214
J & P Khamken	879,000	25
Knox Kershaw, Inc.	300,000	5
KyungShin Lear	-----	64
Mobis Alabama	38,977,200	133
PHA Body Systems	3,562,603	25
Publications Press, Inc.	310,000	---
Rheem Water Heaters	3,600,000	26
Shandong Swan USA	-----	10
Shinsung Petrochemical	-----	20
Jay R. Smith Manufacturing	1,800,000	20
Store Room Fasteners	1,850,000	5
Thermalax	7,400,000	20

- (2) Renovation of Cramton Bowl Football Field and the addition of an indoor sports facility were near completion in 2011. These facilities are expected to bring several major sports tournaments to the City.
- (3) Continued acquisition of blighted properties that are being sold to private investors for new retail businesses, restaurants, and loft apartments.
- (4) Construction of new public safety facilities were in process in 2011 for the enhancement of safety for the City's citizens.
- (5) Expansion of a connector road in east Montgomery that will enhance development by private investors in new home construction.
- (6) Construction continues on the Maxwell Boulevard project. This infrastructure project will provide better access to Maxwell Air Force Base and allow a safer thoroughfare for traffic.
- (7) Infrastructure changes are still in process in the City. These infrastructure improvements will ease traffic congestion and allow easier access to various secondary streets for a growing population.
- (8) The ease for citizens to purchase business licenses and permits and pay tax revenue in a one-stop shop was located on Washington Avenue.
- (9) The City's location along the Alabama River and extensive rail connections makes Montgomery a regional distribution hub for a wide range of industry.

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.

The renovations on the Washington Avenue Building purchased by the City to set up a “one-stop shop” for customers was completed and all departments having direct contact with citizens for the purchase of business licenses, permits, and remitting of sales receipts were located in the building in 2011.

The joint venture entered into by the City with Montgomery County to open 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. Due to the overwhelming use of the two (2) original clinics, it was necessary to open a third clinic in 2011. The hours of operation and more staff were added to accommodate the demand on services at the clinics. CareHere, LLC is managing all aspects of operations for these clinics.

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, educational 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.

AWARDS AND ACKNOWLEDGEMENTS

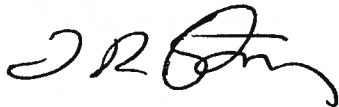
The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Montgomery for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2010. In order to be awarded 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 2011 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.

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, 2011.

The preparation of this report would not have been possible without the efficient and dedicated service of the 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, 2010

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.



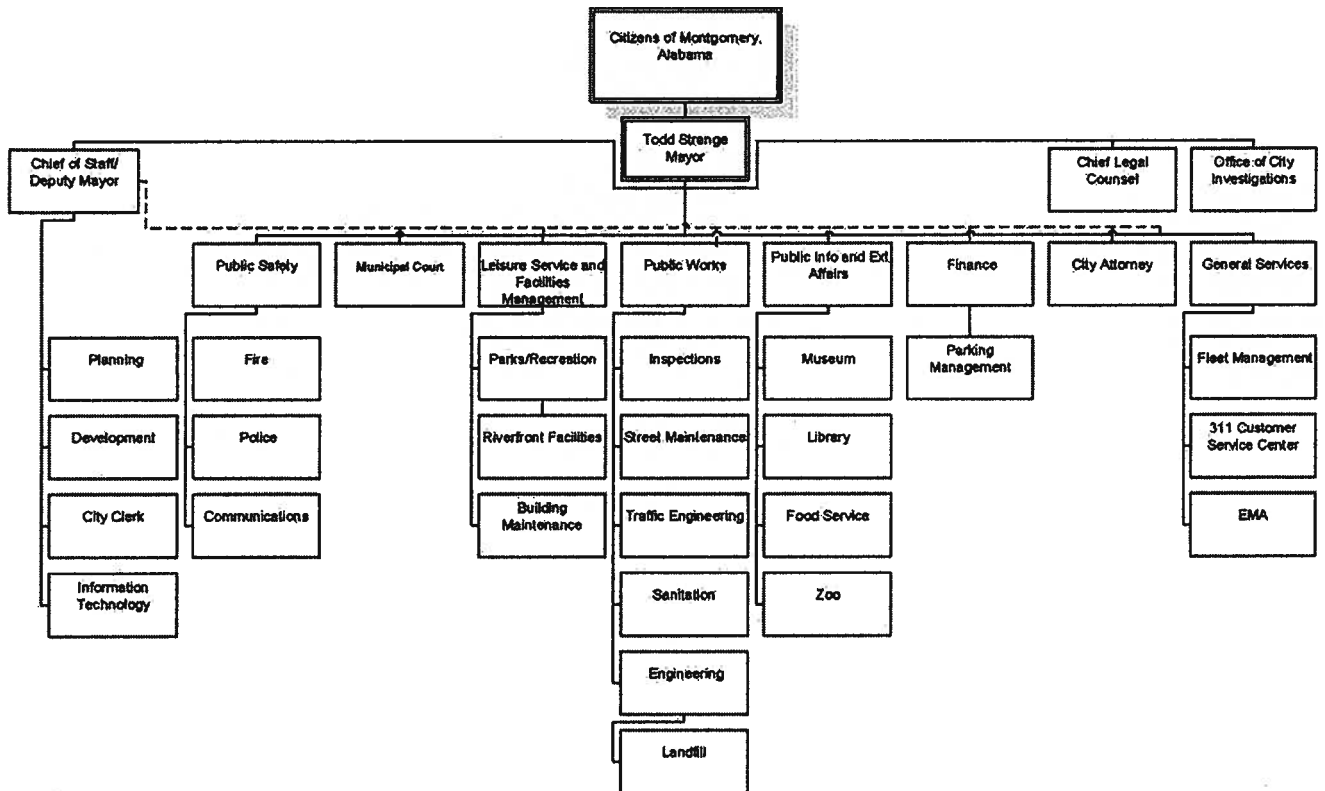
Linda C. Davison

President

Jeffrey R. Emer

Executive Director

CITY OF MONTGOMERY, ALABAMA ORGANIZATIONAL CHART



CITY OF MONTGOMERY, ALABAMA
ELECTED AND APPOINTED OFFICIALS
SEPTEMBER 30, 2011

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	Jon Dow
District 7	Arch Lee
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 and External Affairs	Michael Briddell
Director of Public Works	Christopher W. Conway
Emergency Management	Michael Stoudenmeier
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
General Services	Stephen Jones
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
	Kenneth Nixon, Court Administrator
Museum	Mark M. Johnson
Parking Decks	Bryan Dunn
Parks and Recreation	Scott Miller
Planning	Robert Smith
Development	Chad Emerson
Police	Chief Kevin Murphy
Riverfront Facilities	Thomas Pierce
Sanitation	Daniel R. Dickey
Traffic Engineering	Locke D. Bowden

The elected and appointed officials were those in office at September 30, 2011.

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



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, 2011, 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, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2012 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 Shernton & Co. PC

Montgomery, Alabama
March 27, 2012

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, 2011. 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 ending September 30, 2011.

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.

Financial Highlights

The City of Montgomery's assets exceeded its liabilities at September 30, 2011, by \$70,700,770 (net assets). However, \$290,083,996 was either restricted or invested in capital assets leaving a deficit unrestricted balance of \$219,383,226.

The City's total net assets decreased \$40,450,999. This decrease was primarily due to the depreciation expense incurred for the year and the net increase in the other post employment benefits obligation.

At September 30, 2011, the City of Montgomery's governmental funds reported combined ending fund balances of \$50,236,454, a decrease of \$41,052,662 over the previous fiscal year. Of the ending governmental fund balance, \$8,333,954 is non-spendable for assets held for resale, inventories, long-term receivables, and prepaid items. The largest portion of the governmental fund balance is in the amount of \$47,409,811 which is restricted for capital projects, debt service, intergovernmental activities, the City's landfill, the Municipal Court Corrections, the Riverfront Stadium and various roads. There is also an assigned amount of \$780,842 for capital projects and other miscellaneous projects. The combined totals for non-spendable, restricted and assigned, less the unassigned amount of \$6,288,153 yields a total combined ending fund balance of \$50,236,454 for fiscal year 2011.

The General Fund reported an unassigned deficit balance of \$2,147,624 or 1.16% of the total general fund expenditures due to the transfer of expenditures in the City's Internal Service Fund for rising healthcare costs and deficits in one of the City's enterprise funds. Expenditures of healthcare costs have risen in recent years for City employees and their dependents due to catastrophic illnesses. Management has implemented policy to ensure that adequate appropriations are included in future budgets to circumvent the need to transfer such expenditures from the Internal Service Fund and Enterprise Funds to the General Fund.

Governmental Activities revenue decreased by \$10,925,006 or 4.41%, and expenses increased \$3,179,981 or 1.19% from the previous year. The decrease in revenues was primarily attributable to a 6.79% decrease in charges for services, a 1.59% decrease in operating grants and contributions, a 48.17% decrease in capital grants and contributions, a 1.57% decrease in property tax revenue and an 8.42% decrease in other miscellaneous receipts. The overall decrease was offset by a 2.96% increase in sales tax revenue and a 2.90% increase in business license revenue over the previous year.

Long-term debt, consisting of general obligation bonds and capital leases, decreased in the amount \$6,499,062 or 2.22% from the previous year. This was due to the payoff of principal on general obligation warrants, revenue warrants, capital leases and not incurring any new debt in 2011.

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

The 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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of 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 thirteen (13) 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 ten (10) 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.

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

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Montgomery's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 79 of this report.

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 81 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 \$70,700,770, as reflected in the following table:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets (net of internal balances)	\$ 77,875,350	\$ 116,387,837	\$ 1,916,737	\$ 2,614,027	\$ 79,792,087	\$ 119,001,864
Internal balances	1,921,929	537,466	(1,921,929)	(537,466)	-	-
Capital assets	369,646,356	369,067,773	34,407,586	14,351,455	404,053,942	383,419,228
Total Assets	449,443,635	485,993,076	34,402,394	16,428,016	483,846,029	502,421,092
Long-term liabilities	362,318,821	349,089,380	632,568	687,487	362,951,389	349,776,867
Other liabilities	49,400,871	40,894,091	792,999	598,365	50,193,870	41,492,456
Total Liabilities	411,719,692	389,983,471	1,425,567	1,285,852	413,145,259	391,269,323
Net assets						
Invested in capital assets, net of related debt	203,973,790	253,437,449	34,407,586	14,351,455	238,381,376	267,788,904
Restricted	51,702,620	88,846,980	-	-	51,702,620	88,846,980
Unrestricted	(217,952,467)	(246,274,824)	(1,430,759)	790,709	(219,383,226)	(245,484,115)
Total Net Assets	\$ 37,723,943	\$ 96,009,605	\$ 32,976,827	\$ 15,142,164	\$ 70,700,770	\$ 111,151,769

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 \$51,702,620 and are restricted for use in public works, public safety, cultural and recreational, capital projects, debt service and Municipal Court Corrections. The remaining deficit in unrestricted net assets is due in part to outstanding indebtedness incurred for facilities owned by the Montgomery County Board of Education. As of September 30, 2011, 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 \$40,450,999 or 36.39% 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 \$18,986,458 for the year ended September 30, 2011.
- (2) Depreciation expense of \$25,945,831 on governmental activities and \$1,711,659 on business-type activities.
- (3) Significant decrease in charges for services and capital grants and contributions.

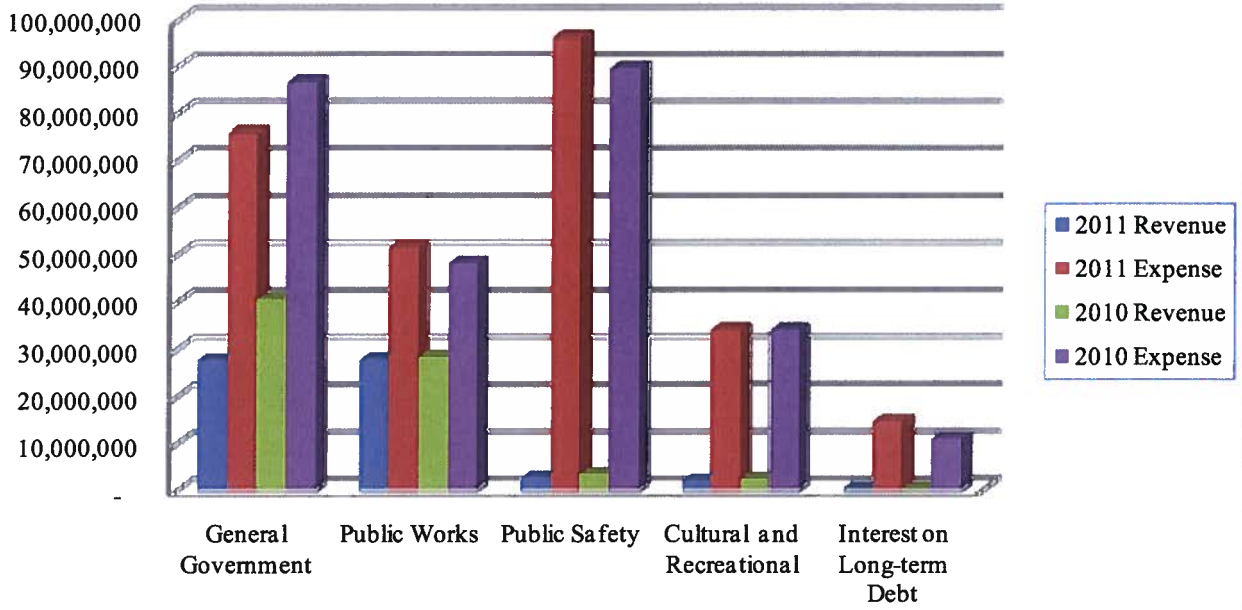
City of Montgomery's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	\$ 34,598,286	\$ 37,117,393	\$ 6,120,231	\$ 5,287,416	\$ 40,718,517	\$ 42,404,809
Operating grants and contributions	13,082,354	14,727,336	-	-	13,082,354	14,727,336
Capital grants and contributions	11,386,411	21,969,518	-	-	11,386,411	21,969,518
General revenues						
Property taxes	30,885,675	31,378,176	-	-	30,885,675	31,378,176
Sales taxes	88,699,968	86,150,767	-	-	88,699,968	86,150,767
Other taxes	18,830,855	18,872,906	-	-	18,830,855	18,872,906
Business licenses	31,366,586	30,482,588	-	-	31,366,586	30,482,588
Other	8,224,899	7,301,356	37,672	391	8,262,571	7,301,747
Total revenues	237,075,034	248,000,040	6,157,903	5,287,807	243,232,937	253,287,847
Expenses						
General government	75,547,042	86,120,124	-	-	75,547,042	86,120,124
Public works	51,232,910	47,781,026	-	-	51,232,910	47,781,026
Public safety	95,703,085	89,288,506	-	-	95,703,085	89,288,506
Cultural and recreational	33,826,263	33,837,935	-	-	33,826,263	33,837,935
Interest on long-term debt	14,459,954	10,561,682	-	-	14,459,954	10,561,682
Montgomery Zoo	-	-	5,960,749	5,889,762	5,960,749	5,889,762
Montgomery Area Transit System	-	-	3,516,281	2,291,121	3,516,281	2,291,121
Lagoon and Gateway Parks	-	-	2,343,402	2,014,501	2,343,402	2,014,501
Municipal Parking Decks	-	-	330,042	348,955	330,042	348,955
Montgomery River Boat	-	-	764,208	858,102	764,208	858,102
Total expenses	270,769,254	267,589,273	12,914,682	11,402,441	283,683,936	278,991,714
Decrease in assets before transfers and capital contributions	(33,694,220)	(19,589,233)	(6,756,779)	(6,114,634)	(40,450,999)	(25,703,867)
Transfers in (out)	(24,591,442)	(13,762,102)	24,591,442	13,762,102	-	-
Increase (decrease) in net assets	(58,285,662)	(33,351,335)	17,834,663	7,647,468	(40,450,999)	(25,703,867)
Net assets - beginning	96,009,605	129,360,940	15,142,164	7,494,696	111,151,769	136,855,636
Net assets - ending	\$ 37,723,943	\$ 96,009,605	\$ 32,976,827	\$ 15,142,164	\$ 70,700,770	\$ 111,151,769

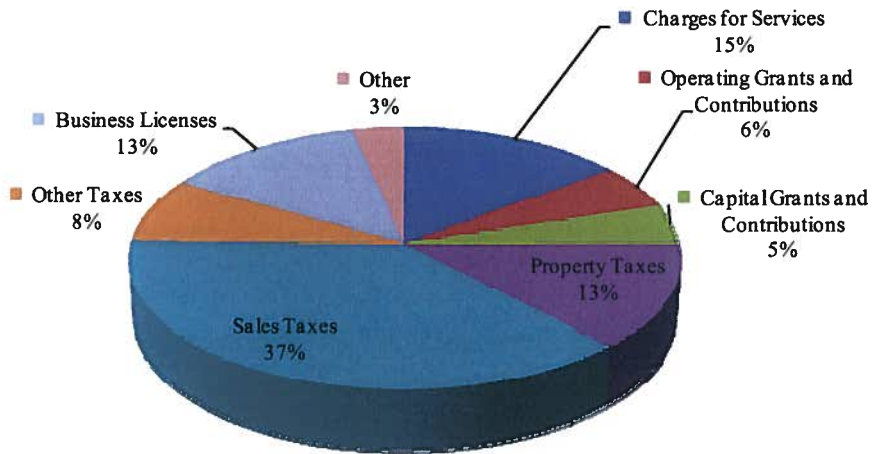
Governmental Activities

Governmental activities decreased the City's net assets by \$58,285,662, thereby accounting for 144.09% 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 increases in sales tax revenue and business licenses receipts in 2011.

**EXPENSES AND PROGRAM REVENUES
GOVERNMENTAL ACTIVITIES**

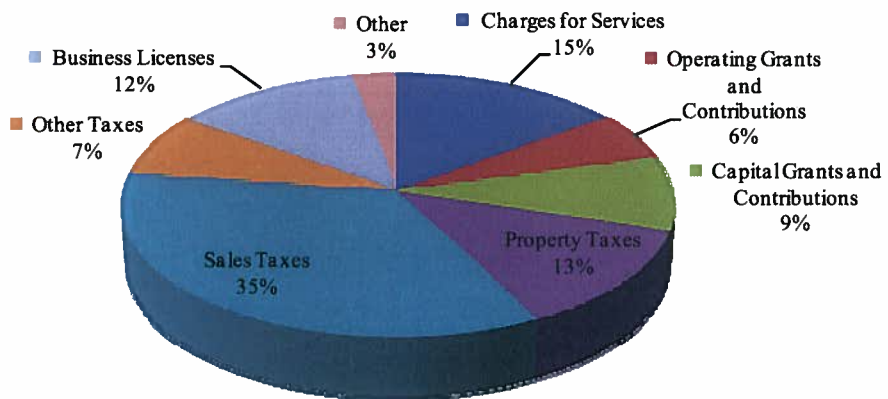


**REVENUE BY SOURCE - GOVERNMENTAL
ACTIVITIES FISCAL YEAR 2011**



Charges for Services	Operating Grants and Contributions
Capital Grants and Contributions	Property Taxes
Sales Taxes	Other Taxes
Business Licenses	Other

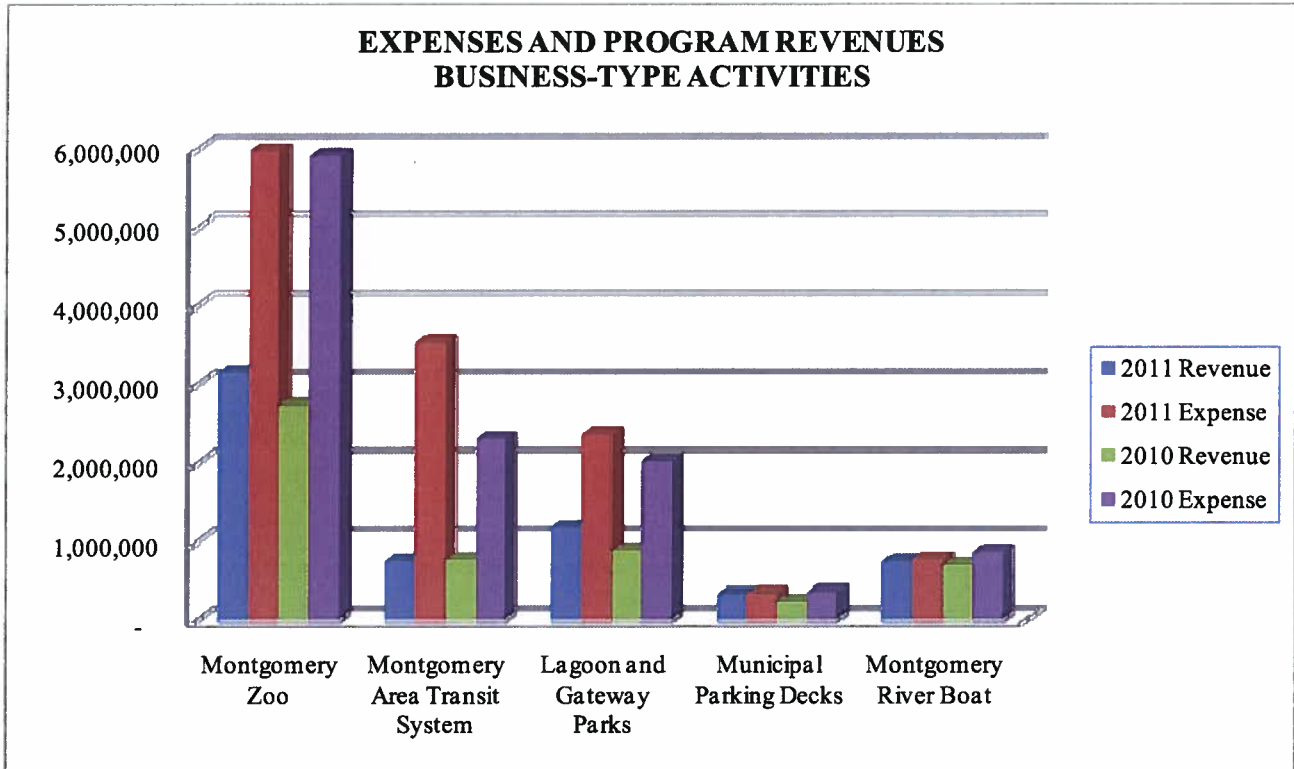
**REVENUE BY SOURCE - GOVERNMENTAL
ACTIVITIES FISCAL YEAR 2010**



Charges for Services	Operating Grants and Contributions
Capital Grants and Contributions	Property Taxes
Sales Taxes	Other Taxes
Business Licenses	Other

Business-type Activities

Business-type activities increased the City’s net assets by \$17,834,663, thereby accounting for a 44.09% offset 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, unassigned fund balance is a particularly useful measure of net resources available for spending at the end of the fiscal year. As of September 30, 2011, the City of Montgomery’s Governmental Funds had a deficit unassigned fund balance for governmental activities. This was primarily due to the nonspendable fund balance as required by GASB Statement No. 54.

At September 30, 2011, total fund balance in the General Fund was \$5,244,682. The General Fund balance decreased \$4,145,275 or 44.15% from the previous year. The decline in the General Fund balance was due to the transfer of the expenditures in the Internal Service Fund for rising healthcare costs and a deficit in one of the enterprise funds. Expenditures of healthcare costs have risen in recent years for City employees and their dependents due to catastrophic illnesses. Management has implemented a policy 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, operating and capital grants and contributions.

Total revenue of the General Fund decreased by \$3,052,325 or 1.51% in 2011 compared to the previous year due to a decline in charges for services, property taxes, fines and forfeitures, and other miscellaneous revenue. Expenditures of the General Fund at fiscal year-end were \$3,945,203 or 2.18% greater than the previous year which was due primarily to the increased operational costs.

Capital Project Funds – G.O. Warrants fund balance decreased \$28,898,170 or 46.32% from the previous year due to an increase in the outflows from prior year other financing sources (i.e., issuance of general obligation warrants in 2010). Those outflows were for costs incurred for several capital projects that were in process in 2011 such as the Cramton Bowl improvements, construction of an indoor sports facility, and several public safety projects.

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 \$34,249,413. Total net assets increased for enterprise funds by \$18,108,333 or 112.19% in 2011 from the previous year. Total operating revenue remained stable for enterprise funds. Due to the completion of the Intermodal Facility in 2011, MATS became a major enterprise fund with net assets totaling \$23,076,682 or 62.37% of total assets for the Enterprises Funds. Net assets for MATS increased from \$3,680,482 to \$23,076,682 or 527.00%.

Internal Service Funds - Internal service funds are designed to recover the internal costs of government services provided to other fund groups. At September 30, 2011, the internal service funds reported a deficit of \$7,683,463 for its net asset balance, which was due to the amount of estimated claims payable and advances payable to the General Fund.

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, 2011, was \$404,053,942 (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	
	2011	2010	2011	2010	2011	2010
Land	\$ 53,751,574	\$ 48,054,424	\$ 1,047,942	\$ 1,047,942	\$ 54,799,516	\$ 49,102,366
Buildings	115,655,858	127,264,488	25,320,684	8,865,231	140,976,542	136,129,719
Improvements other than buildings	45,024,144	36,873,204	1,824,218	2,042,827	46,848,362	38,916,031
Machinery and equipment	28,980,801	29,869,929	6,214,742	2,395,455	35,195,543	32,265,384
Infrastructure	103,972,361	112,978,223	-	-	103,972,361	112,978,223
Construction in progress	22,261,618	14,027,505	-	-	22,261,618	14,027,505
Totals	\$ 369,646,356	\$ 369,067,773	\$ 34,407,586	\$ 14,351,455	\$ 404,053,942	\$ 383,419,228

Additional information on the City of Montgomery's capital assets can be found in Note 7 beginning on page 60 of this report.

Long-Term Debt - At the end of the fiscal year the City of Montgomery had secured and bonded debt outstanding of \$286,468,514. Of this amount \$257,892,778 comprises debt backed by the full faith and credit of the City and \$10,600,736 in long-term leases. The revenue warrants of \$17,975,000 are secured by specified revenue sources and a letter of credit. The City's long-term debt decreased \$6,499,062 or 2.22% from the previous year due to paying principal amounts off for various general obligation warrants, revenue bonds and capital leases.

Long-term Debt

	2011	2010	Increase (Decrease)
General obligation bonds	\$ 257,892,778	\$ 263,759,445	\$ (5,866,667)
Revenue warrants	17,975,000	18,205,000	(230,000)
Capital Leases	10,600,736	11,003,131	(402,395)
Totals	\$ 286,468,514	\$ 292,967,576	\$ (6,499,062)

The City of Montgomery carries an Aa2 rating from Moody's and an AA rating from Standard and Poor's. 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 63 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 operations of the City of Montgomery are a dynamic business that requires strict budget control 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, 2011, actual revenues were less than budgeted revenues by \$2,866,933. The primary reasons for the variance are as follows:

- Fines and forfeitures had a variance of \$4,870,562 or 46.97% due to a reclassification of \$2,353,649 of revenues restricted for Municipal Court Corrections to a special revenue fund, and a significant decline in issuance of parking and traffic tickets.
- Intergovernmental revenues remained flat due to the decline in federal and state funding which was directly attributable to declining economic conditions.

As of September 30, 2011, actual expenditures were less than budgeted expenditures by \$1,380,330 due to the following:

- General Government actual expenditures were less than budgeted expenditures by \$1,117,735.
- Public Works actual expenditures were less than budgeted expenditures by \$107,084.
- Public Safety actual expenditures were less than budgeted expenditures by \$124,171.
- Cultural and Recreational actual expenditures were less than budgeted expenditures by \$7,587.
- Debt service actual expenditures were less than budgeted expenditures by \$23,753.

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 1.21% 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. Non-essential positions were not filled in 2011.

Economic Factors and Year 2012

The following factors were considered in preparing The City of Montgomery's Budget for Fiscal Year 2012:

- Although Montgomery's unemployment rate increased from 9.2% in 2010 to 10.0% in 2011, the unemployment rate remained lower than the average for years prior to 2010. The increase of the unemployment rate of 0.8% in 2011 was directly related to the sluggish economy.
- The City of Montgomery's increased population makes it 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.
- Sales tax revenue continued to increase in 2011. It is anticipated that revenue will increase slowly as the economy rebounds.
- Continued increases in industrial and residential development.

At September 30, 2011, fund balance in the General Fund was \$5,244,681. The City of Montgomery did not appropriate any fund balance from the 2011 fund balance for spending in the 2012 fiscal year budget. The City will continue to provide 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 from the funds appropriated in the 2012 budget.

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, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Public Library
ASSETS				
Cash and cash equivalents	\$ 8,310,550	\$ 1,592,364	\$ 9,902,914	\$ 474,420
Cash held by fiscal agent	36,429,625	-	36,429,625	-
Internal balances	1,921,929	(1,921,929)	-	-
Receivables	17,840,940	93,843	17,934,783	733
Inventories	1,216,275	229,614	1,445,889	-
Prepaid items	885,068	916	885,984	-
Assets held for resale	856,500	-	856,500	-
Note receivable	701,126	-	701,126	-
Mortgage receivable	188,289	-	188,289	-
Lease receivable	4,738,536	-	4,738,536	-
Warrants receivable	2,445,696	-	2,445,696	-
Deferred debt expense	2,783,131	-	2,783,131	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	1,479,614	-	1,479,614	-
Capital assets not being depreciated:				
Land	53,751,574	1,047,942	54,799,516	-
Construction in progress	22,261,618	-	22,261,618	-
Collections	-	-	-	10,418,925
Capital assets net of accumulated depreciation:				
Buildings and system	115,655,858	25,320,684	140,976,542	1,827,867
Improvements other than buildings	45,024,144	1,824,218	46,848,362	-
Machinery and equipment	28,980,801	6,214,742	35,195,543	410,811
Infrastructure	103,972,361	-	103,972,361	16,312
TOTAL ASSETS	449,443,635	34,402,394	483,846,029	13,149,068
LIABILITIES				
Accounts payable and accrued expenses	25,470,597	680,745	26,151,342	44,650
Retainage payable	756,107	-	756,107	-
Unearned revenue	936,506	19,163	955,669	-
Funds held in escrow	659,521	-	659,521	-
Noncurrent liabilities:				
Due within one year	21,578,140	93,091	21,671,231	-
Due in more than one year	362,318,821	632,568	362,951,389	-
TOTAL LIABILITIES	411,719,692	1,425,567	413,145,259	44,650
NET ASSETS				
Invested in capital assets, net of related debt	203,973,790	34,407,586	238,381,376	12,673,915
Restricted for:				
Public works	1,304,163	-	1,304,163	-
Public safety	991,204	-	991,204	-
Cultural and recreational	4,622,557	-	4,622,557	76,030
Capital projects	34,609,691	-	34,609,691	62,045
Debt service	9,690,471	-	9,690,471	-
Municipal Court Corrections	484,534	-	484,534	-
Nonexpendable	-	-	-	100,000
Unrestricted	(217,952,467)	(1,430,759)	(219,383,226)	192,428
TOTAL NET ASSETS	\$ 37,723,943	\$ 32,976,827	\$ 70,700,770	\$ 13,104,418

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 75,547,042	\$ 16,597,743	\$ 3,360,056	\$ 7,279,546
Public works	51,232,910	16,482,254	8,075,085	2,772,085
Public safety	95,703,085	-	1,413,418	1,108,308
Cultural and recreational	33,826,263	1,518,289	233,795	226,472
Interest on long-term debt	14,459,954	-	-	-
Total governmental activities	<u>270,769,254</u>	<u>34,598,286</u>	<u>13,082,354</u>	<u>11,386,411</u>
Business-type activities:				
Montgomery Zoo	5,960,749	3,144,888	-	-
Montgomery Area Transit System	3,516,281	746,779	-	-
Lagoon and Gateway Parks	2,343,402	1,167,130	-	-
Montgomery River Boat	764,208	739,255	-	-
Municipal Parking Decks	330,042	322,179	-	-
Total business-type activities	<u>12,914,682</u>	<u>6,120,231</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 283,683,936</u>	<u>\$ 40,718,517</u>	<u>\$ 13,082,354</u>	<u>\$ 11,386,411</u>
Component Unit				
Public Library	<u>\$ 5,157,426</u>	<u>\$ 110,707</u>	<u>\$ 347,462</u>	<u>\$ 20,000</u>
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
\$ (48,309,697)	\$ -	\$ (48,309,697)	\$ -
(23,903,486)	-	(23,903,486)	-
(93,181,359)	-	(93,181,359)	-
(31,847,707)	-	(31,847,707)	-
(14,459,954)	-	(14,459,954)	-
<u>(211,702,203)</u>	<u>-</u>	<u>(211,702,203)</u>	<u>-</u>
-	(2,815,861)	(2,815,861)	-
-	(2,769,502)	(2,769,502)	-
-	(1,176,272)	(1,176,272)	-
-	(24,953)	(24,953)	-
-	(7,863)	(7,863)	-
<u>-</u>	<u>(6,794,451)</u>	<u>(6,794,451)</u>	<u>-</u>
<u>(211,702,203)</u>	<u>(6,794,451)</u>	<u>(218,496,654)</u>	<u>-</u>
			<u>(4,679,257)</u>
88,699,968	-	88,699,968	-
30,885,675	-	30,885,675	-
31,366,586	-	31,366,586	-
8,052,601	-	8,052,601	-
5,712,415	-	5,712,415	-
3,337,930	-	3,337,930	-
1,451,072	-	1,451,072	-
276,837	-	276,837	-
206,561	-	206,561	4,484,292
124,557	372	124,929	4,089
7,734,015	37,300	7,771,315	-
159,766	-	159,766	-
<u>(24,591,442)</u>	<u>24,591,442</u>	<u>-</u>	<u>-</u>
<u>153,416,541</u>	<u>24,629,114</u>	<u>178,045,655</u>	<u>4,488,381</u>
<u>(58,285,662)</u>	<u>17,834,663</u>	<u>(40,450,999)</u>	<u>(190,876)</u>
<u>96,009,605</u>	<u>15,142,164</u>	<u>111,151,769</u>	<u>13,295,294</u>
<u>\$ 37,723,943</u>	<u>\$ 32,976,827</u>	<u>\$ 70,700,770</u>	<u>\$ 13,104,418</u>

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General	Capital Project Funds - G.O. Warrants	Series 2005B Refunding Bonds	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,744,450	\$ 132,857	\$ 1,694,029	\$ 2,839,407	\$ 7,410,743
Cash held by fiscal agent	-	35,655,024	-	774,601	36,429,625
Receivables	12,331,947	367,478	-	5,040,125	17,739,550
Inventories	1,216,275	-	-	-	1,216,275
Prepaid items	156,915	-	-	87,132	244,047
Assets held for resale	-	-	-	856,500	856,500
Note receivable	700,000	1,126	-	-	701,126
Due from other funds	14,773,425	2,304,218	-	19,559,981	36,637,624
Mortgage receivable	-	-	-	188,289	188,289
Lease receivable	-	-	4,738,536	-	4,738,536
Warrants receivable	-	-	2,445,696	-	2,445,696
Advances to other funds	5,316,006	-	-	-	5,316,006
Cash - restricted	-	-	-	1,479,614	1,479,614
TOTAL ASSETS	\$ 37,239,018	\$ 38,460,703	\$ 8,878,261	\$ 30,825,649	\$ 115,403,631
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	\$ 8,807,069	\$ 3,641,063	\$ -	\$ 3,973,250	\$ 16,421,382
Retainage payable	-	501,982	-	254,125	756,107
Due to other funds	22,550,110	630,172	332,076	13,463,071	36,975,429
Funds held in escrow	637,157	-	-	22,364	659,521
Deferred revenue	-	200,000	7,184,232	2,970,506	10,354,738
TOTAL LIABILITIES	31,994,336	4,973,217	7,516,308	20,683,316	65,167,177
FUND BALANCES					
Nonspendable:					
Assets held for resale	-	-	-	856,500	856,500
Inventories	1,216,275	-	-	-	1,216,275
Long term receivables	6,016,006	1,126	-	-	6,017,132
Prepaid items	156,915	-	-	87,132	244,047
Restricted for:					
Capital projects	-	33,387,155	-	1,447,036	34,834,191
Debt service	-	-	1,361,953	1,144,286	2,506,239
Intergovernmental	-	-	-	2,600,889	2,600,889
Landfill	-	-	-	2,015,410	2,015,410
Municipal Court Corrections	-	-	-	484,534	484,534
Other	-	-	-	13,083	13,083
Riverfront Stadium	-	-	-	4,506,503	4,506,503
Roads	-	-	-	448,962	448,962
Assigned to:					
Capital projects	-	-	-	678,527	678,527
Other	3,110	99,205	-	-	102,315
Unassigned	(2,147,624)	-	-	(4,140,529)	(6,288,153)
TOTAL FUND BALANCES	5,244,682	33,487,486	1,361,953	10,142,333	50,236,454
TOTAL LIABILITIES AND FUND BALANCES	\$ 37,239,018	\$ 38,460,703	\$ 8,878,261	\$ 30,825,649	\$ 115,403,631

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, 2011

Differences in amounts reported for governmental activities in the Statement of Net Assets.

Total fund balances - governmental funds		\$ 50,236,454
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		369,646,356
Long-term receivables are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		9,418,232
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.		(6,410,876)
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, 2011 were:		
	\$ 286,468,514	
Bonds, warrants, leases, and notes payable	(5,238,509)	
Deferred loss on advance refunding	7,738,365	
Unamortized net premiums	(138,734)	
Unamortized net discounts	4,052,393	
Accrued interest	18,882,761	
Compensated absences	8,044,842	
Retirement and disability benefits	62,273,229	
Postemployment benefit plans other than pensions	5,866,493	
Landfill closure and postclosure costs	<u> </u>	
Total long-term liabilities		(387,949,354)
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.		<u>2,783,131</u>
Net assets of governmental activities		<u><u>\$ 37,723,943</u></u>

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, 2011

	General	Capital Project Funds - G.O. Warrants	Series 2005B Refunding Bonds	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 132,096,729	\$ -	\$ -	\$ 6,319,769	\$ 138,416,498
Licenses and permits	38,894,282	-	-	48,721	38,943,003
Intergovernmental revenues	4,060,662	3,506	-	20,939,330	25,003,498
Charges for services	15,169,455	-	-	141,747	15,311,202
Fines and forfeitures	5,499,410	-	-	2,353,649	7,853,059
Interest	13,633	107,746	223	2,955	124,557
Miscellaneous revenues	2,821,542	-	407,727	3,526,897	6,756,166
Total revenues	<u>198,555,713</u>	<u>111,252</u>	<u>407,950</u>	<u>33,333,068</u>	<u>232,407,983</u>
EXPENDITURES					
Current:					
General government	39,524,223	257,124	-	4,560,307	44,341,654
Public works	31,322,781	-	-	12,520,732	43,843,513
Public safety	80,669,397	-	-	2,894,452	83,563,849
Cultural and recreational	28,156,292	-	-	891,086	29,047,378
Intergovernmental	-	3,865,729	-	348,373	4,214,102
Capital outlay	-	22,039,973	-	13,457,835	35,497,808
Debt service:					
Principal	4,734,715	-	900,000	5,396,666	11,031,381
Interest	358,317	-	472,433	12,829,508	13,660,258
Debt issuance cost	-	-	-	409,212	409,212
Total expenditures	<u>184,765,725</u>	<u>26,162,826</u>	<u>1,372,433</u>	<u>53,308,171</u>	<u>265,609,155</u>
Excess of revenues over (under) expenditures	<u>13,789,988</u>	<u>(26,051,574)</u>	<u>(964,483)</u>	<u>(19,975,103)</u>	<u>(33,201,172)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	413,709	-	-	-	413,709
Transfers in	6,539,543	646,674	1,372,433	31,403,388	39,962,038
Transfers out	(29,220,835)	(3,493,270)	-	(20,270,433)	(52,984,538)
Capital leases	4,332,320	-	-	-	4,332,320
Issuance of refunding bonds	-	-	-	38,760,000	38,760,000
Payment to refunded bonds escrow agent	-	-	-	(40,886,025)	(40,886,025)
Bond premium	-	-	-	2,551,006	2,551,006
Total other financing sources (uses)	<u>(17,935,263)</u>	<u>(2,846,596)</u>	<u>1,372,433</u>	<u>11,557,936</u>	<u>(7,851,490)</u>
Net change in fund balances	<u>(4,145,275)</u>	<u>(28,898,170)</u>	<u>407,950</u>	<u>(8,417,167)</u>	<u>(41,052,662)</u>
FUND BALANCES - BEGINNING	<u>9,389,957</u>	<u>62,385,656</u>	<u>954,003</u>	<u>18,559,500</u>	<u>91,289,116</u>
FUND BALANCES - ENDING	<u>\$ 5,244,682</u>	<u>\$ 33,487,486</u>	<u>\$ 1,361,953</u>	<u>\$ 10,142,333</u>	<u>\$ 50,236,454</u>

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, 2011

Differences in amounts reported for governmental activities in the Statement of Activities.

Net change in fund balances - total governmental funds		\$ (41,052,662)
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Assets.		38,948,138
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.		4,939,527
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.		(25,945,831)
The net effect of transactions involving the sale and disposal of capital assets is to decrease net assets in the Statement of Net Assets.		(17,363,253)
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.		(432,250)
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets.		
Bond proceeds	\$	-
Refunding bond proceeds		38,760,000
Capital lease financing		4,332,320
Premium on bonds		2,551,006
Discount on bonds		-
Issuance costs		(409,212)
Total proceeds		<u>(45,234,114)</u>

(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, 2011

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	\$ 6,296,667	
Capital leases	4,734,715	
Payment to escrow agent for refunding	40,886,025	
Total repayments		\$ 51,917,407

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	632,895	
Retirement and disability benefits	(477,240)	
Accrued interest	724,852	
Postemployment benefit plans other than pensions	18,986,458	
Landfill closure and postclosure costs	357,104	
Additional expenses		(20,224,069)

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	(74,841)	
Reduction of expenses		(74,841)

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.

(3,763,714)

Change in net assets of governmental activities

\$ (58,285,662)

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 130,438,612	\$ 130,438,612	\$ 132,096,729	\$ 1,658,117
Licenses and permits	38,458,563	38,458,563	38,894,282	435,719
Intergovernmental revenues	4,428,521	4,428,521	4,060,662	(367,859)
Charges for services	15,036,873	15,312,571	15,169,455	(143,116)
Fines and forfeitures	10,369,972	10,369,972	5,499,410	(4,870,562)
Interest	5,200	5,200	13,633	8,433
Miscellaneous revenues	2,342,678	2,409,207	2,821,542	412,335
Total revenues	201,080,419	201,422,646	198,555,713	(2,866,933)
EXPENDITURES				
Current:				
General government:				
Council	334,663	334,663	306,363	28,300
Mayor and cabinet	770,174	842,970	842,918	52
Finance department	3,822,042	3,612,198	3,271,981	340,217
Information technology	2,222,420	2,061,436	1,937,455	123,981
Retirement	7,500,822	7,500,822	7,575,443	(74,621)
Insurance	1,800,000	259,631	259,631	-
Payments to government agencies	4,982,184	4,982,184	4,631,794	350,390
Payments for education	3,780,662	205,774	-	205,774
Miscellaneous activities	11,073,754	11,073,754	11,187,533	(113,779)
City Clerk	266,992	270,175	270,175	-
Municipal Court	2,833,756	2,833,756	2,763,789	69,967
Legal Department	1,175,845	1,175,627	1,070,737	104,890
Planning and development	1,884,870	1,807,572	1,726,545	81,027
Garage	3,478,179	3,639,163	3,637,626	1,537
Total general government	45,926,363	40,599,725	39,481,990	1,117,735

(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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Works:				
Engineering Department	\$ 1,801,660	\$ 1,771,051	\$ 1,771,039	\$ 12
Landfill Division	1,529,168	1,552,790	1,552,021	769
Sanitation Department	13,316,714	13,488,032	13,481,463	6,569
Maintenance	7,769,588	7,762,390	7,725,242	37,148
Inspections Division	2,348,096	2,347,702	2,312,465	35,237
Traffic Engineering Department	4,966,861	4,486,156	4,458,807	27,349
Total public works	31,732,087	31,408,121	31,301,037	107,084
Public Safety:				
Police Department	43,831,617	43,715,153	43,616,702	98,451
Fire Department	30,141,699	31,845,603	31,842,331	3,272
Communications Department	5,190,400	4,646,055	4,644,921	1,134
Emergency Management	528,458	526,956	505,642	21,314
Total public safety	79,692,174	80,733,767	80,609,596	124,171
Cultural and Recreational:				
Parks and recreation	16,120,948	15,332,364	15,112,157	220,207
Riverfront facilities	1,145,053	1,394,172	1,663,371	(269,199)
Museum	2,890,218	2,811,432	2,757,348	54,084
Library	3,170,618	3,227,560	3,227,560	-
Building maintenance	5,318,653	4,916,602	4,914,107	2,495
Public information and external affairs	412,652	478,019	478,019	-
Total cultural and recreational	29,058,142	28,160,149	28,152,562	7,587
Debt Service:				
Principal	4,711,059	4,711,059	4,734,715	(23,656)
Interest	405,726	405,726	358,317	47,409
Debt issuance cost	-	-	-	-
Total debt service	5,116,785	5,116,785	5,093,032	23,753
Total expenditures	191,525,551	186,018,547	184,638,217	1,380,330
Excess of revenues over expenditures	9,554,868	15,404,099	13,917,496	(1,486,603)

(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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	\$ 150,000	\$ 150,000	\$ 413,709	\$ 263,709
Transfers in	6,500,000	7,391,932	6,539,543	(852,389)
Transfers out	(24,865,724)	(31,606,887)	(29,220,835)	2,386,052
Capital leases	5,500,000	5,500,000	4,332,320	(1,167,680)
	<u>(12,715,724)</u>	<u>(18,564,955)</u>	<u>(17,935,263)</u>	<u>629,692</u>
Total other financing sources (uses)				
Net changes in fund balance	(3,160,856)	(3,160,856)	(4,017,767)	(856,911)
FUND BALANCES - BEGINNING	<u>9,389,957</u>	<u>9,389,957</u>	<u>9,389,957</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 6,229,101</u>	<u>\$ 6,229,101</u>	<u>\$ 5,372,190</u>	<u>\$ (856,911)</u>

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Montgomery Area Transit System	Other Enterprise Funds	Total Enterprise Funds	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 61,115	\$ 1,531,249	\$ 1,592,364	\$ 899,807
Receivables	210	93,633	93,843	101,390
Inventories	123,367	106,247	229,614	-
Prepaid items	-	916	916	641,021
Due from other funds	-	676,387	676,387	9,524
Total current assets	<u>184,692</u>	<u>2,408,432</u>	<u>2,593,124</u>	<u>1,651,742</u>
NONCURRENT ASSETS				
Capital assets:				
Land	344,436	703,506	1,047,942	-
Buildings and system	20,198,149	10,286,563	30,484,712	-
Improvements other than buildings	33,941	7,764,903	7,798,844	-
Machinery and equipment	10,760,918	3,548,716	14,309,634	-
Less accumulated depreciation	<u>(7,181,860)</u>	<u>(12,051,686)</u>	<u>(19,233,546)</u>	<u>-</u>
Total capital net assets, net of accumulated depreciation	<u>24,155,584</u>	<u>10,252,002</u>	<u>34,407,586</u>	<u>-</u>
TOTAL ASSETS	<u>24,340,276</u>	<u>12,660,434</u>	<u>37,000,710</u>	<u>1,651,742</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	263,247	417,498	680,745	1,490,664
Claims payable	-	-	-	3,504,739
Deferred revenue	-	19,163	19,163	-
Funds in escrow	-	-	-	1,420
Due to other funds	-	325,383	325,383	22,723
Compensated absences	-	93,091	93,091	-
Total current liabilities	<u>263,247</u>	<u>855,135</u>	<u>1,118,382</u>	<u>5,019,546</u>
NONCURRENT LIABILITIES				
Advances from other funds	1,000,347	-	1,000,347	4,315,659
Compensated absences	-	632,568	632,568	-
Total noncurrent liabilities	<u>1,000,347</u>	<u>632,568</u>	<u>1,632,915</u>	<u>4,315,659</u>
TOTAL LIABILITIES	<u>1,263,594</u>	<u>1,487,703</u>	<u>2,751,297</u>	<u>9,335,205</u>
NET ASSETS				
Invested in capital assets	24,155,584	10,252,002	34,407,586	-
Unrestricted	<u>(1,078,902)</u>	<u>920,729</u>	<u>(158,173)</u>	<u>(7,683,463)</u>
TOTAL NET ASSETS	<u>\$ 23,076,682</u>	<u>\$ 11,172,731</u>	<u>34,249,413</u>	<u>\$ (7,683,463)</u>
Adjustment to reflect the consolidation of internal service fund activities related to Enterprise Funds			<u>(1,272,586)</u>	
Net assets of business-type activities			<u>\$ 32,976,827</u>	

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, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Montgomery Area Transit System	Other Enterprise Funds	Total Enterprise Funds	
OPERATING REVENUES				
Charges for goods and services	\$ 746,779	\$ 5,373,452	\$ 6,120,231	\$ 27,122,903
Total operating revenues	746,779	5,373,452	6,120,231	27,122,903
OPERATING EXPENSES				
Cost of sales and services	-	871,694	871,694	-
Administration	2,364,411	7,693,248	10,057,659	36,700,656
Depreciation	1,151,870	559,789	1,711,659	-
Total operating expenses	3,516,281	9,124,731	12,641,012	36,700,656
OPERATING LOSS	(2,769,502)	(3,751,279)	(6,520,781)	(9,577,753)
NONOPERATING REVENUES (EXPENSES)				
Interest income	-	372	372	-
Loss before contributions and transfers	(2,769,502)	(3,750,907)	(6,520,409)	(9,577,753)
Capital contributions	17,095,566	51,045	17,146,611	-
Transfers in	5,070,136	2,470,938	7,541,074	5,540,369
Transfers out	-	(58,943)	(58,943)	-
Change in net assets	19,396,200	(1,287,867)	18,108,333	(4,037,384)
TOTAL NET ASSETS - BEGINNING	3,680,482	12,460,598		(3,646,079)
TOTAL NET ASSETS - ENDING	<u>\$ 23,076,682</u>	<u>\$ 11,172,731</u>		<u>\$ (7,683,463)</u>
Adjustment to reflect the consolidation of internal service fund activities related to Enterprise Funds			(273,670)	
Change in net assets of business-type activities			<u>\$ 17,834,663</u>	

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Montgomery Area Transit System	Other Enterprise Funds	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 746,915	\$ 5,368,511	\$ 6,115,426	\$ -
Receipts from interfund services provided		-	-	27,129,576
Payments to suppliers	(2,274,636)	(3,325,139)	(5,599,775)	(37,078,586)
Payments to employees	-	(4,726,967)	(4,726,967)	-
Payments for interfund services used	-	(468,775)	(468,775)	-
Net cash used by operating activities	<u>(1,527,721)</u>	<u>(3,152,370)</u>	<u>(4,680,091)</u>	<u>(9,949,010)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	-	(58,943)	(58,943)	-
Transfers from other funds	5,070,136	2,470,938	7,541,074	5,540,369
Net cash payments from other funds	<u>1,000,347</u>	<u>110,445</u>	<u>1,110,792</u>	<u>4,299,382</u>
Net cash provided by noncapital financing activities	<u>6,070,483</u>	<u>2,522,440</u>	<u>8,592,923</u>	<u>9,839,751</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	<u>(4,570,136)</u>	<u>(51,042)</u>	<u>(4,621,178)</u>	-
Net cash used for capital and related financing activities	<u>(4,570,136)</u>	<u>(51,042)</u>	<u>(4,621,178)</u>	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	-	372	372	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,374)	(680,600)	(707,974)	(109,259)
CASH AND CASH EQUIVALENTS - BEGINNING	88,489	2,211,849	2,300,338	1,009,066
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 61,115</u>	<u>\$ 1,531,249</u>	<u>\$ 1,592,364</u>	<u>\$ 899,807</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Contributions of capital assets from governmental funds	\$ 17,095,566	\$ 13,745	\$ 17,109,311	\$ -
Donated capital assets	-	37,300	37,300	-

(Continued)

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Montgomery Area Transit System	Other Enterprise Funds	Total Enterprise Funds	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:				
Operating loss	\$ (2,769,502)	\$ (3,751,279)	\$ (6,520,781)	\$ (9,577,753)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation expense	1,151,870	559,789	1,711,659	-
(Increase) decrease in receivables	136	(12,423)	(12,287)	5,253
(Increase) decrease in inventories	(11,705)	14,224	2,519	-
Increase in prepaid items	-	(916)	(916)	(641,021)
Increase in accounts payable and accrued expenses	101,480	39,631	141,111	1,122,629
Increase in deferred revenue	-	7,482	7,482	-
Increase in funds in escrow	-	-	-	1,420
Decrease in claims payable	-	-	-	(859,538)
Decrease in compensated absences	-	(8,878)	(8,878)	-
Total adjustments	<u>1,241,781</u>	<u>598,909</u>	<u>1,840,690</u>	<u>(371,257)</u>
Net cash used by operating activities	<u>\$ (1,527,721)</u>	<u>\$ (3,152,370)</u>	<u>\$ (4,680,091)</u>	<u>\$ (9,949,010)</u>

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2010

	Employees' Retirement System
ASSETS	
Investments, at fair value:	
United States Government Securities	\$ 39,334,954
Corporate bonds and debentures	19,832,562
Common stocks	31,172,504
Mutual funds	180,410,112
Partnerships	29,421,841
Cash equivalents	4,710,652
Total investments	<u>304,882,625</u>
Cash	<u>720,361</u>
Receivables:	
Accrued interest and dividends	292,444
Contributions receivable	366,841
Other receivables	19,445
Total receivables	<u>678,730</u>
Total assets	<u>306,281,716</u>
LIABILITIES	
Accounts payable	<u>199,843</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 306,081,873</u></u>

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, 2010

	Employees' Retirement System
ADDITIONS	
Investment income:	
Interest	\$ 2,277,220
Dividends	5,218,713
Net appreciation in fair value of investments	21,552,727
	<u>29,048,660</u>
Less: Investment expense	573,199
Net investment income	<u>28,475,461</u>
Contributions:	
Employers	10,487,457
Employees	5,772,537
Total contributions	<u>16,259,994</u>
Other additions:	
Interest on reinstatement contributions	27,861
Total other additions	<u>27,861</u>
Total additions	<u>44,763,316</u>
DEDUCTIONS	
Benefit payments	24,644,652
Withdrawals and refunds	855,865
Administration expenses	94,776
Total deductions	<u>25,595,293</u>
Net increase in net assets	19,168,023
Net assets held in trust for pension benefits at beginning of year	<u>286,913,850</u>
Net assets held in trust for pension benefits at end of year	<u>\$ 306,081,873</u>

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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 (the 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.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major proprietary fund:

Montgomery Area Transit System Fund – Accounts for the operations of the public transportation system with the City.

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, Lagoon and Gateway Parks, 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.

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.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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 reported as nonspendable fund balance 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, 2010.

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.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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	\$ 243,826	\$ 123,367	\$ 367,193
Fuels and lubricants	239,987	-	239,987
Materials and supplies	461,656	-	461,656
Tobacco tax stamps	32,625	-	32,625
Merchandise and concessions	4,420	106,247	110,667
Police uniforms	105,063	-	105,063
Other	128,698	-	128,698
	<u>\$ 1,216,275</u>	<u>\$ 229,614</u>	<u>\$ 1,445,889</u>
Totals	<u>\$ 1,216,275</u>	<u>\$ 229,614</u>	<u>\$ 1,445,889</u>

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.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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, 2011 totaled \$8,044,842.

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, 2011 totaled \$62,273,229.

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. 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 Balance

In accordance with Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies government fund balances as follows:

Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form, or for legal or contractual requirements.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – Includes fund balance amounts that can be used only for the specific purposes that are internally imposed by formal action of the government’s highest level of decision making authority. Commitments may be charged by the government taking the same action that imposed the constraint initially.

Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund. Fund balance may be assigned by the Mayor.

Unassigned – Includes residual positive fund balance within the General Fund which has not been classified within the above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The City considers committed, then assigned amounts to have been spent when an expenditure is incurred for purposes for which the amounts of unrestricted fund balance is available.

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.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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 restricted or assigned fund balance 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, 2011, of \$3,110. Encumbrances are included in the actual expenditure figures on this statement so that a meaningful comparison can be made with the adopted budget.

A reconciliation of the two statements is as follows:

Net change in fund balances (GAAP)	\$ (4,145,275)
Encumbrances at beginning of year	130,618
Encumbrances at end of year	<u>(3,110)</u>
Net change in fund balances - actual (budget)	<u>\$ (4,017,767)</u>

As of September 30, 2011, the City included the encumbrances as part of governmental fund balances as follows:

Major funds	\$ 12,818,067
Nonmajor funds	<u>1,460,119</u>
Encumbrances as part of governmental fund balances	<u>\$ 14,278,186</u>

Excess of Expenditures over Appropriations

For the year ended September 30, 2011, no General Fund functional expenditure category (the legal level of budgetary control) exceeded appropriations.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Deficit Fund Equity

Funds with deficit fund balance or net assets are as follows:

	Deficit Amount
Nonmajor governmental fund:	
Miscellaneous Capital Projects Funds	\$ 2,605,502
Internal Service Fund:	
Employees' Medical Insurance	6,841,723
Liability Insurance	841,740

The Miscellaneous Capital Project Funds encompass several capital project funds of the City. The deficit fund balance will be eliminated by transfers from the General Fund as accounts payable mature to cash requirements. 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 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.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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, 2011, the City has approximately \$1,483,000 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 System) 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 System’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 System 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 System’s custodian holds all investments of the System in the System’s name. The adopted investment policy of the System 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 System does not address credit quality.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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 System does not address foreign currency risk.

Concentration of Credit Risk – The investment policies of the System 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:

<u>Asset Class of Sub Class</u>	<u>Target Allocation</u>
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 System such that no single issue exceeds 5% of the portfolio value of the System. Also, the aggregate investment of the System 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 System, except for U.S. Government and Agency securities.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

The following table provides information as of December 31, 2010, 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		
<i>Fixed Maturity</i>						
GNMA/FNMA/						
FHLMC Pools	\$ -	\$ 1,199,872	\$ 6,984,354	\$ 1,412,818	\$ 9,597,044	\$ 9,518,447
REMICs and Other						
Government Paydowns	6,022,286	10,311,407	10,701,512	2,702,705	29,737,910	29,684,407
Corporate Securities	1,575,336	8,471,332	3,089,658	6,396,602	19,532,928	18,520,894
Foreign Bonds	-	299,634	-	-	299,634	272,296
Mutual Bond Fund	-	50,723,567	4,459,215	557,402	55,740,184	54,357,353
<i>Total Fixed Maturity</i>	<u>\$ 7,597,622</u>	<u>\$ 71,005,812</u>	<u>\$ 25,234,739</u>	<u>\$ 11,069,527</u>	<u>114,907,700</u>	<u>112,353,397</u>
<i>Equities</i>						
Domestic					29,128,272	24,069,596
International					2,044,232	1,767,579
<i>Total Equities</i>					<u>31,172,504</u>	<u>25,837,175</u>
<i>Mutual Equity Funds</i>					124,669,928	114,949,821
<i>Partnerships*</i>					29,421,841	23,112,467
<i>Cash Equivalents</i>					4,710,652	4,523,657
Total Investments					<u>\$ 304,882,625</u>	<u>\$ 280,776,517</u>

* Partnerships consist of investments in limited liability companies which invest primarily in common stocks of domestic and international companies.

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

Mortgage-Backed Securities – As of December 31, 2010, the System 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.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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, 2010, concerning credit risk:

RATING OF FIXED MATURITY INVESTMENTS

<u>Moody's Ratings § (Unless Noted)</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value as a Percent of Total Fixed Maturity Fair Value</u>
Aaa	\$ 42,493,557	\$ 42,337,849	36.98%
AAA(SP)	41,805,138	40,768,015	36.38%
Aa2	580,327	587,617	0.51%
Aa3	1,752,371	1,781,319	1.53%
AA(SP)	1,672,206	1,630,721	1.46%
A1	2,184,865	2,045,019	1.90%
A2	1,111,196	1,035,192	0.97%
A3	1,011,704	896,380	0.88%
A(SP)	6,131,420	5,979,309	5.34%
Baa1	798,109	726,820	0.69%
Baa2	395,822	351,084	0.34%
Baa3	464,240	384,396	0.40%
BBB(SP)	5,016,617	4,892,162	4.37%
Ba1	298,092	300,069	0.26%
Ba2	1,987,138	1,963,616	1.73%
Ba3	816,926	755,871	0.71%
B2	477,754	511,281	0.42%
B3	984,260	844,068	0.86%
Ca	538,467	286,595	0.47%
Caa2	170,674	172,262	0.15%
Caa3	300,144	245,233	0.26%
C	139,984	133,945	0.12%
Not Rated	3,776,689	3,724,574	3.27%
Totals	<u><u>\$ 114,907,700</u></u>	<u><u>\$ 112,353,397</u></u>	<u><u>100.00%</u></u>

§ - 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).

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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 G.O. Warrants	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds	Employee Retirement System	Total
Interest and dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 292,444	\$ 292,444
Contributions receivable	-	-	-	-	-	366,841	366,841
Taxes	8,907,392	-	386,677	-	-	-	9,294,069
Accounts	2,194,100	367,478	3,278,016	\$ 93,633	\$ 101,390	19,445	6,054,062
Intergovernmental	1,230,455	-	1,375,432	-	-	-	2,605,887
Total receivables	\$ 12,331,947	\$ 367,478	\$ 5,040,125	\$ 93,633	\$ 101,390	\$ 678,730	\$ 18,613,303

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

5. INTERFUND BALANCES

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. These amounts should be repaid during the next fiscal year. The composition of interfund balances as of September 30, 2011 is shown below.

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Project Funds G.O. Warrants	\$ 630,172
	Series 2005B Refunding Bonds	332,076
	Nonmajor Governmental	13,463,071
	Nonmajor Enterprise	325,383
	Internal Service	22,723
Capital Project Funds -		
G.O. Warrants	General	2,304,218
Nonmajor Governmental	General	19,559,981
Nonmajor Enterprise	General	676,387
Internal Service	General	9,524
		<u>37,323,535</u>
Total		<u>\$ 37,323,535</u>

Advances to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Montgomery Area Transit System	\$ 1,000,347
General	Employees' Medical Insurance	3,240,102
General	Liability Insurance	1,075,557
		<u>5,316,006</u>
Total		<u>\$ 5,316,006</u>

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

5. INTERFUND BALANCES (Continued)

Interfund Transfers

Transfer Out	Transfer In			
	General	Capital Project Funds G.O. Warrants	Series 2005B Refunding Bonds	Nonmajor Governmental
General	\$ -	\$ -	\$ 1,372,433	\$ 19,337,095
Capital Project Funds - G.O. Warrants	-	297,850	-	3,195,420
Nonmajor Governmental	6,539,543	348,824	-	8,811,930
Nonmajor Enterprise	-	-	-	58,943
Totals	\$ 6,539,543	\$ 646,674	\$ 1,372,433	\$ 31,403,388

Transfer Out	Transfer In			
	Montgomery Area Transit System	Nonmajor Enterprise	Internal Service	Total
General	\$ 500,000	\$ 2,470,938	\$ 5,540,369	\$ 29,220,835
Capital Project Funds - G.O. Warrants	-	-	-	3,493,270
Nonmajor Governmental	4,570,136	-	-	20,270,433
Nonmajor Enterprise	-	-	-	58,943
Totals	\$ 5,070,136	\$ 2,470,938	\$ 5,540,369	\$ 53,043,481

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.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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 \$2,445,696 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	
	<u>Principal</u>	<u>Interest</u>
Year ending September 30:		
2012	\$ 309,672	\$ 96,015
2013	323,136	84,445
2014	334,224	73,431
2015	346,104	61,693
2016	358,776	46,667
2017 - 2018	<u>773,784</u>	<u>37,696</u>
Totals	<u>\$ 2,445,696</u>	<u>\$ 399,947</u>

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 \$4,738,536 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, 2011, are as follows:

	<u>Amount</u>
Year ending September 30:	
2012	\$ 786,020
2013	789,688
2014	789,832
2015	790,106
2016	785,545
2017 - 2018	<u>1,572,243</u>
Total minimum lease payments	5,513,434
Less amounts representing interest	<u>774,898</u>
Present value of minimum lease payments	<u>\$ 4,738,536</u>

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 48,054,424	\$ 5,697,150	\$ -	\$ 53,751,574
Construction in progress	14,027,505	28,150,072	19,915,959	22,261,618
Total capital assets, not being depreciated	<u>62,081,929</u>	<u>33,847,222</u>	<u>19,915,959</u>	<u>76,013,192</u>
Capital assets, being depreciated:				
Buildings and system	173,237,773	8,714,419	17,083,682	164,868,510
Improvements other than buildings	52,330,064	10,435,038	-	62,765,102
Machinery and equipment	90,979,331	5,841,792	3,425,520	93,395,603
Infrastructure	516,753,433	4,939,527	-	521,692,960
Total capital assets, being depreciated	<u>833,300,601</u>	<u>29,930,776</u>	<u>20,509,202</u>	<u>842,722,175</u>
Less accumulated depreciation for:				
Buildings and system	45,973,285	3,239,367	-	49,212,652
Improvements other than buildings	15,456,860	2,284,098	-	17,740,958
Machinery and equipment	61,109,402	6,476,977	3,171,577	64,414,802
Infrastructure	403,775,210	13,945,389	-	417,720,599
Total accumulated depreciation	<u>526,314,757</u>	<u>25,945,831</u>	<u>3,171,577</u>	<u>549,089,011</u>
Total capital assets, being depreciated, net	<u>306,985,844</u>	<u>3,984,945</u>	<u>17,337,625</u>	<u>293,633,164</u>
Governmental activities capital assets, net	<u>\$ 369,067,773</u>	<u>\$ 37,832,167</u>	<u>\$ 37,253,584</u>	<u>\$ 369,646,356</u>

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

7. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,047,942	\$ -	\$ -	\$ 1,047,942
Capital assets, being depreciated:				
Buildings and system	13,375,401	17,109,311	-	30,484,712
Improvements other than buildings	7,798,844	-	-	7,798,844
Machinery and equipment	9,665,567	4,658,479	14,412	14,309,634
Total capital assets, being depreciated	<u>30,839,812</u>	<u>21,767,790</u>	<u>14,412</u>	<u>52,593,190</u>
Less accumulated depreciation for:				
Buildings and system	4,510,170	653,858	-	5,164,028
Improvements other than buildings	5,776,804	197,822	-	5,974,626
Machinery and equipment	7,249,325	859,979	14,412	8,094,892
Total accumulated depreciation	<u>17,536,299</u>	<u>1,711,659</u>	<u>14,412</u>	<u>19,233,546</u>
Total capital assets, being depreciated, net	<u>13,303,513</u>	<u>20,056,131</u>	<u>-</u>	<u>33,359,644</u>
Governmental activities capital assets, net	<u>\$ 14,351,455</u>	<u>\$ 20,056,131</u>	<u>\$ -</u>	<u>\$ 34,407,586</u>

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

7. CAPITAL ASSETS (Continued)

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

Governmental Activities:	
General Government	\$ 19,562,954
Public Works	1,419,612
Public Safety	3,582,142
Cultural and Recreational	<u>1,381,123</u>
Total depreciation expense - governmental activities	<u>\$ 25,945,831</u>
Business-type Activities:	
Montgomery Zoo	\$ 356,883
Montgomery Area Transit System	1,151,870
Lagoon and Gateway Parks	136,871
Municipal Parking Decks	<u>66,035</u>
Total depreciation expense - business-type activities	<u>\$ 1,711,659</u>

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

8. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 263,759,445	\$ 38,760,000	\$ (44,626,667)	\$ 257,892,778	\$ 6,296,666
Less deferred amounts:					
For issuance discounts	(153,782)	-	15,048	(138,734)	-
On refunding	(3,233,466)	(2,326,026)	320,983	(5,238,509)	-
Add deferred amounts:					
For issuance premiums	5,609,026	2,551,006	(421,667)	7,738,365	-
 Total general obligation bonds payable	 265,981,223	 38,984,980	 (44,712,303)	 260,253,900	 6,296,666
Revenue warrants	18,205,000	-	(230,000)	17,975,000	285,000
Capital leases	11,003,131	4,332,320	(4,734,715)	10,600,736	4,325,239
Compensated absences	18,249,866	1,978,184	(1,345,289)	18,882,761	1,345,289
Retirement and disability benefits	8,522,082	147,723	(624,963)	8,044,842	624,963
Post employment benefits other than pensions	43,286,771	27,687,441	(8,700,983)	62,273,229	8,700,983
Landfill closure and postclosure	5,509,389	357,104	-	5,866,493	-
 Governmental activity long-term liabilities	 <u>370,757,462</u>	 <u>73,487,752</u>	 <u>(60,348,253)</u>	 <u>383,896,961</u>	 <u>21,578,140</u>
Business-type activities:					
Compensated absences	734,537	84,214	(93,092)	725,659	93,091
 Total long-term debt	 <u>\$ 371,491,999</u>	 <u>\$ 73,571,966</u>	 <u>\$ (60,441,345)</u>	 <u>\$ 384,622,620</u>	 <u>\$ 21,671,231</u>

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

8. LONG-TERM DEBT (Continued)

Long-term debt payable at September 30, 2011 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 are 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 \$291,045,000 with current outstanding balances as follows:

\$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%.	\$ 26,945,000
\$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%.	10,340,000
\$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.	8,265,000
\$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.	7,890,000
\$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%.	15,465,000
\$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%.	39,810,000
\$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%.	435,000

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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 adjusted monthly and equal to the greater of 2.50% or 30-day LIBOR plus 2.00%.	\$ 4,333,334
\$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 adjusted monthly and equal to the greater of 3.00% or 30-day LIBOR plus 2.50%.	3,494,444
\$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
\$38,760,000 Series 2011 General Obligation Warrants , due in annual installments of \$1,450,000 to \$6,150,000 on 5-1-16 to 5-1-23, with a maximum principal of \$6,150,000 in fiscal year 2023, interest at 3.00% to 5.00%.	<u>38,760,000</u>
Total general obligation bonds	<u><u>\$ 257,892,778</u></u>

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%.	<u><u>\$ 17,975,000</u></u>
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CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

8. LONG-TERM DEBT (Continued)

The following schedule illustrates debt service to maturity for General Obligation Bonds and Revenue Warrants at September 30, 2011.

	Governmental Activities					
	General Obligation Bonds			Revenue Warrants		
	Principal	Interest	Total	Principal	Interest	Total
Year ending						
September 30:						
2012	\$ 6,296,666	\$ 11,705,982	\$ 18,002,648	\$ 285,000	\$ 1,054,337	\$ 1,339,337
2013	6,481,666	11,722,540	18,204,206	340,000	1,038,712	1,378,712
2014	10,080,002	11,475,089	21,555,091	400,000	1,020,212	1,420,212
2015	8,934,444	11,056,958	19,991,402	465,000	996,727	1,461,727
2016	12,990,000	10,687,944	23,677,944	495,000	968,887	1,463,887
2017 - 2021	69,390,000	44,583,153	113,973,153	2,940,000	4,365,210	7,305,210
2022 - 2026	64,510,000	28,628,117	93,138,117	3,895,000	3,376,352	7,271,352
2027 - 2031	34,325,000	17,000,433	51,325,433	5,210,000	2,017,670	7,227,670
2032 - 2036	23,375,000	9,506,135	32,881,135	3,945,000	367,082	4,312,082
2037 - 2040	21,510,000	2,500,591	24,010,591	-	-	-
Totals	<u>\$ 257,892,778</u>	<u>\$ 158,866,942</u>	<u>\$ 416,759,720</u>	<u>\$ 17,975,000</u>	<u>\$ 15,205,189</u>	<u>\$ 33,180,189</u>

	Governmental Activities		
	Total Annual Requirements		
	Principal	Interest	Total
Year ending			
September 30:			
2011	\$ 6,581,666	\$ 12,760,319	\$ 19,341,985
2012	6,821,666	12,761,252	19,582,918
2013	10,480,002	12,495,301	22,975,303
2014	9,399,444	12,053,685	21,453,129
2015	13,485,000	11,656,831	25,141,831
2016 - 2020	72,330,000	48,948,363	121,278,363
2021 - 2025	68,405,000	32,004,469	100,409,469
2026 - 2030	39,535,000	19,018,103	58,553,103
2031 - 2035	27,320,000	9,873,217	37,193,217
2036 - 2040	21,510,000	2,500,591	24,010,591
Totals	<u>\$ 275,867,778</u>	<u>\$ 174,072,131</u>	<u>\$ 449,939,909</u>

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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, 2011, the amount of outstanding debt applicable to this limit was equal to 8.00% of property assessments as of October 1, 2011.

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 Refundings – The City issued \$38,760,000 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 \$38,560,000 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 \$2,326,026. This amount is being netted against the new debt and amortized over the life of the new debt. Over the life of the bonds, the City decreased its total debt service requirements by \$4,756,086. The result of this refunding was an economic gain of \$4,142,680.

Prior Years' Debt Defeasance – In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of September 30, 2011, the amount of defeased debt outstanding amounted to \$55,170,000.

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.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

8. LONG-TERM DEBT (Continued)

LEASE OBLIGATIONS (Continued)

Capital Leases (Continued)

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 13,299,786
Less accumulated depreciation	<u>(2,692,703)</u>
Total	<u>\$ 10,607,083</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011, were as follows:

	<u>Governmental Activities</u>
Year ending September 30:	
2012	\$ 4,558,168
2013	2,802,553
2014	2,105,543
2015	1,237,279
2016	<u>390,260</u>
Total minimum lease payments	\$ 11,093,803
Less amount representing interest	<u>493,067</u>
Present value of minimum lease payments	<u>\$ 10,600,736</u>

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

8. LONG-TERM DEBT (Continued)

LEASE OBLIGATIONS (Continued)

Operating Leases

The City is obligated under an operating ground lease for the municipal parking decks through June 30, 2016. The lease is for \$2,832 per month as adjusted for inflation and contains five five-year renewal options. The City exercised its first renewal option in 2011. The future minimum lease payments as of September 30, 2011 were as follows:

Year ending September 30:		
2012	\$	33,984
2013		33,984
2014		33,984
2015		33,984
2016		<u>25,485</u>
Total	\$	<u>161,421</u>

Total rental expense for the above operating lease is \$33,984 for the year ended September 30, 2011.

Other Long-Term Debt

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

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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 \$5,866,493 as of September 30, 2011, which is based on 62% usage. It is estimated that an additional \$3,626,507 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 \$9,493,000 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, 2011. 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.

The City maintains an approved letter of credit for landfill closure and postclosure care in the amount of \$10,000,000.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

10. 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, 2011:

Real estate - Union Station	\$ 2,142,853
Real estate - North Jackson Street	13,200
Real estate - Dexter Avenue	3,197,738
Less accumulated depreciation	<u>1,320,628</u>
Total	<u>\$ 4,033,163</u>

The minimum future rentals on noncancelable operating leases as of September 30, 2011 are:

Year ending September 30:	
2012	\$ 276,576
2013	182,595
2014	<u>20,200</u>
Total minimum future rentals	<u>\$ 479,371</u>

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

11. 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, automobile 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, 2011 will be paid during the next fiscal year.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

11. RISK MANAGEMENT (Continued)

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

Employees' Medical Insurance Fund	2011	2010
	<u> </u>	<u> </u>
Unpaid claims, beginning of fiscal year	\$ 2,850,676	\$ 2,948,435
Incurred claims (including IBNRs)	35,330,940	30,250,915
Claim payments	<u>(35,506,778)</u>	<u>(30,348,674)</u>
Unpaid claims, end of fiscal year	<u>\$ 2,674,838</u>	<u>\$ 2,850,676</u>
Liability Insurance Fund	2011	2010
	<u> </u>	<u> </u>
Unpaid claims, beginning of fiscal year	\$ 1,513,601	\$ 1,581,845
Incurred claims (including IBNRs)	1,369,716	1,908,187
Claim payments	<u>(2,053,416)</u>	<u>(1,976,431)</u>
Unpaid claims, end of fiscal year	<u>\$ 829,901</u>	<u>\$ 1,513,601</u>

All funds of the City 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.

12. 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.

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, 2011, 2010, and 2009 were \$10,954,338, \$10,276,977, and \$8,920,832, respectively, equal to the required contributions for each year.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

13. 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, 2011, the plan had approximately 2,768 active participants and 1,530 retired members and beneficiaries.

Funding Policy

The employer requires monthly contributions of \$46 to \$206 from active participants. Retirees' or their beneficiaries are required to contribute certain amounts based on level of coverage and date of retirement as follows:

	<u>Monthly Contribution</u>
Retiree and spouse over 65, after January 1, 1988	\$ 186
Retiree and spouse under 65, after January 1, 1988	192
Retiree and spouse over 65	117
Retiree	65
Beneficiary and family	865
Retiree and family	215
Retiree over 65	46
Beneficiary under 65	378
Retiree over 65 and family	206
Beneficiary over 65	228
Retiree and spouse (one over 65 and one under 65)	141
Blue Cross Blue Shield family W/C Beneficiary	191

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funding Policy (Continued)

Total member contributions were \$4,059,463 for active participants and \$2,189,266 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	\$28,459,248
Interest on net OPEB obligation	1,731,471
Adjustment to ARC	<u>(2,503,278)</u>
Annual OPEB cost	27,687,441
Contributions made	<u>(8,700,983)</u>
Increase in net OPEB obligation	18,986,458
Net OPEB obligation - beginning of year	<u>43,286,771</u>
Net OPEB obligation - end of year	<u><u>\$62,273,229</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the previous two years is as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
9/30/2009	\$ 19,547,954	48.6%	\$32,316,766
9/30/2010	19,369,016	43.4%	43,286,771
9/30/2011	27,687,441	31.4%	62,273,229

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress

As of September 30, 2010, the actuarial accrued liability for benefits was \$335,103,802 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$105,848,639 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 317%.

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 – earlier of age 62 or 20 years of service. Participants hired on or after October 1, 2005 are eligible for unreduced retirement at the earlier of age 55 or 25 years of service.

Non-Fire and Police – earlier of age 65 or 20 years of service. Participants hired on or after October 1, 2005 are eligible for unreduced retirement at the earlier of age 62 or 25 years 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 RP 2000 system tables with floating Scale AA projections.

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.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

13. 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 2011 were 8.00% for pre-65, and 6.40% for post-65, reduced to an ultimate rate of 6.40% in year 2022.

Health insurance premiums – 2011 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.

Inflation rate – 2.9% per annum, compounded annually.

The Projected Unit Credit Actuarial Cost Method was utilized in computing actuarial liabilities and costs. The amortization for September 30, 2011 is calculated as a level dollar amount. 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, 2011, was 26 years.

14. 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.

15. CONSTRUCTION COMMITMENTS

As of September 30, 2011, the City had commitments on construction of capital projects as follows:

Gross commitments	\$ 47,081,491
Spent-to-date	<u>25,988,981</u>
Net commitments	<u>\$ 21,092,510</u>

As of March 27, 2012, the City’s total net construction commitments were approximately \$14,849,000.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

16. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the year ended September 30, 2011:

The City appropriated approximately \$3,230,000 to the Montgomery City-County Public Library, a component unit, for salaries, operating costs, and miscellaneous capital projects. The City's appropriation is net of Montgomery County's reimbursements to the City for its share.

The Montgomery Water Works and Sanitary Sewer Board (the Board) paid the City \$3,211,746 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 \$510,000 for the Board's collection services. Also, during the year, the City paid the Board \$704,550 in charges for the use of fire hydrants.

The City made payments of \$230,287 to a Council Member's insurance agency for City insurance coverage.

17. EFFECT OF NEW PRONOUNCEMENTS

In 2011, the City implemented the following statement:

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. This statement also redefines the definitions of governmental funds.

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. 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.

18. SUBSEQUENT EVENT

On October 6, 2011 the City entered into a revolving credit promissory note with ServisFirst Bank with a maximum draw of \$15,000,000. Interest on the outstanding principal is due quarterly beginning January 6, 2012, at a rate equal to the prime rate as reported in the Wall Street Journal, currently 3.25%. Principal and interest are due at maturity on April 6, 2012. At March 27, 2012, there was no outstanding principal balance on the revolving note.

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 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%
2010	308,199,824	423,798,983	115,599,159	72.72%	96,313,443	120.02%

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%
2010	10,487,457	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]
9/30/2008	\$ -	\$ 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%
9/30/2010	-	335,103,802	335,103,802	0.00%	105,848,639	317%

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.

Municipal Court Corrections Fund accounts for funds restricted for the municipal court and jail. The funds may be used for capital acquisition or operations.

Miscellaneous Special Revenue Fund accounts for miscellaneous funding arising from federal and state government sources.

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.

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CITY OF MONTGOMERY, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	Special Revenue Funds						
	State Gasoline Tax	Alabama Trust Fund	Riverfront Stadium	Municipal Court Corrections	Miscellaneous Special Revenue Fund	Montgomery Area Transit System Grant Fund	Housing and Urban Development Grant Fund
ASSETS							
Cash and cash equivalents	\$ 217,783	\$ 1,252,726	\$ 215,775	\$ -	\$ 91,511	\$ 633,370	\$ 268,085
Cash held by fiscal agent	-	-	-	-	-	-	-
Receivables	250,032	-	274,289	-	1,594,513	378,282	488,539
Prepaid items	-	-	-	-	86,197	110	825
Assets held for resale	-	-	-	-	-	-	-
Due from other funds	5,642,867	-	4,031,389	501,406	5,555,514	188,303	210,691
Mortgage receivable	-	-	-	-	-	-	188,289
Cash - restricted	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 6,110,682	\$ 1,252,726	\$ 4,521,453	\$ 501,406	\$ 7,327,735	\$ 1,200,065	\$ 1,156,429
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued expenses	\$ 332,854	\$ -	\$ 14,950	\$ 8,446	\$ 805,731	\$ 220,867	\$ 82,700
Retainage payable	-	-	-	-	75,812	93,426	-
Due to other funds	5,328,866	1,252,726	-	8,426	1,936,551	566,934	864,004
Deferred revenue	-	-	-	-	736,781	-	199,725
Funds held in escrow	-	-	-	-	22,364	-	-
TOTAL LIABILITIES	5,661,720	1,252,726	14,950	16,872	3,577,239	881,227	1,146,429
FUND BALANCES							
Nonspendable:							
Assets held for resale	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	86,197	110	825
Restricted for:							
Capital projects	-	-	-	-	1,050,327	318,728	9,175
Debt service	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	2,600,889	-	-
Landfill	-	-	-	-	-	-	-
Municipal Court Corrections	-	-	-	484,534	-	-	-
Other	-	-	-	-	13,083	-	-
Riverfront Stadium	-	-	4,506,503	-	-	-	-
Roads	448,962	-	-	-	-	-	-
Assigned to:							
Capital projects	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Unassigned							
TOTAL FUND BALANCES	448,962	-	4,506,503	484,534	3,750,496	318,838	10,000
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,110,682	\$ 1,252,726	\$ 4,521,453	\$ 501,406	\$ 7,327,735	\$ 1,200,065	\$ 1,156,429

CITY OF MONTGOMERY, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

Debt Service Funds	Capital Project Funds		Total
	Landfill Upgrade Fund	Miscellaneous Capital Project Funds	
\$ 102,436	\$ -	\$ 57,721	\$ 2,839,407
774,601	-	-	774,601
-	-	2,054,470	5,040,125
-	-	-	87,132
-	-	856,500	856,500
139,056	2,347,009	943,746	19,559,981
-	-	-	188,289
1,479,614	-	-	1,479,614
<u>\$ 2,495,707</u>	<u>\$ 2,347,009</u>	<u>\$ 3,912,437</u>	<u>\$ 30,825,649</u>
\$ 500	\$ 258,883	\$ 2,248,319	\$ 3,973,250
-	-	84,887	254,125
1,350,921	3,910	2,150,733	13,463,071
-	-	2,034,000	2,970,506
-	-	-	22,364
<u>1,351,421</u>	<u>262,793</u>	<u>6,517,939</u>	<u>20,683,316</u>
-	-	856,500	856,500
-	-	-	87,132
-	68,806	-	1,447,036
1,144,286	-	-	1,144,286
-	-	-	2,600,889
-	2,015,410	-	2,015,410
-	-	-	484,534
-	-	-	13,083
-	-	-	4,506,503
-	-	-	448,962
-	-	678,527	678,527
-	-	-	-
-	-	(4,140,529)	(4,140,529)
<u>1,144,286</u>	<u>2,084,216</u>	<u>(2,605,502)</u>	<u>10,142,333</u>
<u>\$ 2,495,707</u>	<u>\$ 2,347,009</u>	<u>\$ 3,912,437</u>	<u>\$ 30,825,649</u>

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue Funds										Capital Project Funds			Total					
	Alabama Trust Fund		Riverfront Stadium		Municipal Court Corrections		Miscellaneous Grant Fund		Montgomery Area Transit System Grant Fund		Housing and Urban Development Grant Fund		Debt Service Funds		Landfill Upgrade Fund		Miscellaneous Capital Project Funds		
REVENUES																			
Taxes	\$ 3,045,525	\$ -	\$ 1,823,172	\$ -	\$ -	\$ 1,451,072	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,319,769
Licenses and permits	48,721	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48,721
Intergovernmental revenues	-	1,252,726	-	-	-	5,036,288	-	2,740,861	9,063,475	-	2,740,861	1,410,091	-	-	-	-	-	1,435,889	20,939,330
Charges for goods and services	-	-	-	-	-	141,747	-	-	-	-	-	-	-	-	-	-	-	-	141,747
Fines and forfeitures	-	-	-	-	2,353,649	-	-	-	-	-	-	-	-	-	-	-	-	-	2,353,649
Interest	-	-	134	-	1,299	1,294	-	-	-	-	-	164	-	-	18	-	-	46	2,955
Miscellaneous revenues	-	-	361,018	-	-	2,247,002	-	185,834	21,920	-	21,920	-	-	-	-	-	-	711,123	3,526,897
Total revenues	3,094,246	1,252,726	2,184,324	2,354,948	8,877,403	9,249,309	2,762,781	1,410,255	18	2,147,058	33,333,068								
EXPENDITURES																			
Current:																			
General government	-	-	-	35,782	1,005,587	232,180	2,359,584	-	240	926,934	4,560,307								
Public works	2,904,993	-	-	-	1,349,411	5,400,927	475	-	526,949	2,337,977	12,520,732								
Public safety	-	-	-	-	2,194,047	-	-	-	-	700,405	2,894,452								
Cultural and recreational	-	-	66,117	-	256,786	-	12,776	-	-	555,407	891,086								
Intergovernmental	-	-	-	-	-	-	-	-	-	-	348,373								
Capital outlay	-	-	-	90,663	3,495,980	1,379,010	389,946	-	417,833	7,684,403	13,457,835								
Debt service:																			
Principal	-	-	-	-	-	-	-	-	-	5,396,666	-								5,396,666
Interest	-	-	-	-	-	-	-	-	-	12,829,508	-								12,829,508
Debt issuance cost	-	-	-	-	-	-	-	-	-	409,212	-								409,212
Total expenditures	2,904,993	-	66,117	126,445	8,301,811	7,012,117	2,762,781	18,635,386	945,022	12,553,699	53,308,171								
Excess of revenues over (under) expenditures	189,253	1,252,726	2,118,207	2,228,503	575,592	2,237,192	-	(17,225,131)	(945,004)	(10,406,441)	(19,975,103)								
OTHER FINANCING SOURCES (USES)																			
Transfers in	-	-	-	-	856,586	2,326,709	2,153	16,898,374	1,252,726	10,066,840	31,403,388								
Transfers out	(220,000)	(1,252,726)	(1,745,292)	(5,915,480)	(1,954,828)	(4,684,064)	(2,153)	-	(2,035,237)	(2,460,653)	(20,270,433)								
Issuance of bonds	-	-	-	-	-	-	-	-	-	-	-								
Issuance of refunding bonds	-	-	-	-	-	-	-	-	-	-	-								
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-	-	-	(38,760,000)	-								38,760,000
Bond premium	-	-	-	-	-	-	-	-	-	(40,886,025)	-								(40,886,025)
Total other financing sources (uses)	(220,000)	(1,252,726)	(1,745,292)	(5,915,480)	(1,998,242)	(2,357,352)	-	17,323,355	(782,511)	7,606,187	11,557,936								
Net change in fund balance	(30,747)	-	372,915	(3,686,977)	(522,650)	(120,163)	-	98,224	(1,727,515)	(2,800,254)	(8,417,167)								
FUND BALANCES - BEGINNING	479,709	-	4,133,588	4,171,511	4,273,146	439,001	10,000	1,046,062	3,811,731	194,752	18,559,500								
FUND BALANCES - ENDING	\$ 448,962	\$ -	\$ 4,506,503	\$ 484,534	\$ 3,750,496	\$ 318,838	\$ 10,000	\$ 1,144,286	\$ 2,084,216	\$ (2,605,502)	\$ 10,142,333								

CITY OF MONTGOMERY, ALABAMA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
STATE GASOLINE TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,079,689	\$ 3,079,689	\$ 3,045,525	\$ (34,164)
Licenses	45,304	45,304	48,721	3,417
Total revenues	<u>3,124,993</u>	<u>3,124,993</u>	<u>3,094,246</u>	<u>(30,747)</u>
EXPENDITURES				
Public works:				
Maintenance	1,326,612	1,106,612	1,106,613	1
Traffic engineering	<u>1,798,381</u>	<u>1,798,381</u>	<u>1,798,380</u>	<u>(1)</u>
Total expenditures	<u>3,124,993</u>	<u>2,904,993</u>	<u>2,904,993</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>220,000</u>	<u>189,253</u>	<u>(30,747)</u>
OTHER FINANCING USES				
Operating transfers out	<u>-</u>	<u>(220,000)</u>	<u>(220,000)</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>(220,000)</u>	<u>(220,000)</u>	<u>-</u>
Net change in fund balance	-	-	(30,747)	(30,747)
FUND BALANCES - BEGINNING	<u>479,709</u>	<u>479,709</u>	<u>479,709</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 479,709</u>	<u>\$ 479,709</u>	<u>\$ 448,962</u>	<u>\$ (30,747)</u>

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.

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, 2011

	<u>Montgomery Zoo</u>	<u>Lagoon and Gateway Parks</u>	<u>Municipal Parking Decks</u>	<u>Montgomery River Boat</u>	<u>Total</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 681,868	\$ 554,846	\$ 121,355	\$ 173,180	\$ 1,531,249
Receivables	82,800	18,227	86	(7,480)	93,633
Inventories	73,852	21,101	-	11,294	106,247
Prepaid items	-	-	-	916	916
Due from other funds	81,829	267,343	327,215	-	676,387
Total current assets	<u>920,349</u>	<u>861,517</u>	<u>448,656</u>	<u>177,910</u>	<u>2,408,432</u>
NONCURRENT ASSETS					
Capital assets:					
Land	38,165	665,341	-	-	703,506
Buildings and system	5,929,421	1,316,843	3,040,299	-	10,286,563
Improvements other than buildings	4,997,855	2,760,911	6,137	-	7,764,903
Machinery and equipment	1,390,458	2,073,403	84,855	-	3,548,716
Less accumulated depreciation	<u>(6,145,499)</u>	<u>(4,362,246)</u>	<u>(1,543,941)</u>	<u>-</u>	<u>(12,051,686)</u>
Total capital net assets, net of accumulated depreciation	<u>6,210,400</u>	<u>2,454,252</u>	<u>1,587,350</u>	<u>-</u>	<u>10,252,002</u>
TOTAL ASSETS	<u>7,130,749</u>	<u>3,315,769</u>	<u>2,036,006</u>	<u>177,910</u>	<u>12,660,434</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	261,922	118,950	11,835	24,791	417,498
Deferred revenue	-	10,958	-	8,205	19,163
Due to other funds	-	-	-	325,383	325,383
Compensated absences	71,836	20,822	433	-	93,091
Total current liabilities	<u>333,758</u>	<u>150,730</u>	<u>12,268</u>	<u>358,379</u>	<u>855,135</u>
NONCURRENT LIABILITIES					
Compensated absences	417,627	188,962	25,979	-	632,568
Total noncurrent liabilities	<u>417,627</u>	<u>188,962</u>	<u>25,979</u>	<u>-</u>	<u>632,568</u>
TOTAL LIABILITIES	<u>751,385</u>	<u>339,692</u>	<u>38,247</u>	<u>358,379</u>	<u>1,487,703</u>
NET ASSETS					
Invested in capital assets, net of related debt	6,210,400	2,454,252	1,587,350	-	10,252,002
Unrestricted	168,964	521,825	410,409	(180,469)	920,729
TOTAL NET ASSETS	<u>\$ 6,379,364</u>	<u>\$ 2,976,077</u>	<u>\$ 1,997,759</u>	<u>\$ (180,469)</u>	<u>\$ 11,172,731</u>

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Montgomery Zoo</u>	<u>Lagoon and Gateway Parks</u>	<u>Municipal Parking Decks</u>	<u>Montgomery River Boat</u>	<u>Total</u>
OPERATING REVENUES					
Charges for goods and services	\$ 3,144,888	\$ 1,167,130	\$ 322,179	\$ 739,255	\$ 5,373,452
Total operating revenues	<u>3,144,888</u>	<u>1,167,130</u>	<u>322,179</u>	<u>739,255</u>	<u>5,373,452</u>
OPERATING EXPENSES					
Cost of sales and services	588,712	129,368	-	153,614	871,694
Administration	4,837,261	1,981,386	264,007	610,594	7,693,248
Depreciation	356,883	136,871	66,035	-	559,789
Total operating expenses	<u>5,782,856</u>	<u>2,247,625</u>	<u>330,042</u>	<u>764,208</u>	<u>9,124,731</u>
OPERATING LOSS	(2,637,968)	(1,080,495)	(7,863)	(24,953)	(3,751,279)
NONOPERATING REVENUES					
Interest income	247	-	87	38	372
Loss before contributions and transfers	(2,637,721)	(1,080,495)	(7,776)	(24,915)	(3,750,907)
Capital contributions	51,045	-	-	-	51,045
Transfers in	1,858,824	612,114	-	-	2,470,938
Transfers out	(15,943)	(43,000)	-	-	(58,943)
Change in net assets	<u>(743,795)</u>	<u>(511,381)</u>	<u>(7,776)</u>	<u>(24,915)</u>	<u>(1,287,867)</u>
TOTAL NET ASSETS - BEGINNING	<u>7,123,159</u>	<u>3,487,458</u>	<u>2,005,535</u>	<u>(155,554)</u>	<u>12,460,598</u>
TOTAL NET ASSETS - ENDING	<u>\$ 6,379,364</u>	<u>\$ 2,976,077</u>	<u>\$ 1,997,759</u>	<u>\$ (180,469)</u>	<u>\$ 11,172,731</u>

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Montgomery Zoo</u>	<u>Lagoon and Gateway Parks</u>	<u>Municipal Parking Decks</u>	<u>Montgomery River Boat</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 3,136,908	\$ 1,165,152	\$ 322,179	\$ 744,272	\$ 5,368,511
Payments to suppliers	(1,597,596)	(847,107)	(115,580)	(764,856)	(3,325,139)
Payments to employees	(3,499,744)	(1,102,950)	(124,273)	-	(4,726,967)
Payments for interfund services used	(321,036)	(131,993)	(15,746)	-	(468,775)
Net cash provided (used) by operating activities	<u>(2,281,468)</u>	<u>(916,898)</u>	<u>66,580</u>	<u>(20,584)</u>	<u>(3,152,370)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(15,943)	(43,000)	-	-	(58,943)
Transfers from other funds	1,858,824	612,114	-	-	2,470,938
Net cash payments from other funds	<u>(81,830)</u>	<u>128,845</u>	<u>(101,435)</u>	<u>164,865</u>	<u>110,445</u>
Net cash provided (used) by noncapital financing activities	<u>1,761,051</u>	<u>697,959</u>	<u>(101,435)</u>	<u>164,865</u>	<u>2,522,440</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	-	(51,042)	-	-	(51,042)
Net cash used by capital and related financing activities	<u>-</u>	<u>(51,042)</u>	<u>-</u>	<u>-</u>	<u>(51,042)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	247	-	87	38	372
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(520,170)	(269,981)	(34,768)	144,319	(680,600)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,202,038</u>	<u>824,827</u>	<u>156,123</u>	<u>28,861</u>	<u>2,211,849</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 681,868</u>	<u>\$ 554,846</u>	<u>\$ 121,355</u>	<u>\$ 173,180</u>	<u>\$ 1,531,249</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Contributions of capital assets from governmental funds	\$ 13,745	\$ -	\$ -	\$ -	\$ 13,745
Donated capital assets	37,300	-	-	-	37,300

(Continued)

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Montgomery Zoo</u>	<u>Lagoon and Gateway Parks</u>	<u>Municipal Parking Decks</u>	<u>Montgomery River Boat</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating loss	\$ (2,637,968)	\$ (1,080,495)	\$ (7,863)	\$ (24,953)	\$ (3,751,279)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	356,883	136,871	66,035	-	559,789
(Increase) decrease in receivables	(7,980)	(12,936)	-	8,493	(12,423)
(Increase) decrease in inventories	18,646	(2,971)	-	(1,451)	14,224
Increase in prepaid items	-	-	-	(916)	(916)
Increase in accounts payable and accrued expenses	2,298	33,671	1,943	1,719	39,631
Increase (decrease) in deferred revenue	-	10,958	-	(3,476)	7,482
Increase (decrease) in compensated absences	(13,347)	(1,996)	6,465	-	(8,878)
Total adjustments	<u>356,500</u>	<u>163,597</u>	<u>74,443</u>	<u>4,369</u>	<u>598,909</u>
Net cash provided (used) by operating activities	<u>\$ (2,281,468)</u>	<u>\$ (916,898)</u>	<u>\$ 66,580</u>	<u>\$ (20,584)</u>	<u>\$ (3,152,370)</u>

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, 2011

	Employees' Medical Insurance	Liability Insurance	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 409,602	\$ 490,205	\$ 899,807
Receivables	37,390	64,000	101,390
Prepaid items	-	641,021	641,021
Due from other funds	9,524	-	9,524
TOTAL ASSETS	456,516	1,195,226	1,651,742
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	1,381,879	108,785	1,490,664
Claims payable	2,674,838	829,901	3,504,739
Funds held in escrow	1,420	-	1,420
Due to other funds	-	22,723	22,723
Total current liabilities	4,058,137	961,409	5,019,546
NONCURRENT LIABILITIES			
Advances from other funds	3,240,102	1,075,557	4,315,659
TOTAL LIABILITIES	7,298,239	2,036,966	9,335,205
NET ASSETS (DEFICIT)			
Unrestricted	<u>\$ (6,841,723)</u>	<u>\$ (841,740)</u>	<u>\$ (7,683,463)</u>

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, 2011

	Employees' Medical Insurance	Liability Insurance	Total
OPERATING REVENUES			
Charges for services	\$ 27,119,395	\$ 3,508	\$ 27,122,903
Total operating revenues	27,119,395	3,508	27,122,903
OPERATING EXPENSES			
Benefits paid	35,330,940	1,369,716	36,700,656
OPERATING LOSS BEFORE TRANSFERS	(8,211,545)	(1,366,208)	(9,577,753)
Transfers in	4,000,000	1,540,369	5,540,369
Change in net assets	(4,211,545)	174,161	(4,037,384)
TOTAL NET ASSETS (DEFICIT) - BEGINNING	(2,630,178)	(1,015,901)	(3,646,079)
TOTAL NET ASSETS (DEFICIT) - ENDING	<u>\$ (6,841,723)</u>	<u>\$ (841,740)</u>	<u>\$ (7,683,463)</u>

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Employees' Medical Insurance	Liability Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	\$ 27,126,068	\$ 3,508	\$ 27,129,576
Payments to suppliers	<u>(34,486,992)</u>	<u>(2,591,594)</u>	<u>(37,078,586)</u>
Net cash used by operating activities	<u>(7,360,924)</u>	<u>(2,588,086)</u>	<u>(9,949,010)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	4,000,000	1,540,369	5,540,369
Net cash payments from other funds	<u>3,240,102</u>	<u>1,059,280</u>	<u>4,299,382</u>
Net cash provided by noncapital financing activities	<u>7,240,102</u>	<u>2,599,649</u>	<u>9,839,751</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(120,822)	11,563	(109,259)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>530,424</u>	<u>478,642</u>	<u>1,009,066</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 409,602</u></u>	<u><u>\$ 490,205</u></u>	<u><u>\$ 899,807</u></u>

(Continued)

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Employees' Medical Insurance	Liability Insurance	Total
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating loss	<u>\$ (8,211,545)</u>	<u>\$ (1,366,208)</u>	<u>\$ (9,577,753)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:			
Decrease in accounts receivable	5,253	-	5,253
Decrease in prepaid items	-	(641,021)	(641,021)
Increase in accounts payable and accrued expenses	1,019,786	102,843	1,122,629
Decrease in claims payable	(175,838)	(683,700)	(859,538)
Increase in funds held in escrow	<u>1,420</u>	<u>-</u>	<u>1,420</u>
Total adjustments	<u>850,621</u>	<u>(1,221,878)</u>	<u>(371,257)</u>
Net cash used by operating activities	<u><u>\$ (7,360,924)</u></u>	<u><u>\$ (2,588,086)</u></u>	<u><u>\$ (9,949,010)</u></u>

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	93
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.	99
Debt Capacity 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.	104
Demographic and Economic Information 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.	111
Operating Information 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.	112

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

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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	2011
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	\$ 203,973,790
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	1,304,163
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	991,204
Cultural and recreational	7,045,719	-	-	1,839,281	2,925,208	4,880,585	7,314,372	4,280,263	4,260,063	4,622,557
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	34,609,691
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	9,690,471
Municipal Court Corrections	-	-	-	-	-	-	-	-	-	484,534
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)	(217,952,467)
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	\$ 37,723,943
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	\$ 34,407,586
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	(1,430,759)
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	\$ 32,976,827
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	\$ 238,381,376
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	51,702,620
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)	(219,383,226)
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	\$ 70,700,770

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	2011		
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	\$ 75,547,042		
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	51,232,910		
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	95,703,085		
Cultural and recreational	25,040,795	26,759,700	21,730,045	24,672,173	20,414,279	23,220,119	30,131,588	27,959,722	33,837,935	33,826,263		
Economic development	220,915	8,761	4,185,554	7,805,568	9,089,961	11,467,071	11,822,764	11,452,425	10,561,682	14,459,954		
Interest on long-term debt	3,356,214	3,038,130	7,534,729	226,267,769	221,612,696	226,303,725	263,851,396	273,314,644	267,589,273	270,769,254		
Total governmental activities expenses	157,843,340	177,951,067	222,255,752	780,558,806	780,558,806	780,558,806	888,884,884	993,835,241	993,835,241	993,835,241		
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	16,597,743		
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	16,482,254		
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	1,518,289		
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	13,082,354		
Capital grants and contributions	3,097,525	5,575,502	5,463,137	22,831,189	19,777,090	9,351,959	5,859,738	10,074,229	21,969,518	11,386,411		
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	59,067,051		
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)	(186,837,407)	(193,775,026)	(211,702,203)		
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	88,699,968		
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	30,885,675		
Business licenses	-	-	-	-	-	-	-	-	30,482,388	31,366,586		
Motor fuel taxes	8,281,319	8,299,778	8,756,356	9,237,249	8,645,857	8,560,057	8,363,071	8,202,877	8,335,705	8,052,601		
Lodging taxes	2,905,311	4,091,513	4,425,295	5,099,540	5,656,263	5,444,264	5,530,268	5,269,547	5,578,274	5,712,415		
Rental taxes	-	-	-	-	-	-	-	-	3,285,663	3,337,930		
Tobacco tax	278,055	259,525	791,787	1,951,430	1,781,887	1,761,227	1,619,508	1,764,595	1,438,763	1,451,072		
Alcoholic beverage taxes	214,159	212,452	183,272	210,227	177,033	248,883	227,511	234,164	234,301	276,837		
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	206,561		
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	124,537		
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	7,734,015		
Gain on sale of assets	-	247,543	131,625	155,785	-	41,745	323,158	-	146,640	159,766		
Change in accounting estimate	-	-	5,485,022	-	-	-	-	-	-	-		
Extraordinary item	-	-	-	-	-	-	-	-	-	-		
Total governmental activities general revenues	(5,130,469)	(5,125,186)	(3,881,742)	12,308,550	(7,613,962)	(4,812,966)	(4,753,802)	3,900,000	(13,762,102)	(24,591,442)		
and other changes in net assets	94,535,534	119,833,357	132,860,095	154,476,159	144,101,842	150,518,112	145,906,409	138,040,677	160,423,691	153,416,541		
Total governmental activities change in net assets	(5,299,707)	8,497,657	(6,588,789)	36,795,339	9,622,201	4,345,827	(43,572,794)	(48,816,730)	(33,351,335)	(58,285,662)		

(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	2011
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	\$ 5,960,749
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	3,516,281
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	2,343,402
Civic Center	3,120,364	3,148,573	3,121,091	609,091	-	-	-	-	-	-
Montgomery River Boat	-	-	-	-	-	-	-	553,658	858,102	764,208
Municipal Parking Decks	155,916	160,436	201,244	203,308	199,525	217,947	266,244	318,963	348,955	330,042
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	12,914,682
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	3,144,888
Montgomery Area Transit System	455,642	487,290	551,530	629,508	613,269	605,931	750,752	800,896	761,053	746,779
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	1,167,130
Civic Center	1,833,516	2,302,715	2,319,784	495,378	-	-	-	-	-	-
Montgomery River Boat	-	-	-	-	-	-	-	564,180	691,978	739,255
Municipal Parking Decks	140,548	138,219	155,138	159,087	152,555	99,604	56,369	62,302	230,980	322,179
Operating grants and contributions	35,361	-	-	-	-	-	-	-	-	-
Montgomery Area Transit System	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	6,120,231
Total business-type activities revenues	(6,799,280)	(4,620,082)	(4,782,030)	(4,775,437)	(5,855,176)	(5,979,270)	(6,354,766)	(7,366,612)	(6,115,025)	(6,794,451)
Total business-type activities net program expense										
Other changes in net assets										
Investment earnings	-	794	779	8,341	11,288	16,432	15,679	3,329	391	372
Miscellaneous revenue	-	-	-	-	-	-	-	-	-	37,300
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	24,591,442
	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	24,629,114
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	\$ 17,834,663
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)	\$ (40,450,999)

* 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	2011	
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	(370,572)	-	
Nonspendable:											
Inventories	-	-	-	-	-	-	-	-	-	1,216,275	
Long term receivables	-	-	-	-	-	-	-	-	-	6,016,006	
Prepaid items	-	-	-	-	-	-	-	-	-	156,915	
Assigned to other	-	-	-	-	-	-	-	-	-	3,110	
Unassigned	-	-	-	-	-	-	-	-	-	(2,147,624)	
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	\$ 9,389,957	\$ 5,244,682	

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 3
FUND BALANCES OF GOVERNMENTAL FUNDS (CONTINUED)
(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	2,376,183	-
Nonspendable:										
Assets held for resale	-	-	-	-	-	-	-	-	-	856,500
Long term receivables	-	-	-	-	-	-	-	-	-	1,126
Prepaid items	-	-	-	-	-	-	-	-	-	87,132
Restricted for:										
Capital projects	-	-	-	-	-	-	-	-	-	34,834,191
Debt service	-	-	-	-	-	-	-	-	-	2,506,239
Intergovernmental	-	-	-	-	-	-	-	-	-	2,600,889
Landfill	-	-	-	-	-	-	-	-	-	2,015,410
Municipal Court Corrections	-	-	-	-	-	-	-	-	-	484,534
Other	-	-	-	-	-	-	-	-	-	13,083
Riverfront Stadium	-	-	-	-	-	-	-	-	-	4,506,503
Roads	-	-	-	-	-	-	-	-	-	448,962
Assigned to:										
Capital projects	-	-	-	-	-	-	-	-	-	678,527
Other	-	-	-	-	-	-	-	-	-	99,205
Unassigned	-	-	-	-	-	-	-	-	-	(4,140,529)
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	\$ 81,899,159	\$ 44,991,772

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	2011
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	\$ 138,416,498
Licenses and permits	27,464,309	28,127,922	32,414,716	31,241,991	33,263,521	33,066,083	37,956,908	37,874,584	38,269,290	38,943,003
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	25,003,498
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	15,311,202
Fines and forfeitures	3,553,762	4,461,474	4,393,491	4,434,492	4,769,262	5,574,497	6,817,336	8,648,985	9,834,116	7,853,059
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	124,557
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	6,756,166
Total revenues	154,209,367	188,210,350	195,541,399	215,083,126	229,326,054	229,311,511	224,518,365	221,864,655	238,827,189	232,407,983
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	44,341,654
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	43,843,513
Public safety	56,029,695	66,771,416	68,160,583	68,816,756	72,042,280	75,033,957	81,551,085	80,660,653	80,282,388	83,563,849
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	29,047,378
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	4,214,102
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	35,497,808
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	11,031,381
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	13,660,258
Debt issuance costs	-	1,391,659	642,647	964,232	570,965	546,817	-	-	1,011,871	409,212
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	265,609,155
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)	(33,201,172)
Other financing sources (uses)										
Proceeds from sale of assets	-	-	-	-	217,810	499,260	461,044	209,170	177,871	413,709
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	39,962,038
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)	(52,984,538)
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	4,332,320
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	38,760,000
Payment to refund bonds escrow agent	-	(8,505,000)	-	(25,267,700)	-	-	-	-	(39,108,572)	(40,886,025)
Bond premium and discount, net	-	3,971,417	-	509,672	160,270	208,215	-	-	4,939,685	2,551,006
Total other financing sources (uses)	5,188,720	66,662,829	30,986,593	27,294,738	33,073,383	41,767,610	(2,470,729)	2,504,890	44,264,031	(7,851,490)
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	\$ (41,052,662)
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%	10.89%

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
2011	88,699,968	30,885,675	8,052,601	5,712,415	276,837	1,451,072	3,337,930	138,416,498

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	2011
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	\$2,339,761,197
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	415,092,080
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	90,271,143
Totals	\$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	\$2,845,124,420
City direct sales tax rate	2.50%	3.50%	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%
Totals	\$ 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%
Totals	\$ 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%
Totals	\$ 93,799,356	6,938		\$ 83,980,254	6,939		\$ 86,150,767	6,646	
	2011								
	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers						
General merchandise	\$ 81,931,572	6,045	22.24%						
Auto and agriculture	5,188,651	211	69.23%						
Manufacturing machine	1,579,745	354	62.10%						
Totals	\$ 88,699,968	6,610							

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

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Montgomery County</u>	<u>State of Alabama</u>	<u>Total Sales Tax</u>
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%
2011	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

Tax Remitter	2002		2003		2004		2005		2006		2007		2008		2009		2010		2011	
	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	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%	1	6.64%
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%	3	2.56%
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%	4	2.52%
K-Mart Corporation	5	1.84%	9	1.03%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gayfers/Dillard's	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%	5	2.13%
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 and Company	9	1.09%	8	1.04%	7	1.20%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Chevrolet/DME, Inc.	10	0.85%	-	-	-	-	9	0.88%	-	-	-	-	-	-	-	-	7	1.86%	-	2.08%
Perisian	-	-	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%	10	1.20%
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%	2	3.10%
Costco Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	9	0.97%	5	1.31%	8	1.64%	
Hyundai Manufacturing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	3.93%	9	1.62%
Jack Ingram Motors, Co.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7	1.89%
Totals		25.11%		24.42%		23.59%		22.08%		21.22%		21.04%		20.37%		21.64%		28.22%		25.38%

Source: City Revenue Division of the Department of Finance.

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 10
RATIOS OF OUTSTANDING DEBT BY TYPE

Fiscal Year	Governmental Activities			Total Outstanding Debt	Percentage of Taxable Sales (b)	Percentage of Personal Income (a)	Liability Per Capita Population (a)
	General Obligation Bonds	Revenue Warrants	Capital Leases				
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%	5.94%	1,423.80
2011	257,892,778	17,975,000	10,600,736	286,468,514	10.07%	5.96%	1,392.22

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

(a) See 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%	1,281.85
2011	257,892,778	9.06%	1,253.34

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>2002</u>			
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	<u>35,169,580</u>	86.57%	<u>30,446,305</u>
Total direct and overlapping debt	<u>\$ 111,848,998</u>		<u>\$ 107,125,723</u>
<u>2003</u>			
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	<u>47,203,428</u>	88.59%	<u>41,817,517</u>
Total direct and overlapping debt	<u>\$ 170,351,233</u>		<u>\$ 164,965,322</u>
<u>2004</u>			
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	<u>44,500,000</u>	87.43%	<u>38,906,350</u>
Total direct and overlapping debt	<u>\$ 191,749,571</u>		<u>\$ 186,155,921</u>
<u>2005</u>			
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	<u>41,270,000</u>	85.81%	<u>35,413,787</u>
Total direct and overlapping debt	<u>\$ 218,597,445</u>		<u>\$ 212,741,232</u>

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>2006</u>			
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	<u>112,877,677</u>	85.03%	<u>95,976,480</u>
Total direct and overlapping debt	<u>\$ 324,789,214</u>		<u>\$ 307,888,017</u>
<u>2007</u>			
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	<u>144,875,820</u>	85.02%	<u>123,179,018</u>
Total direct and overlapping debt	<u>\$ 395,428,826</u>		<u>\$ 373,732,024</u>
<u>2008</u>			
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	<u>140,090,000</u>	79.48%	<u>111,336,779</u>
Total direct and overlapping debt	<u>\$ 384,137,106</u>		<u>\$ 355,383,885</u>
<u>2009</u>			
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	<u>136,055,000</u>	85.58%	<u>116,433,543</u>
Total direct and overlapping debt	<u>\$ 370,845,826</u>		<u>\$ 351,224,369</u>

CITY OF MONTGOMERY, ALABAMA

SCHEDULE 12

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (CONTINUED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>2010</u>			
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	<u>132,070,000</u>	86.81%	<u>114,648,161</u>
Total direct and overlapping debt	<u>\$ 425,037,576</u>		<u>\$ 407,615,737</u>
<u>2011</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 286,468,514	100.00%	\$ 286,468,514
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>128,015,000</u>	87.46%	<u>111,966,226</u>
Total direct and overlapping debt	<u>\$ 414,483,514</u>		<u>\$ 398,434,740</u>

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	2011	
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	\$ 551,311,856	
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	220,390,605	
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	\$ 330,921,251	
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%	39.98%	

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed property value	\$ 2,756,559,280
Debt limit (20% of assessed property value)	\$ 551,311,856
Debt applicable to limit:	
General obligation debt including capital leases	286,468,514
Less: Debt attributable to construction of school houses	(66,077,909)
Total net debt applicable to limit	220,390,605
Legal debt margin	\$ 330,921,251

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 14
PLEDGED-REVENUE COVERAGE

<u>Fiscal Year</u>	<u>Revenue Warrants</u>			
	<u>Lodging Tax Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
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	1,578,726	5,135,000	1,105,969	0.25
2010	1,618,591	180,000	1,077,463	1.29
2011	1,823,172	230,000	1,067,213	1.41

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	205,764	4,931,751,552	23,968	31,681	9.2%
2011	205,764	4,807,264,332	23,363	31,681	10.0%

Sources: Population information provided by the 2000 and 2010 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

<u>Employer</u>	<u>2002</u>		<u>2011</u>	
	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
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%	2,700	1.39%
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%
Rheem Water Heaters	1,150	0.60%	1,147	0.59%
MOBIS Alabama, LLC	-	0.00%	1,017	0.52%
Baptist Medical Center South	1,400	0.73%	-	0.00%
Regions Bank	977	0.51%	-	0.00%
Totals	42,194	21.98%	41,836	21.49%

Source: Montgomery Chamber of Commerce.

Note: This schedule presents 2011 compared to 2002.

CITY OF MONTGOMERY, ALABAMA

SCHEDULE 17

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of September 30</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government:										
Mayor	7	7	6	6	6	6	6	5	6	8
City Clerk	3	3	3	3	3	3	4	4	4	4
City Attorney	7	8	8	5	9	9	13	7	11	11
Finance	81	81	76	69	76	55	59	54	55	57
Information Technology	-	-	-	-	-	19	24	14	20	21
Garage	71	75	77	77	77	80	75	78	74	63
Municipal Court	31	32	31	40	40	43	48	52	49	48
Municipal Parking Decks	2	2	2	2	2	3	4	5	5	6
Planning and Development	33	33	37	35	36	38	36	36	34	35
Public safety:										
Police:										
Officers	466	538	527	501	483	485	512	507	500	528
Civilians	164	186	191	143	141	142	147	173	168	207
Fire:										
Officers	529	527	550	550	537	515	542	539	496	550
Civilians	19	23	24	7	7	7	8	9	8	9
City/County Emergency Management Agency	2	3	3	3	3	4	3	5	11	11
Communications	-	-	-	84	85	79	88	86	81	77
Public works:										
Engineering	86	86	88	88	87	89	87	26	25	26
Inspections	-	-	-	-	-	-	-	38	36	37
Landfill	-	-	-	-	-	-	-	20	21	21
Maintenance	158	159	326	340	324	313	326	276	201	207
Sanitation	138	142	324	322	323	336	311	316	281	289
Traffic Engineering	40	42	42	41	43	45	44	41	42	41
Culture and recreation:										
Parks and Recreation	178	179	318	304	306	304	294	286	267	251
Civic Center	31	32	43	6	-	-	-	-	-	-
Downtown Redevelopment	-	-	-	-	6	9	9	8	8	9
Lagoon and Gateway Parks	17	16	30	30	41	41	42	31	28	24
Library	55	60	67	72	67	67	67	65	63	63
Montgomery Zoo and Food Services	40	72	92	82	91	92	87	92	89	75
Museum	37	39	38	39	36	37	40	36	34	37
Old Alabama Town	-	-	-	-	4	4	4	4	-	-
Leisure Department - Building Maintenance	-	-	-	-	-	-	-	103	67	68
Public Information and External Affairs	-	-	-	-	-	-	-	4	4	4
Totals	<u>2,195</u>	<u>2,345</u>	<u>2,903</u>	<u>2,849</u>	<u>2,833</u>	<u>2,825</u>	<u>2,880</u>	<u>2,920</u>	<u>2,688</u>	<u>2,787</u>

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government:										
Business licenses issued	18,465	16,652	17,092	17,264	17,664	17,811	16,909	16,922	15,353	14,975
Building permits issued	11,774	11,208	11,237	12,457	11,176	10,649	7,813	5,919	6,578	6,705
Public safety:										
Police:										
Physical arrests	9,481	8,430	7,378	8,773	8,423	10,104	6,981	10,436	11,493	11,003
Parking violations	77,093	74,113	74,816	77,476	77,205	68,667	73,006	57,674	51,744	51,744
Traffic violations	42,820	54,704	50,603	46,244	56,777	66,669	119,416	117,158	104,462	104,462
Fire:										
Emergency responses	23,775	24,424	26,248	27,564	29,042	30,032	30,211	28,578	25,510	26,043
Fires extinguished	5,197	4,914	4,608	5,487	5,341	5,236	5,666	5,006	5,339	4,959
Inspections	16,772	21,210	20,622	19,178	24,122	28,792	18,140	18,966	15,661	17,940
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	114,310
Recyclables collected (tons per year)	2,212	2,316	2,052	2,225	2,222	2,185	2,690	2,775	1,275	578
Streets resurfaced (tons of paving material)	17,924	44,635	46,400	43,680	52,884	42,885	44,228	44,247	28,023	30,055
Transit:										
Passengers	511,162	562,923	632,277	749,554	907,999	1,086,762	1,328,459	1,336,936	1,255,463	1,202,482
Culture and recreation:										
Library:										
Total circulation	433,973	449,521	447,157	471,328	497,872	445,882	458,072	450,285	448,993	446,657
Parks and recreation:										
Golf rounds played	32,859	33,838	29,277	25,386	27,926	39,871	39,926	40,053	40,108	38,922
Youth baseball/softball games played	6,314	6,208	6,189	6,296	6,231	6,278	6,295	6,361	6,291	6,351
League and tournament games played	3,447	3,448	2,970	2,663	2,845	2,920	2,935	2,568	3,018	2,782
Games played in athletic facilities:										
Basketball	750	749	750	739	765	790	810	825	832	912
Volleyball	56	58	58	58	58	75	84	75	82	86
Football	375	378	377	375	378	385	395	408	415	421
Soccer	1,109	1,120	1,205	1,230	1,245	1,275	1,290	1,305	1,320	1,358

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	2011
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol cars	255	255	260	270	270	224	224	248	216	223
Fire stations	15	15	15	15	15	15	15	15	15	15
Public works:										
Streets (miles)	-	-	-	-	1,079	1,085	1,099	1,107	1,203	1,110
Traffic signals	388	397	406	420	429	438	438	470	474	478
Street lights	27,486	27,623	27,682	27,812	27,906	28,011	28,230	29,013	29,057	28,981
Refuse collection trucks	120	121	136	119	134	130	128	125	130	125
Transit:										
Buses	54	69	55	43	43	43	50	50	45	55
Cultural and recreation:										
Acreage	1,626	1,626	1,690	1,720	1,722	1,722	1,822	1,827	1,836	1,836
Golf courses (acres)	410	410	410	410	610	610	610	610	610	610
Playgrounds	59	59	60	60	60	58	58	55	54	52
Baseball/softball fields	84	84	84	84	84	90	90	87	87	87
Tennis courts	42	42	42	42	42	42	42	46	46	46
Special facilities	6	6	6	6	6	6	6	6	6	6
Community centers	28	28	28	28	28	28	28	28	26	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.