

**CITY OF MONTGOMERY, ALABAMA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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



**CITY OF MONTGOMERY, ALABAMA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2012**

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## **INTRODUCTORY SECTION**

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

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# City of Montgomery, Alabama

*Lloyd Faulkner*  
Finance Director

*Todd Strange*  
Mayor

Montgomery City Council Members

Charles W. Jirright - President	David Burkette	Arch Lee
Tracy Larkin - Pro Tem	Cornelius Calhoun	Glen Pruitt, Jr.
Richard Bollinger	Jon Dow	Charles Smith

April 29, 2013

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, 2012. 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, 2012. The accounting firm of Warren Averett, LLC was selected to conduct the 2012 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 and currently the second largest city in the State of Alabama. The City was incorporated on December 3, 1819 as a merger of two towns situated along the Alabama River. It 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 1<sup>st</sup> through September 30<sup>th</sup>. The Mayor and nine (9) Council members are each elected to four (4) year terms. The City provides police and fire protection; emergency 911 services; sanitation services; construction and maintenance of highways, streets, and infrastructure; public parking facilities; 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 20<sup>th</sup> 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 20<sup>th</sup>. 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 and the Solid Waste Disposal Authority of the City of Montgomery were determined to be reportable component units and have been included in this report.

## ECONOMIC CONDITION

Government makes up more than 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 9,400 jobs, and city government accounts for approximately 2,650 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.

Manufacturing growth continues to increase in the City. In FY 2012, growth in this industry was 9.1% over the previous year. Montgomery had the largest percent manufacturing growth change over all other cities in the State.

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 decreased from 10.0% to 7.7% in 2012. Although the economy was sluggish in 2012, sales tax receipts and hotel occupancy in the City increased over the previous year 2.77% and 6.10%, respectively.

The face of Downtown Montgomery continued to change in 2012. The occupancy rate for the central business district continues to increase due to the revitalization of buildings for housing and retail businesses. The Convention Center is still boasting revenue by bringing in major performances and events to the City. The Alleyway continues to be vibrant and more restaurants have begun operations in the downtown area of the City.

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 more than ten seasons in Montgomery. The minor league team has won two Southern League Championships.

The City's economic development continued to expand in 2012 as outlined below:

- (1) New capital investments in excess of \$167,512,056 for the creation of new industry and expansion of existing industries that is expected to bring approximately 2,224 additional jobs to the region. The new and expanded industries include the following:

<u>Company</u>	<u>Capital Investments</u>	<u># Jobs</u>
AKD Screenprinting	\$ 484,000	10
Alabama Media Group	-	8
DAS North America	50,000,000	240
E & I, Inc.	2,000,000	20
EnovaPremier	300,000	28
Fras-Le	11,000,000	100
Glovis Alabama	500,000	380
Hanil USA	3,000,000	60
Hartzell Engine Technologies	2,150,000	-
Hyundai Motor Manufacturing AL	23,500,000	877
Indrasoft	-	18
Knox Kershaw, Inc.	400,000	15
Lear Corporation – Montgomery	90,000	93
MOBIS Alabama	9,947,722	193
Rheem Water Heaters	2,500,000	26
Rock-Tenn	-	25
Sabel Steel Service, Inc.	2,142,606	3
SABIC Innovative Plastics	26,000,000	-
Seung Kwang	1,220,000	6
Steris	11,000,000	80
TK, LLC	3,000,000	27
United Plastics Recycling	1,995,587	-
Webster Industries	14,000,000	-
Whitfield Foods	2,212,141	-
Yesol Corporation	70,000	15

- (2) Renovation of Cramton Bowl Football Field and the addition of the new Multiplex Sports Facility were completed. As anticipated, these facilities are bringing major sports tournaments to the City.
- (3) Continued acquisitions, renovations and demolitions of blighted properties that are being sold to private investors for new retail businesses, restaurants, and loft apartments.
- (4) Construction of a new public safety facility for police and fire departments was still in process. The new facility will enhance the safety of the City's citizens.
- (5) The Montgomery Police Department's driving track was completed and is the only track available for training in the State of Alabama. This facility will be used by various law enforcement officers throughout the State to teach defensive, pursuit, and emergency driving techniques as well as motorcycle skills.
- (6) Expansion of a connector road in east Montgomery was completed. The road will enhance development by private investors in new home construction in the area.
- (7) Construction was completed on the Maxwell Boulevard project. This infrastructure project will provide better access to Maxwell Air Force Base and allow a safer thoroughfare for traffic.

- (8) Several infrastructure improvements were completed in the City. The infrastructure improvements included the widening of sidewalks, streets and extension of streets. These infrastructure improvements will ease traffic congestion and allow easier access to various secondary streets for a growing population.
- (9) Renovations to the City's soccer fields were completed. The renovations included new lighting, stadium seating, press boxes, an irrigation system, sod and new fencing that will provide better accommodations for the players and spectators during games at the facility.
- (10) Renovations at the City Hall Building were completed. The City Auditorium which is housed in the City Hall Building was re-opened and rededicated. It is now home to the City Council's bi-monthly meetings on the first and third Tuesday of each month.
- (11) Construction of a river otter habitat and a sky lift were completed at the Montgomery Zoo. These additions to the Zoo are expected to attract new and repeat visits from the citizens of Montgomery.
- (12) Upgrades were completed at the City's Riverfront Facility which included the installation of rubber sidewalk tiles, an arch over the entrance to the tunnel leading to the riverfront, and new lighting inside the tunnel. A building for housing refreshments was also completed at the riverfront.
- (13) 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 joint venture between the City and Montgomery County for primary healthcare clinics continues to be very successful in providing City employees and their dependents with those services that would be rendered by a family practice physician. CareHere, LLC is managing all aspects of operations for the 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

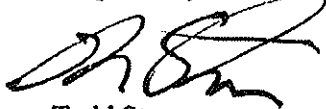
The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Montgomery for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2011. In order to be awarded 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 only one year. We believe the City's 2012 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, Warren Averett, LLC. The independent auditors have issued an unqualified or "clean" opinion on the City of Montgomery's financial statements for the year ended September 30, 2012.

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, 2011

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.



*Christopher P. Moville*

President

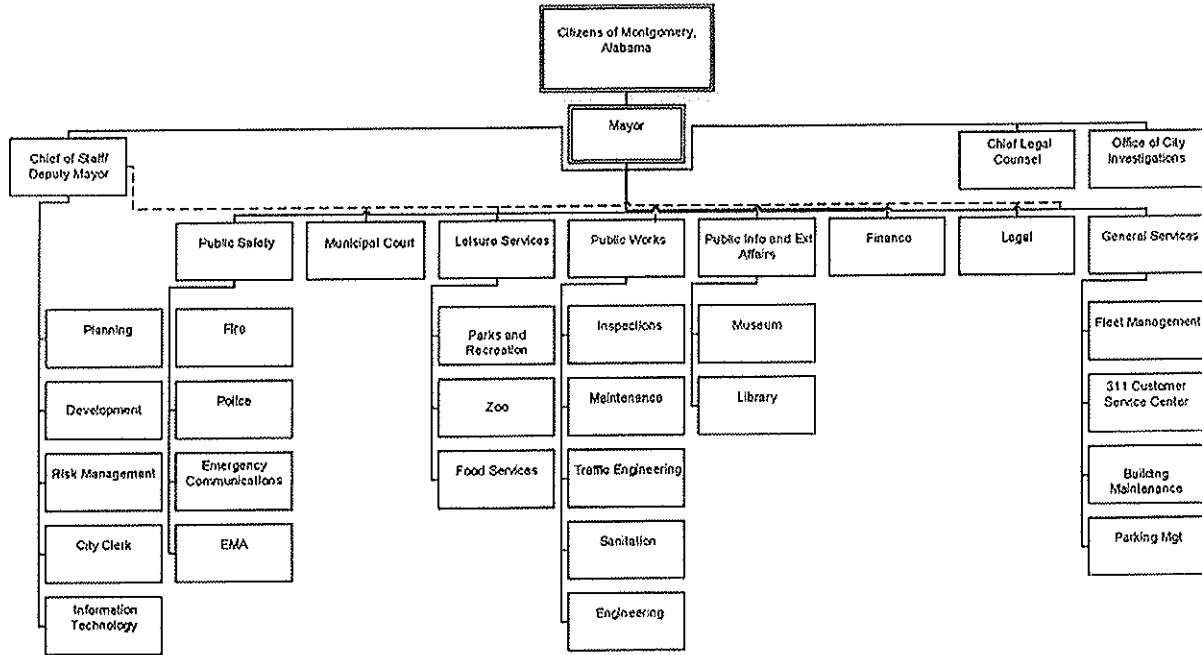
*Jeffrey R. Enos*

Executive Director

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**CITY OF MONTGOMERY, ALABAMA**  
**ELECTED AND APPOINTED OFFICIALS**  
**SEPTEMBER 30, 2012**

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Elected Officials

Mayor	Todd Strange
Council Members	
District 9	Charles W. Jinright, President
District 3	Tracy Larkin, President Pro Tem
District 1	Richard Bollinger
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
City Investigations	Ronald Sams
311 Customer Service Center	Michelle Watson
Emergency Communications	Larry Fisher
Development	Chad Emerson
Emergency Management Agency	Brenda M. Mitchell
Engineering	Patrick Dunson
Finance	E. Lloyd Faulkner, Director
	Betty P. Beville, Deputy Director
Fire	Chief Miford Jordan
Fleet Management	Terry H. Gaddis
Food Services	Debra Harris (Interim)
General Services	Stephen Jones, Director
Information Technology	Lou Ialacci
Inspections	Dorian D. Brunson
Landfill	Noah Johnson
Leisure Services	Wiley Steen, Director
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 Management	Bryan Dunn
Parks and Recreation	Scott Miller
Planning	Robert Smith
Police	Chief Kevin Murphy
Public Information and External Affairs	Christopher Murphy, Director
Public Safety	Christopher W. Conway, Director
Public Works	Michael Briddell, Director
Risk Manager	John Carnell
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, 2012.

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## **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

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**Warren Averett Wilson Price Division**

**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, 2012, 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 Pension Trust Fund, the fiduciary fund of the City and the Montgomery City-County Public Library, the discretely presented component unit of the City. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Trust Fund and the Montgomery City-County Public Library, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the 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, 2012, 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 April 29, 2013 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.

*Warren Averett, LLC*

Montgomery, Alabama  
April 29, 2013



## 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, 2012. 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, 2012.

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, 2012, by \$42,026,937 (net assets). However, \$278,992,276 was either restricted or invested in capital assets leaving a deficit unrestricted balance of \$236,965,339.

The City's total net assets decreased \$28,673,833. This decrease was primarily due to the depreciation expense incurred for the year and the net increase in the other postemployment benefits obligation.

At September 30, 2012, the City of Montgomery's governmental funds reported combined ending fund balances of \$28,411,781, a decrease of \$21,824,673 over the previous fiscal year. Of the ending governmental fund balance, \$11,154,349 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 \$23,347,142 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 \$253,295 for other miscellaneous projects. The combined totals for non-spendable, restricted and assigned, less the unassigned deficit amount of \$6,343,005 yields a total combined ending fund balance of \$28,411,781 for fiscal year 2012.

The General Fund reported an unassigned deficit balance of \$4,685,090 or 2.54% of the total general fund expenditures due to the transfer of expenditures in the City's Internal Service Fund for healthcare costs and deficits in 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 increased by \$3,811,843 or 1.61%, and expenses decreased \$6,398,671 or 2.36% from the previous year. The increase in revenues was primarily attributable to a 5.28% increase in charges for services, a 2.77% increase in sales revenue, and a 6.02% increase in other miscellaneous receipts.

Long-term debt, consisting of general obligation bonds and capital leases, increased in the amount \$3,304,026 or 1.15% from the previous year. The increase was due to refunding of existing general obligation warrants that had higher bond rates, plus the acquisition of new debt for future capital projects.

### **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, cultural and recreational, and debt service. The business-type activities include Montgomery Area Transit System, Municipal Golf, Municipal Parking Decks, the Montgomery River Boat, the Montgomery Zoo and Food Services.

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 sixteen (16) 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 thirteen (13) 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 an internal service fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Montgomery Area Transit System, Municipal Golf, the Montgomery Zoo, the Municipal Parking Decks, the Montgomery River Boat, and Food Services. The internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Montgomery uses an internal fund to account for its employees' medical insurance, workers' compensation, and liability insurance. The internal service fund is presented in the fund financial statements.

## **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 75 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 80 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 \$42,026,937, as reflected in the following table:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets (net of internal balances)	\$ 61,646,753	\$ 77,875,350	\$ 2,092,282	\$ 1,916,737	\$ 63,739,035	\$ 79,792,087
Internal balances	3,195,244	1,921,929	(3,195,244)	(1,921,929)	-	-
Capital assets	389,015,164	369,646,356	32,791,667	34,407,586	421,806,831	404,053,942
Total Assets	453,857,161	449,443,635	31,688,705	34,402,394	485,545,866	483,846,029
Long-term liabilities	405,881,157	383,896,961	580,692	632,568	406,461,849	384,529,529
Other liabilities	36,438,786	49,400,871	618,294	792,999	37,057,080	50,193,870
Total Liabilities	442,319,943	433,297,832	1,198,986	1,425,567	443,518,929	434,723,399
Net assets						
Invested in capital assets, net of related debt	217,212,528	203,973,790	32,791,667	34,407,586	250,004,195	238,381,376
Restricted	28,988,081	51,702,620	-	-	28,988,081	51,702,620
Unrestricted	(234,663,391)	(217,952,467)	(2,301,948)	(1,430,759)	(236,965,339)	(219,383,226)
Total Net Assets	\$ 11,537,218	\$ 37,723,943	\$ 30,489,719	\$ 32,976,827	\$ 42,026,937	\$ 70,700,770

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 \$28,988,081 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, 2012, 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 \$28,673,833 or 40.56% 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 \$18,021,107 for the year ended September 30, 2012.
- (2) Depreciation expense of \$26,010,684 on governmental activities and \$1,902,321 on business-type activities.
- (3) Decreases in property taxes, operating and capital grants and contributions.

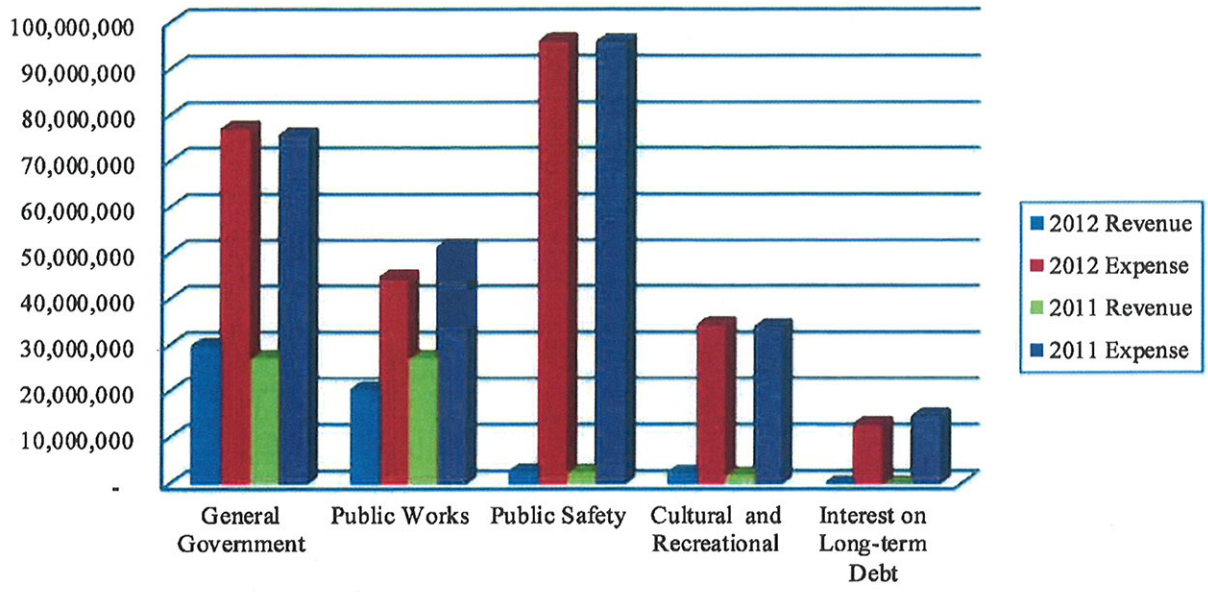
## City of Montgomery's Changes in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 36,423,950	\$ 34,598,286	\$ 6,694,802	\$ 6,120,231	\$ 43,118,752	\$ 40,718,517
Operating grants and contributions	9,473,816	13,082,354	-	-	9,473,816	13,082,354
Capital grants and contributions	9,390,530	11,386,411	-	-	9,390,530	11,386,411
<b>General revenues</b>						
Sales taxes	91,159,140	88,699,968	-	-	91,159,140	88,699,968
Property taxes	29,892,243	30,885,675	-	-	29,892,243	30,885,675
Other taxes	18,710,975	18,830,855	-	-	18,710,975	18,830,855
Business licenses	32,630,148	31,366,586	-	-	32,630,148	31,366,586
Other	13,206,070	8,224,899	36,852	37,672	13,242,922	8,262,571
<b>Total revenues</b>	<b>240,886,872</b>	<b>237,075,034</b>	<b>6,731,654</b>	<b>6,157,903</b>	<b>247,618,526</b>	<b>243,232,937</b>
<b>Expenses</b>						
General government	76,833,428	75,547,042	-	-	76,833,428	75,547,042
Public works	44,582,467	51,232,910	-	-	44,582,467	51,232,910
Public safety	95,841,814	95,703,085	-	-	95,841,814	95,703,085
Cultural and recreational	34,317,494	33,826,263	-	-	34,317,494	33,826,263
Interest on long-term debt	12,795,380	14,459,954	-	-	12,795,380	14,459,954
Montgomery Area Transit System	-	-	2,893,071	3,516,281	2,893,071	3,516,281
Montgomery Zoo	-	-	4,157,248	5,960,749	4,157,248	5,960,749
Municipal Golf	-	-	2,099,827	2,343,402	2,099,827	2,343,402
Municipal Parking Decks	-	-	383,818	330,042	383,818	330,042
Montgomery River Boat	-	-	657,438	764,208	657,438	764,208
Food Services	-	-	1,730,374	-	1,730,374	-
<b>Total expenses</b>	<b>264,370,583</b>	<b>270,769,254</b>	<b>11,921,776</b>	<b>12,914,682</b>	<b>276,292,359</b>	<b>283,683,936</b>
Decrease in assets before transfers	(23,483,711)	(33,694,220)	(5,190,122)	(6,756,779)	(28,673,833)	(40,450,999)
Transfers in (out)	(2,703,014)	(24,591,442)	2,703,014	24,591,442	-	-
<b>Increase (decrease) in net assets</b>	<b>(26,186,725)</b>	<b>(58,285,662)</b>	<b>(2,487,108)</b>	<b>17,834,663</b>	<b>(28,673,833)</b>	<b>(40,450,999)</b>
Net assets - beginning	37,723,943	96,009,605	32,976,827	15,142,164	70,700,770	111,151,769
<b>Net assets - ending</b>	<b>\$ 11,537,218</b>	<b>\$ 37,723,943</b>	<b>\$ 30,489,719</b>	<b>\$ 32,976,827</b>	<b>\$ 42,026,937</b>	<b>\$ 70,700,770</b>

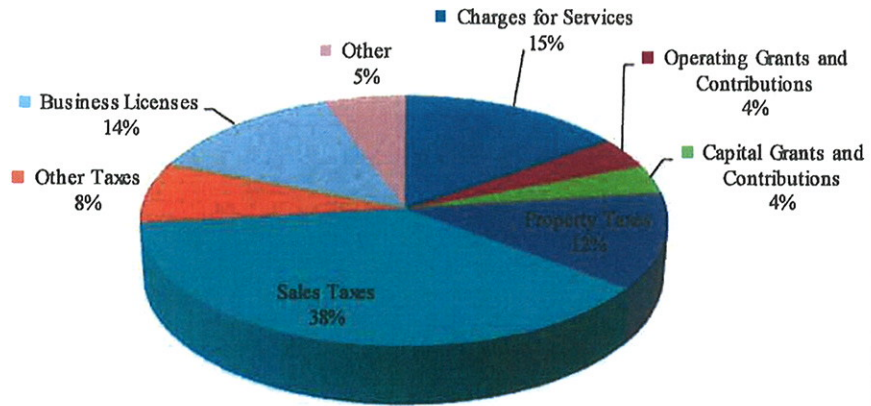
### Governmental Activities

Governmental activities decreased the City's net assets by \$26,186,725, thereby accounting for 91.33% 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 2012.

**EXPENSES AND PROGRAM REVENUES  
GOVERNMENTAL ACTIVITIES**

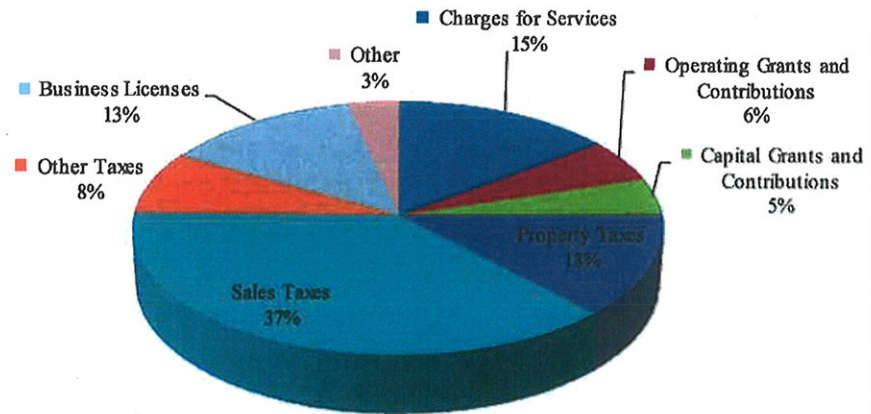


**REVENUE BY SOURCE - GOVERNMENTAL  
ACTIVITIES FISCAL YEAR 2012**



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 2011**

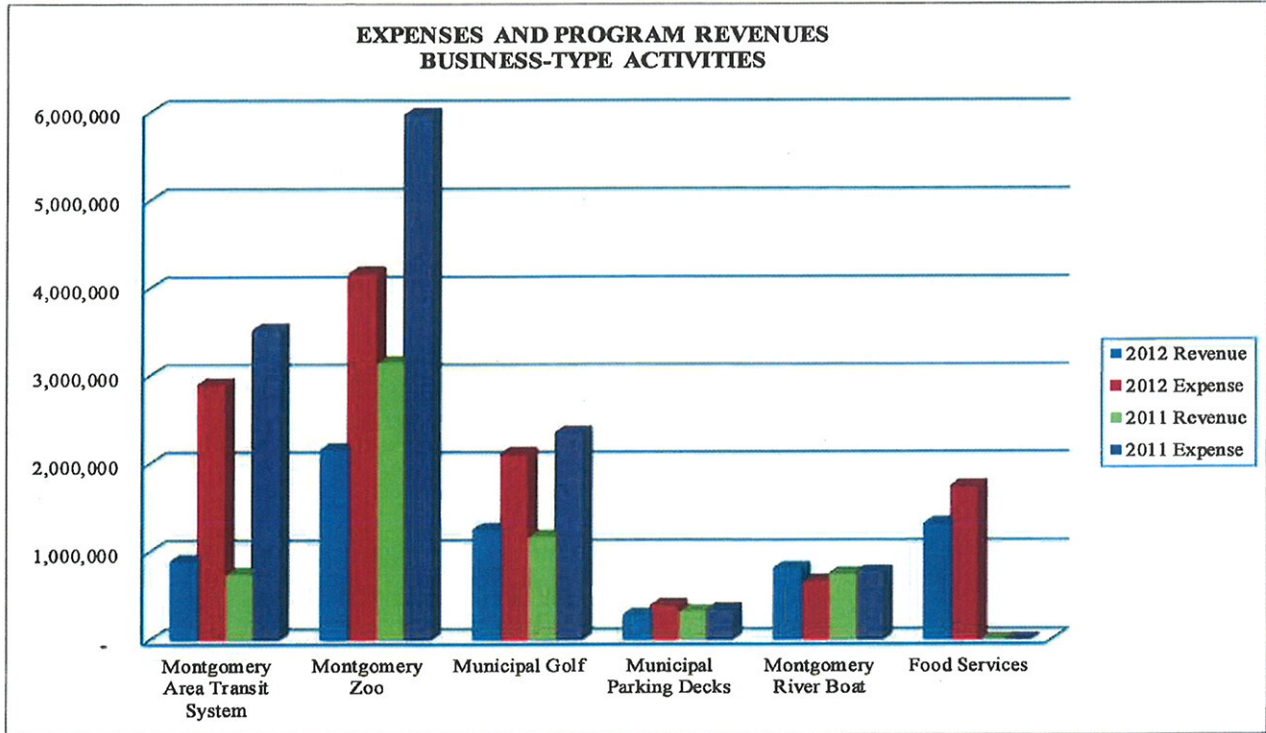


Charges for Services	Operating Grants and Contributions
Capital Grants and Contributions	Property Taxes
Sales Taxes	Other Taxes
Business Licenses	Other



**Business-type Activities**

Business-type activities decreased the City’s net assets by \$2,487,108, which contributed 8.67% to the total decline in the net assets of the City. The primary factor for the decrease in net assets was due to a decrease in the transfer of capital assets to enterprise funds 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, 2012, the City of Montgomery’s Governmental Funds had an unassigned fund balance deficit for governmental activities. This was primarily due to the non-spendable fund balance as required by GASB Statement No. 54.

At September 30, 2012, total fund balance in the General Fund was \$5,753,355. The General Fund balance increased \$508,673 or 9.70% from the previous year. The increase in the General Fund balance was due to increases in sales taxes, licenses and permits, intergovernmental revenue, fines and forfeitures, charges for services, and miscellaneous revenue. Expenditures for 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 the accumulation of such expenditures.

Total revenue of the General Fund increased by \$3,768,773 or 1.90% in 2012 compared to the previous year. This was due to an increase in charges for services, sales taxes, fines and forfeitures, licenses and permits, and other miscellaneous revenue. Expenditures of the General Fund at fiscal year-end were \$169,859 or 0.09% less than the previous year which was primarily due to efficient departmental management of operations.

Capital Project Funds – General Obligation (G.O.) Warrants fund balance decreased \$20,802,172 or 68.91% 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 or completed in 2012 such as the Cramton Bowl improvements, construction of the Multiplex Sports Facility, renovation of the City Hall Building, 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 fund.

Enterprise Funds - Net assets of the Montgomery Area Transit System (MATS), the Montgomery Zoo, Municipal Golf, the Municipal Parking Decks, Montgomery River Boat, and Food Services at the end of the year was \$31,939,499. Total net assets decreased for enterprise funds by \$2,309,914 or 6.74% in 2012 from the previous year. Total operating revenue increased \$574,571 or 9.39% for enterprise funds which was mainly due to the opening of two new attractions at the Montgomery Zoo; namely the new otter exhibit and the sky lift. The Montgomery Zoo became a major enterprise fund with net assets totaling \$5,659,175 or 17.72% of total assets for the Enterprise Funds.

Internal Service Fund - Internal service funds are designed to recover the internal costs of government services provided to other fund groups. At September 30, 2012, the internal service fund reported a deficit of \$8,298,029 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, 2012, was \$421,806,831 (net of accumulated depreciation). Capital asset investments include land, construction in progress, buildings, building improvements, machinery and equipment, net of depreciation.

### Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 55,357,630	\$ 53,751,574	\$ 1,047,942	\$ 1,047,942	\$ 56,405,572	\$ 54,799,516
Buildings	131,815,813	115,655,858	24,688,035	25,320,684	156,503,848	140,976,542
Improvements other than buildings	49,246,640	45,024,144	1,671,359	1,824,218	50,917,999	46,848,362
Machinery and equipment	34,412,435	28,980,801	5,384,331	6,214,742	39,796,766	35,195,543
Infrastructure	103,946,666	103,972,361	-	-	103,946,666	103,972,361
Construction in progress	14,235,980	22,261,618	-	-	14,235,980	22,261,618
Totals	\$ 389,015,164	\$ 369,646,356	\$ 32,791,667	\$ 34,407,586	\$ 421,806,831	\$ 404,053,942

Additional information on the City of Montgomery's capital assets can be found in Note 7 beginning on page 57 of this report.

**Long-Term Debt** - At the end of the fiscal year the City of Montgomery had secured and bonded debt outstanding of \$289,772,539. Of this amount \$252,091,476 comprises debt backed by the full faith and credit of the City and \$19,991,063 in long-term leases. The revenue warrants of \$17,690,000 are secured by specified revenue sources and a letter of credit. The City's long-term debt increased \$3,304,026 or 1.15% from the previous year due to the purchase of numerous capital assets to enhance departmental operations for public safety and public works.

### Long-term Debt

	2012	2011	Increase (Decrease)
General obligation bonds	\$ 252,091,476	\$ 257,892,778	\$ (5,801,302)
Revenue warrants	17,690,000	17,975,000	(285,000)
Capital leases	19,991,063	10,600,735	9,390,328
Totals	\$ 289,772,539	\$ 286,468,513	\$ 3,304,026

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 9 beginning on page 59 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, 2012, actual revenues were less than budgeted revenues by \$5,881,154. The primary reasons for the variance are as follows:

- Fines and forfeitures had a variance of \$1,840,874 or 22.21% due to a reclassification of \$2,482,520 of revenues restricted for Municipal Court Corrections to a special revenue fund, and a 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.
- Taxes had a variance of \$2,472,564 or 1.81% due to a decline in property taxes which was indicative of stagnant home sales.
- Miscellaneous revenue was less than budgeted by \$1,262,925 or 34.97% due to a decline in collections for federal prisoner expenses.

As of September 30, 2012, actual expenditures were less than budgeted expenditures by \$2,683,609 or 1.43% due to the following:

- General Government actual expenditures were less than budgeted expenditures by \$17,853.
- Public Works actual expenditures were less than budgeted expenditures by \$1,351,093.
- Public Safety actual expenditures were less than budgeted expenditures by \$79,808.
- Cultural and Recreational actual expenditures were less than budgeted expenditures by \$968,105.
- Debt service actual expenditures were less than budgeted expenditures by \$266,750.

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 a mandated furlough day for all City employees.
- 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 2012.

## **Economic Factors and Year 2012**

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

- Montgomery's unemployment rate decreased from 10.0% in 2011 to 7.7% in 2012. Although the unemployment rate was 0.40% higher than the State's rate, it was lower than the national unemployment rate.
- The City of Montgomery is currently the second largest city in the state due to continued population growth. The occupancy rate of the City's Downtown District continues to have steady growth.
- The City's Downtown Riverfront Development continues to create economic growth through tourism.
- Sales tax revenue increased in 2012 over the previous year. It is anticipated that sales tax revenue will continue to increase slowly as the economy rebounds.
- Continued increases in industrial and residential development.

At September 30, 2012, fund balance in the General Fund was \$5,753,355. The City of Montgomery did not appropriate any fund balance from the 2012 fund balance for spending in the 2013 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 2013 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.

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF MONTGOMERY, ALABAMA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2012**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Public Library
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17,127,567	\$ 1,624,832	\$ 18,752,399	\$ 495,413
Cash held by fiscal agent	12,136,524	-	12,136,524	-
Internal balances	3,195,244	(3,195,244)	-	-
Receivables	19,027,271	124,457	19,151,728	843
Inventories	1,282,344	342,993	1,625,337	-
Prepaid items	157,664	-	157,664	-
Assets held for resale	664,500	-	664,500	-
Note receivable	701,126	-	701,126	-
Mortgage receivable	188,289	-	188,289	-
Lease receivable	4,138,547	-	4,138,547	-
Warrants receivable	2,136,024	-	2,136,024	-
Deferred debt expense	2,607,402	-	2,607,402	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	1,479,495	-	1,479,495	-
Capital assets not being depreciated:				
Land	55,357,630	1,047,942	56,405,572	-
Construction in progress	14,235,980	-	14,235,980	-
Collections	-	-	-	10,418,925
Capital assets net of accumulated depreciation:				
Buildings and system	131,815,813	24,688,035	156,503,848	1,765,263
Improvements other than buildings	49,246,640	1,671,359	50,917,999	-
Machinery and equipment	34,412,435	5,384,331	39,796,766	370,478
Infrastructure	103,946,666	-	103,946,666	9,787
<b>TOTAL ASSETS</b>	<b>453,857,161</b>	<b>31,688,705</b>	<b>485,545,866</b>	<b>13,060,709</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	20,775,554	607,256	21,382,810	23,839
Retainage payable	510,633	-	510,633	-
Unearned revenue	759,294	11,038	770,332	-
Funds held in escrow	839,305	-	839,305	-
Line of credit	13,554,000	-	13,554,000	-
Noncurrent liabilities:				
Due within one year	14,239,651	192,828	14,432,479	-
Due in more than one year	391,641,506	387,864	392,029,370	-
<b>TOTAL LIABILITIES</b>	<b>442,319,943</b>	<b>1,198,986</b>	<b>443,518,929</b>	<b>23,839</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	217,212,528	32,791,667	250,004,195	12,564,453
Restricted for:				
Public works	4,199,221	-	4,199,221	-
Public safety	875,641	-	875,641	-
Cultural and recreational	3,366,997	-	3,366,997	171,639
Capital projects	9,383,106	-	9,383,106	-
Debt service	10,490,295	-	10,490,295	-
Municipal Court Corrections	672,821	-	672,821	-
Nonexpendable	-	-	-	100,499
Unrestricted	(234,663,391)	(2,301,948)	(236,965,339)	200,279
<b>TOTAL NET ASSETS</b>	<b>\$ 11,537,218</b>	<b>\$ 30,489,719</b>	<b>\$ 42,026,937</b>	<b>\$ 13,036,870</b>

See accompanying notes to financial statements.

**CITY OF MONTGOMERY, ALABAMA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 76,833,428	\$ 18,189,668	\$ 6,168,556	\$ 5,481,427
Public works	44,582,467	16,907,133	1,048,091	2,434,674
Public safety	95,841,814	1,750	1,884,082	779,836
Cultural and recreational	34,317,494	1,325,399	373,087	694,593
Interest on long-term debt	12,795,380	-	-	-
Total governmental activities	<u>264,370,583</u>	<u>36,423,950</u>	<u>9,473,816</u>	<u>9,390,530</u>
Business-type activities:				
Montgomery Area Transit System	2,893,071	892,983	-	-
Montgomery Zoo	4,157,248	2,157,345	-	-
Municipal Golf	2,099,827	1,247,380	-	-
Municipal Parking Decks	383,818	280,769	-	-
Montgomery River Boat	657,438	804,468	-	-
Food Services	1,730,374	1,311,857	-	-
Total business-type activities	<u>11,921,776</u>	<u>6,694,802</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 276,292,359</u>	<u>\$ 43,118,752</u>	<u>\$ 9,473,816</u>	<u>\$ 9,390,530</u>
<b>Component Unit</b>				
Public Library	<u>\$ 4,893,401</u>	<u>\$ 123,870</u>	<u>\$ 293,788</u>	<u>\$ 60,000</u>
<b>General Revenues</b>				
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				
<b>Transfers</b>				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government		Component Unit Public Library
	Business-type Activities	Total	
\$ (46,993,777)	\$ -	\$ (46,993,777)	\$ -
(24,192,569)	-	(24,192,569)	-
(93,176,146)	-	(93,176,146)	-
(31,924,415)	-	(31,924,415)	-
(12,795,380)	-	(12,795,380)	-
(209,082,287)	-	(209,082,287)	-
-	(2,000,088)	(2,000,088)	-
-	(1,999,903)	(1,999,903)	-
-	(852,447)	(852,447)	-
-	(103,049)	(103,049)	-
-	147,030	147,030	-
-	(418,517)	(418,517)	-
-	(5,226,974)	(5,226,974)	-
(209,082,287)	(5,226,974)	(214,309,261)	-
			(4,415,743)
91,159,140	-	91,159,140	-
29,892,243	-	29,892,243	-
32,630,148	-	32,630,148	-
7,633,517	-	7,633,517	-
6,061,073	-	6,061,073	-
3,298,583	-	3,298,583	-
1,426,532	-	1,426,532	-
291,270	-	291,270	-
374,097	-	374,097	4,345,009
64,461	411	64,872	3,186
12,465,707	-	12,465,707	-
301,805	36,441	338,246	-
(2,703,014)	2,703,014	-	-
182,895,562	2,739,866	185,635,428	4,348,195
(26,186,725)	(2,487,108)	(28,673,833)	(67,548)
37,723,943	32,976,827	70,700,770	13,104,418
\$ 11,537,218	\$ 30,489,719	\$ 42,026,937	\$ 13,036,870

See accompanying notes to financial statements.

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**CITY OF MONTGOMERY, ALABAMA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**

	General	Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 16,978,282	\$ 59	\$ -	\$ 149,226	\$ 17,127,567
Cash held by fiscal agent	-	10,812,519	1,324,005	-	12,136,524
Receivables	12,585,488	1,841,241	-	3,698,891	18,125,620
Inventories	1,282,344	-	-	-	1,282,344
Prepaid items	107,386	-	-	50,278	157,664
Assets held for resale	-	664,500	-	-	664,500
Note receivable	700,000	1,126	-	-	701,126
Due from other funds	1,907,993	1,720,160	404,672	14,023,389	18,056,214
Mortgage receivable	-	-	-	188,289	188,289
Lease receivable	-	-	4,138,547	-	4,138,547
Warrants receivable	-	-	2,136,024	-	2,136,024
Advances to other funds	8,348,715	-	-	-	8,348,715
Cash - restricted	-	-	1,479,495	-	1,479,495
<b>TOTAL ASSETS</b>	<b>\$ 41,910,208</b>	<b>\$ 15,039,605</b>	<b>\$ 9,482,743</b>	<b>\$ 18,110,073</b>	<b>\$ 84,542,629</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 7,975,344	\$ 3,702,418	\$ -	\$ 1,381,568	\$ 13,059,330
Retainage payable	-	414,456	-	96,177	510,633
Due to other funds	13,960,421	8,624	1,068,455	2,987,375	18,024,875
Funds held in escrow	667,088	-	-	172,217	839,305
Line of credit	13,554,000	-	-	-	13,554,000
Deferred revenue	-	1,531,000	6,274,571	759,294	8,564,865
Advances from other funds	-	-	-	1,577,840	1,577,840
<b>TOTAL LIABILITIES</b>	<b>36,156,853</b>	<b>5,656,498</b>	<b>7,343,026</b>	<b>6,974,471</b>	<b>56,130,848</b>
<b>FUND BALANCES</b>					
Nonspendable:					
Assets held for resale	-	664,500	-	-	664,500
Inventories	1,282,344	-	-	-	1,282,344
Long-term receivables	9,048,715	1,126	-	-	9,049,841
Prepaid items	107,386	-	-	50,278	157,664
Restricted for:					
Capital projects	-	8,464,186	-	1,342,388	9,806,574
Debt service	-	-	2,139,717	-	2,139,717
Intergovernmental	-	-	-	7,467,280	7,467,280
Landfill	-	-	-	865,984	865,984
Municipal Court Corrections	-	-	-	7,896	7,896
Other	-	-	-	11,744	11,744
Riverfront Stadium	-	-	-	3,047,947	3,047,947
Assigned to:					
Capital projects	-	253,295	-	-	253,295
Unassigned	(4,685,090)	-	-	(1,657,915)	(6,343,005)
<b>TOTAL FUND BALANCES</b>	<b>5,753,355</b>	<b>9,383,107</b>	<b>2,139,717</b>	<b>11,135,602</b>	<b>28,411,781</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 41,910,208</b>	<b>\$ 15,039,605</b>	<b>\$ 9,482,743</b>	<b>\$ 18,110,073</b>	<b>\$ 84,542,629</b>

See accompanying notes to financial statements.

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**CITY OF MONTGOMERY, ALABAMA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2012**

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

Total fund balances - governmental funds		\$ 28,411,781
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		389,015,164
Long-term receivables are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		7,805,571
The Internal service fund is 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 fund are included in governmental activities in the Statement of Net Assets.		(6,848,249)
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, 2012 were:		
	\$ 289,772,539	
Bonds, warrants, leases, and notes payable	(4,673,303)	
Deferred loss on advance refunding	6,973,007	
Unamortized net premiums	(124,263)	
Unamortized net discounts	3,573,294	
Accrued interest	19,310,077	
Compensated absences	7,905,728	
Retirement and disability benefits	80,294,336	
Postemployment benefit plans other than pensions	<u>6,423,036</u>	
Landfill closure and postclosure costs		
Total long-term liabilities		(409,454,451)
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>2,607,402</u>
Net assets of governmental activities		<u>\$ 11,537,218</u>

See accompanying notes to financial statements.

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**CITY OF MONTGOMERY, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	General	Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 133,783,447	\$ -	\$ -	\$ 5,978,911	\$ 139,762,358
Licenses and permits	40,173,335	-	-	60,147	40,233,482
Intergovernmental revenues	4,679,386	2,022,563	2,027,619	12,634,558	21,364,126
Charges for services	14,887,471	1,750	-	696,377	15,585,598
Fines and forfeitures	6,447,210	-	-	2,482,520	8,929,730
Interest	4,704	30,856	9,047	19,854	64,461
Miscellaneous revenues	2,348,933	4,408,922	-	5,292,895	12,050,750
Total revenues	<u>202,324,486</u>	<u>6,464,091</u>	<u>2,036,666</u>	<u>27,165,262</u>	<u>237,990,505</u>
<b>EXPENDITURES</b>					
Current:					
General government	40,446,236	2,259,501	-	10,957,689	53,663,426
Public works	29,803,845	1,804,444	-	8,698,216	40,306,505
Public safety	81,773,002	7,628,053	-	2,610,927	92,011,982
Cultural and recreational	27,779,866	912,946	-	949,923	29,642,735
Intergovernmental	-	2,649,743	-	-	2,649,743
Capital outlay	-	23,519,971	-	-	23,519,971
Debt service:					
Principal	4,325,239	-	6,949,756	-	11,274,995
Interest	467,678	-	12,811,751	-	13,279,429
Debt issuance cost	-	5,000	-	-	5,000
Total expenditures	<u>184,595,866</u>	<u>38,779,658</u>	<u>19,761,507</u>	<u>23,216,755</u>	<u>266,353,786</u>
Excess of revenues over (under) expenditures	<u>17,728,620</u>	<u>(32,315,567)</u>	<u>(17,724,841)</u>	<u>3,948,507</u>	<u>(28,363,281)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	413,144	48,987	-	-	462,131
Transfers in	5,000,000	3,366,809	17,358,319	3,996,662	29,721,790
Transfers out	(28,875,631)	(238,887)	-	(9,109,815)	(38,224,333)
Capital leases	6,242,540	7,825,000	-	-	14,067,540
Issuance of bonds	-	511,480	-	-	511,480
Total other financing sources (uses)	<u>(17,219,947)</u>	<u>11,513,389</u>	<u>17,358,319</u>	<u>(5,113,153)</u>	<u>6,538,608</u>
Net change in fund balances	508,673	(20,802,178)	(366,522)	(1,164,646)	(21,824,673)
<b>FUND BALANCES - BEGINNING</b>	<u>5,244,682</u>	<u>30,185,285</u>	<u>2,506,239</u>	<u>12,300,248</u>	<u>50,236,454</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 5,753,355</u>	<u>\$ 9,383,107</u>	<u>\$ 2,139,717</u>	<u>\$ 11,135,602</u>	<u>\$ 28,411,781</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, 2012

---

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

Net change in fund balances - total governmental funds		\$ (21,824,673)
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Assets.		41,338,410
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.		4,207,225
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.		(26,010,684)
The net effect of transactions involving the sale and disposal of capital assets is to decrease net assets in the Statement of Net Assets.		(166,143)
Revenues are reported in the funds when there is an established claim to the resources and the resources are available to finance current expenditures. Revenues are reported in the Statement of Activities when there is an established claim with no availability criterion. The funds report revenue deferred in prior periods as current year revenue.		(1,612,662)
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets.		
Bond proceeds	\$ 511,480	
Capital lease financing	14,067,540	
Issuance costs	<u>(5,000)</u>	
Total proceeds		(14,574,020)

(Continued)

See accompanying notes to financial statements.

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## 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) FOR THE YEAR ENDED SEPTEMBER 30, 2012

---

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	\$ 6,312,782	
Revenue warrants	285,000	
Capital leases	<u>4,677,212</u>	
Total repayments		\$ 11,274,994

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	427,316	
Retirement and disability benefits	(139,114)	
Accrued interest	(479,100)	
Postemployment benefit plans other than pensions	18,021,107	
Landfill closure and postclosure costs	<u>556,543</u>	
Additional expenses		(18,386,752)

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		4,951
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The Internal service fund is 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 the internal service fund is reported with governmental activities.

(437,371)

Change in net assets of governmental activities

\$ (26,186,725)

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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 136,256,011	\$ 136,256,011	\$ 133,783,447	\$ (2,472,564)
Licenses and permits	40,316,121	40,316,121	40,173,335	(142,786)
Intergovernmental revenues	4,768,388	4,768,388	4,679,386	(89,002)
Charges for services	14,960,639	14,960,639	14,887,471	(73,168)
Fines and forfeitures	8,288,084	8,288,084	6,447,210	(1,840,874)
Interest	4,539	4,539	4,704	165
Miscellaneous revenues	3,611,858	3,611,858	2,348,933	(1,262,925)
Total revenues	208,205,640	208,205,640	202,324,486	(5,881,154)
<b>EXPENDITURES</b>				
Current:				
General government:				
Council	332,288	332,288	320,758	11,530
Mayor and cabinet	809,899	827,682	827,308	374
Finance department	3,872,327	3,854,544	3,375,492	479,052
Information technology	2,354,319	2,126,199	1,915,457	210,742
Retirement	7,849,031	7,849,031	7,452,467	396,564
Insurance	2,695,985	1,047,057	364,904	682,153
Payments to government agencies	5,150,838	5,150,838	4,738,271	412,567
Miscellaneous activities	10,110,731	9,755,465	12,479,059	(2,723,594)
City Clerk	273,083	273,083	269,472	3,611
Municipal Court	2,808,771	2,808,771	2,668,067	140,704
Legal Department	1,195,144	1,109,844	968,417	141,427
Planning and development	2,197,263	1,962,783	1,853,478	109,305
Garage	3,495,666	3,495,666	3,342,248	153,418
Total general government	43,145,345	40,593,251	40,575,398	17,853

(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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Public Works:</b>				
Engineering Department	\$ 2,040,991	\$ 1,947,491	\$ 1,801,922	\$ 145,569
Landfill Division	1,707,969	1,707,969	1,614,056	93,913
Sanitation Department	13,543,687	13,556,889	13,525,885	31,004
Maintenance	7,855,498	7,842,296	7,530,358	311,938
Inspections Division	2,385,758	2,385,758	2,354,416	31,342
Traffic Engineering Department	4,955,094	3,768,061	3,030,734	737,327
<b>Total public works</b>	<b>32,488,997</b>	<b>31,208,464</b>	<b>29,857,371</b>	<b>1,351,093</b>
<b>Public Safety:</b>				
Police Department	44,140,014	45,031,194	45,031,194	-
Fire Department	31,048,767	31,306,898	31,296,821	10,077
Emergency Communications	4,912,786	4,781,652	4,711,957	69,695
Emergency Management	706,264	739,956	739,920	36
<b>Total public safety</b>	<b>80,807,831</b>	<b>81,859,700</b>	<b>81,779,892</b>	<b>79,808</b>
<b>Cultural and Recreational:</b>				
Parks and recreation	17,664,932	16,981,662	16,575,213	406,449
Museum	3,017,638	3,011,638	2,983,171	28,467
Library	2,977,959	2,966,459	2,928,850	37,609
Building maintenance	5,152,054	5,152,054	4,739,811	412,243
Public information and external affairs	755,741	686,741	603,404	83,337
<b>Total cultural and recreational</b>	<b>29,568,324</b>	<b>28,798,554</b>	<b>27,830,449</b>	<b>968,105</b>
<b>ebt Service:</b>				
Principal	4,592,606	4,473,673	4,325,239	148,434
Interest	467,061	585,994	467,678	118,316
<b>Total debt service</b>	<b>5,059,667</b>	<b>5,059,667</b>	<b>4,792,917</b>	<b>266,750</b>
<b>Total expenditures</b>	<b>191,070,164</b>	<b>187,519,636</b>	<b>184,836,027</b>	<b>2,683,609</b>
<b>Excess of revenues over expenditures</b>	<b>17,135,476</b>	<b>20,686,004</b>	<b>17,488,459</b>	<b>(3,197,545)</b>

(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, 2012

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	\$ 891,500	\$ 891,500	\$ 413,144	\$ (478,356)
Transfers in	5,000,000	5,000,000	5,000,000	-
Transfers out	(27,526,976)	(31,077,504)	(28,875,631)	2,201,873
Capital leases	4,500,000	4,500,000	6,242,540	1,742,540
	<u>(17,135,476)</u>	<u>(20,686,004)</u>	<u>(17,219,947)</u>	<u>3,466,057</u>
Total other financing sources (uses)				
Net changes in fund balance	-	-	268,512	268,512
<b>FUND BALANCES - BEGINNING</b>	<u>5,244,682</u>	<u>5,244,682</u>	<u>5,244,682</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 5,244,682</u>	<u>\$ 5,244,682</u>	<u>\$ 5,513,194</u>	<u>\$ 268,512</u>

See accompanying notes to financial statements.

**CITY OF MONTGOMERY, ALABAMA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2012**

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Fund
	Montgomery Area Transit System	Montgomery Zoo	Other Enterprise Funds		
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 949,552	\$ 675,280	\$ 1,624,832	\$ -
Receivables	255	107,371	16,831	124,457	901,651
Inventories	174,678	79,405	88,910	342,993	-
Due from other funds	248,711	-	761,550	1,010,261	-
Total current assets	423,644	1,136,328	1,542,571	3,102,543	901,651
<b>NONCURRENT ASSETS</b>					
Capital assets:					
Land	344,436	38,165	665,341	1,047,942	-
Buildings and system	20,198,149	4,860,865	5,443,214	30,502,228	-
Improvements other than buildings	33,941	5,012,487	2,767,048	7,813,476	-
Machinery and equipment	9,811,138	1,465,680	2,357,295	13,634,113	-
Less accumulated depreciation	(7,614,429)	(5,911,874)	(6,679,789)	(20,206,092)	-
Total capital net assets, net of accumulated depreciation	22,773,235	5,465,323	4,553,109	32,791,667	-
<b>TOTAL ASSETS</b>	<b>23,196,879</b>	<b>6,601,651</b>	<b>6,095,680</b>	<b>35,894,210</b>	<b>901,651</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued expenses	230,015	139,538	237,703	607,256	1,143,319
Claims payable	-	-	-	-	2,995,400
Deferred revenue	-	-	11,038	11,038	-
Funds in escrow	-	-	-	-	4,211
Due to other funds	-	463,195	578,405	1,041,600	-
Compensated absences	-	137,390	55,438	192,828	-
Total current liabilities	230,015	740,123	882,584	1,852,722	4,142,930
<b>NONCURRENT LIABILITIES</b>					
Advances from other funds	1,714,125	-	-	1,714,125	5,056,750
Compensated absences	-	202,353	185,511	387,864	-
Total noncurrent liabilities	1,714,125	202,353	185,511	2,101,989	5,056,750
<b>TOTAL LIABILITIES</b>	<b>1,944,140</b>	<b>942,476</b>	<b>1,068,095</b>	<b>3,954,711</b>	<b>9,199,680</b>
<b>NET ASSETS</b>					
Invested in capital assets	22,773,235	5,465,323	4,553,109	32,791,667	-
Unrestricted	(1,520,496)	193,852	474,476	(852,168)	(8,298,029)
<b>TOTAL NET ASSETS</b>	<b>\$ 21,252,739</b>	<b>\$ 5,659,175</b>	<b>\$ 5,027,585</b>	<b>31,939,499</b>	<b>\$ (8,298,029)</b>
Adjustment to reflect the consolidation of internal service fund activities related to Enterprise Funds				(1,449,780)	
Net assets of business-type activities				<u>\$ 30,489,719</u>	

See accompanying notes to financial statements.

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**CITY OF MONTGOMERY, ALABAMA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Fund
	Montgomery Area Transit System	Montgomery Zoo	Other Enterprise Funds		
<b>OPERATING REVENUES</b>					
Charges for goods and services	\$ 892,983	\$ 2,157,345	\$ 3,644,474	\$ 6,694,802	\$ 29,245,224
Total operating revenues	892,983	2,157,345	3,644,474	6,694,802	29,245,224
<b>OPERATING EXPENSES</b>					
Cost of sales and services	-	138,087	760,354	898,441	-
Administration	1,527,081	3,617,933	3,798,806	8,943,820	35,665,136
Depreciation	1,365,990	288,233	248,098	1,902,321	-
Total operating expenses	2,893,071	4,044,253	4,807,258	11,744,582	35,665,136
<b>OPERATING LOSS</b>	(2,000,088)	(1,886,908)	(1,162,784)	(5,049,780)	(6,419,912)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Gain on sale of capital assets	36,441	-	-	36,441	-
Interest income	-	184	227	411	-
Loss before contributions and transfers	(1,963,647)	(1,886,724)	(1,162,557)	(5,012,928)	(6,419,912)
Capital contributions	-	3,067	2,750	5,817	-
Transfers in	139,704	1,898,287	1,394,025	3,432,016	5,805,346
Transfers out	-	(734,819)	-	(734,819)	-
Change in net assets	(1,823,943)	(720,189)	234,218	(2,309,914)	(614,566)
<b>TOTAL NET ASSETS - BEGINNING</b>	23,076,682	6,379,364	4,793,367		(7,683,463)
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 21,252,739</u>	<u>\$ 5,659,175</u>	<u>\$ 5,027,585</u>		<u>\$ (8,298,029)</u>
Adjustment to reflect the consolidation of internal service fund activities related to Enterprise Funds				(177,193)	
Change in net assets of business-type activities				<u>\$ (2,487,107)</u>	

See accompanying notes to financial statements.

**CITY OF MONTGOMERY, ALABAMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Fund
	Montgomery Area Transit System	Montgomery Zoo	Other Enterprise Funds		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 892,938	\$ 2,132,774	\$ 3,630,350	\$ 6,656,062	\$ -
Receipts from interfund services provided	-	-	-	-	29,248,016
Payments to suppliers	(1,611,623)	(1,646,436)	(2,359,067)	(5,617,126)	(36,681,062)
Payments to employees	-	(2,160,963)	(2,070,966)	(4,231,929)	-
Payments for interfund services used	-	(226,276)	(97,846)	(324,122)	-
Net cash used by operating activities	(718,685)	(1,900,901)	(897,529)	(3,517,115)	(7,433,046)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers to other funds	-	(6,000)	-	(6,000)	-
Transfers from other funds	139,704	1,898,287	665,206	2,703,197	5,805,346
Net cash payments from other funds	465,066	545,023	86,031	1,096,120	727,892
Net cash provided by noncapital financing activities	604,770	2,437,310	751,237	3,793,317	6,533,238
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	-	(268,909)	(28,036)	(296,945)	-
Proceeds from sale of capital assets	52,800	-	-	52,800	-
Net cash provided (used) for capital and related financing activities	52,800	(268,909)	(28,036)	(244,145)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest income	-	184	227	411	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(61,115)	267,684	(174,101)	32,468	(899,808)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	61,115	681,868	849,381	1,592,364	899,808
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ -	\$ 949,552	\$ 675,280	\$ 1,624,832	\$ -
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>					
Contributions of capital assets from governmental funds	\$ -	\$ 3,067	\$ 2,750	\$ 5,817	\$ -
Contributions of capital assets to proprietary funds	-	(734,819)	728,819	(6,000)	-

(Continued)

See accompanying notes to financial statements.

**CITY OF MONTGOMERY, ALABAMA**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Fund
	Montgomery Area Transit System	Montgomery Zoo	Other Enterprise Funds		
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>					
Operating loss	\$ (2,000,088)	\$ (1,886,908)	\$ (1,162,784)	\$ (5,049,780)	\$ (6,419,912)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation expense	1,365,990	288,233	248,098	1,902,321	-
Increase in receivables	(45)	(24,571)	(5,999)	(30,615)	(800,261)
Increase in inventories	(51,311)	(5,553)	(56,515)	(113,379)	-
Decrease in prepaid items	-	-	916	916	641,021
Increase (decrease) in accounts payable and accrued expenses	(33,231)	(122,382)	82,127	(73,486)	(347,346)
Decrease in deferred revenue	-	-	(8,125)	(8,125)	-
Increase in funds in escrow	-	-	-	-	2,791
Decrease in claims payable	-	-	-	-	(509,339)
Increase (decrease) in compensated absences	-	(149,720)	4,753	(144,967)	-
Total adjustments	<u>1,281,403</u>	<u>(13,993)</u>	<u>265,255</u>	<u>1,532,665</u>	<u>(1,013,134)</u>
Net cash used by operating activities	<u>\$ (718,685)</u>	<u>\$ (1,900,901)</u>	<u>\$ (897,529)</u>	<u>\$ (3,517,115)</u>	<u>\$ (7,433,046)</u>

See accompanying notes to financial statements.

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**CITY OF MONTGOMERY, ALABAMA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**DECEMBER 31, 2012**

	<u>Employees' Retirement System</u>
<b>ASSETS</b>	
Investments, at fair value:	
United States Government Securities	\$ 42,115,049
Corporate bonds and debentures	34,070,621
Common stocks	30,403,752
Mutual funds	167,746,124
Partnerships	28,334,621
Cash equivalents	10,770,399
Total investments	<u>313,440,566</u>
Cash	<u>1,008,798</u>
Receivables:	
Accrued interest and dividends	418,297
Contributions receivable	460,322
Other receivables	22,035
Total receivables	<u>900,654</u>
Total assets	<u>315,350,018</u>
<b>LIABILITIES</b>	
Pending trades and settlements	17,877,546
Accounts payable	177,537
	<u>18,055,083</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<u><u>\$ 297,294,935</u></u>

See accompanying notes to financial statements.

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**CITY OF MONTGOMERY, ALABAMA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Employees' Retirement System</u>
<b>ADDITIONS</b>	
Investment income:	
Interest	\$ 1,765,471
Dividends	5,554,283
Net appreciation in fair value of investments	<u>(6,545,662)</u>
	774,092
Less: Investment expense	<u>628,583</u>
Net investment income	<u>145,509</u>
Contributions:	
Employers	11,971,544
Employees	<u>5,949,910</u>
Total contributions	<u>17,921,454</u>
Other additions:	
Interest on reinstatement contributions	<u>70,296</u>
Total other additions	<u>70,296</u>
Total additions	<u>18,137,259</u>
<b>DEDUCTIONS</b>	
Benefit payments	25,804,916
Withdrawals and refunds	952,692
Administration expenses	<u>106,589</u>
Total deductions	<u>26,864,197</u>
Net decrease in net assets	(8,726,938)
Net assets held in trust for pension benefits at beginning of year	<u>306,081,873</u>
Net assets held in trust for pension benefits at end of year	<u><u>\$ 297,354,935</u></u>

See accompanying notes to financial statements.

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**CITY OF MONTGOMERY, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

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**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 units. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is 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.

**Blended Component Unit.** The Solid Waste Disposal Authority of the City of Montgomery is governed by a board comprised of the City's mayor and two council members. The Authority was created to facilitate a municipal solid waste feedstock supply agreement and a support agreement between the City and a third party. The Authority is reported as a special revenue fund.

**Discretely Presented Component Unit.** 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.

**CITY OF MONTGOMERY, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Government-wide and Fund Financial Statements (Continued)***

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.

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.

**CITY OF MONTGOMERY, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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 Fund** – 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.

**Debt Service Fund** – Accounts for the reserves allocated and payments made for principal and interest on general obligation debt of the City.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

**Internal Service Fund** – 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 Montgomery Golf, Municipal Parking Decks, Montgomery River Boat and Food Services.

**CITY OF MONTGOMERY, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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 fund 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.

*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, 2011.

**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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.

Inventories are summarized as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Automotive parts	\$ 236,685	\$ 174,678	\$ 411,363
Fuels and lubricants	300,599	-	300,599
Materials and supplies	562,868	-	562,868
Tobacco tax stamps	5,651	-	5,651
Merchandise and concessions	2,074	168,315	170,389
Police uniforms	44,726	-	44,726
Other	129,741	-	129,741
<b>Totals</b>	<b>\$ 1,282,344</b>	<b>\$ 342,993</b>	<b>\$ 1,625,337</b>

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, 2012

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**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, 2012

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**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, 2012 totaled \$7,905,728.

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, 2012 totaled \$80,294,336.

***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, 2012

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Balance (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. The City Council has, by resolution, authorized the Mayor to assign fund balance.

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, 2012

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

*Budgetary Information (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 of \$243,271 at September 30, 2012. 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)	\$ 508,673
Encumbrances at beginning of year	3,110
Encumbrances at end of year	<u>(243,271)</u>
Net change in fund balances - actual (budget)	<u>\$ 268,512</u>

As of September 30, 2012, the City included the encumbrances as part of governmental fund balances as follows:

General Fund	\$ 243,271
Capital Project Fund	4,748,273
Nonmajor funds	<u>1,249,721</u>
Encumbrances as part of governmental fund balances	<u>\$ 6,241,265</u>

*Excess of Expenditures over Appropriations*

For the year ended September 30, 2012, no General Fund functional expenditure category (the legal level of budgetary control) exceeded appropriations.

**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
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**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

*Deficit Fund Equity*

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

	<u>Deficit Amount</u>
<b>Nonmajor Governmental Fund:</b>	
State Gasoline Tax	\$ 1,651,682
ADECA Grant Fund	355
Department of Justice Grant Fund	5,878
<b>Internal Service Fund</b>	
Risk Management Fund	8,298,029

The State Gasoline Tax Fund accounts for proceeds from state gasoline taxes. This deficit is a result of the City exceeding budgeted utility costs. The City's intent is to appropriate funds from the General Fund in order to reduce the deficit. The ADECA Grant Fund accounts for funds received from the Alabama Department of Economic and Community Affairs to be used solely for community development. The Department of Justice Grant Fund accounts for funds received from the U.S. Department of Justice to be used solely for public safety. The Risk Management Fund consists of the Employees' Medical Insurance Fund and the Liability Insurance Fund. 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.

**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, 2012, the City has approximately \$2,130,583 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.

**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
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**3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

*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.

**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>
Direct Large/Mid Cap Equity	10% - 20%
Direct Small Cap Equity	5% - 12%
Direct International Equity	5% - 12%
Global Multi-Strategy	19% - 29%
Satellite Strategies	4% - 8%
Private Equity	0% - 9%

**CITY OF MONTGOMERY, ALABAMA**  
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**3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

*Investments (Continued)*

**Concentration of Credit Risk (Continued)**

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.

The following table provides information as of December 31, 2011, 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/ FILMC Pools	\$ 2,586,448	\$ 2,519,901	\$ 5,862,795	\$ 20,916,460	\$ 31,885,604	\$ 31,540,962
REMICs and Other						
Government Paydowns	10,182,300	-	-	47,145	10,229,445	10,212,612
Corporate Securities	450,385	6,479,798	14,467,137	9,790,934	31,188,254	30,769,453
Foreign Bonds	-	-	1,902,302	980,065	2,882,367	3,076,694
Mutual Bond Fund	-	20,628,507	3,523,550	26,619,556	50,771,613	49,984,614
<i>Total Fixed Maturity</i>	<u>\$ 13,219,133</u>	<u>\$ 29,628,206</u>	<u>\$ 25,755,784</u>	<u>\$ 58,354,160</u>	<u>126,957,283</u>	<u>125,584,335</u>
<i>Equities</i>						
Domestic					28,043,267	25,469,979
International					2,360,485	2,068,640
<i>Total Equities</i>					<u>30,403,752</u>	<u>27,538,619</u>
<i>Mutual Equity Funds</i>					116,974,511	114,382,690
<i>Partnerships*</i>					28,334,621	23,996,076
<i>Cash Equivalents</i>					10,770,399	10,770,399
<i>Total Investments</i>					<u>\$ 313,440,566</u>	<u>\$ 302,272,119</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.

**CITY OF MONTGOMERY, ALABAMA**  
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**3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

**Mortgage-Backed Securities** – As of December 31, 2011, 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.

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, 2011, concerning credit risk:

Moody's Ratings § (Unless Noted)	RATING OF FIXED MATURITY INVESTMENTS		Fair Value as a Percent of Total Fixed Maturity Fair Value
	Fair Value	Cost	
Aaa	\$ 49,054,764	\$ 48,694,217	38.64%
AAA(SP)	1,239,107	1,247,110	0.98%
Aa2	2,267,340	2,207,565	1.79%
Aa3	2,086,579	2,038,804	1.64%
AA-(SP)	50,771,613	49,984,614	39.99%
A+(SP)	978,994	962,652	0.77%
A-(SP)	219,700	199,906	0.17%
A1	2,606,712	2,632,241	2.05%
A2	1,927,023	2,040,175	1.52%
A3	1,216,130	1,246,587	0.96%
Baa1	5,315,040	5,293,549	4.19%
Baa2	3,191,302	3,270,423	2.51%
Baa3	2,267,365	2,307,617	1.79%
Ba1	426,730	428,792	0.34%
Ba2	790,878	761,052	0.62%
B1	1,237,900	1,216,397	0.98%
B2	225,231	245,887	0.18%
B3	191,115	172,403	0.15%
Ca	298,849	143,606	0.24%
Caa2	45,933	51,178	0.04%
Caa3	345,763	256,506	0.27%
C	89,485	40,355	0.07%
CC(SP)	163,730	142,699	0.11%
Totals	\$ 126,957,283	\$ 125,584,335	100.00%

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

**CITY OF MONTGOMERY, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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 Project Fund	Nonmajor Governmental Funds	Montgomery Area Transit System	Montgomery Zoo	Nonmajor Enterprise Funds	Internal Service Fund	Employee Retirement System	Total
Interest and dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 418,297	\$ 418,297
Contributions receivable	-	-	-	-	-	-	-	460,322	460,322
Taxes	9,024,381	-	402,332	-	-	-	-	-	9,426,713
Accounts	1,891,270	1,797,823	633,595	255	107,371	16,831	901,651	22,035	5,370,831
Intergovernmental	1,669,837	43,418	2,662,964	-	-	-	-	-	4,376,219
<b>Total receivables</b>	<b>\$ 12,585,488</b>	<b>\$ 1,841,241</b>	<b>\$ 3,698,891</b>	<b>\$ 255</b>	<b>\$ 107,371</b>	<b>\$ 16,831</b>	<b>\$ 901,651</b>	<b>\$ 900,654</b>	<b>\$ 20,052,382</b>

**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, 2012 is shown below.

**Due to/from other funds**

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 937,481
	Montgomery Zoo	422,123
	Nonmajor Enterprise	548,389
Capital Project Fund	General	628,522
	Debt Service Fund	668,455
	Nonmajor Governmental	423,183
Debt Service Fund	General	404,672
	General	12,245,355
Nonmajor Governmental	Debt Service Fund	400,000
	Nonmajor Governmental	1,378,000
	Nonmajor Enterprise	34
	Nonmajor Governmental	248,711
Montgomery Area Transit System	General	681,872
	Capital Project Fund	8,624
	Montgomery Zoo	41,072
	Nonmajor Enterprise	29,982
	Nonmajor Enterprise	29,982
<b>Total</b>		<b>\$ 19,066,475</b>

**CITY OF MONTGOMERY, ALABAMA**  
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**5. INTERFUND BALANCES (Continued)**

**Advances to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	State Gasoline Tax	\$ 1,577,840
General	Montgomery Area Transit System	1,714,125
General	Internal Service	5,056,750
Total		<u>\$ 8,348,715</u>

**Interfund Transfers**

<u>Transfer Out</u>	<u>Transfer In</u>				<u>Montgomery Area Transit</u>
	<u>General</u>	<u>Capital Project Funds</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental</u>	
General	\$ -	\$ 2,187,216	\$ 15,499,561	\$ 2,908,132	\$ 139,704
Capital Project Fund	-	-	-	11,066	-
Nonmajor Governmental	5,000,000	1,179,593	1,858,758	1,071,464	-
Montgomery Zoo	-	-	-	6,000	-
Totals	<u>\$ 5,000,000</u>	<u>\$ 3,366,809</u>	<u>\$ 17,358,319</u>	<u>\$ 3,996,662</u>	<u>\$ 139,704</u>

<u>Transfer Out</u>	<u>Transfer In</u>			<u>Total</u>
	<u>Montgomery Zoo</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>	
General	\$ 1,670,466	\$ 665,206	\$ 5,805,346	\$ 28,875,631
Capital Project Fund	227,821	-	-	238,887
Nonmajor Governmental	-	-	-	9,109,815
Montgomery Zoo	-	728,819	-	734,819
Totals	<u>\$ 1,898,287</u>	<u>\$ 1,394,025</u>	<u>\$ 5,805,346</u>	<u>\$ 38,959,152</u>

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 nonprofit 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, 2012**

**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 \$2,136,024 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:

	<b>Governmental Activities</b>	
	<u>Principal</u>	<u>Interest</u>
Year ending September 30:		
2013	\$ 323,136	\$ 84,445
2014	334,224	73,431
2015	346,104	61,693
2016	358,776	46,667
2017	376,992	28,272
2018	396,792	9,424
	<u>2,136,024</u>	<u>303,932</u>
Totals	<u>\$ 2,136,024</u>	<u>\$ 303,932</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 \$4,138,547 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, 2012, are as follows:

	<u>Amount</u>
Year ending September 30:	
2013	\$ 789,688
2014	789,833
2015	790,106
2016	785,545
2017	785,200
2018	787,043
Total minimum lease payments	<u>4,727,415</u>
Less amounts representing interest	<u>588,868</u>
Present value of minimum lease payments	<u>\$ 4,138,547</u>



**CITY OF MONTGOMERY, ALABAMA**  
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**7. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2012 was as follows:

*Primary Government*

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 53,751,574	\$ 1,606,056	\$ -	\$ -	\$ 55,357,630
Construction in progress	22,261,618	31,265,026	-	(39,290,664)	14,235,980
Total capital assets, not being depreciated	76,013,192	32,871,082	-	(39,290,664)	69,593,610
Capital assets, being depreciated:					
Buildings and system	164,868,510	50,124	-	19,845,377	184,764,011
Improvements other than buildings	62,765,102	290,987	-	6,505,351	69,561,440
Machinery and equipment	93,395,602	8,126,217	(2,766,620)	4,135,387	102,890,586
Infrastructure	521,692,960	4,207,225	-	8,773,152	534,673,337
Total capital assets, being depreciated	842,722,174	12,674,553	(2,766,620)	39,259,267	891,889,374
Less accumulated depreciation for:					
Buildings and system	49,212,652	3,735,546	-	-	52,948,198
Improvements other than buildings	17,740,958	2,570,263	-	3,579	20,314,800
Machinery and equipment	64,414,801	6,698,803	(2,606,294)	(29,159)	68,478,151
Infrastructure	417,720,599	13,006,072	-	-	430,726,671
Total accumulated depreciation	549,089,010	26,010,684	(2,606,294)	(25,580)	572,467,820
Total capital assets, being depreciated, net	293,633,164	(13,336,131)	(160,326)	39,284,847	319,421,554
Governmental activities capital assets, net	<u>\$ 369,646,356</u>	<u>\$ 19,534,951</u>	<u>\$ (160,326)</u>	<u>\$ (5,817)</u>	<u>\$ 389,015,164</u>

**CITY OF MONTGOMERY, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**7. CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 1,047,942	\$ -	\$ -	\$ -	\$ 1,047,942
Capital assets, being depreciated:					
Buildings and system	30,484,712	17,516	-	-	30,502,228
Improvements other than buildings	7,798,844	14,632	-	-	7,813,476
Machinery and equipment	14,309,634	264,796	(964,217)	23,900	13,634,113
Total capital assets, being depreciated	<u>52,593,190</u>	<u>296,944</u>	<u>(964,217)</u>	<u>23,900</u>	<u>51,949,817</u>
Less accumulated depreciation for:					
Buildings and system	5,164,028	650,165	-	-	5,814,193
Improvements other than buildings	5,974,626	167,491	-	-	6,142,117
Machinery and equipment	8,094,892	1,084,665	(947,858)	18,083	8,249,782
Total accumulated depreciation	<u>19,233,546</u>	<u>1,902,321</u>	<u>(947,858)</u>	<u>18,083</u>	<u>20,206,092</u>
Total capital assets, being depreciated, net	<u>33,359,644</u>	<u>(1,605,377)</u>	<u>(16,359)</u>	<u>5,817</u>	<u>31,743,725</u>
Business-type activities capital assets, net	<u>\$ 34,407,586</u>	<u>\$ (1,605,377)</u>	<u>\$ (16,359)</u>	<u>\$ 5,817</u>	<u>\$ 32,791,667</u>

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

**Governmental Activities:**

General Government	\$ 18,924,525
Public Works	4,030,724
Public Safety	1,430,928
Cultural and Recreational	1,624,507
Total depreciation expense - governmental activities	<u>\$ 26,010,684</u>

**Business-type Activities:**

Montgomery Area Transit System	\$ 1,365,990
Montgomery Zoo	288,233
Montgomery Golf	142,251
Municipal Parking Decks	66,108
Food Services	39,739
Total depreciation expense - business-type activities	<u>\$ 1,902,321</u>

**CITY OF MONTGOMERY, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**8. SHORT-TERM DEBT**

During 2012, the City obtained a \$15,000,000 line of credit to support operations pending collection and receipt of outstanding City revenue. Interest is paid on outstanding balances at the prime rate, as reported by the Wall Street Journal. Short-term debt activity for the year ended September 30, 2012 was as follows:

Beginning Balance	\$ -
Issues	25,954,015
Redemptions	<u>(12,400,015)</u>
Ending Balance	<u>\$ 13,554,000</u>

**9. LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 257,892,778	\$ 511,480	\$ (6,312,782)	\$ 252,091,476	\$ 6,547,613
Less deferred amounts:					
For issuance discounts	(138,734)	-	14,471	(124,263)	-
On refunding	(5,238,509)	-	565,206	(4,673,303)	-
Add deferred amounts:					
For issuance premiums	<u>7,738,365</u>	<u>-</u>	<u>(765,358)</u>	<u>6,973,007</u>	<u>-</u>
Total general obligation bonds payable	260,253,900	511,480	(6,498,463)	254,266,917	6,547,613
Revenue warrants	17,975,000	-	(285,000)	17,690,000	340,000
Capital leases	10,600,735	14,067,540	(4,677,212)	19,991,063	5,023,839
Compensated absences	18,882,761	2,130,552	(1,703,236)	19,310,077	1,703,236
Retirement and disability benefits	8,044,842	485,849	(624,963)	7,905,728	624,963
Postemployment benefits other than pensions	62,273,229	27,391,140	(9,370,033)	80,294,336	-
Landfill closure and postclosure	<u>5,866,493</u>	<u>556,543</u>	<u>-</u>	<u>6,423,036</u>	<u>-</u>
Governmental activity long-term liabilities	<u>383,896,960</u>	<u>45,143,104</u>	<u>(23,158,907)</u>	<u>405,881,157</u>	<u>14,239,651</u>
<b>Business-type activities:</b>					
Compensated absences	<u>725,660</u>	<u>47,860</u>	<u>(192,828)</u>	<u>580,692</u>	<u>192,828</u>
Total long-term debt	<u>\$ 384,622,620</u>	<u>\$ 45,190,964</u>	<u>\$ (23,351,735)</u>	<u>\$ 406,461,849</u>	<u>\$ 14,432,479</u>

**CITY OF MONTGOMERY, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

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**9. LONG-TERM DEBT (Continued)**

Long-term debt payable at September 30, 2012 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 \$291,556,480 with current outstanding balances as follows:

<b>\$32,500,000 Series 2005A General Obligation Bonds</b> 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%.	\$ 25,685,000
<b>\$26,035,000 Series 2005B General Obligation Refunding Bonds</b> 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%.	9,685,000
<b>\$9,265,000 Series 2006A Taxable General Obligation Tax Increment Warrants</b> 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.	7,895,000
<b>\$8,995,000 Series 2006B General Obligation Tax Increment Warrants</b> 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.	7,495,000
<b>\$18,795,000 Series 2006C General Obligation Warrants</b> 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%.	14,725,000
<b>\$44,400,000 Series 2007 General Obligation Warrants</b> 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%.	38,545,000
<b>\$700,000 Series 2007 General Obligation Warrants</b> 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%.	365,000

**CITY OF MONTGOMERY, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**9. 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%.	\$ 4,000,001
\$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%.	3,001,111
\$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%.	41,375,000
\$60,065,000 Series 2010B Taxable General Obligation Recovery Zone Economic Development Term Warrants, with principal of \$10,920,000 due 2-01-30, \$22,665,000 due 2-01-35, and \$26,480,000 due 2-01-40, 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 5-01-16 to 5-01-23, with a maximum principal of \$6,150,000 in fiscal year 2023, interest at 3.00% to 5.00%.	38,760,000
\$511,480 Series 2012B General Obligation Warrants, due in quarterly installments of \$16,115 to \$20,595 on 8-30-12 to 5-30-19, interest at 3.65% .	495,364
Total general obligation bonds	<u>\$ 252,091,476</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 11-01-07 to 11-01-33, with a maximum principal of \$1,390,000 in fiscal year 2034, interest at 5.00% to 6.05%.	<u>\$ 17,690,000</u>
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**CITY OF MONTGOMERY, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**9. LONG-TERM DEBT (Continued)**

The following schedule illustrates debt service to maturity for General Obligation Bonds and Revenue Warrants at September 30, 2012.

Year ending September 30:	Governmental Activities					
	General Obligation Bonds			Revenue Warrants		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 6,547,613	\$ 11,739,724	\$ 18,287,337	\$ 340,000	\$ 1,038,712	\$ 1,378,712
2014	10,148,388	11,489,833	21,638,221	400,000	1,020,212	1,420,212
2015	9,005,361	11,069,171	20,074,532	465,000	996,727	1,461,727
2016	13,063,541	10,697,559	23,761,100	495,000	968,887	1,463,887
2017	13,601,262	10,141,825	23,743,087	525,000	939,307	1,464,307
2018-2022	71,455,311	41,446,348	112,901,659	3,110,000	4,189,760	7,299,760
2023-2027	56,145,000	25,693,723	81,838,723	4,125,000	3,138,390	7,263,390
2028-2032	31,630,000	15,358,960	46,988,960	5,525,000	1,692,937	7,217,937
2033-2037	24,110,000	8,169,023	32,279,023	2,705,000	165,920	2,870,920
2038-2040	16,385,000	1,420,583	17,805,583	-	-	-
Totals	<u>\$ 252,091,476</u>	<u>\$ 147,226,749</u>	<u>\$ 399,318,225</u>	<u>\$ 17,690,000</u>	<u>\$ 14,150,852</u>	<u>\$ 31,840,852</u>

Year ending September 30:	Governmental Activities		
	Total Annual Requirements		
	Principal	Interest	Total
2013	\$ 6,887,613	\$ 12,778,436	\$ 19,666,049
2014	10,548,388	12,510,045	23,058,433
2015	9,470,361	12,065,898	21,536,259
2016	13,558,541	11,666,446	25,224,987
2017	14,126,262	11,081,132	25,207,394
2018-2022	74,565,311	45,636,108	120,201,419
2023-2027	60,270,000	28,832,113	89,102,113
2028-2032	37,155,000	17,051,897	54,206,897
2033-2037	26,815,000	8,334,943	35,149,943
2038-2040	16,385,000	1,420,583	17,805,583
Totals	<u>\$ 269,781,476</u>	<u>\$ 161,377,601</u>	<u>\$ 431,159,077</u>

**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, 2012, the amount of outstanding debt applicable to this limit was equal to 8.00% of property assessments as of October 1, 2012.

**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.

**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
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**9. LONG-TERM DEBT (Continued)**

**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, 2012, the amount of defeased debt outstanding amounted to \$3,800,000.

**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.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 21,136,101
Less accumulated depreciation	<u>(2,394,949)</u>
Total	<u>\$ 18,741,152</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012, were as follows:

	<u>Governmental Activities</u>
Year ending September 30:	
2013	\$ 5,468,909
2014	4,771,898
2015	3,903,787
2016	2,036,609
2017	1,646,533
2018 - 2021	<u>3,723,374</u>
Total minimum lease payments	21,551,110
Less amount representing interest	<u>1,560,047</u>
Present value of minimum lease payments	<u>\$ 19,991,063</u>

**CITY OF MONTGOMERY, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

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**9. 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 2012. The future minimum lease payments as of September 30, 2012 were as follows:

Year ending September 30:		
2013	\$	33,984
2014		33,984
2015		33,984
2016		25,485
Total	\$	<u>127,437</u>

Total rental expense for the above operating lease is \$33,984 for the year ended September 30, 2012.

*Other Long-Term Debt*

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

**10. 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 \$6,423,036 as of September 30, 2012, which is based on 64% usage. It is estimated that an additional \$3,686,964 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).



**CITY OF MONTGOMERY, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**10. CLOSURE AND POSTCLOSURE COSTS (Continued)**

The estimated total current cost of the landfill closure and postclosure care of \$10,110,000 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, 2012. 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.

**11. OPERATING LEASES**

The City is the lessor of real estate under operating leases expiring in various years through 2013. Following is a summary of property held for lease as of September 30, 2012:

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>1,422,225</u>
Total	<u>\$ 3,931,566</u>

The minimum future rentals on noncancelable operating leases as of September 30, 2012 are:

Year ending September 30:	
2013	\$ 442,880
2014	72,382
2015	12,100
2016	12,100
2017	<u>12,100</u>
Total minimum future rentals	<u>\$ 551,562</u>

**12. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and self-insured employee health. The City purchases commercial insurance for claims in excess of coverage provided by the Risk Management Fund (an internal service fund) and for all other risks of loss.

The City maintains the Risk Management Fund, an internal service fund, to account for and finance its uninsured risks of loss related to employees' medical insurance and workers' compensation liability and to account for and finance its general liability, law enforcement liability, automobile liability, and public official liability uninsured risk of loss.

**CITY OF MONTGOMERY, ALABAMA**  
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**12. RISK MANAGEMENT (Continued)**

Liabilities of the fund 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 Internal Service 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, 2012 will be paid during the next fiscal year.

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

All funds of the City participate in the employees' medical insurance program and make payments to the Risk Management Internal Service Fund based on actuarial estimates of the amounts needed to pay prior and current year claims.

<b>Employees' Medical Insurance</b>	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning of fiscal year	\$ 2,674,838	\$ 2,850,676
Incurred claims (including IBNRs)	34,125,435	35,330,940
Claim payments	<u>(34,953,373)</u>	<u>(35,506,778)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,846,900</u>	<u>\$ 2,674,838</u>
 <b>Liability Insurance</b>	 <u>2012</u>	 <u>2011</u>
Unpaid claims, beginning of fiscal year	\$ 829,901	\$ 1,513,601
Incurred claims (including IBNRs)	1,564,335	1,369,716
Claim payments	<u>(1,245,736)</u>	<u>(2,053,416)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,148,500</u>	<u>\$ 829,901</u>

**CITY OF MONTGOMERY, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
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**13. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

*Plan Description*

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

*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, 2012, 2011, and 2010 were \$13,839,407, \$10,954,338 and \$10,276,977, respectively, equal to the required contributions for each year.

**14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description*

The City administers a single-employer postemployment defined benefit healthcare plan (the Employees' Medical Insurance Plan) for employees of the City. The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. The Employees' Medical Insurance Plan does not issue a publicly available financial report. At September 30, 2012, the plan had approximately 2,391 active participants and 1,532 retired members and beneficiaries.

**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
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**14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

*Funding Policy*

The employer requires monthly contributions of \$43 to \$189 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	105
Beneficiary and family	905
Retiree and family	255
Retiree over 65	46
Beneficiary under 65	418
Retiree over 65 and family	246
Beneficiary over 65	228
Retiree and spouse (one over 65 and one under 65)	141
Blue Cross Blue Shield family W/C Beneficiary	231

Total member contributions were \$5,381,807 for active participants and \$2,635,915 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.

**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2012

**14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

*Annual OPEB Cost and Net OPEB Obligation (Continued)*

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	2,490,929
Adjustment to ARC	<u>(3,559,037)</u>
Annual OPEB cost	27,391,140
Contributions made	<u>(9,370,033)</u>
Increase in net OPEB obligation	18,021,107
Net OPEB obligation - beginning of year	<u>62,273,229</u>
Net OPEB obligation - end of year	<u><u>\$ 80,294,336</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 2012 and the previous two years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2010	\$ 19,369,016	43.4%	\$ 43,286,771
9/30/2011	27,687,442	31.4%	62,273,230
9/30/2012	27,391,140	34.2%	80,294,336

**CITY OF MONTGOMERY, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
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**14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

***Funded Status and Funding Progress***

As of September 30, 2011, 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 \$105,115,415 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 319%.

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**  
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**14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

*Healthcare cost trend rate* – Claim costs in future years are estimated by adjusting the starting claim costs by an assumed ongoing cost trend. Such trends are based on the healthcare cost trend rate adjusted for the impact of plan design, cost containment features, and Medicare coordination. The rates used for 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, 2012 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, 2012, was 25 years.

**15. CONTINGENT LIABILITIES**

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

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

**16. CONSTRUCTION COMMITMENT**

As of September 30, 2012, the City had commitments on construction of capital projects as follows:

Gross commitments	\$ 36,863,842
Spent-to-date	<u>30,437,189</u>
Net commitments	<u>\$ 6,426,653</u>

As of April 29, 2013, the City's total net construction commitments were approximately \$4,902,000.

**CITY OF MONTGOMERY, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
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**17. OTHER COMMITMENT**

On February 28, 2012 the City's blended component unit, the Solid Waste Disposal Authority (SWDA) executed a Waste Feedstock Supply Agreement with IREP-Montgomery, LLC (I-Energy). In addition, the City entered into a support agreement with SWDA whereby it would obligate itself to take certain actions and support and fund certain obligations and to make available to the SWDA or pay directly to I-Energy the minimum tipping fee to begin on the commencement date and continue for the duration of the contract term. This date coincides with the date I-Energy is certified to begin accepting municipal solid waste. The contract year is each twelve-month period beginning on the commencement date. The Authority must deliver not less than 100,000 tons of municipal solid waste during each contract year. This amount is considered the minimum put. The Authority shall initially pay a tipping fee equal to \$28 per ton of City municipal solid waste. A portion of the fee, \$8 shall not be subject to increase during the term of the contract; a portion of the fee, \$6.25 shall be adjusted annually by the "tipping fee adjustment factor and the remaining \$13.75 shall be increased annually by 2.5%. As of April 29, 2013 I-Energy has not received certification to accept municipal solid waste.

**18. RELATED PARTY TRANSACTIONS**

The following related party transactions occurred during the year ended September 30, 2012:

The City appropriated approximately \$2,980,000 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 \$3,165,999 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 \$703,238 in charges for the use of fire hydrants.

The City made payments of \$262,170 to a Council Member's insurance agency for City insurance coverage.

**19. EFFECT OF NEW PRONOUNCEMENTS**

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

*GASB Statement No. 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, 2012.

*GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements* issued in November 2010. This Statement is effective for fiscal periods beginning after December 15, 2011.



**CITY OF MONTGOMERY, ALABAMA**  
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**19. EFFECT OF NEW PRONOUNCEMENTS (Continued)**

GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The requirements of Statements No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*, are amended to better meet user needs and to address reporting entity issues relating to component units. This Statement modifies current requirements for assessing potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements. Application is effective for financial statements whose fiscal year begins after June 15, 2012.

GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain pronouncements issued on or before November 30, 1989. Requirements of this Statement are effective for financial statements whose fiscal year begins after December 15, 2011.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement is effective for financial statements for periods beginning after December 15, 2011. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government. This statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. Requirements of this Statement are effective for financial statements whose fiscal year begins after December 15, 2012.

GASB Statement No. 66, *Technical Corrections - 2012*. The objective of this Statement is to improve accounting and financial reporting for government reporting by resolving conflicting guidance that resulted from the issuance of Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Requirements of this Statement are effective for financial statements whose fiscal year begins after December 15, 2012.

**CITY OF MONTGOMERY, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

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**19. EFFECT OF NEW PRONOUNCEMENTS (Continued)**

Statement No. 67, *Financial Reporting of Pension Plans*. The objective of this Statement is to improve financial reporting of government pension plans. Requirements of this Statement are effective for financial statements whose fiscal year begins after June 15, 2013.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve accounting and financial reporting of government pensions. Also, it improves information provided by government employers about financial support for pensions that is provided by other entities. Requirements of this Statement are effective for financial statements whose fiscal year begins after June 15, 2014.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement will improve accounting for mergers and acquisitions among state and local governments by providing guidance specific to the situations and circumstances encountered within the governmental environment. Requirements of this Statement are effective for financial statements whose fiscal year begins after December 15, 2013.

**20. SUBSEQUENT EVENTS**

Subsequent events – Subsequent to year end, the City issued the following general obligation warrants:

General Obligation Warrants Series 2012-A

Amount – \$9,835,000

Maturity – 2026

Interest Rate – 1.60% - 2.00%

Purpose – Advance refund a portion of the General Obligation Tax Increment Warrants, Series 2006-B and a portion of the General Obligation Warrants, Series 2006-C, including issuance costs.

General Obligation Warrants Series 2013-A

Amount – \$9,610,000

Maturity – 2026

Interest Rate – 1.625% - 2.00%

Purpose – Advance refund the Refunded Series 2006-C, including issuance costs.

General Obligation Warrants Series 2012-B

Amount – \$65,150,000

Maturity – 2034

Interest Rate – 0.48% - 3.875%

Purpose – Advance refund the Series 2003-A Warrants, Refunded Series 2005-A Warrants, Refunded Series 2005-B Warrants and Refunded Series 2006-A, including issuance costs.

**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]
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%
2011	312,019,112	445,662,767	133,643,655	70.01%	98,456,598	135.74%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended December 31	Annual Required Contributions	Percentage Contributed
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%
2011	11,971,544	100%

**CITY OF MONTGOMERY, ALABAMA**

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

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**SCHEDULE OF FUNDING PROGRESS**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets ( a )</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age ( b )</b>	<b>Unfunded AAL (UAAL) ( b-a )</b>	<b>Funded Ratio ( a/b )</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll [( b-a )/c]</b>
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%
9/30/2011	-	335,103,802	335,103,802	0.00%	105,115,415	319%

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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## 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.

Miscellaneous Special Revenue Fund accounts for various state revenues to be used solely for City improvements.

Alabama Department of Transportation Fund accounts for funds received from the Alabama Department of Transportation to be used solely for the improvement of roads.

ADECA Grant Fund accounts for funds received from the Alabama Department of Economic and Community Affairs to be used solely for community development.

Department of Justice Grant Fund accounts for funds received from the U.S. Department of Justice to be used solely for public safety.

Department of Agriculture Grant Fund accounts for funds received from the U.S. Department of Agriculture to be used solely for the Summer Food Service program for Children.

Homeland Security Grant Fund accounts for funds received from the U.S. Department of Homeland Security to be used solely for homeland security and emergency management.

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

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

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

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

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.

Seizures and Forfeitures Fund accounts for funding received from the U.S. Marshals Service to be used solely for public safety.

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**CITY OF MONTGOMERY, ALABAMA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**

	Special Revenue Funds											Total
	Miscellaneous Special Revenue Fund	Alabama Department of Transportation Grant Fund	ADECA Grant Fund	Department of Justice Grant Fund	Department of Agriculture Grant Fund	Homesland Security Grant Fund	Miscellaneous Grant Fund	Housing and Urban Development Grant Fund	Municipal Court Corrections Fund	Federal Transit Administration Grant Fund	Riverfront Stadium Fund	
<b>ASSETS</b>												
Cash and cash equivalents	\$ 149,226	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables	262,880	668,946	52,789	197,721	-	213,298	305,975	921,837	-	515,721	289,285	-
Prepaid items	48,174	-	-	-	-	-	-	2,104	-	-	-	-
Due from other funds	7,495,724	904,881	577,027	-	152,693	-	800	-	691,208	83,359	2,758,662	1,359,035
Mortgage receivable	-	-	-	-	-	-	-	188,289	-	-	-	-
<b>TOTAL ASSETS</b>	\$ 7,963,563	\$ 1,573,827	\$ 629,816	\$ 197,721	\$ 152,693	\$ 213,298	\$ 306,775	\$ 1,112,230	\$ 691,208	\$ 599,080	\$ 3,047,947	\$ 1,359,035
<b>LIABILITIES AND FUND BALANCES</b>												
<b>LIABILITIES</b>												
Accounts payable and accrued expenses	\$ 336,722	\$ 132,012	\$ 20,387	\$ 122,734	\$ 112,563	\$ 3,487	\$ -	\$ 486,413	\$ 18,387	\$ 29,577	\$ -	\$ 22,402
Retainage payable	-	90,976	-	-	-	-	-	-	-	5,201	-	-
Due to other funds	1,293,869	240,306	83,359	80,865	-	125,330	293,845	426,181	-	443,620	-	-
Deferred revenue	-	-	526,425	-	40,105	-	3,128	189,636	-	-	-	-
Funds held in escrow	165,894	-	-	-	-	-	-	-	-	-	-	6,323
Advances from other funds	1,577,840	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	\$ 1,914,562	\$ 428,166	\$ 630,171	\$ 203,599	\$ 152,668	\$ 128,817	\$ 296,973	\$ 1,102,230	\$ 18,387	\$ 478,398	\$ -	\$ 28,725
<b>FUND BALANCES</b>												
Nonspendable:												
Prepaid items	48,174	-	-	-	-	-	-	2,104	-	-	-	-
Restricted for:												
Capital projects	278,249	1,008,659	-	-	-	55,480	-	-	-	-	-	-
Intergovernmental	5,178,364	137,002	-	25	25	29,001	9,802	-	672,821	120,682	-	1,319,583
Landfill	865,984	-	-	-	-	-	-	-	-	-	-	865,984
Municipal Court Corrections	-	-	-	-	-	-	-	7,896	-	-	-	-
Other	1,017	-	-	-	-	-	-	-	-	-	-	7,896
Riverfront Stadium	-	-	-	-	-	-	-	-	-	-	3,047,947	11,744
Unassigned	(1,651,682)	-	(355)	(5,878)	-	-	-	-	-	-	-	(1,657,915)
<b>TOTAL FUND BALANCES</b>	\$ 6,371,788	\$ 1,145,661	\$ (355)	\$ (5,878)	\$ 25	\$ 84,481	\$ 9,802	\$ 10,000	\$ 672,821	\$ 120,682	\$ 3,047,947	\$ 1,330,310
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ 262,880	\$ 7,963,563	\$ 1,573,827	\$ 629,816	\$ 197,721	\$ 213,298	\$ 306,775	\$ 1,112,230	\$ 691,208	\$ 599,080	\$ 3,047,947	\$ 1,359,035
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ 262,880	\$ 7,963,563	\$ 1,573,827	\$ 629,816	\$ 197,721	\$ 213,298	\$ 306,775	\$ 1,112,230	\$ 691,208	\$ 599,080	\$ 3,047,947	\$ 1,359,035

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**CITY OF MONTGOMERY, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**

	Special Revenue Funds													Total
	Miscellaneous	Alabama	Department of	Department of	Department	Department	Department	Department	Housing and	Municipal	Federal	Rhefront	Seizures	
State	Special	Department of	Department of	Department	Department	Department	Department	Department	Urban	Court	Transit	Stadium	and	
Gasoline	Revenue	Transportation	Justice	of Agriculture	of Agriculture	of Agriculture	of Agriculture	of Agriculture	Development	Corrections	Administration	Fund	Forfeitures	
Tax	Fund	Grant Fund	Grant Fund	Grant Fund	Grant Fund	Grant Fund	Grant Fund	Grant Fund	Grant Fund	Grant Fund	Grant Fund	Grant Fund	Fund	
\$ 2,770,327	\$ 1,426,532	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,782,052	\$ -	\$ 5,978,911
60,147	-	-	-	-	-	-	-	-	-	-	-	-	-	60,147
1,824,044	1,219,899	291,724	1,190,978	137,605	616,751	984,357	2,480,403	3,888,197	-	-	-	-	-	12,634,358
696,377	-	-	-	-	-	-	-	-	-	-	-	-	-	696,377
15,670	-	-	-	-	-	-	-	-	-	2,482,520	-	-	-	2,482,520
2,247,900	-	298,556	-	28,384	-	18,501	1,027,685	13,758	-	2,599	-	857	728	19,854
6,210,523	1,219,899	590,280	1,190,978	157,989	616,751	1,003,458	3,508,088	2,485,119	3,901,955	2,145,591	1,304,157	2,120,632	943,462	27,165,262
1,145,705	-	340,618	-	-	-	551,311	2,984,005	217,262	5,678,036	-	40,752	-	-	10,957,689
4,711,119	1,325,294	75,408	-	-	-	-	363,201	-	1,113,466	-	-	-	-	8,698,216
373,410	-	174,609	1,192,527	-	550,438	-	-	-	-	-	-	-	319,943	2,610,927
140,363	14,236	-	157,989	-	-	451,494	160,882	-	-	-	-	24,959	-	949,923
2,984,772	1,123,964	590,635	1,192,527	157,989	550,438	1,002,805	3,508,088	217,262	6,791,502	24,959	360,695	2,120,632	943,462	23,216,755
(1,880,645)	3,225,751	(355)	(1,549)	-	66,313	653	-	2,257,857	(2,889,547)	-	-	-	-	3,948,507
-	237,996	64,704	-	-	-	-	1,002,434	-	2,691,528	-	-	-	-	3,996,662
(220,000)	(2,228,623)	-	-	-	-	-	(1,002,434)	(2,079,570)	-	(3,579,188)	-	-	-	(9,109,815)
(220,000)	(1,990,627)	64,704	-	-	-	-	-	(2,079,570)	2,691,528	(3,579,188)	-	-	-	(5,113,153)
(2,100,645)	1,235,124	160,639	(1,549)	-	66,313	653	-	188,287	(198,019)	(1,458,556)	943,462	(1,164,646)	-	12,300,248
448,963	5,136,664	985,022	(4,329)	25	18,168	9,149	10,000	484,534	318,701	4,506,903	386,848	12,300,248	-	11,135,602
\$ (1,651,682)	\$ 6,371,788	\$ 1,145,661	\$ (5,878)	\$ 25	\$ 84,481	\$ 9,802	\$ 10,000	\$ 672,821	\$ 120,682	\$ 3,047,947	\$ 1,330,310	\$ 1,135,602	\$ -	\$ 11,135,602

EXPENDITURES	
Current:	
General government	40,752
Public works	8,698,216
Public safety	2,610,927
Cultural and recreational	949,923
Total expenditures	23,216,755
Excess of revenues over (under) expenditures	3,948,507
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers in	3,996,662
Transfers out	(9,109,815)
Total other financing sources (uses)	(5,113,153)
Net change in fund balance	(1,164,646)
<b>FUND BALANCES - BEGINNING</b>	
	12,300,248
<b>FUND BALANCES - ENDING</b>	
	11,135,602

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**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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 3,106,654	\$ 3,106,654	\$ 2,770,327	\$ (336,327)
Licenses	40,000	40,000	60,147	20,147
Total revenues	<u>3,146,654</u>	<u>3,146,654</u>	<u>2,830,474</u>	<u>(316,180)</u>
<b>EXPENDITURES</b>				
Public works:				
Maintenance	1,329,635	1,109,635	1,289,265	179,630
Traffic engineering	1,817,019	1,817,019	3,421,852	1,604,833
Total expenditures	<u>3,146,654</u>	<u>2,926,654</u>	<u>4,711,117</u>	<u>1,784,463</u>
Excess of revenues over expenditures	<u>-</u>	<u>220,000</u>	<u>(1,880,643)</u>	<u>(2,100,643)</u>
<b>OTHER FINANCING USES</b>				
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	<u>-</u>	<u>-</u>	<u>(2,100,643)</u>	<u>(2,100,643)</u>
<b>FUND BALANCES - BEGINNING</b>	<u>448,963</u>	<u>448,963</u>	<u>448,963</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 448,963</u>	<u>\$ 448,963</u>	<u>\$ (1,651,680)</u>	<u>\$ (2,100,643)</u>

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## **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 Golf 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.

Montgomery Food Services Fund accounts for the operations of the City's Food Services.

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**CITY OF MONTGOMERY, ALABAMA**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**SEPTEMBER 30, 2012**

	<u>Municipal Golf</u>	<u>Municipal Parking Decks</u>	<u>Montgomery River Boat</u>	<u>Food Services</u>	<u>Total</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 464,416	\$ 1,699	\$ 2,150	\$ 207,015	\$ 675,280
Receivables	13,008	252	3,542	29	16,831
Inventories	33,103	-	7,181	48,626	88,910
Due from other funds	244,057	436,432	10,006	71,055	761,550
Total current assets	<u>754,584</u>	<u>438,383</u>	<u>22,879</u>	<u>326,725</u>	<u>1,542,571</u>
<b>NONCURRENT ASSETS</b>					
Capital assets:					
Land	665,341	-	-	-	665,341
Buildings and system	1,316,843	3,040,299	-	1,086,072	5,443,214
Improvements other than buildings	2,760,911	6,137	-	-	2,767,048
Machinery and equipment	2,087,001	84,855	-	185,439	2,357,295
Less accumulated depreciation	<u>(4,490,059)</u>	<u>(1,610,048)</u>	<u>-</u>	<u>(579,682)</u>	<u>(6,679,789)</u>
Total capital net assets, net of accumulated depreciation	<u>2,340,037</u>	<u>1,521,243</u>	<u>-</u>	<u>691,829</u>	<u>4,553,109</u>
<b>TOTAL ASSETS</b>	<u>3,094,621</u>	<u>1,959,626</u>	<u>22,879</u>	<u>1,018,554</u>	<u>6,095,680</u>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued expenses	107,617	36,124	26,122	67,840	237,703
Deferred revenue	10,958	-	80	-	11,038
Due to other funds	-	34	29,983	548,388	578,405
Compensated absences	55,252	186	-	-	55,438
Total current liabilities	<u>173,827</u>	<u>36,344</u>	<u>56,185</u>	<u>616,228</u>	<u>882,584</u>
<b>NONCURRENT LIABILITIES</b>					
Compensated absences	67,759	28,478	-	89,274	185,511
Total noncurrent liabilities	<u>67,759</u>	<u>28,478</u>	<u>-</u>	<u>89,274</u>	<u>185,511</u>
<b>TOTAL LIABILITIES</b>	<u>241,586</u>	<u>64,822</u>	<u>56,185</u>	<u>705,502</u>	<u>1,068,095</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	2,340,037	1,521,243	-	691,829	4,553,109
Unrestricted	512,998	373,561	(33,306)	(378,777)	474,476
<b>TOTAL NET ASSETS</b>	<u>\$ 2,853,035</u>	<u>\$ 1,894,804</u>	<u>\$ (33,306)</u>	<u>\$ 313,052</u>	<u>\$ 5,027,585</u>

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**CITY OF MONTGOMERY, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Municipal Golf</u>	<u>Municipal Parking Decks</u>	<u>Montgomery River Boat</u>	<u>Food Services</u>	<u>Total</u>
<b>OPERATING REVENUES</b>					
Charges for goods and services	\$ 1,247,380	\$ 280,769	\$ 804,468	\$ 1,311,857	\$ 3,644,474
Total operating revenues	<u>1,247,380</u>	<u>280,769</u>	<u>804,468</u>	<u>1,311,857</u>	<u>3,644,474</u>
<b>OPERATING EXPENSES</b>					
Cost of sales and services	122,584	-	221,342	416,428	760,354
Administration	1,770,793	317,710	436,096	1,274,207	3,798,806
Depreciation	<u>142,251</u>	<u>66,108</u>	<u>-</u>	<u>39,739</u>	<u>248,098</u>
Total operating expenses	<u>2,035,628</u>	<u>383,818</u>	<u>657,438</u>	<u>1,730,374</u>	<u>4,807,258</u>
<b>OPERATING INCOME (LOSS)</b>	<b>(788,248)</b>	<b>(103,049)</b>	<b>147,030</b>	<b>(418,517)</b>	<b>(1,162,784)</b>
<b>NONOPERATING REVENUES</b>					
Interest income	-	94	133	-	227
Loss before contributions and transfers	<u>(788,248)</u>	<u>(102,955)</u>	<u>147,163</u>	<u>(418,517)</u>	<u>(1,162,557)</u>
Capital contributions	-	-	-	2,750	2,750
Transfers in	<u>665,206</u>	<u>-</u>	<u>-</u>	<u>728,819</u>	<u>1,394,025</u>
Change in net assets	<u>(123,042)</u>	<u>(102,955)</u>	<u>147,163</u>	<u>313,052</u>	<u>234,218</u>
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>2,976,077</u>	<u>1,997,759</u>	<u>(180,469)</u>	<u>-</u>	<u>4,793,367</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 2,853,035</u>	<u>\$ 1,894,804</u>	<u>\$ (33,306)</u>	<u>\$ 313,052</u>	<u>\$ 5,027,585</u>

**CITY OF MONTGOMERY, ALABAMA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Municipal Golf</u>	<u>Municipal Parking Decks</u>	<u>Montgomery River Boat</u>	<u>Food Services</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 1,252,599	\$ 280,603	\$ 785,321	\$ 1,311,827	\$ 3,630,350
Payments to suppliers	(1,082,588)	(216,875)	(414,837)	(644,767)	(2,359,067)
Payments to employees	(920,898)	(64,814)	(236,241)	(849,013)	(2,070,966)
Payments for interfund services used	-	(9,480)	-	(88,366)	(97,846)
Net cash provided (used) by operating activities	<u>(750,887)</u>	<u>(10,566)</u>	<u>134,243</u>	<u>(270,319)</u>	<u>(897,529)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	665,206	-	-	-	665,206
Net cash payments from other funds	<u>23,287</u>	<u>(109,184)</u>	<u>(305,406)</u>	<u>477,334</u>	<u>86,031</u>
Net cash provided (used) by noncapital financing activities	<u>688,493</u>	<u>(109,184)</u>	<u>(305,406)</u>	<u>477,334</u>	<u>751,237</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	<u>(28,036)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,036)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest income	<u>-</u>	<u>94</u>	<u>133</u>	<u>-</u>	<u>227</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(90,430)</b>	<b>(119,656)</b>	<b>(171,030)</b>	<b>207,015</b>	<b>(174,101)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>554,846</b>	<b>121,355</b>	<b>173,180</b>	<b>-</b>	<b>849,381</b>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 464,416</u></b>	<b><u>\$ 1,699</u></b>	<b><u>\$ 2,150</u></b>	<b><u>\$ 207,015</u></b>	<b><u>\$ 675,280</u></b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>					
Contributions of capital assets from governmental funds	\$ -	\$ -	\$ -	\$ 2,750	\$ 2,750
Contributions of capital assets from proprietary funds	-	-	-	728,819	728,819

(Continued)

**CITY OF MONTGOMERY, ALABAMA**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Municipal Golf</u>	<u>Municipal Parking Decks</u>	<u>Montgomery River Boat</u>	<u>Food Service</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (788,248)	\$ (103,049)	\$ 147,030	\$ (418,517)	\$ (1,162,784)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	142,251	66,108	-	39,739	248,098
(Increase) decrease in receivables	5,219	(166)	(11,022)	(30)	(5,999)
(Increase) decrease in inventories	(12,002)	-	4,113	(48,626)	(56,515)
Decrease in prepaid items	-	-	916	-	916
Increase (decrease) in accounts payable and accrued expenses	(11,334)	24,289	-1,331	67,841	82,127
Decrease in deferred revenue	-	-	(8,125)	-	(8,125)
Increase (decrease) in compensated absences	(86,773)	2,252	-	89,274	4,753
Total adjustments	<u>37,361</u>	<u>92,483</u>	<u>(12,787)</u>	<u>148,198</u>	<u>265,255</u>
Net cash provided (used) by operating activities	<u>\$ (750,887)</u>	<u>\$ (10,566)</u>	<u>\$ 134,243</u>	<u>\$ (270,319)</u>	<u>\$ (897,529)</u>

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## 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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	84
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.	90
<b>Debt Capacity</b> 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.	95
<b>Demographic and Economic Information</b> 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.	102
<b>Operating Information</b> 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.	104

**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										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
<b>Governmental activities</b>											
Invested in capital assets, net of related debt	\$ 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	\$ 217,212,528	
Restricted:											
Public works	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	4,199,221	
Public safety	1,350,902	2,257,121	1,390,644	950,068	1,365,804	1,821,728	1,144,993	769,875	991,204	875,641	
Cultural and recreational	-	-	1,839,281	2,925,208	4,880,585	7,314,372	4,280,263	4,260,063	4,622,557	3,366,997	
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	9,383,106	
Debt reserve	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	10,490,295	
Municipal Court Corrections	-	-	-	-	-	-	-	-	-	-	
Unrestricted	(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)	(234,663,391)	
Total governmental activities net assets	\$ 43,687,420	\$ 1,61,685,054	\$ 207,082,336	\$ 216,704,657	\$ 221,050,464	\$ 178,877,670	\$ 129,360,940	\$ 96,009,605	\$ 37,723,943	\$ 11,537,218	
<b>Business-type activities</b>											
Invested in capital assets, net of related debt	\$ 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	\$ 32,791,667	
Unrestricted	(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)	(2,301,948)	
Total business-type activities net assets	\$ 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	\$ 30,489,719	
<b>Primary government</b>											
Invested in capital assets, net of related debt	\$ 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	\$ 250,004,195	
Restricted	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	28,988,081	
Unrestricted	(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)	(236,965,339)	
Total primary government net assets	\$ 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	\$ 42,026,937	

**CITY OF MONTGOMERY, ALABAMA**  
**SCHEDULE 2**  
**CHANGES IN NET ASSETS**  
*(accrual basis of accounting)*

	Fiscal Year										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
<b>Governmental activities</b>											
<b>Expenses</b>											
<b>Governmental activities:</b>											
General government	\$ 34,591,410	\$ 79,931,937	\$ 66,537,712	\$ 66,407,230	\$ 64,197,483	\$ 72,773,403	\$ 92,913,247	\$ 86,120,124	\$ 75,547,042	\$ 76,833,428	
Public works	42,859,229	41,488,912	47,787,350	53,003,538	52,259,298	60,747,459	57,744,148	47,781,026	51,232,910	44,582,467	
Public safety	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	95,841,814	
Cultural and recreational	26,759,700	21,730,045	24,672,173	20,414,279	23,220,119	30,131,588	27,939,722	33,837,935	33,826,263	34,317,694	
Economic development	8,761	4,185,554	-	-	-	-	-	-	-	-	
Interest on long-term debt	3,058,130	7,534,729	7,805,568	9,089,961	11,467,071	11,822,764	11,452,425	10,561,682	14,459,954	12,793,380	
Total governmental activities expenses	177,931,067	222,255,752	226,267,769	221,612,696	226,303,755	265,831,396	273,314,644	267,389,273	270,769,254	264,370,583	
<b>Program revenues</b>											
<b>Governmental activities:</b>											
Charges for services:											
General government	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	18,189,668	
Public works	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	16,907,133	
Public safety	3,418,400	1,337,736	6,445,108	-	-	-	-	-	-	1,750	
Cultural and recreational	773,392	739,938	2,962,792	1,045,697	1,141,386	988,058	916,564	1,237,731	1,518,289	1,325,399	
Operating grants and contributions	11,603,891	8,390,585	13,576,462	11,280,471	12,694,612	9,307,772	9,322,821	14,727,336	13,082,354	9,473,816	
Capital grants and contributions	5,575,502	5,463,137	22,831,189	19,777,090	9,351,990	5,839,738	10,074,229	21,969,518	11,386,441	9,390,530	
Total governmental activities program revenues	66,595,367	82,808,368	108,386,949	87,133,155	80,131,470	76,372,193	86,457,237	73,814,247	59,067,031	55,288,296	
Total primary government net expense	(111,335,700)	(139,448,884)	(117,680,820)	(134,479,541)	(146,172,285)	(189,479,203)	(186,857,407)	(193,775,026)	(211,702,203)	(209,082,287)	
<b>General revenues and other changes in net assets</b>											
<b>Governmental activities:</b>											
<b>Taxes:</b>											
Sales taxes	84,681,283	88,288,951	93,272,301	96,432,102	98,174,542	93,799,356	83,980,254	86,150,767	88,699,968	91,159,140	
Property taxes	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	29,892,243	
Business licenses	-	-	-	-	-	-	-	30,482,588	31,366,586	32,630,148	
Motor fuel taxes	8,259,778	8,756,356	9,237,249	8,645,857	8,560,057	8,363,071	8,202,877	8,335,705	8,052,601	7,633,517	
Lodging taxes	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	6,061,073	
Rental taxes	-	-	-	-	-	-	1,764,595	3,285,663	3,337,930	3,298,583	
Tobacco tax	259,525	791,787	1,951,430	1,781,887	1,761,227	1,619,508	1,411,990	1,458,763	1,451,072	1,426,532	
Alcoholic beverage taxes	212,452	183,272	210,227	177,033	248,885	227,511	254,164	234,501	276,837	291,270	
Grants and contributions not restricted to specific programs	1,785,138	118,246	122,422	131,995	158,378	141,631	186,693	199,092	206,561	374,097	
Investment earnings	1,409,449	844,348	2,191,059	5,937,376	6,875,303	3,862,641	4,025,825	50,449	124,557	64,461	
Miscellaneous revenue	2,149,735	4,172,305	5,397,967	6,189,366	5,514,223	6,531,884	5,794,279	6,905,175	7,734,015	12,465,707	
Gain on sale of assets	247,543	131,625	155,785	-	41,745	323,158	-	146,640	159,766	301,805	
Change in accounting estimate	-	5,485,022	-	-	-	-	-	-	-	-	
Extraordinary item	-	-	-	-	-	-	3,900,000	-	-	-	
Transfers	(5,125,186)	(3,881,742)	12,308,530	(7,613,962)	(4,812,966)	(4,753,802)	(4,249,246)	(13,762,102)	(24,591,442)	(2,703,014)	
Total governmental activities general revenues and other changes in net assets	119,855,357	132,860,095	154,476,159	144,101,842	150,518,112	145,906,409	138,040,677	160,423,691	153,416,541	182,895,562	
<b>Total governmental activities change in net assets</b>	\$ 8,497,657	\$ (6,588,789)	\$ 36,795,339	\$ 9,622,301	\$ 4,345,827	\$ (43,572,794)	\$ (48,816,730)	\$ (33,511,335)	\$ (58,285,662)	\$ (26,186,725)	

(Continued)

**CITY OF MONTGOMERY, ALABAMA**  
**SCHEDULE 2**  
**CHANGES IN NET ASSETS (CONTINUED)**  
*(accrual basis of accounting)*

	Fiscal Year											
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
<b>Business-type activities</b>												
<b>Expenses:</b>												
Montgomery Area Transit System	\$ 1,183,154	\$ 1,103,388	\$ 1,306,932	\$ 1,741,793	\$ 1,749,082	\$ 2,194,586	\$ 3,205,634	\$ 2,291,121	\$ 3,516,281	\$ 2,893,071	\$	\$ 2,893,071
Montgomery Zoo	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	4,157,248		4,157,248
Municipal Golf	2,078,425	1,995,766	2,170,024	2,803,024	3,043,118	3,290,143	2,932,109	2,014,501	2,343,402	2,099,827		2,099,827
Civic Center	3,148,573	3,121,091	609,091	-	-	-	-	-	-	-		-
Municipal Parking Decks	160,436	201,244	203,308	199,525	217,947	266,244	318,963	348,955	330,042	383,818		383,818
Montgomery River Boat	-	-	-	-	-	-	553,658	858,102	764,208	657,438		657,438
Food Services	-	-	-	-	-	-	-	-	-	1,730,374		1,730,374
<b>Total business-type activities expenses</b>	<b>10,681,352</b>	<b>11,420,013</b>	<b>9,524,662</b>	<b>10,376,725</b>	<b>10,964,060</b>	<b>11,974,568</b>	<b>12,720,092</b>	<b>11,402,441</b>	<b>12,914,682</b>	<b>11,921,776</b>		<b>11,921,776</b>
<b>Revenues:</b>												
<b>Charges for services:</b>												
Montgomery Area Transit System	487,290	551,530	629,508	613,269	605,931	750,752	800,896	761,055	746,779	892,983		892,983
Montgomery Zoo	2,094,816	2,478,257	2,524,089	2,685,908	2,831,547	3,284,359	2,553,288	2,719,497	3,144,888	2,157,345		2,157,345
Municipal Golf	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	1,247,380		1,247,380
Civic Center	2,502,715	2,519,784	495,378	-	-	-	-	-	-	-		-
Municipal Parking Decks	138,219	153,138	159,087	152,555	99,604	56,369	62,302	230,980	322,179	280,769		280,769
Montgomery River Boat	-	-	-	-	-	-	564,180	691,978	739,255	804,468		804,468
Food Services	-	-	-	-	-	-	-	-	-	1,311,857		1,311,857
<b>Total business-type activities revenues</b>	<b>6,061,270</b>	<b>6,637,963</b>	<b>4,749,225</b>	<b>4,521,549</b>	<b>4,984,790</b>	<b>5,619,802</b>	<b>5,353,480</b>	<b>5,287,416</b>	<b>6,120,231</b>	<b>6,694,802</b>		<b>6,694,802</b>
<b>Total business-type activities net program expense</b>	<b>(4,620,082)</b>	<b>(4,782,050)</b>	<b>(4,775,437)</b>	<b>(5,855,176)</b>	<b>(5,979,270)</b>	<b>(6,354,766)</b>	<b>(7,366,612)</b>	<b>(6,115,025)</b>	<b>(6,794,451)</b>	<b>(5,226,974)</b>		<b>(5,226,974)</b>
<b>Other changes in net assets</b>												
Investment earnings	794	779	8,341	11,288	16,432	15,679	3,329	391	372	411		411
Miscellaneous revenue	-	-	-	-	-	-	-	-	37,300	-		-
Capital contributions	-	-	-	-	-	-	11,085	-	-	-		-
Gain on sale of assets	-	-	35,042	-	-	-	-	-	-	-		36,441
Transfers	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	2,703,014		2,703,014
	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	2,739,866		2,739,866
<b>Total business-type activities change in net assets</b>	<b>\$ 505,898</b>	<b>\$ (899,529)</b>	<b>\$ (17,040,604)</b>	<b>\$ 1,770,074</b>	<b>\$ (1,149,872)</b>	<b>\$ (1,585,285)</b>	<b>\$ (3,102,952)</b>	<b>\$ 7,647,468</b>	<b>\$ 17,834,663</b>	<b>\$ (2,487,108)</b>		<b>\$ (2,487,108)</b>
<b>Total primary government change in net assets</b>	<b>\$ 9,003,555</b>	<b>\$ (7,488,318)</b>	<b>\$ 19,754,735</b>	<b>\$ 11,392,375</b>	<b>\$ 3,195,955</b>	<b>\$ (45,158,079)</b>	<b>\$ (51,919,682)</b>	<b>\$ (25,703,867)</b>	<b>\$ (40,450,999)</b>	<b>\$ (28,673,833)</b>		<b>\$ (28,673,833)</b>

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

	Fiscal Year										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
General fund											
Reserved	\$ 2,382,924	\$ 2,122,008	\$ 2,517,653	\$ 5,254,275	\$ 2,536,789	\$ 2,538,295	\$ 3,066,134	\$ 4,180,402	\$ -	\$ -	
Unreserved, designated	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	18,656,397	22,097,748	39,562,340	46,083,120	48,725,745	36,114,095	18,522,084	(370,572)	-	-	
Nonspendable:											
Inventories	-	-	-	-	-	-	-	-	1,216,275	1,282,344	
Long-term receivables	-	-	-	-	-	-	-	-	6,016,006	9,048,715	
Prepaid items	-	-	-	-	-	-	-	-	156,915	107,386	
Assigned to other	-	-	-	-	-	-	-	-	3,110	-	
Unassigned	-	-	-	-	-	-	-	-	(2,147,624)	(4,652,090)	
Total general fund	\$ 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	\$ 5,755,535	

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

	Fiscal Year										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
All other governmental funds											
Reserved	\$ 17,771,002	\$ 15,458,107	\$ 13,192,117	\$ 17,456,580	\$ 8,184,796	\$ 12,773,443	\$ 5,912,466	\$ 13,248,404	\$ -	\$ -	
Unreserved, designated, reported in:											
Debt service funds	2,119,567	2,760,685	4,443,282	4,137,141	2,808,696	2,351,976	2,301,349	2,000,065	-	-	
Capital projects funds	-	-	50,000	50,000	-	-	-	-	-	-	
Unreserved, undesignated, reported in:											
Capital projects funds	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	2,101,629	4,269,007	(430,272)	(639,014)	8,114,287	9,332,375	5,987,202	2,376,183	-	-	
Nonspendable:											
Assets held for resale	-	-	-	-	-	-	-	-	856,500	664,500	
Long term receivables	-	-	-	-	-	-	-	-	1,126	1,126	
Prepaid items	-	-	-	-	-	-	-	-	87,132	50,278	
Restricted for:											
Capital projects	-	-	-	-	-	-	-	-	34,834,191	9,806,574	
Debt service	-	-	-	-	-	-	-	-	2,506,239	2,139,717	
Intergovernmental	-	-	-	-	-	-	-	-	2,600,889	7,467,280	
Landfill	-	-	-	-	-	-	-	-	2,015,410	865,984	
Municipal Court Corrections	-	-	-	-	-	-	-	-	484,534	7,896	
Other	-	-	-	-	-	-	-	-	13,083	11,744	
Riverfront Stadium	-	-	-	-	-	-	-	-	4,506,503	3,047,947	
Roads	-	-	-	-	-	-	-	-	448,962	-	
Assigned to:											
Capital projects	-	-	-	-	-	-	-	-	678,527	-	
Other	-	-	-	-	-	-	-	-	98,205	253,295	
Unassigned	-	-	-	-	-	-	-	-	(4,140,529)	(1,657,915)	
Total all other governmental funds	\$ 46,049,437	\$ 35,959,414	\$ 57,662,320	\$ 75,259,464	\$ 99,197,299	\$ 81,321,294	\$ 41,454,997	\$ 81,899,159	\$ 44,591,772	\$ 22,658,426	

**CITY OF MONTGOMERY, ALABAMA**  
**SCHEDULE 4**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
*(modified accrual basis of accounting)*

	Fiscal Year											
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
<b>Revenues</b>												
Taxes	\$ 119,386,678	\$ 123,263,827	\$ 134,300,376	\$ 139,457,067	\$ 142,741,429	\$ 139,800,947	\$ 131,983,126	\$ 136,401,849	\$ 138,401,498	\$ 139,762,558		
Licenses and permits	28,127,922	32,414,716	31,241,991	33,263,521	35,066,083	37,956,083	37,874,584	38,269,290	38,943,003	40,233,482		
Intergovernmental revenues	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	21,364,126		
Charges and fees for services	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	15,585,598		
Fines and forfeitures	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	8,929,730		
Interest	1,366,462	808,659	2,138,199	5,780,989	6,766,329	3,862,641	425,830	50,446	124,557	64,461		
Contributions												
Miscellaneous	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	12,050,750		
Total revenues	188,210,350	195,541,399	215,085,126	229,326,054	229,311,511	224,518,365	221,864,655	238,827,189	232,407,983	237,990,505		
<b>Expenditures</b>												
Current												
General government	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	53,663,426		
Public works	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	40,306,505		
Public safety	66,777,416	68,160,583	68,816,756	72,042,280	75,033,957	81,551,085	80,660,653	80,282,388	83,563,849	92,011,982		
Cultural and recreational	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	29,642,735		
Economic development	13,433,799	4,183,121	-	-	-	-	-	-	-	-		
Intergovernmental	12,970,591	28,487,344	22,038,981	5,614,812	3,088,263	3,870,401	25,666,518	14,594,405	4,214,102	2,649,743		
Capital projects				19,431,041	21,074,966	22,574,761	19,903,596	22,953,351	35,497,808	23,519,971		
Debt service:												
Principal payments	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	11,274,995		
Interest	3,058,130	6,686,245	6,709,210	8,440,090	11,030,577	11,794,593	11,324,313	10,936,652	13,660,238	13,279,429		
Debt issuance costs	1,391,659	642,647	964,232	570,965	546,817	-	-	1,011,871	409,212	5,000		
Total expenditures	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	266,553,780		
Excess of revenue over (under) expenditures	(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)	(28,563,281)		
<b>Other financing sources (uses)</b>												
Proceeds from sale of assets				217,810	499,260	461,044	209,170	177,871	413,709	462,131		
Transfers in	21,003,783	37,125,537	25,252,973	32,220,327	52,478,773	36,134,376	53,853,006	46,527,332	39,982,038	29,721,790		
Transfers out	(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)	(38,224,333)		
Capital leases	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	14,067,540		
Bond anticipation notes	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	58,760,000	511,480		
Payment of refunding bonds	8,505,000	-	26,035,000	-	-	-	-	42,090,000	(40,886,025)	-		
Payment to refunded 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)	66,662,829	30,986,593	27,294,738	33,073,383	41,767,610	(2,470,759)	2,504,890	44,264,031	(7,831,490)	6,338,608		
Net change in fund balance	\$ 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)	\$ (21,824,673)		
Debt service as a percentage of noncapital expenditures	10.67%	14.43%	6.69%	7.34%	10.52%	10.45%	11.98%	12.28%	10.89%	10.91%		



**CITY OF MONTGOMERY, ALABAMA**  
**SCHEDULE 5**  
**TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS**

<b>Fiscal Year</b>	<b>City Sales Tax</b>	<b>Real and Personal Property Tax</b>	<b>Motor Fuel Tax</b>	<b>Lodging Tax</b>	<b>Alcoholic Beverage Tax</b>	<b>Tobacco Tax</b>	<b>Rental Tax</b>	<b>Total</b>
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
2012	91,159,140	29,892,243	7,633,517	6,061,073	291,270	1,426,532	3,298,583	139,762,358

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										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
General merchandise	\$ 2,230,132,067	\$ 2,348,673,931	\$ 2,481,480,428	\$ 2,556,259,377	\$ 2,580,287,236	\$ 2,485,139,504	\$ 2,259,586,708	\$ 2,262,566,175	\$ 2,339,761,197	\$ 2,385,494,238	
Auto and agriculture	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	451,123,914	
Manufacturing machine	47,573,930	45,282,889	47,028,557	68,243,989	82,408,705	69,707,851	52,592,609	141,720,419	90,271,143	116,039,303	
<b>Totals</b>	<b>\$ 2,741,499,931</b>	<b>\$ 2,825,388,111</b>	<b>\$ 2,976,320,496</b>	<b>\$ 3,086,001,763</b>	<b>\$ 3,149,179,186</b>	<b>\$ 2,975,394,225</b>	<b>\$ 2,635,344,266</b>	<b>\$ 2,762,754,073</b>	<b>\$ 2,845,124,420</b>	<b>\$ 2,952,657,475</b>	
City direct sales tax rate	3.50%	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**

	2003			2004			2005		
	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	\$ 78,051,314	5,398	26.50%	\$ 82,203,608	5,356	25.36%	\$ 86,851,656	5,524	23.65%
Auto and agriculture	5,797,425	164	66.14%	5,392,892	165	67.28%	5,597,645	175	66.59%
Manufacturing machine	832,544	273	45.78%	792,451	283	35.75%	823,000	270	40.74%
Totals	<u>\$ 84,681,283</u>	<u>5,835</u>		<u>\$ 88,388,951</u>	<u>5,804</u>		<u>\$ 93,272,301</u>	<u>5,969</u>	
	2006			2007			2008		
	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	\$ 89,469,104	5,546	22.86%	\$ 90,622,355	6,544	22.80%	\$ 87,322,631	6,327	21.87%
Auto and agriculture	5,768,728	182	67.03%	6,110,034	262	66.95%	5,256,837	251	67.53%
Manufacturing machine	1,194,270	257	52.99%	1,442,153	362	63.34%	1,219,888	360	51.55%
Totals	<u>\$ 96,432,102</u>	<u>5,985</u>		<u>\$ 98,174,542</u>	<u>7,168</u>		<u>\$ 93,799,356</u>	<u>6,938</u>	
	2009			2010			2011		
	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	\$ 78,160,260	6,311	23.25%	\$ 79,189,817	6,082	24.33%	\$ 81,931,572	6,045	22.24%
Auto and agriculture	4,723,801	276	59.06%	4,480,843	216	62.29%	5,188,651	211	69.23%
Manufacturing machine	1,096,193	352	53.75%	2,480,107	348	54.80%	1,579,745	354	62.10%
Totals	<u>\$ 83,980,254</u>	<u>6,939</u>		<u>\$ 86,150,767</u>	<u>6,646</u>		<u>\$ 88,699,968</u>	<u>6,610</u>	
	2012								
	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers						
General merchandise	\$ 83,489,402	6,198	22.85%						
Auto and agriculture	5,639,050	228	30.81%						
Manufacturing machine	2,030,688	350	72.62%						
Totals	<u>\$ 91,159,140</u>	<u>6,776</u>							

Note: Top ten taxpayers represents the percentage of total tax remitted by the largest ten sales 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**

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<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Montgomery County</u>	<u>State of Alabama</u>	<u>Total Sales Tax</u>
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%
2012	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	2003			2004			2005			2006			2007			2008			2009			2010			2011			2012		
	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	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	6.83%	1	6.61%	1	6.42%	1	6.44%	1	6.06%	1	6.36%	1	6.98%	1	6.64%	1	6.64%	1	6.36%	1	6.98%	1	6.64%	1	6.64%	1	6.28%		
Winn Dixie of Montgo	2	4.46%	2	3.93%	2	3.54%	2	2.84%	2	2.71%	2	2.68%	2	2.77%	2	2.95%	2	2.95%	2	2.95%	2	2.77%	2	2.95%	2	2.95%	2	2.33%		
Brunos Super Markets	4	2.64%	4	2.70%	4	2.44%	5	1.54%	7	1.17%	5	1.17%	5	1.20%	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Sams East	3	2.89%	3	2.94%	3	2.87%	3	2.83%	2	2.78%	3	2.78%	3	2.59%	3	2.81%	3	3.32%	3	2.81%	4	3.32%	4	2.52%	4	2.52%	4	2.52%		
K-Mart Corporation	9	1.03%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Gayfers/Dillard's	5	1.56%	9	1.09%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Lowe's of Montgomery	6	1.51%	5	1.51%	6	1.46%	6	1.38%	6	1.31%	6	1.31%	6	1.20%	8	1.14%	6	2.23%	8	1.14%	6	2.23%	5	2.12%	5	2.12%	7	1.99%		
Home Depot USA, Inc	7	1.45%	6	1.43%	5	1.50%	8	1.18%	9	0.91%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Sears Roebuck and Co	8	1.04%	7	1.20%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Capitol Chevrolet/RMF	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Parisian	10	1.01%	-	-	10	0.88%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Target Store	-	-	8	1.18%	7	1.19%	7	1.32%	5	0.87%	10	0.87%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Best Buy Stores, LP	-	-	10	1.00%	8	0.93%	9	0.98%	8	0.95%	10	0.93%	7	1.19%	7	1.21%	10	1.21%	7	1.21%	10	1.21%	10	1.20%	10	1.20%	10	1.19%		
Publix Alabama, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Costco Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Hyundai Manufacturing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Jack Ingram Motors, C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Totals</b>		<b>24.42%</b>		<b>23.59%</b>		<b>22.08%</b>		<b>21.22%</b>		<b>21.04%</b>		<b>20.37%</b>		<b>20.32%</b>		<b>21.64%</b>		<b>28.22%</b>		<b>25.37%</b>		<b>25.37%</b>		<b>25.37%</b>		<b>25.37%</b>		<b>25.44%</b>		

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 (c)	Revenue Warrants	Capital Leases				
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	175,655,539	24,670,000	10,821,537	211,147,076	6.84%	4.62%	1,047.52
2007	213,266,350	24,115,000	12,673,006	250,054,356	7.94%	5.34%	1,240.55
2008	205,882,794	23,520,000	14,202,106	243,604,900	8.19%	5.14%	1,208.55
2009	202,564,561	18,385,000	13,445,826	234,395,387	8.89%	5.02%	1,162.86
2010	265,981,223	18,205,000	11,003,130	295,189,353	10.68%	5.99%	1,434.60
2011	260,253,900	17,975,000	10,600,735	288,829,635	10.15%	6.01%	1,403.69
2012	254,266,917	17,690,000	19,991,063	291,947,980	9.78%	6.06%	1,403.55

**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.

(c) Net of discounts, premiums and other adjustments.

**CITY OF MONTGOMERY, ALABAMA**  
**SCHEDULE 11**  
**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING**

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<b>Fiscal Year</b>	<b>General Obligation Bonds (c)</b>	<b>Percentage of Net Taxable Sales (a)</b>	<b>Liability Per Capita Population (b)</b>
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	175,655,539	5.69%	871.45
2007	213,266,350	6.77%	1,058.04
2008	205,882,794	6.92%	1,021.41
2009	202,564,561	7.69%	1,004.94
2010	265,981,223	9.63%	1,292.65
2011	260,253,900	9.15%	1,264.82
2012	254,266,917	8.61%	1,235.72

**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>
<b><u>2003</u></b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 123,147,805	100.000%	\$ 123,147,805
<b>Overlapping</b>			
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>
<b><u>2004</u></b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 147,249,571	100.000%	\$ 147,249,571
<b>Overlapping</b>			
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>
<b><u>2005</u></b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 177,327,445	100.000%	\$ 177,327,445
<b>Overlapping</b>			
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>
<b><u>2006</u></b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 211,147,076	100.00%	\$ 211,147,076
<b>Overlapping</b>			
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>\$ 324,024,753</u>		<u>\$ 307,123,556</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>
<b><u>2007</u></b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including Capital Leases	\$ 250,054,356	100.00%	\$ 250,054,356
<b>Overlapping</b>			
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>\$ 394,930,176</u>		<u>\$ 373,233,374</u>
<b><u>2008</u></b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including Capital Leases	\$ 243,604,900	100.00%	\$ 243,604,900
<b>Overlapping</b>			
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>\$ 383,694,900</u>		<u>\$ 354,941,679</u>
<b><u>2009</u></b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including Capital Leases	\$ 234,395,387	100.00%	\$ 234,395,387
<b>Overlapping</b>			
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>\$ 370,450,387</u>		<u>\$ 350,828,930</u>
<b><u>2010</u></b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including Capital Leases	\$ 295,189,353	100.00%	\$ 295,189,353
<b>Overlapping</b>			
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>\$ 427,259,353</u>		<u>\$ 409,837,514</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>
<b><u>2011</u></b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 288,829,635	100.00%	\$ 288,829,635
<b>Overlapping</b>			
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>\$ 416,844,635</u>		<u>\$ 400,795,861</u>
<b><u>2012</u></b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 291,947,980	100.00%	\$ 291,947,980
<b>Overlapping</b>			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>128,091,936</u>	86.87%	<u>111,269,059</u>
Total direct and overlapping debt	<u>\$ 420,039,916</u>		<u>\$ 403,217,039</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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 322,265,419	\$ 353,876,420	\$ 390,490,584	\$ 453,968,000	\$ 453,972,540	\$ 549,783,152	\$ 565,013,780	\$ 559,440,631	\$ 551,311,856	\$ 524,101,032
Total net debt applicable to limit	104,147,805	128,249,571	158,327,445	192,911,537	189,594,143	185,430,776	178,602,164	224,288,072	220,390,601	237,372,574
Legal debt margin	\$ 218,117,614	\$ 227,626,849	\$ 232,163,139	\$ 261,056,463	\$ 264,378,397	\$ 364,352,376	\$ 386,411,616	\$ 335,152,559	\$ 330,921,255	\$ 286,728,458
Total net debt applicable to the limit as a percentage of debt limit	32.32%	36.04%	40.55%	42.49%	41.76%	33.73%	31.61%	40.09%	39.98%	45.29%

**Legal Debt Margin Calculation for Fiscal Year 2012**

Assessed property value	\$ 2,620,505,160
Debt limit (20% of assessed property value)	\$ 524,101,032
Debt applicable to limit:	
General obligation debt including capital leases	\$ 291,947,980
Less: Debt attributable to construction of school houses	(54,575,406)
Legal debt margin	\$ 237,372,574
Total net debt applicable to limit	\$ 286,728,458

**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>	
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
2012	1,782,052	285,000	1,054,338	1.33

**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**

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<b>Calendar Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>School Enrollment</b>	<b>Montgomery County Unemployment Rate</b>
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%
2012	205,764	4,768,786,464	23,176	31,470	7.9%

**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>2003</u>		<u>2012</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	7.82%	12,280	6.78%
State of Alabama	9,500	4.95%	9,500	5.24%
Montgomery Public Schools	4,000	2.08%	4,524	2.50%
Baptist Health Systems	4,300	2.24%	4,300	2.37%
Hyundai Motor Manufacturing AL	-	0.00%	2,700	1.49%
ALFA Insurance Companies	2,267	1.18%	2,568	1.42%
City of Montgomery	2,300	1.20%	2,500	1.38%
Jackson Hospital & Clinic, Inc.	1,300	0.68%	1,300	0.72%
Rheem Water Heaters	1,150	0.60%	1,147	0.63%
MOBIS Alabama, LLC	-	0.00%	1,017	0.56%
Baptist Medical Center South	1,400	0.73%	-	0.00%
Regions Bank	977	0.51%	-	0.00%
<b>Totals</b>	<b>42,194</b>	<b>21.99%</b>	<b>41,836</b>	<b>22.09%</b>

**Source:** Montgomery Chamber of Commerce.

**Note:** This schedule presents 2012 compared to 2003.

**CITY OF MONTGOMERY, ALABAMA**  
**SCHEDULE 17**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**

Function/Program	Full-time Equivalent Employees as of September 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government:										
Mayor	7	6	6	6	6	6	5	6	8	8
City Clerk	3	3	3	3	3	4	4	4	4	4
City Attorney	8	8	5	9	9	13	7	11	11	8
City Investigation	-	-	-	-	-	-	-	-	-	3
Development	-	-	-	-	-	-	-	-	-	2
Finance	81	76	69	76	55	59	54	55	57	54
Information Technology	-	-	-	-	19	24	14	20	21	19
Garage	75	77	77	77	80	75	78	74	63	61
Municipal Court	32	31	40	40	43	48	52	49	48	46
Municipal Parking Decks	2	2	2	2	3	4	5	5	6	6
Planning and Development	33	37	35	36	38	36	36	34	35	31
Public safety:										
Police:										
Officers	538	527	501	483	485	512	507	500	528	523
Civilians	186	191	143	141	142	147	173	168	207	161
Fire:										
Officers	527	550	550	537	515	542	539	496	550	551
Civilians	23	24	7	7	7	8	9	8	9	9
City/County Emergency Management Ager	3	3	3	3	4	3	5	11	11	11
Communications	-	-	84	85	79	88	86	81	77	72
Public works:										
Engineering	86	88	88	87	89	87	26	25	26	23
Inspections	-	-	-	-	-	-	38	36	37	35
Landfill	-	-	-	-	-	-	20	21	21	19
Maintenance	159	326	340	324	313	326	276	201	207	195
Sanitation	142	324	322	323	336	311	316	281	289	262
Traffic Engineering	42	42	41	43	45	44	41	42	41	42
Cultural and recreational:										
Parks and Recreation	179	318	304	306	304	294	286	267	251	260
Civic Center	32	43	6	-	-	-	-	-	-	-
Downtown Redevelopment	-	-	-	6	9	9	8	8	9	-
Food Services	-	-	-	-	-	-	-	-	-	16
Lagoon and Gateway Parks	16	30	30	41	41	42	31	28	24	14
Library	60	67	72	67	67	67	65	63	63	61
Montgomery Zoo and Food Services	72	92	82	91	92	87	92	89	75	51
Museum	39	38	39	36	37	40	36	34	37	37
Old Alabama Town	-	-	-	4	4	4	4	-	-	-
Leisure Department - Building Maintenance	-	-	-	-	-	-	103	67	68	61
Public Information and External Affairs	-	-	-	-	-	-	4	4	4	4
Totals	<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>	<u>2,649</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**

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government:										
Business licenses issued	16,652	17,092	17,264	17,664	17,811	16,909	16,922	15,353	14,975	14,826
Building permits issued	11,208	11,237	12,457	11,176	10,649	7,813	5,919	6,578	6,705	6,834
Public safety:										
Police:										
Physical arrests	8,430	7,378	8,773	8,423	10,104	6,981	10,436	11,493	11,003	15,982
Parking violations	74,113	74,816	77,476	77,205	68,667	73,006	57,674	51,744	51,744	31,754
Traffic violations	54,704	50,603	46,244	56,777	66,669	119,416	117,158	104,462	104,462	108,143
Fire:										
Emergency responses	24,424	26,248	27,564	29,042	30,032	30,211	28,578	25,510	26,043	26,972
Fires extinguished	4,914	4,608	5,487	5,341	5,236	5,666	5,006	5,339	4,959	4,786
Inspections	21,210	20,622	19,178	24,122	28,792	18,140	18,966	15,661	17,940	18,787
Public works:										
Refuse collected (tons per year)	137,000	152,463	141,959	132,813	130,537	132,645	123,504	112,889	114,310	111,049
Recyclables collected (tons per year)	2,316	2,052	2,225	2,222	2,185	2,690	2,775	1,275	578	581
Streets resurfaced (tons of paving material)	44,635	46,400	43,680	52,884	42,885	44,228	44,247	28,023	30,055	25,739
Transit:										
Passengers	562,923	632,277	749,554	907,999	1,086,762	1,328,459	1,336,936	1,361,928	1,202,482	1,036,087
Cultural and recreational:										
Library:										
Total circulation	449,521	447,157	471,328	497,872	445,882	458,072	450,285	448,993	446,657	416,320
Parks and recreation:										
Golf rounds played	33,838	29,277	25,386	27,926	39,871	39,926	40,053	40,108	38,922	24,740
Youth baseball/softball games played	6,208	6,189	6,296	6,231	6,278	6,295	6,361	6,291	6,351	6,415
League and tournament games played	3,448	2,970	2,663	2,845	2,920	2,935	2,568	3,018	2,782	2,840
Games played in athletic facilities:										
Basketball	749	750	739	765	790	810	825	832	912	1,028
Volleyball	58	58	58	58	75	84	75	82	86	215
Football	378	377	375	378	385	395	408	415	421	450
Soccer	1,120	1,205	1,230	1,245	1,275	1,290	1,305	1,320	1,358	1,460

Sources: Various City departments.



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

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2012</u>
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol cars	255	260	270	270	224	224	248	216	223	235
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	1,115
Traffic signals	397	406	420	429	438	438	470	474	478	483
Street lights	27,623	27,682	27,812	27,906	28,011	28,230	29,013	29,057	28,981	29,000
Refuse collection trucks	121	136	119	134	130	128	125	130	125	127
Transit:										
Buses	69	55	43	43	43	50	50	45	55	48
Cultural and recreational:										
Acreage	1,626	1,690	1,720	1,722	1,722	1,822	1,827	1,836	1,836	1,836
Golf courses (acres)	410	410	410	610	610	610	610	610	610	610
Playgrounds	59	60	60	60	58	58	55	54	52	52
Baseball/softball fields	84	84	84	84	90	90	87	87	87	87
Tennis courts	42	42	42	42	42	42	46	46	46	46
Special facilities	6	6	6	6	6	6	6	6	6	7
Community centers	28	28	28	28	28	28	28	26	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.

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