

CITY OF MONTGOMERY, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Prepared by: Department of Finance
Barry O. Crabb, Director of Finance

CITY OF MONTGOMERY, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2013

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INTRODUCTORY SECTION

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



City of Montgomery, Alabama

Barry O. Crabb
Finance Director

Todd Strange
Mayor

Montgomery City Council Members

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

March 26, 2014

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, 2013. 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, 2013. The accounting firm of Warren Averett, LLC was selected to conduct the 2013 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 1st through September 30th. 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 20th of each year, the Mayor submits to the Council a balanced budget for the next fiscal year. The Council schedules public hearings for the purpose of discussing and adopting the budget and may add to or delete from the budget submitted by the Mayor as long as the budget remains in balance. The Council, by a majority vote, shall adopt the budget no later than September 20th. Activities of the General Fund and the State Gasoline Tax Fund are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Project Funds. The level of budgetary control (the level at which expenditures cannot legally exceed appropriated funding) is established by function within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Appropriations in the General Fund lapse at the end of the fiscal year unless expended or encumbered.

In order to prepare a financial report, it is necessary to identify all components of the reporting entity. Potential component units were evaluated to determine whether they should be reported in the City's financial report. A component unit was considered to be part of the City's reporting entity if it was concluded that the City was financially accountable for the entity or the nature and significance of the relationship between the City and the entity was such that exclusion would cause the City's financial statements to be misleading or incomplete. The Montgomery City-County Public Library 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. Both the federal government and state government account for approximately 12,000 jobs each in the City. City government accounts for approximately 2,500 jobs in the region. Additionally, local colleges and universities have given rise to a growing economy in the City.

Manufacturing growth continues to increase and drive the local economy. In 2013, the manufacturing sector represented over 13.0% of jobs in the region. The housing market also continues to improve with new construction home sales up 8.8% and existing home sales up 8.0%.

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 7.7% to 7.0% in 2013. Although the economy remained sluggish in 2013, sales tax receipts and lodging taxes in the City increased over the previous year 2.44% and 2.34%, respectively.

The face of Downtown Montgomery continued to change in 2013. 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 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 2013 as outlined below:

- (1) New capital investments in excess of \$250,000,000 for the creation of new industry and expansion of existing industries that is expected to bring approximately 900 additional jobs to the region. The new and expanded industries include the following:

<u>Company</u>	<u>Capital Investments</u>	<u># Jobs</u>
AEP	\$ 1,500,000	8
AKD Screenprinting	500,000	10
Alabama Power	25,000,000	75
Contech	2,000,000	10
DAS North America	-	160
Dyvis, Inc	-	126
E & I, Inc.	2,000,000	20
Hancock Bank	-	100
Hyundai Motor Manufacturing AL	98,250,000	6
Indrasoft	-	18
Infinitus Energy Group	35,000,000	110
Kukdong USA, Inc.	1,000,000	5
Mims Management Group	1,700,000	50
MOBIS Alabama	28,000,000	97
Montgomery Defense Information Systems Agency (DISA)	19,800,000	-
MS Companies	-	40
PHA Body Systems	2,600,000	-
Rheem Water Heaters	2,500,000	26
RSA Datacenter	13,000,000	-
Sabel Steel	600,000	3
Seung Kwang	1,200,000	6
Southern Shutter Company, Inc	250,000	7
Thermalex	11,700,000	15
United Plastics Recycling	2,000,000	10
US Foods	1,700,000	-

- (2) Our renovated Cramton Bowl Football Field and the new Multiplex Sports Facility continue to attract 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) Plans are underway for a number of infrastructure improvements and additions in connection with the upcoming 50th anniversary of the Selma to Montgomery Voting Rights March. These improvements include renovation and demolition of blighted properties, installing and repairing sidewalks and streets, and significant landscaping improvements along the way.

- (5) The City signed a six-year contract with ESPN to host the Camilla Bowl which will invite teams from the Mountain Athletic Conference and Sunbelt Conference.
- (6) Construction of a new public safety facility for police and fire departments, South Central Precinct. The new facility will enhance the safety of the City's citizens.
- (7) The Montgomery Police Department's driving track is the only track available for training in the State of Alabama. This facility continues to be used by various law enforcement officers throughout the State to teach defensive, pursuit, and emergency driving techniques as well as motorcycle skills.
- (8) Constructions of alligator and crocodile exhibits at the Montgomery Zoo began during the year. These additions to the Zoo are expected to attract new and repeat visits from the citizens of Montgomery.
- (9) Installations of state of the art video boards were installed at Riverwalk Stadium and Cramton Bowl.
- (10) 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

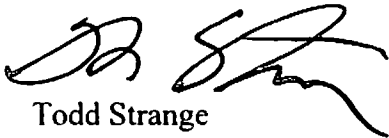
The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Montgomery for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2012. In order to be awarded 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 2013 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.

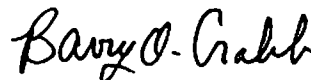
The preparation of this report could not have been accomplished without the professional dedication and knowledge of our independent auditors, Warren Averett, LLC. The independent auditors have issued an unmodified or "clean" opinion on the City of Montgomery's financial statements for the year ended September 30, 2013.

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



Barry O. Crabb
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

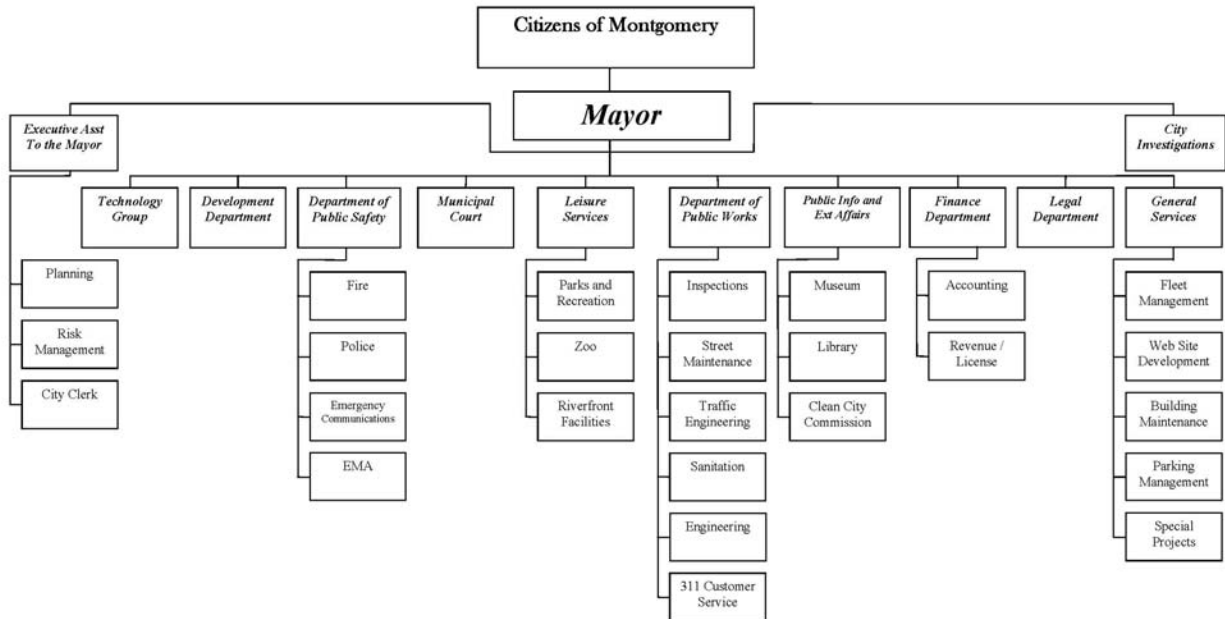
**City of Montgomery
Alabama**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

CITY OF MONTGOMERY, ALABAMA ORGANIZATIONAL CHART



CITY OF MONTGOMERY, ALABAMA
ELECTED AND APPOINTED OFFICIALS
SEPTEMBER 30, 2013

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.
City Attorney	Kim Fehl
City Clerk	Brenda Gale Blalock
City Investigations	Ronald Sams
311 Customer Service Center	Michelle Watson
Development	Mac McLeod, Director
Emergency Communications	Larry Fisher
Emergency Management Agency	Calvin I. Brown Jr.
Engineering	Patrick Dunson
Executive Assistant to the Mayor	Anita Archie
Finance	Barry O. Crabb, Director
	Betty P. Beville, Deputy Director
Fire	Chief Miford Jordan
Fleet Management	Walter G. Lilley Jr.
General Services	Stephen Jones, Director
Information Technology	Lou Ialacci
Inspections	Dorian D. Brunson
Landfill	Noah Johnson
Leisure Services	Scott Miller, 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	Robert Spivery
Planning	Robert Smith
Police	Chief Kevin Murphy
Public Information and External Affairs	Michael Briddell, Director
Public Safety	Christopher Murphy, Director
Public Works	Christopher W. Conway, 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, 2013.

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements 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 of Montgomery, Alabama (the City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Montgomery City-County Public Library, the discretely presented component unit of the City. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Montgomery City-County Public Library, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Pension Trust Fund and the Montgomery City-County Public Library were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of another auditor, 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, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress of the Employees' Retirement System and the Employees' Health Insurance Plan on pages 13 through 24 and pages 78 through 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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, budgetary comparison schedule, and statistical section 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 other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and budgetary comparison schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2014 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* in considering the City of Montgomery, Alabama's internal control over financial reporting and compliance.

Warren Averett, LLC

Montgomery, Alabama
March 26, 2014

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, 2013. 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 ended September 30, 2013.

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, 2013, by \$8,342,212 (net position). However, \$255,840,737 was either restricted or invested in capital assets leaving a deficit unrestricted balance of \$247,498,525.

The City's total net position decreased \$33,684,725. 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, 2013, the City of Montgomery's governmental funds reported combined ending fund balances of \$36,795,438, an increase of \$8,383,657 over the previous fiscal year. Of the ending governmental fund balance, \$10,130,216 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 \$22,474,166 which is restricted for capital projects, debt service, intergovernmental activities, the City's landfill, Municipal Court Corrections, the Riverfront Stadium and other miscellaneous projects. There is also an assigned amount of \$108,715 for capital projects. The combined totals for non-spendable, restricted and assigned, plus the unassigned amount of \$4,082,341 yields a total combined ending fund balance of \$36,795,438 for fiscal year 2013.

The General Fund reported an unassigned fund balance of \$5,750,888 or 3.12% of the total general fund expenditures due to deficits in the City's internal service fund for healthcare costs and in the City's enterprise funds. Expenditures for healthcare costs have continued to rise in recent years for City employees and their dependents. 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 slightly by \$109,187 or 0.045%. The increase in revenues was primarily attributable to a 5.28% increase in charges for services, a 16.7% increase in operating grants and contributions, a 2.72% increase in sales tax revenue, and a 2.99% increase in other taxes. Although there were increases in charges for services, operating grants and contributions, sales taxes and other miscellaneous taxes, the increases were absorbed by decreases in capital grants and contributions and property taxes resulting in a net increase of less than one-half percent for governmental activities revenue.

Expenses in Governmental Activities increased \$5,628,563 or 2.13% from the previous year. The increase in expenses was primarily due to the City's assistance to Montgomery Public Schools for the construction of a new high school.

Long-term debt, consisting of general obligation bonds and capital leases, increased \$26,992,591 or 9.32% 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 include: 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 Position and a Statement of Activities.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. 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 Position and presents information on how the City's net position changed during the fiscal year. The statement presents all underlying events, which give rise to the change in net position, 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 the Montgomery Area Transit System, Municipal Golf, the Montgomery River Boat, the Montgomery Zoo and Food Services. The Municipal Parking Decks were transferred out of business-type activities and absorbed into governmental activities in fiscal year 2013.

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 Position 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 seventeen (17) 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 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 service 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 78 of this report.

Combining and individual statements and schedules referred to earlier, which present more detailed views of nonmajor 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 position 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 \$8,342,212, as reflected in the following table:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets (net of internal balances)	\$ 68,360,086	\$ 61,646,753	\$ 2,183,087	\$ 2,092,282	\$ 70,543,173	\$ 63,739,035
Internal balances	4,575,263	3,195,244	(4,575,263)	(3,195,244)	-	-
Capital assets	385,100,855	389,015,164	28,790,949	32,791,667	413,891,804	421,806,831
Total Assets	458,036,204	453,857,161	26,398,773	31,688,705	484,434,977	485,545,866
Long-term liabilities	439,491,636	405,881,157	472,788	580,692	439,964,424	406,461,849
Other liabilities	35,758,750	36,438,786	369,591	618,294	36,128,341	37,057,080
Total Liabilities	475,250,386	442,319,943	842,379	1,198,986	476,092,765	443,518,929
Net position						
Net investment in						
Capital assets	202,191,726	217,212,528	28,790,949	32,791,667	230,982,675	250,004,195
Restricted	24,858,062	28,988,081	-	-	24,858,062	28,988,081
Unrestricted	(244,263,970)	(234,663,391)	(3,234,555)	(2,301,948)	(247,498,525)	(236,965,339)
Total Net Position	\$ (17,214,182)	\$ 11,537,218	\$ 25,556,394	\$ 30,489,719	\$ 8,342,212	\$ 42,026,937

The largest portion of net position is investment in capital assets (e.g., land, construction in progress, buildings, infrastructure, improvements other than buildings, 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 position totaled \$24,858,062 and is 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 position is due in part to outstanding indebtedness incurred for facilities owned by the Montgomery County Board of Education. Although the City did not have a positive net position in governmental activities, the total net position for both governmental activities and business-type activities resulted in an overall positive net position for the year ended September 30, 2013. As reflected in the following table, the City's net position decreased by \$33,684,725 or 80.15% during the fiscal year. This decrease was primarily due to the following reasons:

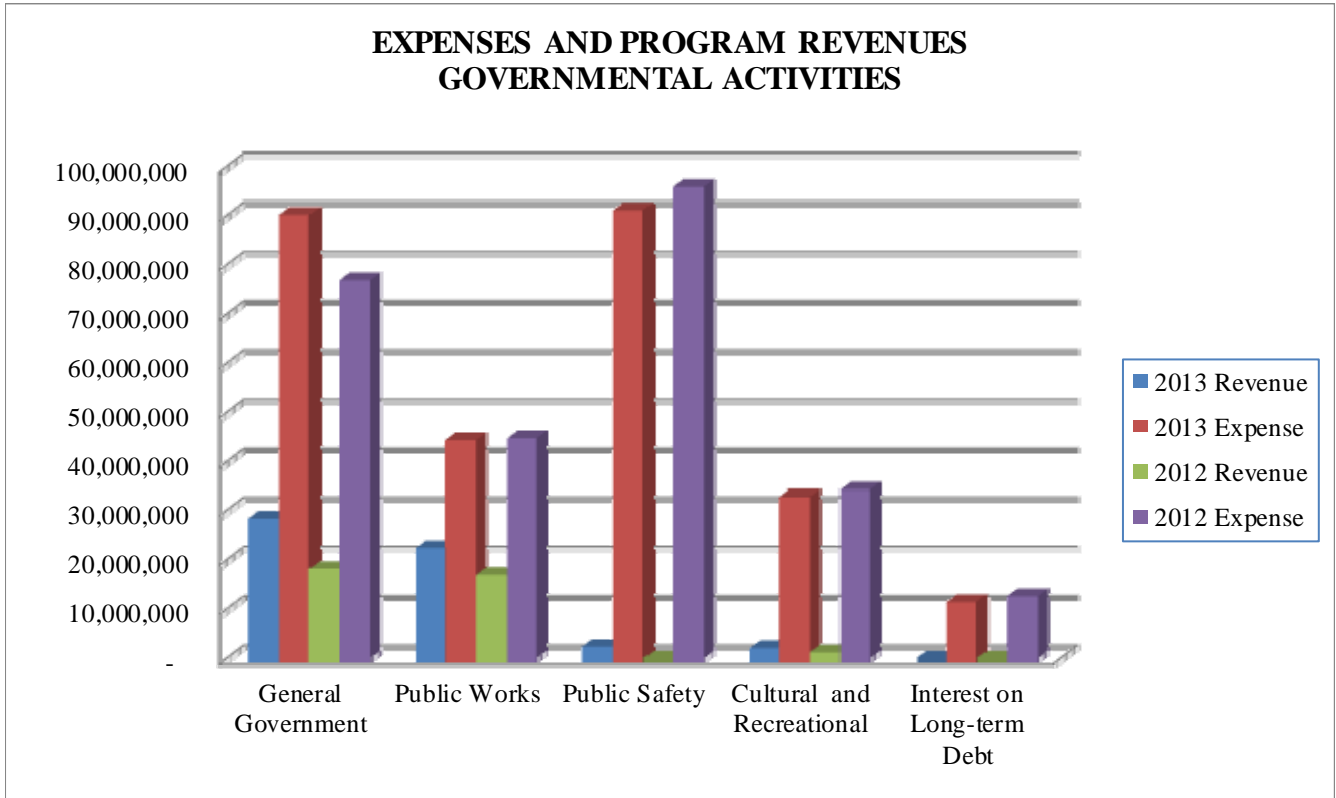
- (1) The City recognized a net increase in other postemployment benefit (OPEB) liability of \$13,954,054 for the year ended September 30, 2013.
- (2) Depreciation expense of \$25,366,563 on governmental activities and \$1,729,749 on business-type activities.
- (3) Decreases in property taxes capital grants and contributions and other miscellaneous revenue.

City of Montgomery's Changes in Net Position

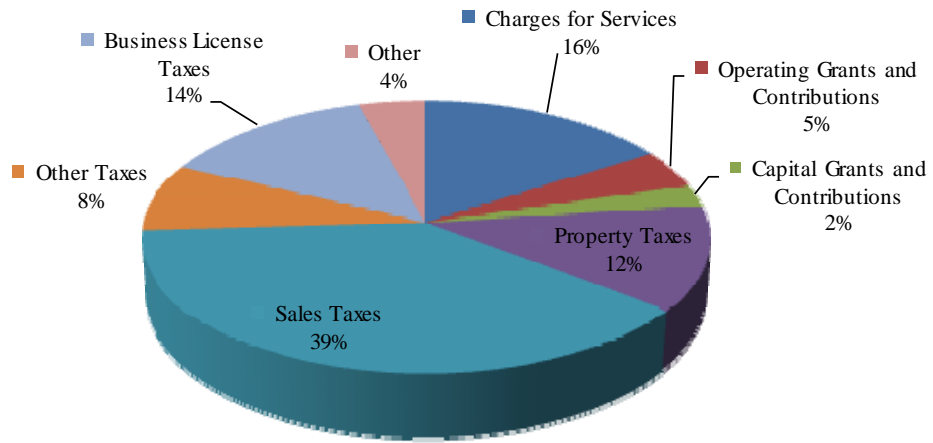
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	\$ 38,345,972	\$ 36,423,950	\$ 6,483,458	\$ 6,694,802	\$ 44,829,430	\$ 43,118,752
Operating grants and contributions	11,055,114	9,473,816	-	-	11,055,114	9,473,816
Capital grants and contributions	6,179,104	9,390,530	-	-	6,179,104	9,390,530
General revenues						
Sales taxes	93,635,244	91,159,140	-	-	93,635,244	91,159,140
Property taxes	29,394,346	29,892,243	-	-	29,394,346	29,892,243
Other taxes	19,269,755	18,710,975	-	-	19,269,755	18,710,975
Business licenses	32,949,782	32,630,148	-	-	32,949,782	32,630,148
Other	10,166,742	13,206,070	353	36,852	10,167,095	13,242,922
Total revenues	<u>240,996,059</u>	<u>240,886,872</u>	<u>6,483,811</u>	<u>6,731,654</u>	<u>247,479,870</u>	<u>247,618,526</u>
Expenses						
General government	90,220,972	76,833,428	-	-	90,220,972	76,833,428
Public works	44,184,691	44,582,467	-	-	44,184,691	44,582,467
Public safety	91,141,018	95,841,814	-	-	91,141,018	95,841,814
Cultural and recreational	32,880,877	34,317,494	-	-	32,880,877	34,317,494
Interest on long-term debt	11,571,588	12,795,380	-	-	11,571,588	12,795,380
Montgomery Area Transit System	-	-	2,968,117	2,893,071	2,968,117	2,893,071
Montgomery Zoo	-	-	4,314,540	4,157,248	4,314,540	4,157,248
Municipal Golf	-	-	2,100,103	2,099,827	2,100,103	2,099,827
Municipal Parking Decks	-	-	-	383,818	-	383,818
Montgomery River Boat	-	-	696,408	657,438	696,408	657,438
Food Services	-	-	1,086,281	1,730,374	1,086,281	1,730,374
Total expenses	<u>269,999,146</u>	<u>264,370,583</u>	<u>11,165,449</u>	<u>11,921,776</u>	<u>281,164,595</u>	<u>276,292,359</u>
Decrease in net position before transfers	(29,003,087)	(23,483,711)	(4,681,638)	(5,190,122)	(33,684,725)	(28,673,833)
Transfers in (out)	251,687	(2,703,014)	(251,687)	2,703,014	-	-
Decrease in net position	(28,751,400)	(26,186,725)	(4,933,325)	(2,487,108)	(33,684,725)	(28,673,833)
Net position - beginning	11,537,218	37,723,943	30,489,719	32,976,827	42,026,937	70,700,770
Net position - ending	<u>\$ (17,214,182)</u>	<u>\$ 11,537,218</u>	<u>\$ 25,556,394</u>	<u>\$ 30,489,719</u>	<u>\$ 8,342,212</u>	<u>\$ 42,026,937</u>

Governmental Activities

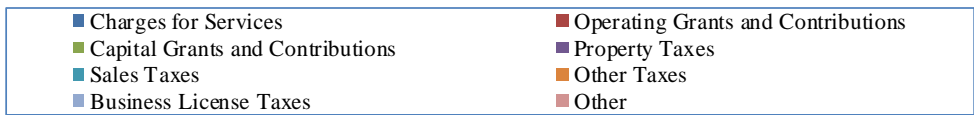
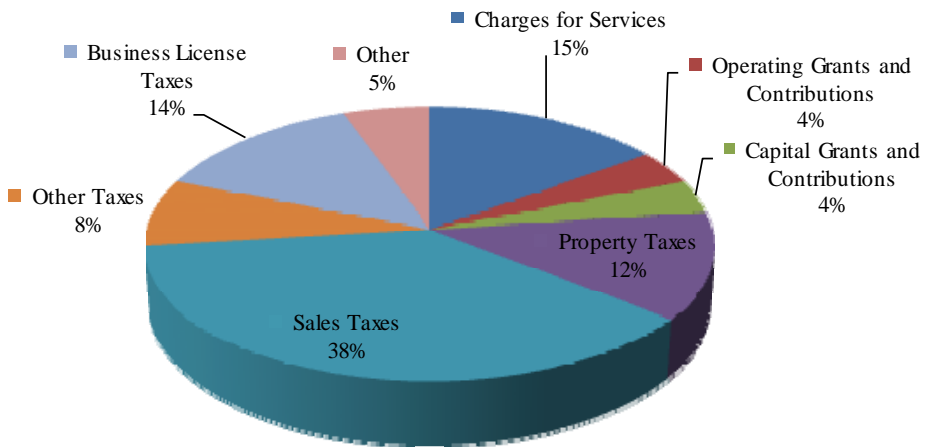
Governmental activities decreased the City's net position by \$28,751,400, thereby accounting for 85.35% of the total decline in net position of the City. Key elements of the decrease in net position were due to depreciation expense, increase in other postemployment benefits, and transfers to business-type activities. The decrease was offset by increases in charges for services, operating grants and contributions, sales tax, other taxes revenue and business licenses receipts in 2013.



**REVENUE BY SOURCE - GOVERNMENTAL
ACTIVITIES FISCAL YEAR 2013**

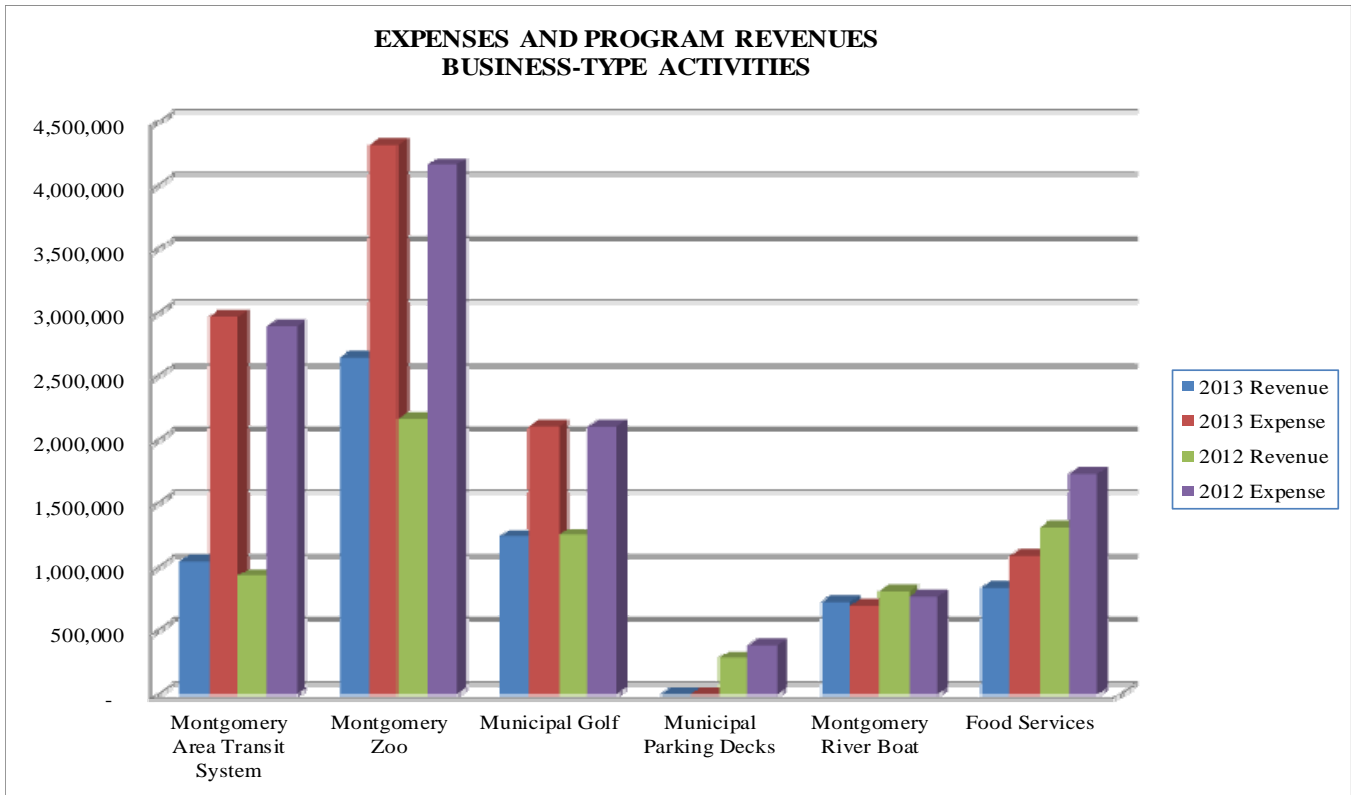


**REVENUE BY SOURCE - GOVERNMENTAL
ACTIVITIES FISCAL YEAR 2012**



Business-type Activities

Business-type activities decreased the City’s net position by \$4,933,325, which contributed 14.65% to the total decline in the net position of the City. The primary factor for the decrease in net position was due to the transfer of capital assets from enterprise funds to governmental activities. Additionally, charges for services decreased \$211,344 or 3.16% from the previous year.



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, 2013, the City of Montgomery’s Governmental Funds had an unassigned fund balance for governmental activities in the amount of \$4,082,341. This was primarily due to the increase in fund balance in the General Fund.

At September 30, 2013, total fund balance in the General Fund was \$15,130,330. The fund balance in the General Fund increased \$9,376,975 or 163% from the previous year. The increase in the fund balance was due to increases in sales taxes, licenses and permits, charges for services, and transfers from the Capital Project Fund.

Total revenue of the General Fund increased by \$3,790,998 or 1.87% in 2013 compared to the previous year. This was due to an increase in charges for services, sales taxes, and licenses and permits. Expenditures of the General Fund at fiscal year-end were \$110,531 or 0.06% less than the previous year which was primarily due to efficient departmental management of operations.

The Debt Service Fund – The fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest, and other related costs. The fund balance of the Debt Service Fund decreased \$926,832 or 43.32% at September 30, 2013. The decrease in fund balance was primarily attributable to an increase in principal payments for outstanding debt. The increase in principal payments exceeded the previous year by \$3,090,256 or 44.47%.

Capital Project Fund – The fund is used to account for the acquisition and construction of major capital facilities. The fund balance of the capital project fund decreased \$494,597 or 5.27% 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 and 2013). Those outflows were for costs incurred for several capital projects that were in process or completed in 2013 such as the Cramton Bowl improvements, construction of the Multiplex Sports Facility, renovation of the Municipal Court Building, improvements to a soccer complex, renovations for a new fire and police precinct, and for land and building acquisitions.

Miscellaneous Special Revenue Fund – The fund is used to account for proceeds of specific revenue resources that are legally restricted by Federal, State, or authority of the City Council for specific uses. At September 30, 2013, the fund balance of the Special Revenue Funds increased \$1,386,275 or 21.76% over the previous year. The primary reason for the increase in fund balance was due to an increase in intergovernmental revenues that resulted from prior year audits.

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 position of the Montgomery Area Transit System (MATS), the Montgomery Zoo, Municipal Golf, Montgomery River Boat, and Food Services at the end of the year was \$27,192,982. Total net position decreased for enterprise funds by \$4,746,517 or 14.86% in 2013 from the previous year. Total operating revenue decreased \$211,344 or 3.16% for enterprise funds which was mainly due to the Municipal Parking Decks transfer out of the enterprise funds to the General Fund. The revenue for the remainder of the nonmajor enterprise funds was slightly less than the previous year.

Internal Service Fund – Internal service funds are designed to recover the internal costs of government services provided to other fund groups. At September 30, 2013, the internal service fund reported a deficit of \$7,337,595 for its net position 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, 2013, was \$413,891,804 (net of accumulated depreciation). Capital asset investments include land, buildings, construction in progress, infrastructure, improvements other than buildings and machinery and equipment, net of depreciation.

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 55,331,614	\$ 55,357,630	\$ 1,047,942	\$ 1,047,942	\$ 56,379,556	\$ 56,405,572
Buildings	130,164,515	131,815,813	21,962,793	24,688,035	152,127,308	156,503,848
Improvements other than buildings	48,125,175	49,246,640	1,554,825	1,671,359	49,680,000	50,917,999
Machinery and equipment	33,678,655	34,412,435	4,225,389	5,384,331	37,904,044	39,796,766
Infrastructure	95,896,615	103,946,666	-	-	95,896,615	103,946,666
Construction in progress	21,904,281	14,235,980	-	-	21,904,281	14,235,980
Totals	<u>\$ 385,100,855</u>	<u>\$ 389,015,164</u>	<u>\$ 28,790,949</u>	<u>\$ 32,791,667</u>	<u>\$ 413,891,804</u>	<u>\$ 421,806,831</u>

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

Long-Term Debt – At the end of the fiscal year the City of Montgomery had secured and bonded debt outstanding of \$317,717,481. Of this amount \$297,808,863 comprises debt backed by the full faith and credit of the City, \$18,956,267 is comprised of long-term leases, and \$952,351 is comprised of a note payable. The City’s long-term debt increased \$27,944,942 or 9.64% from the previous year due to the acquisition of general obligation warrants to purchase capital assets to enhance operations for various departments and also to enhance economic development in the City of Montgomery and the River Region as a whole.

Long-term Debt

	2013	2012	Increase (Decrease)
General obligation bonds	\$ 297,808,863	\$ 252,091,476	\$ 45,717,387
Revenue warrants	-	17,690,000	(17,690,000)
Capital leases	18,956,267	19,991,063	(1,034,796)
Note payable	952,351	-	952,351
Totals	<u>\$ 317,717,481</u>	<u>\$ 289,772,539</u>	<u>\$ 27,944,942</u>

The City of Montgomery carries an A1 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 staff. See Note 9 beginning on page 62 for a detailed description of the City’s total outstanding obligations.

General Fund Budgetary Highlights

Budget to actual statements and schedules are provided in the financial statements for the General Fund and Gasoline Tax Fund, the only funds with legally adopted budgets. 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

For the year ended September 30, 2013, actual revenues were less than budgeted revenues by \$6,851,337. The primary reasons for the variance are as follows:

- Fines and forfeitures had a variance of \$4,949,891 or 47.04% due to a reclassification of \$2,499,103 of revenues restricted for Municipal Court Corrections and Municipal Court Judicial Administration to special revenue funds. A decline in issuance of parking and traffic tickets was also a factor for the variance.
- Intergovernmental revenues were sluggish due to the decline in federal and state funding which was directly attributable to a stagnate economy.
- Taxes had a variance of \$1,439,938 or 1.05% due to a decline in property taxes which was indicative of home sales being sluggish for the year.
- Licenses and permits was less than budgeted by \$1,103,059 or 2.64% due to a smaller than projected increase in the number of licenses and permits issued.

For the year ended September 30, 2013, actual total expenditures were less than budgeted expenditures by \$7,286,740 or 3.81% due to the following:

- General Government actual expenditures were less than budgeted expenditures by \$1,119,287.
- Public Works actual expenditures were less than budgeted expenditures by \$1,530,891.
- Public Safety actual expenditures were less than budgeted expenditures by \$2,912,373.
- Cultural and Recreational actual expenditures were less than budgeted expenditures by \$1,728,670.

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 2013.

Economic Factors and Year 2013

The following factors were considered in preparing The City of Montgomery's Budget for Fiscal Year 2013:

- Montgomery's unemployment rate decreased from 7.7% in 2012 to 7.0% in 2013. The unemployment rate was 0.7% less than the previous year and slightly lower than the national unemployment rate of 7.2%.
- 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 2013 over the previous year. It is anticipated that sales tax revenue will continue to increase slowly as the economy improves.
- Continued increases in industrial and residential development.

At September 30, 2013, fund balance in the General Fund was \$15,130,330. The City of Montgomery did not appropriate any fund balance from the 2013 fund balance for spending in the 2014 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 2014 budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Public Library
ASSETS				
Cash and cash equivalents	\$ 34,932,625	\$ 1,676,194	\$ 36,608,819	\$ 641,350
Cash held by fiscal agent	1,429,646	-	1,429,646	-
Internal balances	4,575,263	(4,575,263)	-	-
Receivables	18,967,560	118,909	19,086,469	76,089
Inventories	1,172,223	387,984	1,560,207	-
Prepaid items	52,096	-	52,096	-
Assets held for resale	533,600	-	533,600	-
Note receivable	2,941,461	-	2,941,461	-
Mortgage receivable	388,289	-	388,289	-
Lease receivable	3,512,471	-	3,512,471	-
Warrants receivable	1,812,888	-	1,812,888	-
Deferred debt expense	2,617,227	-	2,617,227	-
Capital assets not being depreciated:				
Land	55,331,614	1,047,942	56,379,556	-
Construction in progress	21,904,281	-	21,904,281	-
Collections	-	-	-	10,418,925
Capital assets net of accumulated depreciation:				
Buildings and system	130,164,515	21,962,793	152,127,308	1,760,733
Improvements other than buildings	48,125,175	1,554,825	49,680,000	-
Machinery and equipment	33,678,655	4,225,389	37,904,044	207,700
Infrastructure	95,896,615	-	95,896,615	3,262
TOTAL ASSETS	458,036,204	26,398,773	484,434,977	13,108,059
LIABILITIES				
Accounts payable and accrued expenses	23,118,395	362,609	23,481,004	48,534
Retainage payable	397,827	-	397,827	-
Unearned revenue	574,949	6,982	581,931	-
Funds held in escrow	1,072,579	-	1,072,579	-
Line of credit	10,595,000	-	10,595,000	-
Noncurrent liabilities:				
Due within one year	22,296,075	23,227	22,319,302	-
Due in more than one year	417,195,561	449,561	417,645,122	-
TOTAL LIABILITIES	475,250,386	842,379	476,092,765	48,534
NET POSITION				
Net investment in capital assets	202,191,726	28,790,949	230,982,675	12,390,620
Restricted for:				
Public works	4,648,168	-	4,648,168	-
Public safety	758,012	-	758,012	-
Cultural and recreational	3,126,119	-	3,126,119	248,283
Capital projects	8,404,945	-	8,404,945	-
Debt service	7,490,593	-	7,490,593	-
Municipal Court Corrections	430,225	-	430,225	-
Nonexpendable	-	-	-	101,506
Unrestricted	(244,263,970)	(3,234,555)	(247,498,525)	319,116
TOTAL NET POSITION	\$ (17,214,182)	\$ 25,556,394	\$ 8,342,212	\$ 13,059,525

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 90,220,972	\$ 18,211,157	\$ 7,437,665	\$ 2,715,481
Public works	44,184,691	18,955,519	1,020,262	2,578,879
Public safety	91,141,018	1,250	2,239,197	223,251
Cultural and recreational	32,880,877	1,178,046	357,990	661,493
Interest on long-term debt	11,571,588	-	-	-
Total governmental activities	<u>269,999,146</u>	<u>38,345,972</u>	<u>11,055,114</u>	<u>6,179,104</u>
Business-type activities:				
Montgomery Area Transit System	2,968,117	1,043,162	-	-
Montgomery Zoo	4,314,540	2,647,074	-	-
Municipal Golf	2,100,103	1,237,161	-	-
Montgomery River Boat	696,408	723,314	-	-
Food Services	1,086,281	832,747	-	-
Total business-type activities	<u>11,165,449</u>	<u>6,483,458</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 281,164,595</u>	<u>\$ 44,829,430</u>	<u>\$ 11,055,114</u>	<u>\$ 6,179,104</u>
Component Unit				
Public Library	<u>\$ 4,897,908</u>	<u>\$ 142,615</u>	<u>\$ 290,905</u>	<u>\$ 135,000</u>
General Revenues				
Sales taxes				
Property taxes				
Business license taxes				
Motor fuel taxes				
Lodging taxes				
Rental taxes				
Tobacco taxes				
Alcoholic beverage taxes				
Grants and contributions not restricted to specific programs				
Investment earnings				
Miscellaneous revenue				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Public Library
\$ (61,856,669)	\$ -	\$ (61,856,669)	\$ -
(21,630,031)	-	(21,630,031)	-
(88,677,320)	-	(88,677,320)	-
(30,683,348)	-	(30,683,348)	-
(11,571,588)	-	(11,571,588)	-
<u>(214,418,956)</u>	<u>-</u>	<u>(214,418,956)</u>	<u>-</u>
-	(1,924,955)	(1,924,955)	-
-	(1,667,466)	(1,667,466)	-
-	(862,942)	(862,942)	-
-	26,906	26,906	-
-	(253,534)	(253,534)	-
-	(4,681,991)	(4,681,991)	-
<u>(214,418,956)</u>	<u>(4,681,991)</u>	<u>(219,100,947)</u>	<u>-</u>
			<u>(4,329,388)</u>
93,635,244	-	93,635,244	-
29,394,346	-	29,394,346	-
32,949,782	-	32,949,782	-
7,770,057	-	7,770,057	-
6,217,583	-	6,217,583	-
3,395,139	-	3,395,139	-
1,495,410	-	1,495,410	-
391,566	-	391,566	-
114,298	-	114,298	4,350,317
24,626	353	24,979	3,506
10,027,818	-	10,027,818	-
251,687	(251,687)	-	-
<u>185,667,556</u>	<u>(251,334)</u>	<u>185,416,222</u>	<u>4,353,823</u>
(28,751,400)	(4,933,325)	(33,684,725)	24,435
<u>11,537,218</u>	<u>30,489,719</u>	<u>42,026,937</u>	<u>13,035,090</u>
<u>\$ (17,214,182)</u>	<u>\$ 25,556,394</u>	<u>\$ 8,342,212</u>	<u>\$ 13,059,525</u>

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	<u>General</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Miscellaneous Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 8,804,088	\$ 12,128,761	\$ -	\$ 7,759,506	\$ 5,293,211	\$ 33,985,566
Cash held by fiscal agent	-	3,816	1,425,830	-	-	1,429,646
Receivables	12,821,522	1,418,395	-	27,623	4,285,813	18,553,353
Inventories	1,172,223	-	-	-	-	1,172,223
Prepaid items	36,048	-	-	16,048	-	52,096
Assets held for resale	-	533,600	-	-	-	533,600
Notes receivable	700,000	1,289,110	952,351	-	-	2,941,461
Due from other funds	4,397,392	-	-	296,772	-	4,694,164
Mortgage receivable	-	200,000	-	-	188,289	388,289
Lease receivable	-	-	3,512,471	-	-	3,512,471
Warrants receivable	-	-	1,812,888	-	-	1,812,888
Advances to other funds	7,471,171	-	-	-	-	7,471,171
TOTAL ASSETS	\$ 35,402,444	\$ 15,573,682	\$ 7,703,540	\$ 8,099,949	\$ 9,767,313	\$ 76,546,928
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenses	\$ 8,492,020	\$ 5,622,488	\$ -	\$ 155,371	\$ 721,871	\$ 14,991,750
Retainage payable	8,581	351,351	-	-	37,895	397,827
Due to other funds	296,772	-	212,946	-	2,968,945	3,478,663
Funds held in escrow	879,741	-	-	186,515	6,323	1,072,579
Line of credit	10,595,000	-	-	-	-	10,595,000
Deferred revenue	-	711,333	6,277,709	-	574,949	7,563,991
Advances from other funds	-	-	-	-	1,651,680	1,651,680
TOTAL LIABILITIES	20,272,114	6,685,172	6,490,655	341,886	5,961,663	39,751,490
FUND BALANCES						
Nonspendable:						
Assets held for resale	-	533,600	-	-	-	533,600
Inventories	1,172,223	-	-	-	-	1,172,223
Long-term receivables	8,171,171	201,126	-	-	-	8,372,297
Prepaid items	36,048	-	-	16,048	-	52,096
Restricted for:						
Capital projects	-	8,045,069	-	106,472	1,233,003	9,384,544
Debt service	-	-	1,212,885	-	-	1,212,885
Intergovernmental	-	-	-	3,267,201	924,907	4,192,108
Landfill	-	-	-	4,364,550	-	4,364,550
Municipal Court Corrections	-	-	-	-	469,090	469,090
Riverfront Stadium	-	-	-	-	2,842,834	2,842,834
Other	-	-	-	3,792	4,363	8,155
Assigned to:						
Capital projects	-	108,715	-	-	-	108,715
Unassigned	5,750,888	-	-	-	(1,668,547)	4,082,341
TOTAL FUND BALANCES	15,130,330	8,888,510	1,212,885	7,758,063	3,805,650	36,795,438
TOTAL LIABILITIES AND FUND BALANCES	\$ 35,402,444	\$ 15,573,682	\$ 7,703,540	\$ 8,099,949	\$ 9,767,313	\$ 76,546,928

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

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

Total fund balances - governmental funds	\$ 36,795,438
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	385,100,855
Long-term receivables are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	6,989,042
Certain liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds.	(483,563)
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 Position.	(5,701,007)
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, 2013 were:	
Bonds, warrants, leases, and notes payable	\$ 317,717,481
Deferred loss on advance refunding	(12,204,634)
Unamortized net premiums	6,296,360
Unamortized net discounts	(34,773)
Accrued interest	3,040,537
Compensated absences	18,977,977
Retirement and disability benefits	7,570,217
Postemployment benefit plans other than pensions	94,248,390
Landfill closure and postclosure costs	<u>6,920,619</u>
Total long-term liabilities	(442,532,174)
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 Position.	<u>2,617,227</u>
Net position of governmental activities	<u><u>\$ (17,214,182)</u></u>

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>General</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Miscellaneous Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$ 136,185,526	\$ -	\$ -	\$ 1,495,410	\$ 4,618,409	\$ 142,299,345
Licenses and permits	40,650,941	-	-	-	94,834	40,745,775
Intergovernmental revenues	4,471,656	1,205,814	2,926,261	4,899,249	9,374,100	22,877,080
Charges for services	17,399,178	1,500	-	720,194	-	18,120,872
Fines and forfeitures	5,572,647	-	-	-	2,499,103	8,071,750
Interest	11,021	11,557	2,048	-	-	24,626
Miscellaneous revenues	1,824,515	3,009,866	-	2,388,585	695,127	7,918,093
Total revenues	<u>206,115,484</u>	<u>4,228,737</u>	<u>2,928,309</u>	<u>9,503,438</u>	<u>17,281,573</u>	<u>240,057,541</u>
EXPENDITURES						
Current:						
General government	41,233,293	4,536,902	-	1,394,290	8,353,447	55,517,932
Public works	31,463,520	3,317,355	-	1,165,025	4,617,356	40,563,256
Public safety	79,046,662	482,237	-	131,490	2,516,531	82,176,920
Cultural and recreational	27,830,172	1,489,694	-	108,153	953,581	30,381,600
Intergovernmental	-	12,676,451	-	500,000	-	13,176,451
Capital outlay	-	7,519,002	-	196,745	552,018	8,267,765
Debt service:						
Principal	4,245,630	-	10,040,012	-	-	14,285,642
Interest	666,058	-	11,353,944	-	-	12,020,002
Debt issuance cost	-	888,563	-	-	-	888,563
Total expenditures	<u>184,485,335</u>	<u>30,910,204</u>	<u>21,393,956</u>	<u>3,495,703</u>	<u>16,992,933</u>	<u>257,278,131</u>
Excess of revenues over (under) expenditures	<u>21,630,149</u>	<u>(26,681,467)</u>	<u>(18,465,647)</u>	<u>6,007,735</u>	<u>288,640</u>	<u>(17,220,590)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	146,162	408,608	-	-	-	554,770
Transfers in	14,007,276	4,536,397	19,018,348	592,350	3,816,999	41,971,370
Transfers out	(30,409,846)	(8,709,045)	(1,479,533)	(5,213,810)	(6,016,154)	(51,828,388)
Capital leases	4,003,234	-	-	-	-	4,003,234
Issuance of bonds	-	29,583,757	-	-	-	29,583,757
Issuance of refunding bonds	-	76,946,243	-	-	-	76,946,243
Issuance of notes payable	-	-	-	-	952,351	952,351
Payment to refunded bonds escrow agent	-	(76,946,243)	-	-	-	(76,946,243)
Bond premium	-	367,153	-	-	-	367,153
Total other financing sources (uses)	<u>(12,253,174)</u>	<u>26,186,870</u>	<u>17,538,815</u>	<u>(4,621,460)</u>	<u>(1,246,804)</u>	<u>25,604,247</u>
Net change in fund balances	9,376,975	(494,597)	(926,832)	1,386,275	(958,164)	8,383,657
FUND BALANCES - BEGINNING	<u>5,753,355</u>	<u>9,383,107</u>	<u>2,139,717</u>	<u>6,371,788</u>	<u>4,763,814</u>	<u>28,411,781</u>
FUND BALANCES - ENDING	<u>\$ 15,130,330</u>	<u>\$ 8,888,510</u>	<u>\$ 1,212,885</u>	<u>\$ 7,758,063</u>	<u>\$ 3,805,650</u>	<u>\$ 36,795,438</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, 2013

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

Net change in fund balances - total governmental funds	\$ 8,383,657
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.	18,994,057
Donations of capital assets increase net assets in the Statement of Net Position but do not appear in the governmental funds because they are not financial resources.	1,755,047
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.	(25,366,563)
The net effect of transactions involving the sale, disposal and transfer of capital assets is to decrease net position in the Statement of Net Position.	(1,912,832)
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.	(816,528)
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.	
Bond proceeds	\$ 29,583,757
Refunding bond proceeds	76,946,243
Notes payable proceeds	952,351
Capital lease financing	4,003,234
Premium on bonds	367,153
Issuance costs	<u>(888,563)</u>
Total proceeds	(110,964,175)
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 the governmental funds.	(483,563)

(Continued)

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED SEPTEMBER 30, 2013

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 Position.

General obligation bonds	\$ 8,907,612	
Payment to escrow agent for refunding	76,946,243	
Revenue warrants	340,000	
Capital leases	5,038,030	
Total repayments		\$ 91,231,885

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	(360,765)	
Retirement and disability benefits	(335,511)	
Accrued interest	(532,757)	
Postemployment benefit plans other than pensions	13,954,054	
Landfill closure and postclosure costs	497,583	
Additional expenses		(13,222,604)

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		(84,340)
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Transfer of capital assets from business-type activities increases net position in the Statement of Net Position but do not appear in the governmental funds because they are not financial resources.

2,615,981

Transfer of compensated absences from business-type activities decreases net position in the Statement of Net Position but do not appear in the governmental funds because they are not financial resources.

(28,662)

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.

1,147,240

Change in net position of governmental activities

\$ (28,751,400)

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 137,625,464	\$ 137,625,464	\$ 136,185,526	\$ (1,439,938)
Licenses and permits	41,754,000	41,754,000	40,650,941	(1,103,059)
Intergovernmental revenues	5,297,065	5,297,065	4,471,656	(825,409)
Charges for services	16,005,366	16,005,366	17,399,178	1,393,812
Fines and forfeitures	10,522,538	10,522,538	5,572,647	(4,949,891)
Interest	3,600	3,600	11,021	7,421
Miscellaneous revenues	1,758,788	1,758,788	1,824,515	65,727
Total revenues	212,966,821	212,966,821	206,115,484	(6,851,337)
EXPENDITURES				
Current:				
General government:				
Council	333,408	327,408	324,149	3,259
Mayor and cabinet	820,965	875,447	877,005	(1,558)
Risk Management	424,143	424,143	375,808	48,335
Finance department	3,681,339	3,593,997	3,227,777	366,220
Customer Service	271,387	271,387	262,222	9,165
Information technology	3,264,122	3,264,122	2,603,899	660,223
Parking Management	763,777	763,777	263,963	499,814
Retirement	8,318,984	7,897,999	7,851,571	46,428
Insurance	-	300,291	300,291	-
Payments to government agencies	5,232,470	5,232,470	4,813,388	419,082
Miscellaneous activities	9,348,907	9,231,355	10,497,388	(1,266,033)
City Clerk	285,283	285,283	274,788	10,495
Municipal Court	2,734,566	2,734,566	2,460,356	274,210
Legal Department	813,805	813,805	992,717	(178,912)
Investigations	286,721	286,721	-	286,721
Planning and development	1,843,861	1,808,861	2,112,602	(303,741)
Development	470,516	461,016	-	461,016
Service Center Manager	-	-	378,784	(378,784)
Parking Meters Division	-	-	349,040	(349,040)
Garage	3,648,931	3,648,931	3,136,544	512,387
Total general government	42,543,185	42,221,579	41,102,292	1,119,287

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Works:				
Engineering Department	\$ 2,022,835	\$ 1,909,218	\$ 1,723,671	\$ 185,547
Landfill Division	1,758,470	1,758,470	1,509,833	248,637
Sanitation Department	13,981,856	13,981,856	13,554,177	427,679
Maintenance	8,168,164	8,168,164	7,876,459	291,705
Inspections Division	2,467,893	2,467,893	2,298,821	169,072
Traffic Engineering Department	4,655,284	4,655,284	4,447,033	208,251
Total public works	<u>33,054,502</u>	<u>32,940,885</u>	<u>31,409,994</u>	<u>1,530,891</u>
Public Safety:				
Police Department	45,657,709	45,657,709	44,782,384	875,325
Fire Department	31,937,987	31,901,487	30,166,340	1,735,147
Emergency Communications	4,016,678	4,016,678	3,739,773	276,905
Emergency Management	375,000	375,000	350,004	24,996
Total public safety	<u>81,987,374</u>	<u>81,950,874</u>	<u>79,038,501</u>	<u>2,912,373</u>
Cultural and Recreational:				
Parks and recreation	17,477,432	17,449,432	16,532,132	917,300
Museum	3,072,294	3,089,194	3,036,130	53,064
Library	3,098,464	3,098,464	2,891,843	206,621
Building maintenance	5,144,169	5,144,169	4,761,782	382,387
Public information and external affairs	799,000	727,000	557,702	169,298
Total cultural and recreational	<u>29,591,359</u>	<u>29,508,259</u>	<u>27,779,589</u>	<u>1,728,670</u>
Debt Service:				
Principal	8,081,927	4,297,565	4,245,630	51,935
Interest	609,642	609,642	666,058	(56,416)
Total debt service	<u>8,691,569</u>	<u>4,907,207</u>	<u>4,911,688</u>	<u>(4,481)</u>
Total expenditures	<u>195,867,989</u>	<u>191,528,804</u>	<u>184,242,064</u>	<u>7,286,740</u>
Excess of revenues over expenditures	<u>17,098,832</u>	<u>21,438,017</u>	<u>21,873,420</u>	<u>435,403</u>

(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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	\$ 1,017,000	\$ 1,017,000	\$ 146,162	\$ (870,838)
Transfers in	3,500,000	3,500,000	14,007,276	10,507,276
Transfers out	(26,115,832)	(30,455,017)	(30,409,846)	45,171
Capital leases	4,500,000	4,500,000	4,003,234	(496,766)
	<u>(17,098,832)</u>	<u>(21,438,017)</u>	<u>(12,253,174)</u>	<u>9,184,843</u>
Total other financing sources (uses)				
Net changes in fund balance	-	-	9,620,246	9,620,246
FUND BALANCES - BEGINNING	<u>5,753,355</u>	<u>5,753,355</u>	<u>5,753,355</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 5,753,355</u>	<u>\$ 5,753,355</u>	<u>\$ 15,373,601</u>	<u>\$ 9,620,246</u>

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Fund
	Montgomery Area Transit System	Montgomery Zoo	Other Enterprise Funds		
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ -	\$ 961,472	\$ 714,722	\$ 1,676,194	\$ 947,059
Receivables	7,258	94,881	16,770	118,909	414,208
Inventories	207,491	104,907	75,586	387,984	-
Total current assets	<u>214,749</u>	<u>1,161,260</u>	<u>807,078</u>	<u>2,183,087</u>	<u>1,361,267</u>
NONCURRENT ASSETS					
Capital assets:					
Land	344,436	38,165	665,341	1,047,942	-
Buildings and system	20,198,149	5,932,642	198,895	26,329,686	-
Improvements other than buildings	46,541	5,022,575	1,565,024	6,634,140	-
Machinery and equipment	9,706,063	1,485,195	490,842	11,682,100	-
Less accumulated depreciation	(8,589,776)	(6,618,853)	(1,694,290)	(16,902,919)	-
Total capital net assets, net of accumulated depreciation	<u>21,705,413</u>	<u>5,859,724</u>	<u>1,225,812</u>	<u>28,790,949</u>	<u>-</u>
TOTAL ASSETS	<u>21,920,162</u>	<u>7,020,984</u>	<u>2,032,890</u>	<u>30,974,036</u>	<u>1,361,267</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	90,888	166,089	105,632	362,609	1,546,310
Claims payable	-	-	-	-	3,056,165
Deferred revenue	-	-	6,982	6,982	-
Funds in escrow	-	-	-	-	70
Due to other funds	-	281,482	934,019	1,215,501	-
Compensated absences	-	18,844	4,383	23,227	-
Total current liabilities	<u>90,888</u>	<u>466,415</u>	<u>1,051,016</u>	<u>1,608,319</u>	<u>4,602,545</u>
NONCURRENT LIABILITIES					
Advances from other funds	1,723,174	-	-	1,723,174	4,096,317
Compensated absences	-	335,316	114,245	449,561	-
Total noncurrent liabilities	<u>1,723,174</u>	<u>335,316</u>	<u>114,245</u>	<u>2,172,735</u>	<u>4,096,317</u>
TOTAL LIABILITIES	<u>1,814,062</u>	<u>801,731</u>	<u>1,165,261</u>	<u>3,781,054</u>	<u>8,698,862</u>
NET POSITION					
Net investment in capital assets	21,705,413	5,859,724	1,225,812	28,790,949	-
Unrestricted	(1,599,313)	359,529	(358,183)	(1,597,967)	(7,337,595)
TOTAL NET POSITION	<u>\$ 20,106,100</u>	<u>\$ 6,219,253</u>	<u>\$ 867,629</u>	<u>27,192,982</u>	<u>\$ (7,337,595)</u>
Adjustment to reflect the consolidation of internal service fund activities related to Enterprise Funds				<u>(1,636,588)</u>	
Net position of business-type activities				<u>\$ 25,556,394</u>	

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Fund
	Montgomery Area Transit System	Montgomery Zoo	Other Enterprise Funds		
OPERATING REVENUES					
Charges for goods and services	\$ 1,043,162	\$ 2,647,074	\$ 2,793,222	\$ 6,483,458	\$ 28,009,648
Total operating revenues	1,043,162	2,647,074	2,793,222	6,483,458	28,009,648
OPERATING EXPENSES					
Cost of sales and services	-	183,414	579,292	762,706	-
Administration	1,669,174	3,723,655	3,091,953	8,484,782	34,583,202
Depreciation	1,298,943	284,995	145,811	1,729,749	-
Total operating expenses	2,968,117	4,192,064	3,817,056	10,977,237	34,583,202
OPERATING LOSS	(1,924,955)	(1,544,990)	(1,023,834)	(4,493,779)	(6,573,554)
NONOPERATING REVENUES (EXPENSES)					
Loss on sale of capital assets	-	(1,404)	-	(1,404)	-
Interest income	-	188	165	353	-
Transfer of capital assets to governmental activities	-	-	(2,615,981)	(2,615,981)	-
Transfer of compensated absences to governmental activities	-	-	28,662	28,662	-
Loss before contributions and transfers	(1,924,955)	(1,546,206)	(3,610,988)	(7,082,149)	(6,573,554)
Capital contributions	12,600	-	-	12,600	-
Transfers in	765,716	2,185,284	594,848	3,545,848	7,533,986
Transfers out	-	(79,000)	(1,143,816)	(1,222,816)	-
Change in net position	(1,146,639)	560,078	(4,159,956)	(4,746,517)	960,432
NET POSITION - BEGINNING	21,252,739	5,659,175	5,027,585		(8,298,027)
NET POSITION - ENDING	\$ 20,106,100	\$ 6,219,253	\$ 867,629		\$ (7,337,595)
Adjustment to reflect the consolidation of internal service fund activities related to Enterprise Funds				(186,808)	
Change in net position of business-type activities				\$ (4,933,325)	

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Montgomery Area Transit System	Montgomery Zoo	Other Enterprise Funds	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,036,159	\$ 2,659,564	\$ 2,789,228	\$ 6,484,951	\$ -
Receipts from interfund services provided	-	-	-	-	28,005,507
Payments to suppliers	(1,841,115)	(1,697,684)	(2,188,528)	(5,727,327)	(33,632,001)
Payments to employees	-	(1,957,134)	(1,667,618)	(3,624,752)	-
Payments for interfund services used	-	(236,786)	(56,169)	(292,955)	-
Net cash used by operating activities	<u>(804,956)</u>	<u>(1,232,040)</u>	<u>(1,123,087)</u>	<u>(3,160,083)</u>	<u>(5,626,494)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	-	(711,943)	(1,115,153)	(1,827,096)	-
Transfers from other funds	765,716	2,185,284	1,227,791	4,178,791	7,533,986
Net cash payments from other funds	<u>257,760</u>	<u>(181,713)</u>	<u>1,117,165</u>	<u>1,193,212</u>	<u>(960,433)</u>
Net cash provided by noncapital financing activities	<u>1,023,476</u>	<u>1,291,628</u>	<u>1,229,803</u>	<u>3,544,907</u>	<u>6,573,553</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	<u>(218,520)</u>	<u>(47,856)</u>	<u>(67,439)</u>	<u>(333,815)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	<u>-</u>	<u>188</u>	<u>165</u>	<u>353</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>-</u>	<u>11,920</u>	<u>39,442</u>	<u>51,362</u>	<u>947,059</u>
CASH AND CASH EQUIVALENTS - BEGINNING	<u>-</u>	<u>949,552</u>	<u>675,280</u>	<u>1,624,832</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ -</u>	<u>\$ 961,472</u>	<u>\$ 714,722</u>	<u>\$ 1,676,194</u>	<u>\$ 947,059</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Contributions of capital assets from governmental activities	\$ 12,600	\$ -	\$ -	\$ 12,600	\$ -
Transfer of capital assets to governmental activities	-	-	(2,615,981)	(2,615,981)	-
Transfer of compensated absences to governmental activities	-	-	28,662	28,662	-
Contribution of capital assets to (from) proprietary funds	-	632,943	(632,943)	-	-

(Continued)

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Fund
	Montgomery Area Transit System	Montgomery Zoo	Other Enterprise Funds		
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:					
Operating loss	\$ (1,924,955)	\$ (1,544,990)	\$ (1,023,834)	\$ (4,493,779)	\$ (6,573,554)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation expense	1,298,943	284,995	145,811	1,729,749	-
Increase in receivables	(7,003)	12,490	62	5,549	487,443
Increase in inventories	(32,813)	(25,502)	13,324	(44,991)	-
Increase (decrease) in accounts payable and accrued expenses	(139,128)	26,550	(132,073)	(244,651)	402,993
Decrease in deferred revenue	-	-	(4,056)	(4,056)	-
Increase in funds in escrow	-	-	-	-	(4,141)
Increase in claims payable	-	-	-	-	60,765
Increase (decrease) in compensated absences	-	14,417	(122,321)	(107,904)	-
Total adjustments	1,119,999	312,950	(99,253)	1,333,696	947,060
Net cash used by operating activities	\$ (804,956)	\$ (1,232,040)	\$ (1,123,087)	\$ (3,160,083)	\$ (5,626,494)

See accompanying notes to financial statements.

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

	Employees' Retirement System
ASSETS	
Investments, at fair value:	
United States Government Securities	\$ 28,029,188
Corporate bonds and debentures	42,474,882
Common stocks	34,829,813
Mutual funds	190,948,583
Partnerships	18,434,819
Cash equivalents	4,474,014
Total investments	<u>319,191,299</u>
Cash	<u>780,091</u>
Receivables:	
Accrued interest and dividends	1,540,869
Contributions receivable	530,038
Other receivables	22,035
Total receivables	<u>2,092,942</u>
Total assets	<u>322,064,332</u>
LIABILITIES	
Accounts payable	<u>210,014</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 321,854,318</u></u>

See accompanying notes to financial statements.

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

	<u>Employees' Retirement System</u>
ADDITIONS	
Investment income:	
Interest	\$ 2,000,500
Dividends	5,361,611
Net appreciation in fair value of investments	<u>27,370,296</u>
	34,732,407
Less: Investment expense	<u>619,791</u>
Net investment income	<u>34,112,616</u>
Contributions:	
Employers	13,927,166
Employees	<u>5,938,954</u>
Total contributions	<u>19,866,120</u>
Other additions:	
Interest on reinstatement contributions	<u>31,382</u>
Total other additions	<u>31,382</u>
Total additions	<u>54,010,118</u>
DEDUCTIONS	
Benefit payments	28,054,806
Withdrawals and refunds	1,160,712
Administration expenses	<u>295,217</u>
Total deductions	<u>29,510,735</u>
Change in net position	24,499,383
Net position - beginning	<u>297,354,935</u>
Net position - ending	<u><u>\$ 321,854,318</u></u>

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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 included in the Miscellaneous 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 position 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.

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 position 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, 2013

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.

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

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, 2013

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.

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, 2012.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

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:

	Governmental Activities	Business-type Activities	Total
Automotive parts	\$ 256,612	\$ 207,491	\$ 464,103
Fuels and lubricants	316,391	-	316,391
Materials and supplies	405,258	-	405,258
Tobacco tax stamps	33,454	-	33,454
Merchandise and concessions	1,717	180,493	182,210
Police uniforms	26,327	-	26,327
Other	132,464	-	132,464
	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 1,172,223</u>	<u>\$ 387,984</u>	<u>\$ 1,560,207</u>

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

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, 2013

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City did not have any items that qualified for reporting in this category.

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.

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, 2013 totaled \$7,570,217.

The City also records a liability in the government-wide financial statements for future healthcare benefits for eligible retirees and their spouses. The postemployment benefits other than pension liability at September 30, 2013 totaled \$94,248,390.

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 position. 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.

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. The City Council is the highest level of decision making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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, 2013

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 no outstanding encumbrances at September 30, 2013. 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)	\$ 9,376,975
Encumbrances at beginning of year	243,271
Encumbrances at end of year	<u>-</u>
Net change in fund balances - actual (budget)	<u><u>\$ 9,620,246</u></u>

As of September 30, 2013, the City included the encumbrances as part of governmental fund balances as follows:

Capital Project Fund	\$ 4,727,900
Miscellaneous Special Revenue Fund	110,265
Nonmajor funds	<u>1,237,365</u>
Encumbrances as part of governmental fund balances	<u><u>\$ 6,075,530</u></u>

Excess of Expenditures over Appropriations

For the year ended September 30, 2013, no General Fund functional expenditure category (the legal level of budgetary control) exceeded appropriations.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Deficit Fund Equity

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

	<u>Deficit Amount</u>
Nonmajor Governmental Fund:	
State Gasoline Tax	\$ 1,651,682
ADECA Grant Fund	355
Department of Justice Grant Fund	5,924
Department of Home Land Security	10,586
Internal Service Fund	
Risk Management Fund	7,337,595

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.

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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, 2012, concerning the fair value of investments, interest rate risk, and foreign currency risk:

Type of Investment	Investment Maturities at Fair Value (in Years)				Total Fair Value	Cost
	Less Than 1	1 - 5	6 - 10	More Than 10		
<i>Fixed Maturity</i>						
GNMA/FNMA/ FHLMC Pools REMICS and Other	\$ -	\$ 1,766	\$ 7,311,520	\$ 3,342,342	\$ 10,655,628	\$ 10,387,255
Government Paydowns	14,830,799	1,550,418	-	992,343	17,373,560	17,368,431
Corporate Securities	476,245	23,684,524	6,170,095	8,706,516	39,037,380	35,462,049
Foreign Bonds	188,212	3,124,401	-	124,889	3,437,502	3,348,372
Mutual Bond Fund	510,939	44,451,686	6,131,267	-	51,093,892	49,191,413
<i>Total Fixed Maturity</i>	<u>\$ 16,006,195</u>	<u>\$ 72,812,795</u>	<u>\$ 19,612,882</u>	<u>\$ 13,166,090</u>	<u>121,597,962</u>	<u>115,757,520</u>
<i>Equities</i>						
Domestic					32,566,834	27,328,843
International					2,262,979	1,890,334
<i>Total Equities</i>					<u>34,829,813</u>	<u>29,219,177</u>
<i>Mutual Equity Funds</i>					139,854,691	123,361,262
<i>Partnerships*</i>					18,434,819	17,441,286
<i>Cash Equivalents</i>					4,474,014	4,474,014
Total Investments					<u>\$ 319,191,299</u>	<u>\$ 290,253,259</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

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

Investments (Continued)

Mortgage-Backed Securities – As of December 31, 2012, 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, 2012, 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	\$ 38,484,848	\$ 38,198,208	31.65%
AAA(SP)	2,112,306	2,116,770	1.74%
Aa2	210,321	1	0.17%
Aa3	2,035,225	1,867,592	1.67%
AA-(SP)	51,093,892	49,191,413	42.01%
A1	797,664	787,022	0.66%
A2	4,193,777	4,064,124	3.45%
A3	3,359,874	3,306,009	2.76%
Ba1	1,037,534	375,867	0.85%
Baa1	5,697,411	4,831,881	4.69%
Baa2	4,858,732	4,774,972	4.00%
Baa3	4,887,187	3,699,950	4.02%
BBB(SP)	508,408	487,762	0.42%
B1	1,191,638	1,053,952	0.98%
B2	6,761	6,522	0.01%
B3	23,598	21,435	0.02%
Ca	295,827	267,681	0.24%
Caa1	341,648	426,576	0.28%
Caa2	133,917	117,010	0.11%
Caa3	327,394	162,773	0.27%
Totals	\$ 121,597,962	\$ 115,757,520	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

SEPTEMBER 30, 2013

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:

	<u>General</u>	<u>Capital Project Fund</u>	<u>Miscellaneous Special Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Montgomery Area Transit System</u>
Interest and dividends	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions receivable	-	-	-	-	-
Taxes	9,446,557	-	-	386,603	-
Accounts	1,939,692	1,418,395	27,623	153,078	7,258
Intergovernmental	1,435,273	-	-	3,746,132	-
Total receivables	\$ 12,821,522	\$ 1,418,395	\$ 27,623	\$ 4,285,813	\$ 7,258

	<u>Montgomery Zoo</u>	<u>Nonmajor Enterprise Funds</u>	<u>Internal Service Fund</u>	<u>Employee Retirement System</u>	<u>Total</u>
Interest and dividends	\$ -	\$ -	\$ -	\$ 1,540,869	\$ 1,540,869
Contributions receivable	-	-	-	530,038	530,038
Taxes	-	-	-	-	9,833,160
Accounts	94,881	16,770	414,208	22,035	4,093,940
Intergovernmental	-	-	-	-	5,181,405
Total receivables	\$ 94,881	\$ 16,770	\$ 414,208	\$ 2,092,942	\$ 21,179,412

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, 2013 is shown below.

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service Fund	\$ 212,946
	Nonmajor Governmental	2,968,945
	Montgomery Zoo	281,482
	Nonmajor Enterprise	934,019
Miscellaneous Special Revenue Fund	General	296,772
Total		\$ 4,694,164

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

5. INTERFUND BALANCES (Continued)

Advance to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Enterprise	\$ 1,651,680
	Montgomery Area Transit System	1,723,174
	Internal Service	<u>4,096,317</u>
Total		<u>\$ 7,471,171</u>

Interfund Transfers

<u>Transfer Out</u>	<u>Transfer In</u>				
	<u>General</u>	<u>Capital Project Funds</u>	<u>Debt Service Fund</u>	<u>Miscellaneous Special Revenue Fund</u>	<u>Nonmajor Governmental</u>
General	\$ -	\$ 970,904	\$ 16,610,604	\$ -	\$ 2,626,512
Capital Project Fund	7,210,052	-	-	377,807	1,099,802
Debt Service Fund	-	1,479,533	-	-	-
Miscellaneous Special Revenue Fund	2,895,000	1,283,472	1,035,086	-	252
Nonmajor Governmental	3,500,000	620,000	1,372,658	214,543	90,433
Montgomery Zoo	-	79,000	-	-	-
Nonmajor Enterprise	402,224	103,488	-	-	-
Totals	<u>\$ 14,007,276</u>	<u>\$ 4,536,397</u>	<u>\$ 19,018,348</u>	<u>\$ 592,350</u>	<u>\$ 3,816,999</u>

<u>Transfer Out</u>	<u>Transfer In</u>				
	<u>Montgomery Area Transit</u>	<u>Montgomery Zoo</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
General	\$ 547,196	\$ 1,525,796	\$ 594,848	\$ 7,533,986	\$ 30,409,846
Capital Project Fund	-	21,384	-	-	8,709,045
Debt Service Fund	-	-	-	-	1,479,533
Miscellaneous Special Revenue Fund	-	-	-	-	5,213,810
Nonmajor Governmental	218,520	-	-	-	6,016,154
Montgomery Zoo	-	-	-	-	79,000
Nonmajor Enterprise	-	638,104	-	-	1,143,816
Totals	<u>\$ 765,716</u>	<u>\$ 2,185,284</u>	<u>\$ 594,848</u>	<u>\$ 7,533,986</u>	<u>\$ 53,051,204</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.

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

6. NOTES, WARRANTS, AND LEASE RECEIVABLE

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

During 2005, the Montgomery County Commission issued a limited obligation warrant payable to the City of Montgomery through 2018. The limited obligation warrant of \$1,812,888 is recorded as a receivable and deferred revenue in the Debt Service Fund.

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

	Governmental Activities	
	Principal	Interest
Year ending September 30:		
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
Totals	<u>\$ 1,812,888</u>	<u>\$ 219,487</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 \$3,512,471 is recorded as a receivable and deferred revenue in the Debt Service Fund.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

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

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2013, are as follows:

	<u>Amount</u>
Year ending September 30:	
2014	\$ 789,832
2015	790,106
2016	785,545
2017	785,200
2018	787,044
Total minimum lease payments	<u>3,937,727</u>
Less amounts representing interest	<u>425,256</u>
Present value of minimum lease payments	<u>\$ 3,512,471</u>

During 2013, the City entered into a promissory note with Perry & Monroe Development Company, LLC, an Alabama limited liability company for the purpose of repaying project costs associated with the Webber Building Project. The promissory note has a principal amount of \$2,200,000 or the amount that has been advanced to the City in connection with the Housing and Urban Development (HUD) Section 108 guaranteed loan. As of September 30, 2013, \$952,351 has been advanced by the City. This amount has been recorded as a receivable and deferred revenue in the Debt Service Fund.

Annual debt service receivables to maturity for the promissory note are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending September 30:		
2014	\$ 72,000	\$ 2,345
2015	76,000	2,687
2016	80,000	2,455
2017	83,000	2,211
2018	88,000	1,958
2019-2023	508,000	5,499
2024-2028	<u>45,351</u>	<u>138</u>
Totals	<u>\$ 952,351</u>	<u>\$ 17,293</u>

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 55,357,630	\$ 1,007,506	\$ (1,365,762)	\$ 332,240	\$ 55,331,614
Construction in progress	14,235,980	12,656,164	(71,598)	(4,916,265)	21,904,281
Total capital assets, not being depreciated	<u>69,593,610</u>	<u>13,663,670</u>	<u>(1,437,360)</u>	<u>(4,584,025)</u>	<u>77,235,895</u>
Capital assets, being depreciated:					
Buildings and system	184,764,011	332,241	(553,329)	4,414,988	188,957,911
Improvements other than buildings	69,561,440	8,967	(212,563)	2,938,245	72,296,089
Machinery and equipment	102,890,585	4,851,405	(4,064,020)	2,696,190	106,374,160
Infrastructure	534,673,337	1,892,821	-	1,775,303	538,341,461
Total capital assets, being depreciated	<u>891,889,373</u>	<u>7,085,434</u>	<u>(4,829,912)</u>	<u>11,824,726</u>	<u>905,969,621</u>
Less accumulated depreciation for:					
Buildings and system	52,948,198	4,120,086	(311,838)	2,036,950	58,793,396
Improvements other than buildings	20,314,800	2,760,371	(106,281)	1,202,024	24,170,914
Machinery and equipment	68,478,150	6,767,931	(3,948,921)	1,398,345	72,695,505
Infrastructure	430,726,671	11,718,175	-	-	442,444,846
Total accumulated depreciation	<u>572,467,819</u>	<u>25,366,563</u>	<u>(4,367,040)</u>	<u>4,637,319</u>	<u>598,104,661</u>
Total capital assets, being depreciated, net	<u>319,421,554</u>	<u>(18,281,129)</u>	<u>(462,872)</u>	<u>7,187,407</u>	<u>307,864,960</u>
Governmental activities capital assets, net	<u>\$ 389,015,164</u>	<u>\$ (4,617,459)</u>	<u>\$ (1,900,232)</u>	<u>\$ 2,603,382</u>	<u>\$ 385,100,855</u>

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

7. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,047,942	\$ -	\$ -	\$ -	\$ 1,047,942
Capital assets, being depreciated:					
Buildings and system	30,502,228	-	-	(4,172,542)	26,329,686
Improvements other than buildings	7,813,476	10,088	-	(1,189,424)	6,634,140
Machinery and equipment	13,634,113	348,727	(422,006)	(1,878,734)	11,682,100
Total capital assets, being depreciated	51,949,817	358,815	(422,006)	(7,240,700)	44,645,926
Less accumulated depreciation for:					
Buildings and system	5,814,193	589,650	-	(2,036,950)	4,366,893
Improvements other than buildings	6,142,117	139,221	-	(1,202,023)	5,079,315
Machinery and equipment	8,249,782	1,000,878	(395,604)	(1,398,345)	7,456,711
Total accumulated depreciation	20,206,092	1,729,749	(395,604)	(4,637,318)	16,902,919
Total capital assets, being depreciated, net	31,743,725	(1,370,934)	(26,402)	(2,603,382)	27,743,007
Business-type activities capital assets, net	<u>\$ 32,791,667</u>	<u>\$ (1,370,934)</u>	<u>\$ (26,402)</u>	<u>\$ (2,603,382)</u>	<u>\$ 28,790,949</u>

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

Governmental Activities:

General Government	\$ 18,671,838
Public Works	1,381,458
Public Safety	3,999,037
Cultural and Recreational	1,314,230

Total depreciation expense - governmental activities \$ 25,366,563

Business-type Activities:

Montgomery Area Transit System	\$ 1,298,943
Montgomery Zoo	284,995
Montgomery Golf	138,690
Food Services	7,121

Total depreciation expense - business-type activities \$ 1,729,749

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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, 2013 was as follows:

Beginning Balance	\$ 13,554,000
Issues	12,041,000
Redemptions	<u>(15,000,000)</u>
Ending Balance	<u>\$ 10,595,000</u>

During 2013, the City obtained a \$5,000,000 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, 2013 was as follows:

Beginning Balance	\$ -
Issues	2,000,000
Redemptions	<u>(2,000,000)</u>
Ending Balance	<u>\$ -</u>

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

9. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 252,091,476	\$ 106,530,000	\$ (60,812,613)	\$ 297,808,863	\$ 13,603,710
Less deferred amounts:					
For issuance discounts	(124,263)	-	89,489	(34,774)	-
On refunding	(4,673,303)	(8,799,618)	1,268,287	(12,204,634)	-
Add deferred amounts:					
For issuance premiums	<u>6,973,007</u>	<u>367,153</u>	<u>(1,043,800)</u>	<u>6,296,360</u>	<u>-</u>
Total general obligation bonds payable	254,266,917	98,097,535	(60,498,637)	291,865,815	13,603,710
Revenue warrants	17,690,000	-	(17,690,000)	-	-
Capital leases	19,991,063	4,003,234	(5,038,030)	18,956,267	5,704,593
Note payable	-	952,351		952,351	72,000
Compensated absences	19,310,077	1,976,304	(2,308,404)	18,977,977	2,308,404
Retirement and disability benefits	7,905,728	271,857	(607,368)	7,570,217	607,368
Postemployment benefits other than pensions	80,294,336	24,114,922	(10,160,868)	94,248,390	-
Landfill closure and postclosure	<u>6,423,036</u>	<u>497,583</u>	<u>-</u>	<u>6,920,619</u>	<u>-</u>
Governmental activity long-term liabilities	<u>405,881,157</u>	<u>129,913,786</u>	<u>(96,303,307)</u>	<u>439,491,636</u>	<u>22,296,075</u>
Business-type activities:					
Compensated absences	<u>580,691</u>	<u>33,261</u>	<u>(141,164)</u>	<u>472,788</u>	<u>23,227</u>
Total long-term debt	<u><u>\$ 406,461,848</u></u>	<u><u>\$ 129,947,047</u></u>	<u><u>\$ (96,444,471)</u></u>	<u><u>\$ 439,964,424</u></u>	<u><u>\$ 22,319,302</u></u>

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

9. LONG-TERM DEBT (Continued)

Long-term debt payable at September 30, 2013 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 \$398,086,480 with current outstanding balances as follows:

<p>\$32,500,000 Series 2005A General Obligation Bonds due in annual installments of \$1,065,000 to \$2,485,000 on 4-01-08 to 4-01-26, with a maximum principal of \$2,485,000 in fiscal year 2026, interest at 4.168% to 5.19%.</p>	<p>\$ 2,825,000</p>
<p>\$26,035,000 Series 2005B General Obligation Refunding Bonds due in annual installments of \$1,730,000 to \$2,505,000 on 11-01-07 to 11-01-17, with a maximum principal of \$2,505,000 in fiscal year 2018, interest at 2.80% to 5.00%.</p>	<p>710,000</p>
<p>\$9,265,000 Series 2006A Taxable General Obligation Tax Increment Warrants due in annual installments of \$315,000 to \$785,000 on 1-01-09 to 1-01-26, with a maximum principal of \$785,000 in fiscal year 2026, interest at 5.05% to 5.55%. In addition to being general obligations of the City, the Warrants are secured by a special pledge of the incremental increase in local non-educational ad valorem tax receipts attributable to the increase in equalized values of taxable properties located within the Downtown revitalization area.</p>	<p>1,295,000</p>
<p>\$8,995,000 Series 2006B General Obligation Tax Increment Warrants due in annual installments of \$355,000 to \$690,000 on 1-01-09 to 1-01-26, with a maximum principal of \$690,000 in fiscal year 2026, interest at 3.20% to 4.40%. In addition to being general obligations of the City, the Warrants are secured by a special pledge of the incremental increase in local non-educational ad valorem tax receipts attributable to the increase in equalized values of taxable properties located within the Downtown revitalization area.</p>	<p>1,800,000</p>
<p>\$18,795,000 Series 2006C General Obligation Warrants due in annual installments of \$640,000 to \$1,405,000 on 1-01-07 to 1-01-26, with a maximum principal of \$1,405,000 in fiscal year 2026, interest at 3.20% to 4.50%.</p>	<p>3,420,000</p>
<p>\$44,400,000 Series 2007 General Obligation Warrants due in annual installments of \$1,080,000 to \$2,930,000 on 2-01-08 to 2-01-31, with a maximum principal of \$2,930,000 in fiscal year 2031, interest at 4.00% to 4.375%.</p>	<p>37,225,000</p>
<p>\$700,000 Series 2007 General Obligation Warrants due in annual installments of \$65,000 to \$75,000 on 8-15-08 to 8-15-17, with a maximum principal of \$75,000 in fiscal years 2015 - 2017, interest at 2.20%.</p>	<p>295,000</p>

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

9. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

<p>\$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%.</p>	<p>\$ 3,666,668</p>
<p>\$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%.</p>	<p>2,507,777</p>
<p>\$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%.</p>	<p>40,640,000</p>
<p>\$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%.</p>	<p>60,065,000</p>
<p>\$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%.</p>	<p>38,760,000</p>
<p>\$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, with a maximum principal of \$20,595 in fiscal year 2019, interest at 3.65%.</p>	<p>429,418</p>
<p>\$9,835,000 Series 2012A General Obligation Warrants due in annual installments of \$300,000 to \$1,400,000 on 4-1-13 to 4-1-26, with a maximum principal of \$1,400,000 in fiscal year 2026, interest at 2.00% to 2.50%.</p>	<p>9,535,000</p>
<p>\$65,150,000 Series 2012B Taxable General Obligation Warrants due in annual installments of \$1,090,000 to \$10,000,000 on 4-1-13 to 4-1-34, with a maximum principal of \$10,000,000 in fiscal year 2034, interest at 0.48% to 3.88%.</p>	<p>64,060,000</p>
<p>\$1,935,000 Series 2012-CWSRF-DL General Obligation Warrants \$815,000 in principal forgiven in fiscal year 2013, due in annual installments of \$40,000 to \$75,000 on 8-15-14 to 8-15-33, with a maximum principal of \$75,000 in fiscal year 2033, interest at 2.90%.</p>	<p>1,120,000</p>
<p>\$20,000,000 2013 General Obligation Warrants due in semi-annual installments of \$645,161 to \$13,548,387 on 12-15-13 to 8-1-18, with a maximum principal of \$13,548,387 in fiscal year 2018, interest at 2.39%.</p>	<p>20,000,000</p>
<p>\$9,610,000 Series 2013-A General Obligation Warrants due in annual installments of \$155,000 to \$690,000 on 4-1-13 to 4-1-26, with a maximum principal of \$690,000 in fiscal year 2026, interest at 1.60% to 2.00%.</p>	<p>9,455,000</p>
<p>Total general obligation bonds</p>	<p><u>\$ 297,808,863</u></p>

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

9. LONG-TERM DEBT (Continued)

The following schedule illustrates debt service to maturity for General Obligation Bonds at September 30, 2013.

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2014	\$ 13,603,710	\$ 11,197,675	\$ 24,801,385
2015	12,510,683	11,985,425	24,496,108
2016	16,528,864	11,561,137	28,090,001
2017	16,921,585	11,033,934	27,955,519
2018	30,852,794	10,513,721	41,366,515
2019-2023	81,346,228	41,304,456	122,650,684
2024-2028	52,450,000	25,446,241	77,896,241
2029-2033	36,255,000	14,828,897	51,083,897
2034-2038	26,245,000	6,838,124	33,083,124
2039-2040	11,094,999	637,403	11,732,402
Totals	<u>\$ 297,808,863</u>	<u>\$ 145,347,013</u>	<u>\$ 443,155,876</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, 2013, 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.

Advance Refunding – The City issued \$106,530,000 in general obligation bonds in 2013. Of this amount, \$69,225,000 was used to advance refund \$17,350,000 of outstanding revenue warrants and \$51,905,000 of outstanding general obligation bonds. The net proceeds of \$75,037,531 were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position.

The reacquisition price exceeded the net carrying amount of the old debt by \$8,799,618. This amount is being netted against the new debt and amortized over the remaining life of the old debt. Over the life of the bonds, the City decreased its total debt services requirements by \$262,967. The result of this refunding was an economic gain of \$452,458.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

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, 2013, the amount of defeased debt outstanding amounted to \$71,655,000.

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	\$ 27,362,609
Less accumulated depreciation	(5,032,872)
Total	<u>\$ 22,329,737</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2013, were as follows:

	<u>Governmental Activities</u>
Year ending September 30:	
2014	\$ 6,131,179
2015	5,277,437
2016	3,410,258
2017	1,646,533
2018 - 2021	<u>3,723,374</u>
Total minimum lease payments	20,188,781
Less amount representing interest	<u>1,232,514</u>
Present value of minimum lease payments	<u>\$ 18,956,267</u>

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 \$6,920,619 as of September 30, 2013, which is based on 66% usage. It is estimated that an additional \$3,629,382 will be recognized as closure and postclosure care expenses between the balance sheet date and the date the landfill is expected to be filled to capacity (2043).

The estimated total current cost of the landfill closure and postclosure care of \$10,550,000 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, 2013. 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 obligated under an operating ground lease for the municipal parking decks through June 30, 2016. The lease is for \$3,158 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, 2013, were as follows:

Year ending September 30:	
2014	\$ 37,896
2015	37,896
2016	37,896
2017	37,896
Total	<u>\$ 151,584</u>

Total rental expense for the above operating lease is \$37,896 for the year ended September 30, 2013.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

11. OPERATING LEASES (Continued)

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, 2013:

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>1,527,863</u>
Total	<u><u>\$ 3,825,928</u></u>

The minimum future rentals on noncancelable operating leases as of September 30, 2013 are:

Year ending September 30:	
2014	\$ 308,999
2015	94,380
2016	46,696
2017	<u>17,866</u>
Total minimum future rentals	<u><u>\$ 467,941</u></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

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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, 2013 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.

Employees' Medical Insurance	2013	2012
Unpaid claims, beginning of fiscal year	\$ 1,846,900	\$ 2,674,838
Incurred claims (including IBNRs)	33,534,103	34,125,435
Claim payments	(33,475,703)	(34,953,373)
Unpaid claims, end of fiscal year	<u>\$ 1,905,300</u>	<u>\$ 1,846,900</u>
Liability Insurance	2013	2012
Unpaid claims, beginning of fiscal year	\$ 1,148,500	\$ 829,901
Incurred claims (including IBNRs)	1,049,099	1,564,335
Claim payments	(1,046,734)	(1,245,736)
Unpaid claims, end of fiscal year	<u>\$ 1,150,865</u>	<u>\$ 1,148,500</u>

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, 2013, 2012, and 2011 were \$13,199,756, \$13,839,407 and \$10,954,338, 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, 2013, the plan had approximately 2,322 active participants and 1,569 retired members and beneficiaries.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funding Policy

The employer requires monthly contributions of \$43 to \$164 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 \$5,205,233 for active participants and \$2,709,809 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, 2013

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	\$ 25,546,578
Interest on net OPEB obligation	3,211,773
Adjustment to ARC	<u>(4,643,429)</u>
Annual OPEB cost	24,114,922
Contributions made	<u>(10,160,868)</u>
Increase in net OPEB obligation	13,954,054
Net OPEB obligation - beginning of year	<u>80,294,336</u>
Net OPEB obligation - end of year	<u>\$ 94,248,390</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 2013 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>
9/30/2011	\$ 27,687,442	31.4%	\$ 62,273,230
9/30/2012	27,391,140	34.2%	80,294,336
9/30/2013	24,114,922	39.0%	94,248,390

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress

As of September 30, 2013, the actuarial accrued liability for benefits was \$312,375,359 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$103,816,125 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 301%.

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

Methods and Assumptions

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

The following significant assumptions were made:

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

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

Non-Fire and Police – earlier of age 65 or 20 years of service. Participants hired on or after October 1, 2005 are eligible for unreduced retirement at the earlier of age 62 or 25 years of service.

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

Mortality – Life expectancies were based on the RP 2000 system tables with floating Scale AA projections.

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

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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 2013 were 7.50% for pre-65, and 6.00% for post-65, reduced to an ultimate rate of 6.00% in year 2024.

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 – 2.5% per annum, compounded annually.

The Projected Unit Credit Actuarial Cost Method was utilized in computing actuarial liabilities and costs. The amortization for September 30, 2013 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, 2013, 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, 2013, the City had commitments on construction of capital projects as follows:

Gross commitments	\$ 17,182,590
Spent-to-date	<u>11,140,856</u>
Net commitments	<u><u>\$ 6,041,734</u></u>

As of March 26, 2014, the City's total net construction commitments were approximately \$4,265,204.

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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, \$8.00 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 March 26, 2014, 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, 2013:

The City appropriated approximately \$2,892,000 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 \$3,066,925 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 \$644,869 in charges for the use of fire hydrants.

19. SETTLEMENT AGREEMENT

On December 31, 2013, the City entered into a settlement agreement with the U.S. Department of Housing and Urban Development (HUD) regarding the receipt of federal funds pursuant to HUD's Home Investment Partnership (HOME) program. The settlement agreement states that HUD determined the City's uncompleted HOME assisted projects constitute projects that are terminated before completion, and are ineligible activities. The settlement agreement also states there were activities relating to properties that did not meet the definition of a project. As a result the City must reimburse HUD \$725,344. The settlement agreement states that the disallowed costs are to be repaid in three annual installments of \$241,781 beginning on December 31, 2013.

20. 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. 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. 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.

GASB Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. This Statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a non-exchange transaction to report the obligation until legally released as an obligor. This Statement specifies the information required to be disclosed by governments that extend non exchange financial guarantees, effective for reporting periods beginning after June 15, 2013.

GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to Measurement Date*. The objective of this Statement is to address an issue regarding application of transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Requirements of this Statement are effective for financial statements whose fiscal year begins after June 15, 2014.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

21. SUBSEQUENT EVENTS

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

General Obligation Warrants Series 2014-A

Amount – \$3,700,000

Maturity – 2023

Interest Rate – 3.36%

Purpose – Advance refund of the Taxable General Obligation Warrant, Series 2009-A, including issuance costs.

General Obligation Warrants Series 2014-B

Amount – \$2,500,000

Maturity – 2019

Interest Rate – 2.80%

Purpose – Advance refund of the Taxable General Obligation Warrant Series 2009-B, including issuance costs.

REQUIRED SUPPLEMENTAL INFORMATION

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]
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%
2012	311,423,587	492,587,309	181,163,722	63.22%	97,588,278	185.64%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Annual Required Contributions	Percentage Contributed
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%
2012	13,736,749	100%

CITY OF MONTGOMERY, ALABAMA

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/2010	\$ -	\$ 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%
9/30/2012	-	312,375,359	312,375,359	0.00%	103,816,125	301%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

Alabama 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.

Municipal Court Judicial Administration Fund accounts for funds restricted by statute for the operations of the municipal court.

CITY OF MONTGOMERY, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	Special Revenue Funds												Total	
	State Gasoline Tax	Alabama Department of Transportation Grant Fund	ADECA Grant Fund	Department of Justice Grant Fund	Department of Agriculture Grant Fund	Homeland Security Grant Fund	Miscellaneous Grant Fund	Housing and Urban Development Grant Fund	Municipal Court Corrections Fund	Federal Transit Administration Grant Fund	Riverfront Stadium Fund	Seizures and Forfeitures Fund		Municipal Court Judicial Administration Fund
ASSETS														
Cash and cash equivalents	\$ 107,207	\$ 1,343,534	\$ 286,804	\$ -	\$ 40,130	\$ -	\$ 5,636	\$ -	\$ 435,254	\$ -	\$ 2,567,616	\$ 468,165	\$ 38,865	\$ 5,293,211
Receivables	262,974	375,212	65,268	47,048	-	127,150	2,705	537,765	-	2,592,473	275,218	-	-	4,285,813
Mortgage receivable	-	-	-	-	-	-	-	188,289	-	-	-	-	-	188,289
TOTAL ASSETS	\$ 370,181	\$ 1,718,746	\$ 352,072	\$ 47,048	\$ 40,130	\$ 127,150	\$ 8,341	\$ 726,054	\$ 435,254	\$ 2,592,473	\$ 2,842,834	\$ 468,165	\$ 38,865	\$ 9,767,313
LIABILITIES AND FUND BALANCES														
LIABILITIES														
Accounts payable and accrued expenses	\$ 370,183	\$ 60,876	\$ 7,219	\$ 44,762	\$ -	\$ 62,590	\$ 39	\$ 135,164	\$ 5,029	\$ 7,641	\$ -	\$ 28,368	\$ -	\$ 721,871
Retainage payable	-	29,953	-	-	-	-	-	1,650	-	6,292	-	-	-	37,895
Due to other funds	-	-	-	8,210	-	75,146	-	389,604	-	2,495,985	-	-	-	2,968,945
Deferred revenue	-	-	345,208	-	40,105	-	-	189,636	-	-	-	-	-	574,949
Funds held in escrow	-	-	-	-	-	-	-	-	-	-	-	6,323	-	6,323
Advances from other funds	1,651,680	-	-	-	-	-	-	-	-	-	-	-	-	1,651,680
TOTAL LIABILITIES	2,021,863	90,829	352,427	52,972	40,105	137,736	39	716,054	5,029	2,509,918	-	34,691	-	5,961,663
FUND BALANCES														
Restricted for:														
Capital projects	-	1,140,687	-	-	-	-	-	10,000	-	82,316	-	-	-	1,233,003
Intergovernmental	-	487,230	-	-	25	-	8,302	-	-	-	-	429,350	-	924,907
Municipal Court Corrections	-	-	-	-	-	-	-	-	430,225	-	-	-	38,865	469,090
Riverfront Stadium	-	-	-	-	-	-	-	-	-	-	2,842,834	-	-	2,842,834
Other	-	-	-	-	-	-	-	-	-	239	-	4,124	-	4,363
Unassigned	(1,651,682)	-	(355)	(5,924)	-	(10,586)	-	-	-	-	-	-	-	(1,668,547)
TOTAL FUND BALANCES	(1,651,682)	1,627,917	(355)	(5,924)	25	(10,586)	8,302	10,000	430,225	82,555	2,842,834	433,474	38,865	3,805,650
TOTAL LIABILITIES AND FUND BALANCES	\$ 370,181	\$ 1,718,746	\$ 352,072	\$ 47,048	\$ 40,130	\$ 127,150	\$ 8,341	\$ 726,054	\$ 435,254	\$ 2,592,473	\$ 2,842,834	\$ 468,165	\$ 38,865	\$ 9,767,313

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	Special Revenue Funds													Total
	State Gasoline Tax	Alabama Department of Transportation Grant Fund	ADECA Grant Fund	Department of Justice Grant Fund	Department of Agriculture Grant Fund	Homeland Security Grant Fund	Miscellaneous Grant Fund	Housing and Urban Development Grant Fund	Municipal Court Corrections Fund	Federal Transit Administration Grant Fund	Riverfront Stadium Fund	Seizures and Forfeitures Fund	Municipal Court Judicial Administration Fund	
REVENUES														
Taxes	\$ 2,813,368	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,805,041	\$ -	\$ -	\$ 4,618,409
Licenses and permits	94,834	-	-	-	-	-	-	-	-	-	-	-	-	94,834
Intergovernmental revenues	-	894,969	319,595	1,268,310	138,865	840,398	5,996	2,665,428	-	3,240,539	-	-	-	9,374,100
Fines and forfeitures	-	-	-	-	-	-	-	-	2,004,675	-	-	-	494,428	2,499,103
Miscellaneous revenues	-	-	245,791	-	-	-	12,265	69,268	-	-	353,533	14,270	-	695,127
Total revenues	2,908,202	894,969	565,386	1,268,310	138,865	840,398	18,261	2,734,696	2,004,675	3,240,539	2,158,574	14,270	494,428	17,281,573
EXPENDITURES														
Current:														
General government	-	-	311,560	-	-	-	17,002	2,432,557	112,741	5,479,468	-	119	-	8,353,447
Public works	2,688,202	1,512,515	128,935	-	-	-	-	80,262	-	207,442	-	-	-	4,617,356
Public safety	-	-	124,891	1,161,301	-	707,289	-	-	-	-	-	510,987	12,063	2,516,531
Cultural and recreational	-	-	-	-	138,865	-	2,759	742,898	-	-	69,059	-	-	953,581
Capital outlay	-	-	-	107,055	-	13,633	-	431,330	-	-	-	-	-	552,018
Total expenditures	2,688,202	1,512,515	565,386	1,268,356	138,865	720,922	19,761	3,687,047	112,741	5,686,910	69,059	511,106	12,063	16,992,933
Excess of revenues over (under) expenditures	220,000	(617,546)	-	(46)	-	119,476	(1,500)	(952,351)	1,891,934	(2,446,371)	2,089,515	(496,836)	482,365	288,640
OTHER FINANCING SOURCES (USES)														
Transfers in	-	1,099,802	-	-	-	-	-	55,144	-	2,662,053	-	-	-	3,816,999
Transfers out	(220,000)	-	-	-	-	(214,543)	-	(55,144)	(2,134,530)	(253,809)	(2,294,628)	(400,000)	(443,500)	(6,016,154)
Issuance of notes payable	-	-	-	-	-	-	-	952,351	-	-	-	-	-	952,351
Total other financing sources (uses)	(220,000)	1,099,802	-	-	-	(214,543)	-	952,351	(2,134,530)	2,408,244	(2,294,628)	(400,000)	(443,500)	(1,246,804)
Net change in fund balances	-	482,256	-	(46)	-	(95,067)	(1,500)	-	(242,596)	(38,127)	(205,113)	(896,836)	38,865	(958,164)
FUND BALANCES - BEGINNING	(1,651,682)	1,145,661	(355)	(5,878)	25	84,481	9,802	10,000	672,821	120,682	3,047,947	1,330,310	-	4,763,814
FUND BALANCES - ENDING	\$ (1,651,682)	\$ 1,627,917	\$ (355)	\$ (5,924)	\$ 25	\$ (10,586)	\$ 8,302	\$ 10,000	\$ 430,225	\$ 82,555	\$ 2,842,834	\$ 433,474	\$ 38,865	\$ 3,805,650

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, 2013

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,432,438	\$ 2,432,438	\$ 2,813,368	\$ 380,930
Licenses	51,009	51,009	94,834	43,825
Total revenues	<u>2,483,447</u>	<u>2,483,447</u>	<u>2,908,202</u>	<u>424,755</u>
EXPENDITURES				
Public works:				
Maintenance	998,032	778,032	947,934	169,902
Traffic engineering	1,485,415	1,485,415	1,740,268	254,853
Total expenditures	<u>2,483,447</u>	<u>2,263,447</u>	<u>2,688,202</u>	<u>424,755</u>
Excess of revenues over expenditures	<u>-</u>	<u>220,000</u>	<u>220,000</u>	<u>-</u>
OTHER FINANCING USES				
Operating transfers out	-	(220,000)	(220,000)	-
Total other financing uses	<u>-</u>	<u>(220,000)</u>	<u>(220,000)</u>	<u>-</u>
Net change in fund balance	-	-	-	-
FUND BALANCES - BEGINNING	<u>(1,651,680)</u>	<u>(1,651,680)</u>	<u>(1,651,680)</u>	<u>-</u>
FUND BALANCES - ENDING	<u><u>\$ (1,651,680)</u></u>	<u><u>\$ (1,651,680)</u></u>	<u><u>\$ (1,651,680)</u></u>	<u><u>\$ -</u></u>

NONMAJOR ENTERPRISE FUNDS

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

Montgomery 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.

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2013

	Municipal Golf	Municipal Parking Decks	Montgomery River Boat	Food Services	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 507,005	\$ -	\$ 2,150	\$ 205,567	\$ 714,722
Receivables	8,010	-	8,730	30	16,770
Inventories	62,368	-	4,532	8,686	75,586
Total current assets	<u>577,383</u>	<u>-</u>	<u>15,412</u>	<u>214,283</u>	<u>807,078</u>
NONCURRENT ASSETS					
Capital assets:					
Land	665,341	-	-	-	665,341
Buildings and system	184,600	-	-	14,295	198,895
Improvements other than buildings	1,565,024	-	-	-	1,565,024
Machinery and equipment	397,356	-	-	93,486	490,842
Less accumulated depreciation	<u>(1,608,733)</u>	<u>-</u>	<u>-</u>	<u>(85,557)</u>	<u>(1,694,290)</u>
Total capital net assets, net of accumulated depreciation	<u>1,203,588</u>	<u>-</u>	<u>-</u>	<u>22,224</u>	<u>1,225,812</u>
TOTAL ASSETS	<u>1,780,971</u>	<u>-</u>	<u>15,412</u>	<u>236,507</u>	<u>2,032,890</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	69,882	-	19,460	16,290	105,632
Deferred revenue	6,982	-	-	-	6,982
Due to other funds	-	-	105,675	828,344	934,019
Compensated absences	4,383	-	-	-	4,383
Total current liabilities	<u>81,247</u>	<u>-</u>	<u>125,135</u>	<u>844,634</u>	<u>1,051,016</u>
NONCURRENT LIABILITIES					
Compensated absences	114,245	-	-	-	114,245
Total noncurrent liabilities	<u>114,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,245</u>
TOTAL LIABILITIES	<u>195,492</u>	<u>-</u>	<u>125,135</u>	<u>844,634</u>	<u>1,165,261</u>
NET POSITION					
Net investment in capital assets	1,203,588	-	-	22,224	1,225,812
Unrestricted	381,891	-	(109,723)	(630,351)	(358,183)
TOTAL NET POSITION	<u>\$ 1,585,479</u>	<u>\$ -</u>	<u>\$ (109,723)</u>	<u>\$ (608,127)</u>	<u>\$ 867,629</u>

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Municipal Golf</u>	<u>Municipal Parking Decks</u>	<u>Montgomery River Boat</u>	<u>Food Services</u>	<u>Total</u>
OPERATING REVENUES					
Charges for goods and services	\$ 1,237,161	\$ -	\$ 723,314	\$ 832,747	\$ 2,793,222
Total operating revenues	<u>1,237,161</u>	<u>-</u>	<u>723,314</u>	<u>832,747</u>	<u>2,793,222</u>
OPERATING EXPENSES					
Cost of sales and services	133,951	-	192,255	253,086	579,292
Administration	1,761,726	-	504,153	826,074	3,091,953
Depreciation	138,690	-	-	7,121	145,811
Total operating expenses	<u>2,034,367</u>	<u>-</u>	<u>696,408</u>	<u>1,086,281</u>	<u>3,817,056</u>
OPERATING INCOME (LOSS)	(797,206)	-	26,906	(253,534)	(1,023,834)
NONOPERATING REVENUES (EXPENSES)					
Interest income	-	-	165	-	165
Transfer of capital assets to governmental activities	(1,065,198)	(1,521,242)	-	(29,541)	(2,615,981)
Transfer of compensated absences to governmental activities	-	28,662	-	-	28,662
Income (loss) before contributions and transfers	<u>(1,862,404)</u>	<u>(1,492,580)</u>	<u>27,071</u>	<u>(283,075)</u>	<u>(3,610,988)</u>
Transfers in	594,848	-	-	-	594,848
Transfers out	<u>-</u>	<u>(402,224)</u>	<u>(103,488)</u>	<u>(638,104)</u>	<u>(1,143,816)</u>
Change in net assets	<u>(1,267,556)</u>	<u>(1,894,804)</u>	<u>(76,417)</u>	<u>(921,179)</u>	<u>(4,159,956)</u>
TOTAL NET ASSETS - BEGINNING	<u>2,853,035</u>	<u>1,894,804</u>	<u>(33,306)</u>	<u>313,052</u>	<u>5,027,585</u>
TOTAL NET ASSETS - ENDING	<u>\$ 1,585,479</u>	<u>\$ -</u>	<u>\$ (109,723)</u>	<u>\$ (608,127)</u>	<u>\$ 867,629</u>

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Municipal Golf</u>	<u>Municipal Parking Decks</u>	<u>Montgomery River Boat</u>	<u>Food Services</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,238,183	\$ 252	\$ 718,046	\$ 832,747	\$ 2,789,228
Payments to suppliers	(1,170,320)	(36,124)	(474,662)	(507,422)	(2,188,528)
Payments to employees	(796,740)	(28,664)	(225,759)	(616,455)	(1,667,618)
Payments for interfund services used	-	-	-	(56,169)	(56,169)
Net cash provided (used) by operating activities	<u>(728,877)</u>	<u>(64,536)</u>	<u>17,625</u>	<u>(347,299)</u>	<u>(1,123,087)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	-	(373,561)	(103,488)	(638,104)	(1,115,153)
Transfers from other funds	594,848	-	-	632,943	1,227,791
Net cash payments from other funds	<u>244,057</u>	<u>436,398</u>	<u>85,698</u>	<u>351,012</u>	<u>1,117,165</u>
Net cash provided (used) by noncapital financing activities	<u>838,905</u>	<u>62,837</u>	<u>(17,790)</u>	<u>345,851</u>	<u>1,229,803</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	<u>(67,439)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(67,439)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	<u>-</u>	<u>-</u>	<u>165</u>	<u>-</u>	<u>165</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	42,589	(1,699)	-	(1,448)	39,442
CASH AND CASH EQUIVALENTS - BEGINNING	<u>464,416</u>	<u>1,699</u>	<u>2,150</u>	<u>207,015</u>	<u>675,280</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 507,005</u>	<u>\$ -</u>	<u>\$ 2,150</u>	<u>\$ 205,567</u>	<u>\$ 714,722</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Transfer of capital assets to governmental activities	\$ (1,065,198)	\$ (1,521,242)	\$ -	\$ (29,541)	\$ (2,615,981)
Transfer of compensated absences to governmental activities	-	28,662	-	-	28,662
Contribution of capital assets to proprietary funds	-	-	-	(632,943)	(632,943)

(Continued)

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Municipal Golf</u>	<u>Municipal Parking Decks</u>	<u>Montgomery River Boat</u>	<u>Food Service</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (797,206)	\$ -	\$ 26,906	\$ (253,534)	\$ (1,023,834)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	138,690	-	-	7,121	145,811
(Increase) decrease in receivables	4,998	252	(5,188)	-	62
(Increase) decrease in inventories	(29,265)	-	2,649	39,940	13,324
Decrease in accounts payable and accrued expenses	(37,735)	(36,124)	(6,662)	(51,552)	(132,073)
Decrease in deferred revenue	(3,976)	-	(80)	-	(4,056)
Decrease in compensated absences	(4,383)	(28,664)	-	(89,274)	(122,321)
Total adjustments	<u>68,329</u>	<u>(64,536)</u>	<u>(9,281)</u>	<u>(93,765)</u>	<u>(99,253)</u>
Net cash provided (used) by operating activities	<u>\$ (728,877)</u>	<u>\$ (64,536)</u>	<u>\$ 17,625</u>	<u>\$ (347,299)</u>	<u>\$ (1,123,087)</u>

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	87
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.	93
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	98
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	105
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	107

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

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 1
NET POSITION BY COMPONENT
(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 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	\$ 202,191,726
Restricted:										
Public works	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	4,648,168
Public safety	2,257,121	1,390,644	950,068	1,365,804	1,821,728	1,144,993	769,875	991,204	875,641	758,012
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	3,126,119
Capital projects	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	8,404,945
Debt reserve	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	7,490,593
Municipal Court Corrections	-	-	-	-	-	-	-	484,534	672,821	430,225
Unrestricted	(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)	(244,263,970)
Total governmental activities net position	\$ 161,685,054	\$ 207,082,336	\$ 216,704,637	\$ 221,050,464	\$ 178,877,670	\$ 129,360,940	\$ 96,009,605	\$ 37,723,943	\$ 11,537,218	\$ (17,214,182)
Business-type activities										
Net investment in capital assets	\$ 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	\$ 28,790,949
Unrestricted	(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)	(3,234,555)
Total business-type activities net position	\$ 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	\$ 25,556,394
Primary government										
Net investment in capital assets	\$ 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	\$ 230,982,675
Restricted	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	24,858,062
Unrestricted	(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)	(247,498,525)
Total primary government net position	\$ 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	\$ 8,342,212

CITY OF MONTGOMERY, ALABAMA

SCHEDULE 2

CHANGES IN NET POSITION

(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Expenses										
Governmental activities:										
General government	\$ 78,931,937	\$ 66,537,712	\$ 66,407,230	\$ 64,197,483	\$ 72,773,403	\$ 92,913,247	\$ 86,120,124	\$ 75,547,042	\$ 76,833,428	\$ 90,220,972
Public works	41,488,912	47,787,350	53,005,558	52,259,298	60,747,459	57,744,148	47,781,026	51,232,910	44,582,467	44,184,691
Public safety	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	91,141,018
Cultural and recreational	21,730,045	24,672,173	20,414,279	23,220,119	30,131,588	27,939,722	33,837,935	33,826,263	34,317,494	32,880,877
Economic development	4,185,554	-	-	-	-	-	-	-	-	-
Interest on long-term debt	7,534,729	7,805,568	9,089,961	11,467,071	11,822,764	11,452,425	10,561,682	14,459,954	12,795,380	11,571,588
Total governmental activities expenses	<u>222,255,752</u>	<u>226,267,769</u>	<u>221,612,696</u>	<u>226,303,755</u>	<u>265,851,396</u>	<u>273,314,644</u>	<u>267,589,273</u>	<u>270,769,254</u>	<u>264,370,583</u>	<u>269,999,146</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	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	18,211,157
Public works	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	18,955,519
Public safety	1,337,736	6,445,108	-	-	-	-	-	-	1,750	1,250
Cultural and recreational	739,958	2,962,792	1,045,697	1,141,386	988,058	916,564	1,237,731	1,518,289	1,325,399	1,178,046
Operating grants and contributions	8,390,585	13,576,462	11,280,471	12,694,612	9,307,772	9,522,821	14,727,336	13,082,354	9,473,816	11,055,114
Capital grants and contributions	5,463,137	22,831,189	19,777,090	9,351,999	5,859,738	10,074,229	21,969,518	11,386,411	9,390,530	6,179,104
Total governmental activities program revenues	<u>82,806,868</u>	<u>108,586,949</u>	<u>87,133,155</u>	<u>80,131,470</u>	<u>76,372,193</u>	<u>86,457,237</u>	<u>73,814,247</u>	<u>59,067,051</u>	<u>55,288,296</u>	<u>55,580,190</u>
Total primary government net expense	<u>(139,448,884)</u>	<u>(117,680,820)</u>	<u>(134,479,541)</u>	<u>(146,172,285)</u>	<u>(189,479,203)</u>	<u>(186,857,407)</u>	<u>(193,775,026)</u>	<u>(211,702,203)</u>	<u>(209,082,287)</u>	<u>(214,418,956)</u>
General revenues and other changes in net position										
Governmental activities:										
Taxes:										
Sales taxes	88,388,951	93,272,301	96,432,102	98,174,542	93,799,356	83,980,254	86,150,767	88,699,968	91,159,140	93,635,244
Property taxes	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	29,394,346
Business license taxes	-	-	-	-	-	-	30,482,588	31,366,586	32,630,148	32,949,782
Motor fuel taxes	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	7,770,057
Lodging taxes	4,425,295	5,099,540	5,656,263	5,444,264	5,550,268	5,269,547	5,578,274	5,712,415	6,061,073	6,217,583
Rental taxes	-	-	-	-	-	1,764,595	3,285,663	3,337,930	3,298,583	3,395,139
Tobacco taxes	791,787	1,951,430	1,781,887	1,761,227	1,619,508	1,411,990	1,438,763	1,451,072	1,426,532	1,495,410
Alcoholic beverage taxes	183,272	210,227	177,033	248,883	227,511	254,164	234,501	276,837	291,270	391,566
Grants and contributions not restricted to specific programs	118,246	122,422	131,995	158,378	141,631	186,693	199,092	206,561	374,097	114,298
Investment earnings	844,348	2,191,059	5,937,376	6,875,303	3,862,641	425,825	50,449	124,557	64,461	24,626
Miscellaneous revenue	4,172,305	5,397,967	6,189,366	5,514,223	6,531,834	5,794,279	6,905,175	7,734,015	12,465,707	10,027,818
Gain on sale of assets	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	(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)	251,687
Total governmental activities general revenues and other changes in net position	<u>132,860,095</u>	<u>154,476,159</u>	<u>144,101,842</u>	<u>150,518,112</u>	<u>145,906,409</u>	<u>138,040,677</u>	<u>160,423,691</u>	<u>153,416,541</u>	<u>182,895,562</u>	<u>185,667,556</u>
Total governmental activities change in net position	<u>\$ (6,588,789)</u>	<u>\$ 36,795,339</u>	<u>\$ 9,622,301</u>	<u>\$ 4,345,827</u>	<u>\$ (43,572,794)</u>	<u>\$ (48,816,730)</u>	<u>\$ (33,351,335)</u>	<u>\$ (58,285,662)</u>	<u>\$ (26,186,725)</u>	<u>\$ (28,751,400)</u>

(Continued)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type activities										
Expenses										
Montgomery Area Transit System	\$ 1,163,388	\$ 1,306,932	\$ 1,741,793	\$ 1,749,082	\$ 2,194,586	\$ 3,205,634	\$ 2,291,121	\$ 3,516,281	\$ 2,893,071	\$ 2,968,117
Montgomery Zoo	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	4,314,540
Municipal Golf	1,999,766	2,170,024	2,803,024	3,043,118	3,290,143	2,932,109	2,014,501	2,343,402	2,099,827	2,100,103
Civic Center	3,121,091	609,091	-	-	-	-	-	-	-	-
Municipal Parking Decks	201,244	203,308	199,525	217,947	266,244	318,963	348,955	330,042	383,818	-
Montgomery River Boat	-	-	-	-	-	553,658	858,102	764,208	657,438	696,408
Food Services	-	-	-	-	-	-	-	-	1,730,374	1,086,281
Total business-type activities expenses	<u>11,420,013</u>	<u>9,524,662</u>	<u>10,376,725</u>	<u>10,964,060</u>	<u>11,974,568</u>	<u>12,720,092</u>	<u>11,402,441</u>	<u>12,914,682</u>	<u>11,921,776</u>	<u>11,165,449</u>
Revenues										
Charges for services:										
Montgomery Area Transit System	551,530	629,508	613,269	605,931	750,752	800,896	761,053	746,779	892,983	1,043,162
Montgomery Zoo	2,478,257	2,524,089	2,685,908	2,931,547	3,284,339	2,553,288	2,719,497	3,144,888	2,157,345	2,647,074
Municipal Golf	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	1,237,161
Civic Center	2,319,784	495,378	-	-	-	-	-	-	-	-
Municipal Parking Decks	155,138	159,087	152,555	99,604	56,369	62,302	230,980	322,179	280,769	-
Montgomery River Boat	-	-	-	-	-	564,180	691,978	739,255	804,468	723,314
Food Services	-	-	-	-	-	-	-	-	1,311,857	832,747
Total business-type activities revenues	<u>6,637,963</u>	<u>4,749,225</u>	<u>4,521,549</u>	<u>4,984,790</u>	<u>5,619,802</u>	<u>5,353,480</u>	<u>5,287,416</u>	<u>6,120,231</u>	<u>6,694,802</u>	<u>6,483,458</u>
Total business-type activities net program expense	<u>(4,782,050)</u>	<u>(4,775,437)</u>	<u>(5,855,176)</u>	<u>(5,979,270)</u>	<u>(6,354,766)</u>	<u>(7,366,612)</u>	<u>(6,115,025)</u>	<u>(6,794,451)</u>	<u>(5,226,974)</u>	<u>(4,681,991)</u>
Other changes in net position										
Investment earnings	779	8,341	11,288	16,432	15,679	3,329	391	372	411	-
Miscellaneous revenue	-	-	-	-	-	-	-	37,300	-	-
Capital contributions	-	-	-	-	-	11,085	-	-	-	-
Gain on sale of assets	-	35,042	-	-	-	-	-	-	36,441	-
Transfers	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	(251,334)
	<u>3,882,521</u>	<u>(12,265,167)</u>	<u>7,625,250</u>	<u>4,829,398</u>	<u>4,769,481</u>	<u>4,263,660</u>	<u>13,762,493</u>	<u>24,629,114</u>	<u>2,739,866</u>	<u>(251,334)</u>
Total business-type activities change in net position	<u>\$ (899,529)</u>	<u>\$ (17,040,604)</u>	<u>\$ 1,770,074</u>	<u>\$ (1,149,872)</u>	<u>\$ (1,585,285)</u>	<u>\$ (3,102,952)</u>	<u>\$ 7,647,468</u>	<u>\$ 17,834,663</u>	<u>\$ (2,487,108)</u>	<u>\$ (4,933,325)</u>
Total primary government change in net position	<u>\$ (7,488,318)</u>	<u>\$ 19,754,735</u>	<u>\$ 11,392,375</u>	<u>\$ 3,195,955</u>	<u>\$ (45,158,079)</u>	<u>\$ (51,919,682)</u>	<u>\$ (25,703,867)</u>	<u>\$ (40,450,999)</u>	<u>\$ (28,673,833)</u>	<u>\$ (33,684,725)</u>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Reserved	\$ 2,122,008	\$ 2,517,653	\$ 3,234,275	\$ 2,536,789	\$ 2,538,295	\$ 3,006,134	\$ 4,180,402	\$ -	\$ -	\$ -
Unreserved, designated	4,852,300	4,852,300	4,852,300	4,852,300	4,852,300	12,480,127	5,580,127	-	-	-
Unreserved	22,097,748	39,562,340	46,083,120	48,725,745	36,114,095	18,322,084	(370,572)	-	-	-
Nonspendable:										
Inventories	-	-	-	-	-	-	-	1,216,275	1,282,344	1,172,223
Long-term receivables	-	-	-	-	-	-	-	6,016,006	9,048,715	8,171,171
Prepaid items	-	-	-	-	-	-	-	156,915	107,386	36,048
Assigned to other	-	-	-	-	-	-	-	3,110	-	-
Unassigned	-	-	-	-	-	-	-	(2,147,624)	(4,685,090)	5,750,888
Total general fund	<u>\$ 29,072,056</u>	<u>\$ 46,932,293</u>	<u>\$ 54,169,695</u>	<u>\$ 56,114,834</u>	<u>\$ 43,504,690</u>	<u>\$ 33,808,345</u>	<u>\$ 9,389,957</u>	<u>\$ 5,244,682</u>	<u>\$ 5,753,355</u>	<u>\$ 15,130,330</u>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
All other governmental funds										
Reserved	\$ 15,458,107	\$ 13,192,117	\$ 17,436,580	\$ 8,184,796	\$ 12,773,443	\$ 5,912,466	\$ 13,248,404	\$ -	\$ -	\$ -
Unreserved, designated, reported in:										
Debt service funds	2,760,685	4,443,282	4,137,141	2,808,696	2,351,976	2,501,349	2,000,065	-	-	-
Capital projects funds	-	50,000	50,000	-	-	-	-	-	-	-
Unreserved, undesignated, reported in:										
Capital projects funds	13,471,615	40,427,193	54,274,757	80,089,520	56,863,500	27,053,980	64,274,507	-	-	-
Special revenue funds	4,269,007	(450,272)	(639,014)	8,114,287	9,332,375	5,987,202	2,376,183	-	-	-
Nonspendable:										
Assets held for resale	-	-	-	-	-	-	-	856,500	664,500	533,600
Inventories	-	-	-	-	-	-	-	-	-	-
Long-term receivables	-	-	-	-	-	-	-	1,126	1,126	201,126
Prepaid items	-	-	-	-	-	-	-	87,132	50,278	16,048
Restricted for:										
Capital projects	-	-	-	-	-	-	-	34,834,191	9,806,574	9,384,544
Debt service	-	-	-	-	-	-	-	2,506,239	2,139,717	1,212,885
Intergovernmental	-	-	-	-	-	-	-	2,600,889	6,802,355	4,192,108
Landfill	-	-	-	-	-	-	-	2,015,410	865,984	4,364,550
Municipal Court Corrections	-	-	-	-	-	-	-	484,534	672,821	469,090
Riverfront Stadium	-	-	-	-	-	-	-	4,506,503	3,047,947	2,842,834
Roads	-	-	-	-	-	-	-	448,962	-	-
Other	-	-	-	-	-	-	-	13,083	11,744	8,155
Assigned to:										
Capital projects	-	-	-	-	-	-	-	678,527	-	108,715
Other	-	-	-	-	-	-	-	99,205	253,295	-
Unassigned	-	-	-	-	-	-	-	(4,140,529)	(1,657,915)	(1,668,547)
Total all other governmental funds	\$ 35,959,414	\$ 57,662,320	\$ 75,259,464	\$ 99,197,299	\$ 81,321,294	\$ 41,454,997	\$ 81,899,159	\$ 44,991,772	\$ 22,658,426	\$ 21,665,108

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 123,263,827	\$ 134,300,376	\$ 139,457,067	\$ 142,741,429	\$ 139,800,947	\$ 131,983,126	\$ 136,401,849	\$ 138,416,498	\$ 139,762,358	\$ 142,299,345
Licenses and permits	32,414,716	31,241,991	33,263,521	35,066,083	37,956,968	37,874,584	38,269,290	38,943,003	40,233,482	40,745,775
Intergovernmental revenues	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	22,877,080
Charges and fees for services	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	18,120,872
Fines and forfeitures	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	8,071,750
Interest	808,659	2,138,199	5,780,989	6,766,329	3,862,641	425,830	50,446	124,557	64,461	24,626
Miscellaneous	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	7,918,093
Total revenues	<u>195,541,399</u>	<u>215,085,126</u>	<u>229,326,054</u>	<u>229,311,511</u>	<u>224,518,365</u>	<u>221,864,655</u>	<u>238,827,189</u>	<u>232,407,983</u>	<u>237,990,505</u>	<u>240,057,541</u>
Expenditures										
Current:										
General government	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	55,517,932
Public works	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	40,563,256
Public safety	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	82,176,920
Cultural and recreational	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	30,381,600
Economic development	4,185,121	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	5,614,812	3,088,263	3,870,401	25,666,518	14,594,405	4,214,102	2,649,743	13,176,451
Capital projects	28,487,344	22,038,981	19,431,041	21,074,966	22,574,761	19,903,596	22,953,351	35,497,808	23,519,971	8,267,765
Debt service:										
Principal payments	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	14,285,642
Interest	6,686,245	6,709,210	8,440,090	11,030,577	11,794,593	11,324,313	10,936,652	13,660,258	13,279,429	12,020,002
Debt issuance costs	642,647	964,232	570,965	546,817	-	-	1,011,871	409,212	5,000	888,563
Total expenditures	<u>233,417,475</u>	<u>212,068,036</u>	<u>237,564,891</u>	<u>245,196,147</u>	<u>253,233,755</u>	<u>273,923,437</u>	<u>267,065,446</u>	<u>265,609,155</u>	<u>266,353,786</u>	<u>257,278,131</u>
Excess of revenue over (under) expenditures	<u>(37,876,076)</u>	<u>3,017,090</u>	<u>(8,238,837)</u>	<u>(15,884,636)</u>	<u>(28,715,390)</u>	<u>(52,058,782)</u>	<u>(28,238,257)</u>	<u>(33,201,172)</u>	<u>(28,363,281)</u>	<u>(17,220,590)</u>
Other financing sources (uses)										
Proceeds from sale of assets	-	-	217,810	499,260	461,044	209,170	177,871	413,709	462,131	554,770
Transfers in	37,125,537	25,252,973	32,220,327	52,478,773	36,134,376	53,853,006	46,527,332	39,962,038	29,721,790	41,971,370
Transfers out	(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)	(51,828,388)
Capital leases	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	4,003,234
Bond anticipation notes	8,106,054	-	-	-	-	-	-	-	-	-
Issuance of bonds	26,690,000	32,500,000	37,055,000	44,400,000	-	5,000,000	64,905,000	-	511,480	29,583,757
Issuance of refunding bonds	-	26,035,000	-	-	-	-	42,090,000	38,760,000	-	76,946,243
Issuance of notes payable	-	-	-	-	-	-	-	-	-	952,351
Payment to refunded bonds escrow agent	-	(25,267,700)	-	-	-	-	(39,108,572)	(40,886,025)	-	(76,946,243)
Bond premium and discount, net	-	509,672	160,270	208,215	-	-	4,939,685	2,551,006	-	367,153
Total other financing sources (uses)	<u>30,986,593</u>	<u>27,294,738</u>	<u>33,073,383</u>	<u>41,767,610</u>	<u>(2,470,759)</u>	<u>2,504,890</u>	<u>44,264,031</u>	<u>(7,851,490)</u>	<u>6,538,608</u>	<u>25,604,247</u>
Net change in fund balance	<u>\$ (6,889,483)</u>	<u>\$ 30,311,828</u>	<u>\$ 24,834,546</u>	<u>\$ 25,882,974</u>	<u>\$ (31,186,149)</u>	<u>\$ (49,553,892)</u>	<u>\$ 16,025,774</u>	<u>\$ (41,052,662)</u>	<u>\$ (21,824,673)</u>	<u>\$ 8,383,657</u>
Debt service as a percentage of noncapital expenditures	14.43%	6.69%	7.34%	10.52%	10.45%	11.98%	12.28%	10.89%	10.91%	11.04%

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

Fiscal Year	City Sales Tax	Real and Personal Property Tax	Motor Fuel Tax	Lodging Tax	Alcoholic Beverage Tax	Tobacco Tax	Rental Tax	Total
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
2013	93,635,244	29,394,346	7,770,057	6,217,583	391,566	1,495,410	3,395,139	142,299,345

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 6
NET TAXABLE SALES BY CATEGORY

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General merchandise	\$ 2,348,673,951	\$ 2,481,480,428	\$ 2,556,259,577	\$ 2,580,287,236	\$ 2,485,139,504	\$ 2,259,586,708	\$ 2,262,566,175	\$ 2,339,761,197	\$ 2,385,494,258	\$ 2,435,808,044
Auto and agriculture	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	497,452,400
Manufacturing machine	45,282,889	47,028,557	68,243,989	82,408,703	69,707,851	52,592,609	141,720,419	90,271,143	116,039,303	124,393,644
Totals	\$ 2,825,388,111	\$ 2,976,320,496	\$ 3,086,001,763	\$ 3,149,179,186	\$ 2,975,394,225	\$ 2,635,344,266	\$ 2,762,754,073	\$ 2,845,124,420	\$ 2,952,657,475	\$ 3,057,654,088
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

	2004			2005			2006		
	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	\$ 82,203,608	5,356	25.36%	\$ 86,851,656	5,524	23.65%	\$ 89,469,104	5,546	22.86%
Auto and agriculture	5,392,892	165	67.28%	5,597,645	175	66.59%	5,768,728	182	67.03%
Manufacturing machine	792,451	283	35.75%	823,000	270	40.74%	1,194,270	257	52.99%
Totals	<u>\$ 88,388,951</u>	<u>5,804</u>		<u>\$ 93,272,301</u>	<u>5,969</u>		<u>\$ 96,432,102</u>	<u>5,985</u>	
	2007			2008			2009		
	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	\$ 90,622,355	6,544	22.80%	\$ 87,322,631	6,327	21.87%	\$ 78,160,260	6,311	23.25%
Auto and agriculture	6,110,034	262	66.95%	5,256,837	251	67.53%	4,723,801	276	59.06%
Manufacturing machine	1,442,153	362	63.34%	1,219,888	360	51.55%	1,096,193	352	53.75%
Totals	<u>\$ 98,174,542</u>	<u>7,168</u>		<u>\$ 93,799,356</u>	<u>6,938</u>		<u>\$ 83,980,254</u>	<u>6,939</u>	
	2010			2011			2012		
	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	\$ 79,189,817	6,082	24.33%	\$ 81,931,572	6,045	22.24%	\$ 83,489,402	6,198	22.85%
Auto and agriculture	4,480,843	216	62.29%	5,188,651	211	69.23%	5,639,050	228	30.81%
Manufacturing machine	2,480,107	348	54.80%	1,579,745	354	62.10%	2,030,688	350	72.62%
Totals	<u>\$ 86,150,767</u>	<u>6,646</u>		<u>\$ 88,699,968</u>	<u>6,610</u>		<u>\$ 91,159,140</u>	<u>6,776</u>	
	2013								
	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers						
General merchandise	\$ 85,253,282	6,183	22.72%						
Auto and agriculture	6,218,155	228	56.91%						
Manufacturing machine	2,176,889	376	81.00%						
Totals	<u>\$ 93,648,326</u>	<u>6,787</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

Fiscal Year	City Direct Rate	Montgomery County	State of Alabama	Total Sales Tax
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%
2013	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	2004		2005		2006		2007		2008		2009		2010		2011		2012		2013	
	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	6.61%	1	6.42%	1	6.44%	1	6.88%	1	6.06%	1	6.36%	1	6.98%	1	6.64%	1	6.28%	1	5.91%
Winn Dixie of Montgomery	2	3.93%	2	3.54%	2	2.84%	3	2.68%	2	2.71%	2	2.95%	5	2.77%	3	2.56%	5	2.33%	5	2.38%
Brunos Super Markets	4	2.70%	4	2.44%	5	1.54%	7	1.17%	5	1.20%	-	-	-	-	-	-	-	-	-	-
Sams East	3	2.94%	3	2.87%	3	2.83%	2	2.78%	3	2.59%	4	2.81%	3	3.32%	4	2.52%	4	2.52%	4	2.49%
Gayfers/Dillard's	9	1.09%	-	-	-	-	-	-	8	1.09%	6	1.27%	9	1.28%	-	-	9	1.23%	9	1.19%
Lowe's of Montgomery	5	1.51%	6	1.46%	6	1.38%	6	1.31%	6	1.20%	8	1.14%	6	2.23%	5	2.12%	7	1.99%	-	-
Home Depot USA, Inc.	6	1.43%	5	1.50%	8	1.18%	9	0.91%	-	-	10	0.79%	-	-	-	-	-	-	-	-
Sears Roebuck and Company	7	1.20%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capitol Chevrolet/IMF, Inc.	-	-	9	0.88%	-	-	-	-	-	-	-	-	7	1.86%	6	2.08%	-	-	6	2.04%
Parisian	-	-	10	0.85%	10	0.91%	10	0.87%	-	-	-	-	-	-	-	-	6	2.05%	-	-
Target Store	8	1.18%	7	1.19%	7	1.32%	5	1.36%	7	1.19%	7	1.21%	10	1.21%	10	1.20%	10	1.19%	10	1.13%
Best Buy Stores, LP	10	1.00%	8	0.93%	9	0.98%	8	0.95%	10	0.93%	9	0.91%	-	-	-	-	-	-	-	-
Publix Alabama, LLC	-	-	-	-	4	1.80%	4	2.13%	4	2.43%	3	2.89%	4	3.14%	2	3.10%	2	3.14%	3	3.02%
Costco Wholesale	-	-	-	-	-	-	-	-	9	0.97%	5	1.31%	8	1.50%	8	1.64%	8	1.82%	8	1.97%
Hyundai Manufacturing	-	-	-	-	-	-	-	-	-	-	-	-	2	3.93%	9	1.62%	3	2.89%	2	4.22%
Jack Ingram Motors, Co.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7	1.89%	-	-	7	1.98%
Totals		<u>23.59%</u>		<u>22.08%</u>		<u>21.22%</u>		<u>21.04%</u>		<u>20.37%</u>		<u>21.64%</u>		<u>28.22%</u>		<u>25.37%</u>		<u>25.44%</u>		<u>26.33%</u>

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 (c)	Liability Per Capita Population (c)
	General Obligation Bonds (a)	Revenue Warrants	Capital Leases				
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
2013	291,865,815	-	18,956,267	310,822,082	10.17%	6.37%	1,510.58

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

(a) General Obligation Bonds presented net of deferred amounts.

(b) See Schedule 6 for net taxable sales.

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

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

Fiscal Year	General Obligation Bonds (a)	Less: Amount Available in Debt Service Fund (b)	Total	Percentage of Net Taxable Sales (c)	Liability Per Capita Population (d)
2004	\$ 109,175,000	\$ 2,760,685	\$ 106,414,315	3.77%	\$ 527.93
2005	141,665,000	4,443,282	137,221,718	4.61%	680.77
2006	175,655,539	4,137,141	171,518,398	5.56%	850.92
2007	213,266,350	2,808,696	210,457,654	6.68%	1,044.10
2008	205,882,794	2,351,976	203,530,818	6.84%	1,009.74
2009	202,564,561	2,501,349	200,063,212	7.59%	992.53
2010	265,981,223	2,000,065	263,981,158	9.56%	1,282.93
2011	260,253,900	2,506,239	257,747,661	9.06%	1,252.64
2012	254,266,917	2,139,717	252,127,200	8.54%	1,225.32
2013	291,865,815	1,212,885	290,652,930	9.84%	1,412.55

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

- (a) General Obligation Bonds presented net of deferred amounts.
- (b) This is the amount restricted for debt service principal payments.
- (c) See Schedule 6 for net taxable sales.
- (d) See Schedule 15 for population data.

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>2004</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 147,249,571	100.000%	\$ 147,249,571
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>44,500,000</u>	87.43%	<u>38,906,350</u>
Total direct and overlapping debt	<u>\$ 191,749,571</u>		<u>\$ 186,155,921</u>
<u>2005</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 177,327,445	100.000%	\$ 177,327,445
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>41,270,000</u>	85.81%	<u>35,413,787</u>
Total direct and overlapping debt	<u>\$ 218,597,445</u>		<u>\$ 212,741,232</u>
<u>2006</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 211,147,076	100.00%	\$ 211,147,076
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>112,877,677</u>	85.03%	<u>95,976,480</u>
Total direct and overlapping debt	<u>\$ 324,024,753</u>		<u>\$ 307,123,556</u>
<u>2007</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 250,054,356	100.00%	\$ 250,054,356
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>144,875,820</u>	85.02%	<u>123,179,018</u>
Total direct and overlapping debt	<u>\$ 394,930,176</u>		<u>\$ 373,233,374</u>

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>2008</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 243,604,900	100.00%	\$ 243,604,900
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>140,090,000</u>	79.48%	<u>111,336,779</u>
Total direct and overlapping debt	<u>\$ 383,694,900</u>		<u>\$ 354,941,679</u>
<u>2009</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 234,395,387	100.00%	\$ 234,395,387
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>136,055,000</u>	85.58%	<u>116,433,543</u>
Total direct and overlapping debt	<u>\$ 370,450,387</u>		<u>\$ 350,828,930</u>
<u>2010</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 295,189,353	100.00%	\$ 295,189,353
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>132,070,000</u>	86.81%	<u>114,648,161</u>
Total direct and overlapping debt	<u>\$ 427,259,353</u>		<u>\$ 409,837,514</u>
<u>2011</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 288,829,635	100.00%	\$ 288,829,635
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>128,015,000</u>	87.46%	<u>111,966,226</u>
Total direct and overlapping debt	<u>\$ 416,844,635</u>		<u>\$ 400,795,861</u>

CITY OF MONTGOMERY, ALABAMA

SCHEDULE 12

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (CONTINUED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>2012</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 291,947,980	100.00%	\$ 291,947,980
Overlapping			
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>
<u>2013</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 311,777,433	100.00%	\$ 311,777,433
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>121,235,000</u>	86.75%	<u>105,174,488</u>
Total direct and overlapping debt	<u>\$ 433,012,433</u>		<u>\$ 416,951,921</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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 355,876,420	\$ 390,490,584	\$ 453,968,000	\$ 453,972,540	\$ 549,783,152	\$ 565,013,780	\$ 559,440,631	\$ 551,311,856	\$ 524,101,032	\$ 531,082,554
Total net debt applicable to limit	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	249,669,288
Legal debt margin	<u>\$ 227,626,849</u>	<u>\$ 232,163,139</u>	<u>\$ 261,056,463</u>	<u>\$ 264,378,397</u>	<u>\$ 364,352,376</u>	<u>\$ 386,411,616</u>	<u>\$ 335,152,559</u>	<u>\$ 330,921,255</u>	<u>\$ 286,728,458</u>	<u>\$ 281,413,266</u>
Total net debt applicable to the limit as a percentage of debt limit	36.04%	40.55%	42.49%	41.76%	33.73%	31.61%	40.09%	39.98%	45.29%	47.01%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed property value	<u>\$ 2,655,412,772</u>
Debt limit (20% of assessed property value)	<u>\$ 531,082,554</u>
Debt applicable to limit:	
General obligation debt including capital leases	\$ 310,822,082
Less: Debt attributable to construction of school houses	<u>(61,152,794)</u>
Total net debt applicable to limit	<u>249,669,288</u>
Legal debt margin	<u>\$ 281,413,266</u>

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 14
PLEDGED-REVENUE COVERAGE

Fiscal Year	Revenue Warrants			Coverage
	Lodging Tax Revenue	Debt Service		
		Principal	Interest	
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
2013	1,805,041	340,000	523,606	2.09

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. The warrants were defeased in November 2012 with the issuance of the General Obligation Warrants, Series 2012-A and 2012-B.

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 15
DEMOGRAPHIC AND ECONOMIC STATISTICS

Calendar Year	Population	Personal Income	Per Capita Personal Income	School Enrollment	Montgomery County Unemployment Rate
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%
2013	205,764	4,880,927,844	23,721	31,316	7.1%

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>2004</u>		<u>2013</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	12,280	6.31%	12,280	6.48%
State of Alabama	9,500	4.88%	11,830	6.24%
Montgomery Public Schools	3,700	1.90%	4,524	2.39%
Baptist Health Systems	4,300	2.21%	4,300	2.27%
Hyundai Motor Manufacturing AL	2,700	1.39%	3,100	1.64%
ALFA Insurance Companies	2,568	1.32%	2,568	1.36%
City of Montgomery	2,500	1.28%	2,500	1.32%
Jackson Hospital & Clinic, Inc.	1,300	0.67%	1,300	0.69%
MOBIS Alabama, LLC	-	0.00%	1,221	0.64%
Rheem Water Heaters	1,050	0.54%	1,173	0.62%
754th Electronic Systems Group	1,943	1.00%	-	0.00%
Totals	<u>41,841</u>	<u>21.50%</u>	<u>44,796</u>	<u>23.65%</u>

Source: Montgomery Chamber of Commerce.

Note: This schedule presents 2013 compared to 2004.

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

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of September 30</u>									
	<u>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>	<u>2013</u>
General government:										
Mayor	6	6	6	6	6	5	6	8	8	8
City Clerk	3	3	3	3	4	4	4	4	4	3
City Attorney	8	5	9	9	13	7	11	11	8	8
City Investigation	-	-	-	-	-	-	-	-	3	3
Development	-	-	-	-	-	-	-	-	2	2
Finance	76	69	76	55	59	54	55	57	54	51
Information Technology	-	-	-	19	24	14	20	21	19	29
Garage	77	77	77	80	75	78	74	63	61	64
Municipal Court	31	40	40	43	48	52	49	48	46	44
Municipal Parking Deck	2	2	2	3	4	5	5	6	6	13
Planning and Development	37	35	36	38	36	36	34	35	31	32
Risk Management	-	-	-	-	-	-	-	-	-	6
311 Call Center	-	-	-	-	-	-	-	-	-	5
Public safety:										
Police:										
Officers	527	501	483	485	512	507	500	528	523	523
Civilians	191	143	141	142	147	173	168	207	161	136
Fire:										
Officers	550	550	537	515	542	539	496	550	551	552
Civilians	24	7	7	7	8	9	8	9	9	8
City/County Emergency Mgt. Agency	3	3	3	4	3	5	11	11	11	5
Communications	-	84	85	79	88	86	81	77	72	48
Public works:										
Engineering	88	88	87	89	87	26	25	26	23	21
Inspections	-	-	-	-	-	38	36	37	35	35
Landfill	-	-	-	-	-	20	21	21	19	18
Maintenance	326	340	324	313	326	276	201	207	195	193
Sanitation	324	322	323	336	311	316	281	289	262	246
Traffic Engineering	42	41	43	45	44	41	42	41	42	38
Cultural and recreational:										
Parks and Recreation	318	304	306	304	294	286	267	251	260	253
Civic Center	43	6	-	-	-	-	-	-	-	-
Downtown Redevelopment	-	-	6	9	9	8	8	9	-	-
Food Services	-	-	-	-	-	-	-	-	16	5
Lagoon and Gateway Parks	30	30	41	41	42	31	28	24	14	11
Leisure Department - Building Maintenance	-	-	-	-	-	103	67	68	61	60
Library	67	72	67	67	67	65	63	63	61	62
Montgomery Zoo	92	82	91	92	87	92	89	75	51	45
Museum	38	39	36	37	40	36	34	37	37	37
Old Alabama Town	-	-	4	4	4	4	-	-	-	-
Public Information and External Affairs	-	-	-	-	-	4	4	4	4	4
Total	2,903	2,849	2,833	2,825	2,880	2,920	2,688	2,787	2,649	2,568

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government:										
Business licenses issued	17,092	17,264	17,664	17,811	16,909	16,922	15,353	14,975	14,826	14,741
Building permits issued	11,237	12,457	11,176	10,649	7,813	5,919	6,578	6,705	6,834	7,554
Public safety:										
Police:										
Physical arrests	7,378	8,773	8,423	10,104	6,981	10,436	11,493	11,003	15,982	13,973
Parking violations	74,816	77,476	77,205	68,667	73,006	57,674	51,744	51,744	31,754	37,022
Traffic violations	50,603	46,244	56,777	66,669	119,416	117,158	104,462	104,462	108,143	87,425
Fire:										
Emergency responses	26,248	27,564	29,042	30,032	30,211	28,578	25,510	26,043	26,972	24,155
Fires extinguished	4,608	5,487	5,341	5,236	5,666	5,006	5,339	4,959	4,786	4,930
Inspections	20,622	19,178	24,122	28,792	18,140	18,966	15,661	17,940	18,787	18,425
Public works:										
Refuse collected (tons per year)	152,463	141,959	132,813	130,537	132,645	123,504	112,889	114,310	111,049	112,676
Recyclables collected (tons per year)	2,052	2,225	2,222	2,185	2,690	2,775	1,275	578	581	559
Streets resurfaced (tons of paving material)	46,400	43,680	52,884	42,885	44,228	44,247	28,023	30,055	25,739	42,109
Transit:										
Passengers	632,277	749,554	907,999	1,086,762	1,328,459	1,336,936	1,361,928	1,202,482	1,036,087	958,023
Cultural and recreational:										
Library:										
Total circulation	447,157	471,328	497,872	445,882	458,072	450,285	448,993	446,657	416,320	390,571
Parks and Recreation:										
Golf rounds played	29,277	25,386	27,926	39,871	39,926	40,053	40,108	38,922	24,740	37,017
Youth baseball/softball games played	6,189	6,296	6,231	6,278	6,295	6,361	6,291	6,351	6,415	6,435
League and tournament games played	2,970	2,663	2,845	2,920	2,935	2,568	3,018	2,782	2,840	2,865
Games played in athletic facilities:										
Basketball	750	739	765	790	810	825	832	912	1,028	292
Volleyball	58	58	58	75	84	75	82	86	215	167
Football	377	375	378	385	395	408	415	421	450	41
Soccer	1,205	1,230	1,245	1,275	1,290	1,305	1,320	1,358	1,460	1,620
Kickball	-	-	-	-	-	-	-	-	-	75

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>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>	<u>2013</u>
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol cars	260	270	270	224	224	248	216	223	235	240
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	1,118
Traffic signals	406	420	429	438	438	470	474	478	483	436
Street lights	27,682	27,812	27,906	28,011	28,230	29,013	29,057	28,981	29,000	29,012
Refuse collection trucks	136	119	134	130	128	125	130	125	127	129
Transit:										
Busses	55	43	43	43	50	50	45	55	48	48
Cultural and recreational:										
Acreage	1,690	1,720	1,722	1,722	1,822	1,827	1,836	1,836	1,836	1,857
Golf courses (acres)	410	410	610	610	610	610	610	610	610	610
Playgrounds	60	60	60	58	58	55	54	52	52	52
Baseball/softball fields	84	84	84	90	90	87	87	87	87	87
Tennis courts	42	42	42	42	42	46	46	46	46	46
Special facilities	6	6	6	6	6	6	6	6	7	7
Community centers	28	28	28	28	28	28	26	26	26	23

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.