

CITY OF MONTGOMERY, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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

CITY OF MONTGOMERY, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2018

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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 Richard Bollinger Arch Lee
Tracy Larkin - Pro Tem Audrey Graham Brantley Lyons
Fred F. Bell William Green, Jr. Glenn Pruitt, Jr.

February 26, 2019

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, 2018. 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 the requirement for the fiscal year ended September 30, 2018. The accounting firm of Jackson Thornton was selected to conduct the 2018 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 2 CFR 200 (Uniform Guidance). The auditors' report on the basic financial statements is included in 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, the Solid Waste Disposal Authority of the City of Montgomery, the Alabama Capital Region Solid Waste Disposal Authority, and the Emergency Communications District 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 2,400 jobs in the region. Additionally, local colleges and universities have given rise to a growing economy in the City.

Manufacturing growth continues to drive the local economy. In fiscal year 2018, the manufacturing sector represented over 10% of jobs in the region. The housing market also remained firm with home sales stable and average sales prices increasing slightly in fiscal year 2018.

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 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. The local economy is buffered by the presence of local, state, and federal governments, including two military bases. The unemployment rate for Montgomery was relatively unchanged increasing from 3.3% to 3.7% in 2018. The economy continues to rebound from the earlier recessionary times and in 2018, sales tax receipts in the City increased over the previous year 1.7%. Lodging tax collections increased by 17.2% over 2017 collections, some of which resulted from an increase in our lodging tax rate from 10% to 11% effective November 1, 2017. Real and personal property taxes were up from 2017 almost 3%, due partly to expiring property tax abatements related to Hyundai projects.

The face of Downtown Montgomery continued to change in 2018. The occupancy rate for the central business district continues to increase due to the revitalization of buildings for residential housing and retail businesses. The Convention Center is still boosting 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 and the Biscuits recently won an award for the best minor league team name (by the Sporting News). They also hosted the Southern League playoffs in 2018.

The City’s economic development continued to expand in 2018 as outlined below:

- (1) New capital investments in excess of \$540,000,000 for the creation of new industry and expansion of existing industries that is expected to bring approximately 700 additional jobs to the region. The new and expanded industries include the following:

<u>Company</u>	<u>Capital Investments</u>	<u># Jobs</u>
Blue Novis	\$ -	78
C2 Technologies	-	20
Repower South Montgomery	7,800,000	67
Shinsung NVH	2,000,000	20
Sun Meadows	1,000,000	30
Acme Brick Company	3,900,000	-
A-Hiteco	4,550,000	90
Alabama National Guard	37,000,000	-
Coca Cola UNITED Production	9,000,000	6
DAS North America	13,000,000	75
Flowers Bakery of Montgomery	4,000,000	-
Giles Food Service Equipment	-	10
Guardian Credit Union Operations Center	-	20
Hager Companies	2,290,000	-
Hyundai Motor Manufacturing Alabama, LLC	388,000,000	75
Hyundai Power Transformers	44,000,000	86
Industrial Automation	-	10
Ju-Young Manufacturing	-	30
MOBIS Alabama, LLC	10,700,000	-
Ridley Block Operations	3,400,000	-
MS Companies	-	31
Seoyon E. Hwa	8,000,000	-
Warehouse Services	-	10
Whitfield Foods, Inc.	7,400,000	24
TK, LLC	490,000	-

- (2) The City recently hosted the fifth annual Camellia Bowl with teams from Conference USA and the Sunbelt Conference. Of 39 bowl games overall, the Camellia Bowl was ranked as the 8th best by CBS Sports in 2018.
- (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) Montgomery’s 187th Fighter Wing was selected after being one of the five Air National Guard sites to be considered for the new F-35 Lightning II jet, the newest, technologically advanced fighter in the nation’s military arsenal, to replace their retiring aircraft.

- (5) In 2016 the City established an Internet Exchange for the purposes of optimizing local internet traffic in the area. In 2017, the Internet Exchange added ISP giant Hurricane Electric and increased traffic handling capabilities to a potential of 100 Gigabits per second. The new Internet Exchange began its first year with three participants and that has grown to 30. The growth is attracting new Internet Service Providers and content providers (including Facebook and Cloudflair) who are offering better services at competitive prices.
- (6) The Montgomery Zoo opened a Stingray Bay exhibit in 2018. With this addition the zoo is expecting to attract new and repeat visitors. The Montgomery Zoo continues with its next fundraising campaign where the funds will go towards the construction of a new Reptile facility. The Montgomery Zoo continues to be a prominent family venue for citizens of Montgomery and the River Region.
- (7) The City's location along the Alabama River and extensive rail connections makes Montgomery a regional distribution hub for a wide range of industries.
- (8) The City of Montgomery launched [Open Data Montgomery](#), a platform to foster greater accountability, accessibility and transparency within local government. Information accessible on the site includes, financial reporting (accounts payable, budgeting and payroll), interactive maps and charts, construction permits, demolitions, paving projects, 311 calls, and crime reports.

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 effort between the City, Montgomery County and Montgomery Waterworks for primary healthcare clinics continues to provide 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

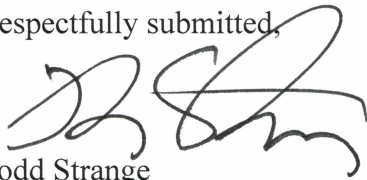
The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Montgomery for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2017. In order to be awarded 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 2018 CAFR continues to meet the Certificate of Achievement Program's requirements, and it is being submitted to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the professional dedication and knowledge of our independent auditors, Jackson Thornton. The independent auditors have issued an unmodified or "clean" opinion on the City of Montgomery's financial statements for the year ended September 30, 2018.

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**

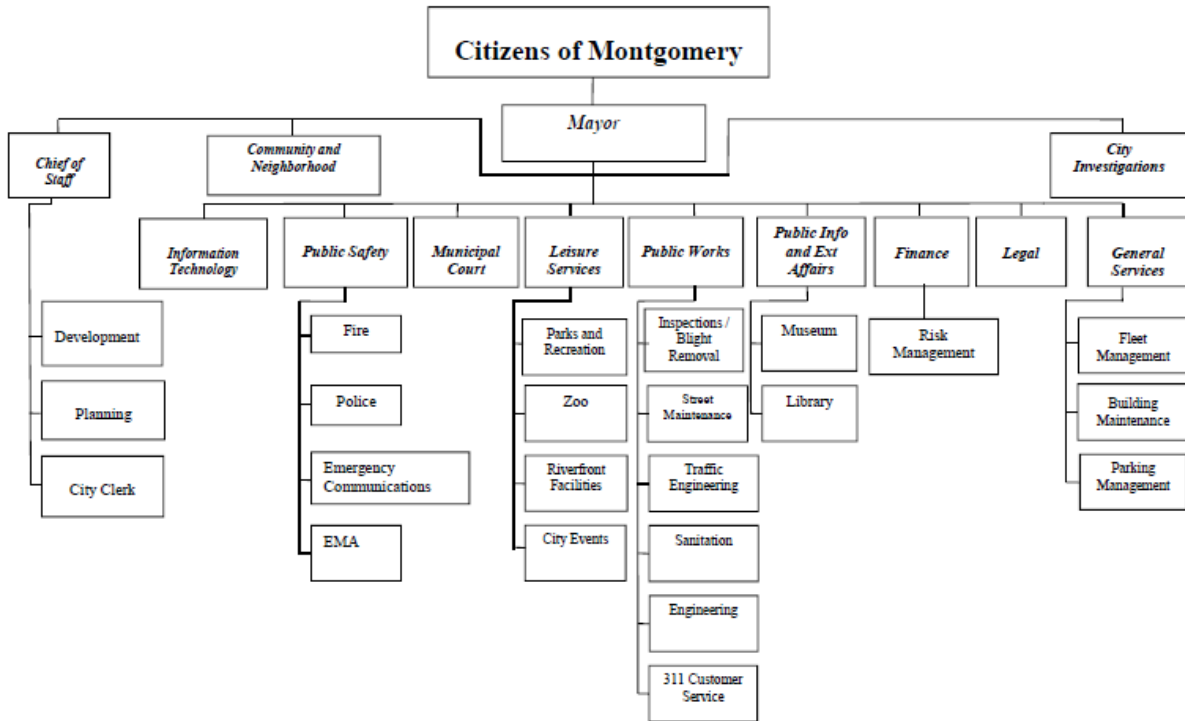
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF MONTGOMERY, ALABAMA ORGANIZATIONAL CHART



CITY OF MONTGOMERY, ALABAMA
ELECTED AND APPOINTED OFFICIALS
SEPTEMBER 30, 2018

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	Brantley W. Lyons
District 4	Vacant
District 5	William A. Green, Jr.
District 6	Fred F. Bell
District 7	Arch M. Lee
District 8	Glen O. Pruitt, Jr.

Appointed Officials

Building Maintenance	Doug Jones
Chief of Staff	Mac McLeod
City Attorney	Kim Fehl
City Clerk	Brenda Gale Blalock
City Investigations	Bill Barousse
311 Customer Service Center	Deliesha Ramos
Development	Mac McLeod, Director
Emergency Communications	Larry Fisher
Emergency Management Agency	Christina Thornton
Engineering	Patrick Dunson
Finance	Barry O. Crabb, Director
	Betty P. Beville, Deputy Director
Fire	Chief Miford Jordan
Fleet Management	Walter G. Lilley Jr.
General Services	Thomas Pierce, Director
Information Technology	Lou Ialacci
Inspections	Jerry C. Russell, Jr.
Landfill	Noah Johnson
Leisure Services	Scott Miller, Director
Library	Jaunita M. Owes
Maintenance	Diane Burke
Montgomery Zoo	Doug Goode
Municipal Court	Honorable Milton J. Westry, Presiding Judge
	Kenneth Nixon, Court Administrator
Museum	Edwin Bridges, Interim Director
Parking Management	Bryan Dunn
Parks and Recreation	Robert Spivery
Planning	Robert Smith
Police	Chief Ernest Finley, Jr.
Public Information and External Affairs	Michael Briddell, Director
Public Safety	Ronald Sams, Director
Public Works	Christopher W. Conway, Director
Risk Management	Chuck Richardson, Interim
Riverfront Facilities	Kay McCreery
Sanitation	Daniel R. Dickey
Traffic Engineering	Wesley Cox

The elected and appointed officials were those in office at September 30, 2018.

FINANCIAL SECTION

- INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS
- MANAGEMENT'S DISCUSSION AND ANALYSIS
- BASIC FINANCIAL STATEMENTS
- REQUIRED SUPPLEMENTARY 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, 2018, 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 City of Montgomery Employees' Retirement System 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 other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 21 to the financial statements, in 2018 the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the City's proportionate share of the collective net pension liability, the schedule of the City's contributions to the pension plan, and the schedule of changes in total OPEB liability and related ratios on pages 13 through 25 and pages 90 through 92 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 nonmajor fund budgetary comparison schedule 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 Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the City's 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's internal control over financial reporting and compliance.

Jackson Thornton & Co. PC

Montgomery, Alabama
February 26, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Montgomery, Alabama (the City), we present this narrative overview and analysis designed to assist readers of the City's financial statements for the fiscal year ended September 30, 2018. The intent of the Management's Discussion and Analysis (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, 2018.

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's assets and deferred outflows of resources were less than its liabilities and deferred inflows of resources at September 30, 2018, by \$516,902,695 (net position). However, \$232,108,395 was either restricted or invested in capital assets leaving a deficit unrestricted balance of \$749,011,090.

The City's total net position decreased \$13,135,820. This decrease was primarily due to the depreciation expense incurred for the year, the net increase in other postemployment benefits obligation (OPEB), and an increase in the net pension liability. The City participates in a shared pension plan with the City of Montgomery's Airport Authority. As of September 30, 2018, the City reported its proportionate share of the net pension liability as being \$229,041,689. Details in reference to the City's pension plan are in Note 13, beginning on page 73, of the notes to financial statements.

The net pension liability is the variance between the Total Pension Liability and Plan Fiduciary Net Position. Basically, the net pension liability is the plan's unfunded pension obligation which the Governmental Accounting Standards Board (GASB) has determined meets the definition of a liability and should, therefore, be recognized in the basic financial statements. The City continues to use an actuarially determined contribution (ARC) to calculate appropriate funding of the pension plan.

The City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires governments to report a liability on the face of the financial statements and include more extensive note disclosures and required supplementary information. The result of this adoption resulted in the restatement of \$258,294,978 of the beginning net position of the governmental activities.

At September 30, 2018, the City's governmental funds reported combined ending fund balances of \$39,104,177, a decrease of \$6,586,473 under the previous fiscal year. Of the ending governmental fund balance, \$2,128,854 is nonspendable (i.e., inventories, long-term receivables, and prepaid items). A significant portion, or 45.8% of the governmental fund balance, is in the amount of \$17,923,134 which is restricted for capital projects, intergovernmental activities, the City's landfill, Municipal Court, the Riverfront Stadium, and an Emergency Communications District. The combined totals for nonspendable and restricted, plus the unassigned amount of \$19,052,189 yields a total combined ending fund balance of \$39,104,177 for fiscal year 2018.

The General Fund reported an unassigned fund balance of \$21,517,619 or 11.2% of the total general fund expenditures. Governmental Activities revenue increased \$9,625,740 or 3.7% over the previous year. The increase in revenues was primarily attributable to a 103.7% increase in capital grants and contributions and an 8.3% increase in other taxes. Expenses in Governmental Activities decreased \$3,716,945 or 1.3% from the previous year. The decrease in expenses was primarily attributable to City departments' continued efficient operations.

Long-term debt, consisting of general obligation bonds, capital leases, and notes payable decreased \$21,323,809 or 7% from the previous year. The decrease was primarily due to scheduled debt service.

Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the City'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 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, the Montgomery Zoo, Municipal Golf, and the Montgomery River Boat.

The government-wide financial statements not only include the City (the primary government), but also a legally separate component, the Montgomery City-County Public Library, for which the City is financially accountable. Financial information for this component unit is reported separately from the information presented for the primary government. The Solid Waste Disposal Authority (SWDA), the Emergency Communications District (ECD), and the Alabama Capital Region Solid Waste Authority (CRSWA) are blended component units and function for all practical purposes as departments of the City and have, therefore, been included as an integral part of the primary government. All entities are legally separate from the City.

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal matters. All funds of the City 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 eighteen (18) 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 nonmajor 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 and Gasoline Tax Fund. Budgetary comparison statements have been provided for the General Fund and the Gasoline Tax Fund to demonstrate compliance with the budgets.

Proprietary Funds

The City maintains two (2) 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, the Montgomery Zoo, Municipal Golf, and the Montgomery River Boat. The internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City 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 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's progress in funding its obligation to provide pension and other postemployment benefits (OPEB) to its employees. Required supplementary information can be found beginning on page 90 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 93 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's total assets and deferred outflows of resources were less than its total liabilities and deferred inflows by \$516,902,695, as reflected in the following table:

	Governmental Activities		Business-type Activities		Total	
	2018	2017 *	2018	2017	2018	2017 *
Current and other assets (net of internal balances)	\$ 55,309,738	\$ 62,789,947	\$ 1,524,262	\$ 1,641,472	\$ 56,834,000	\$ 64,431,419
Internal balances	2,705,642	2,540,299	(2,705,642)	(2,540,299)	-	-
Capital assets	343,266,471	347,446,644	24,063,789	25,070,324	367,330,260	372,516,968
Total Assets	<u>401,281,851</u>	<u>412,776,890</u>	<u>22,882,409</u>	<u>24,171,497</u>	<u>424,164,260</u>	<u>436,948,387</u>
Deferred charge on refunding	4,708,328	6,199,848	-	-	4,708,328	6,199,848
OPEB related items	11,838,335	-	-	-	11,838,335	-
Pension related items	31,444,625	52,962,234	369,840	635,097	31,814,465	53,597,331
Total Deferred Outflows of Resources	<u>47,991,288</u>	<u>59,162,082</u>	<u>369,840</u>	<u>635,097</u>	<u>48,361,128</u>	<u>59,797,179</u>
Long-term liabilities	937,809,304	719,929,814	3,059,509	3,106,928	940,868,813	723,036,742
Other liabilities	18,123,754	18,584,690	664,709	596,031	18,788,463	19,180,721
Total Liabilities	<u>955,933,058</u>	<u>738,514,504</u>	<u>3,724,218</u>	<u>3,702,959</u>	<u>959,657,276</u>	<u>742,217,463</u>
OPEB related items	29,770,807	-	-	-	29,770,807	-
Total Deferred Inflows of Resources	<u>29,770,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,770,807</u>	<u>-</u>
Net position						
Net Investment in Capital						
Assets	192,550,472	188,338,796	24,063,789	25,070,324	216,614,261	213,409,120
Restricted	15,494,134	14,581,603	-	-	15,494,134	14,581,603
Unrestricted	(744,475,332)	(469,495,931)	(4,535,758)	(3,966,689)	(749,011,090)	(473,462,620)
Total Net Position	<u>\$ (536,430,726)</u>	<u>\$ (266,575,532)</u>	<u>\$ 19,528,031</u>	<u>\$ 21,103,635</u>	<u>\$ (516,902,695)</u>	<u>\$ (245,471,897)</u>

* The 2017 balances were not restated for the adoption of GASB Statement No. 75 because it was not practical to do so.

Total assets declined \$12,784,127 or 2.9% from the previous fiscal year and liabilities increased \$217,439,813 or 29.3%. The decline in assets was primarily due to a decrease in cash of \$7,597,419 and a decrease in capital assets of \$5,186,708. The increase in liabilities was primarily due to the adoption GASB Statement No. 75 and increases in pension liability. The largest portion of net position is reflected in the City's 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 \$15,494,134 and is restricted for use in public works, public safety, cultural and recreational, capital projects, and Municipal Court.

As reflected in the following table, the City's net position decreased by \$13,135,820 or 2.6% of beginning net position, as restated, during the fiscal year. This decrease was primarily attributed to pension expense of \$16,108,115 and other postemployment benefits (OPEB) of \$5,530,813 for the year ended September 30, 2018.

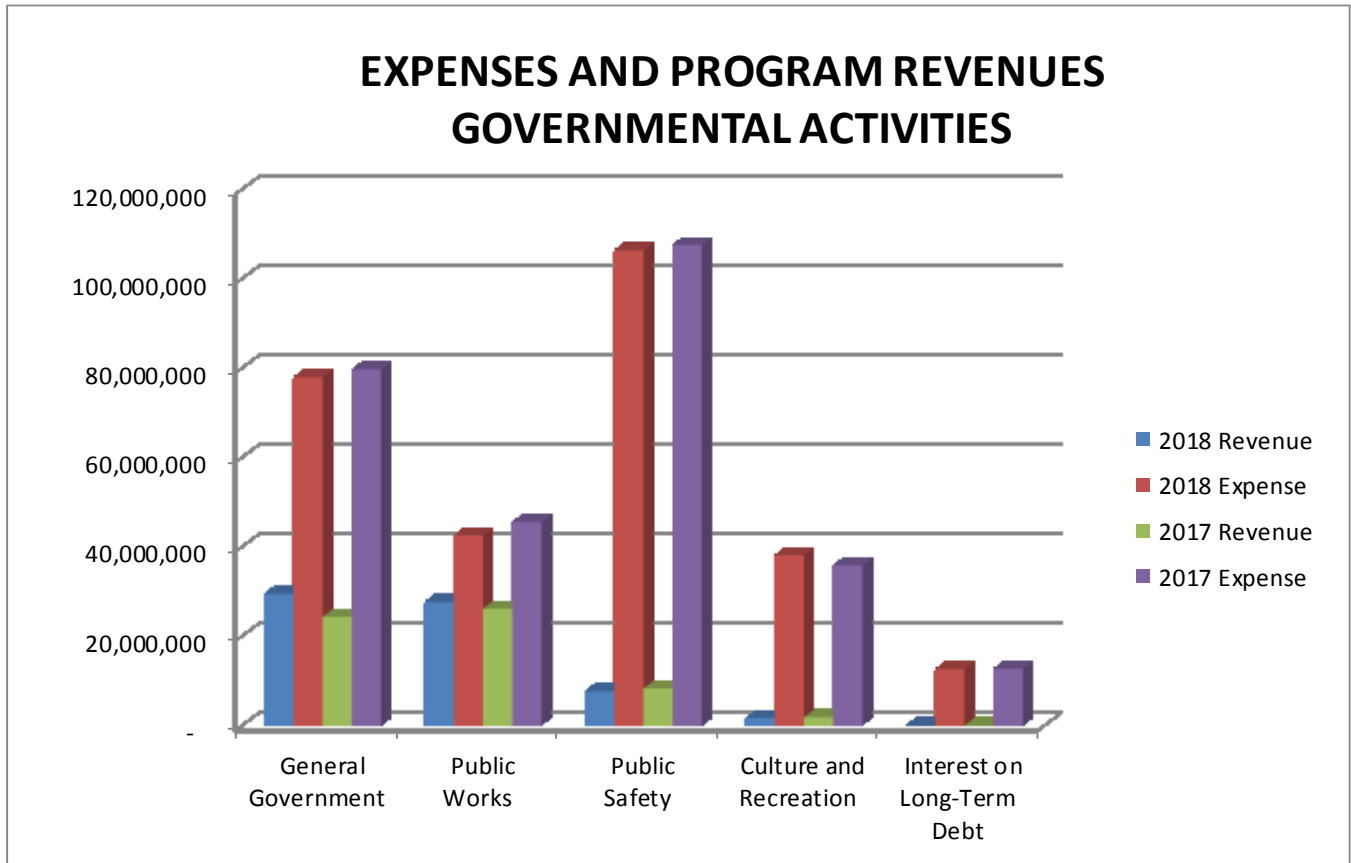
City of Montgomery's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017 *	2018	2017	2018	2017 *
Revenues						
Program revenues						
Charges for services	\$ 38,373,103	\$ 38,854,001	\$ 5,746,380	\$ 6,138,580	\$ 44,119,483	\$ 44,992,581
Operating grants and contributions	13,335,455	14,467,164	-	-	13,335,455	14,467,164
Capital grants and contributions	14,510,851	7,122,157	-	-	14,510,851	7,122,157
General revenues						
Sales taxes	105,450,512	103,720,833	-	-	105,450,512	103,720,833
Property taxes	33,019,250	32,194,491	-	-	33,019,250	32,194,491
Business license taxes	35,185,047	35,417,566	-	-	35,185,047	35,417,566
Other taxes	23,445,943	21,645,131	-	-	23,445,943	21,645,131
Other	5,407,263	5,680,341	3,701	736	5,410,964	5,681,077
Total revenues	<u>268,727,424</u>	<u>259,101,684</u>	<u>5,750,081</u>	<u>6,139,316</u>	<u>274,477,505</u>	<u>265,241,000</u>
Expenses						
General government	77,895,106	79,602,195	-	-	77,895,106	79,602,195
Public works	42,502,979	45,492,230	-	-	42,502,979	45,492,230
Public safety	106,294,149	107,487,117	-	-	106,294,149	107,487,117
Culture and recreation	38,026,857	35,755,774	-	-	38,026,857	35,755,774
Interest on long-term debt	12,539,419	12,638,139	-	-	12,539,419	12,638,139
Montgomery Area Transit System	-	-	2,482,941	2,171,855	2,482,941	2,171,855
Montgomery Zoo	-	-	4,821,620	4,744,773	4,821,620	4,744,773
Municipal Golf	-	-	1,849,579	1,793,047	1,849,579	1,793,047
Montgomery River Boat	-	-	1,200,675	1,101,647	1,200,675	1,101,647
Total expenses	<u>277,258,510</u>	<u>280,975,455</u>	<u>10,354,815</u>	<u>9,811,322</u>	<u>287,613,325</u>	<u>290,786,777</u>
Decrease in net position before transfers	(8,531,086)	(21,873,771)	(4,604,734)	(3,672,006)	(13,135,820)	(25,545,777)
Transfers in (out)	(3,029,130)	(2,749,106)	3,029,130	2,749,106	-	-
Decrease in net position	<u>(11,560,216)</u>	<u>(24,622,877)</u>	<u>(1,575,604)</u>	<u>(922,900)</u>	<u>(13,135,820)</u>	<u>(25,545,777)</u>
Net position - beginning	(266,575,532)	(241,952,655)	21,103,635	22,026,535	(245,471,897)	(219,926,120)
Cumulative effect of change in accounting principle	(258,294,978)	-	-	-	(258,294,978)	-
Net position - beginning, as restated	<u>(524,870,510)</u>	<u>(241,952,655)</u>	<u>21,103,635</u>	<u>22,026,535</u>	<u>(503,766,875)</u>	<u>(219,926,120)</u>
Net position - ending	<u>\$ (536,430,726)</u>	<u>\$ (266,575,532)</u>	<u>\$ 19,528,031</u>	<u>\$ 21,103,635</u>	<u>\$ (516,902,695)</u>	<u>\$ (245,471,897)</u>

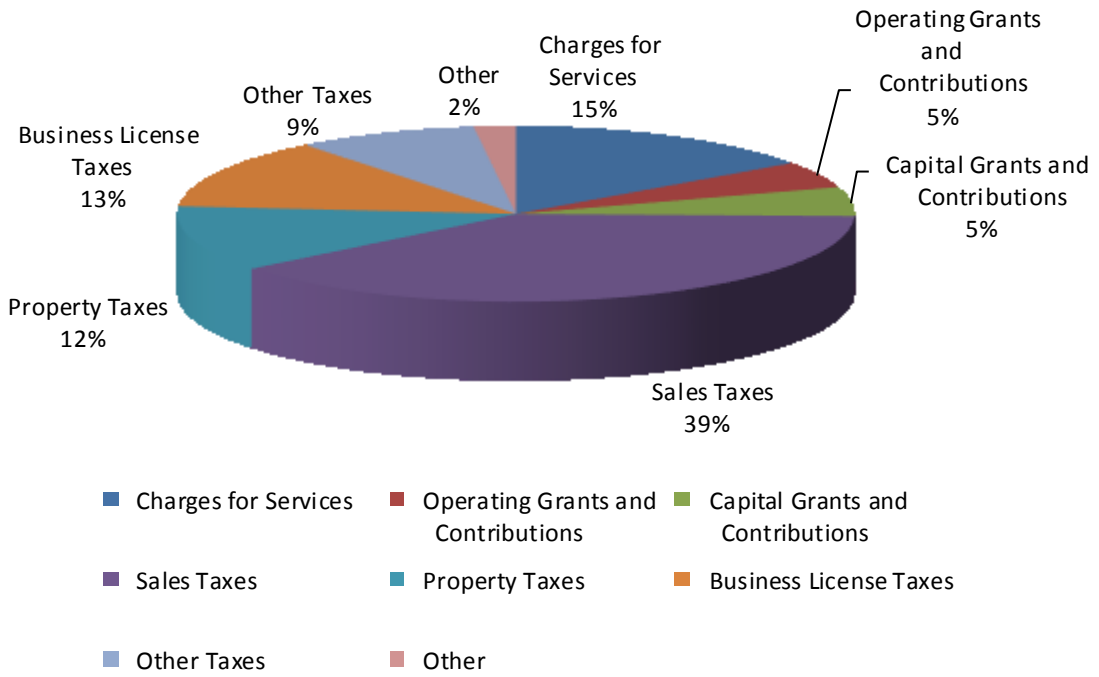
* The 2017 balances were not restated for the adoption of GASB Statement No. 75 because it was not practical to do so.

Governmental Activities

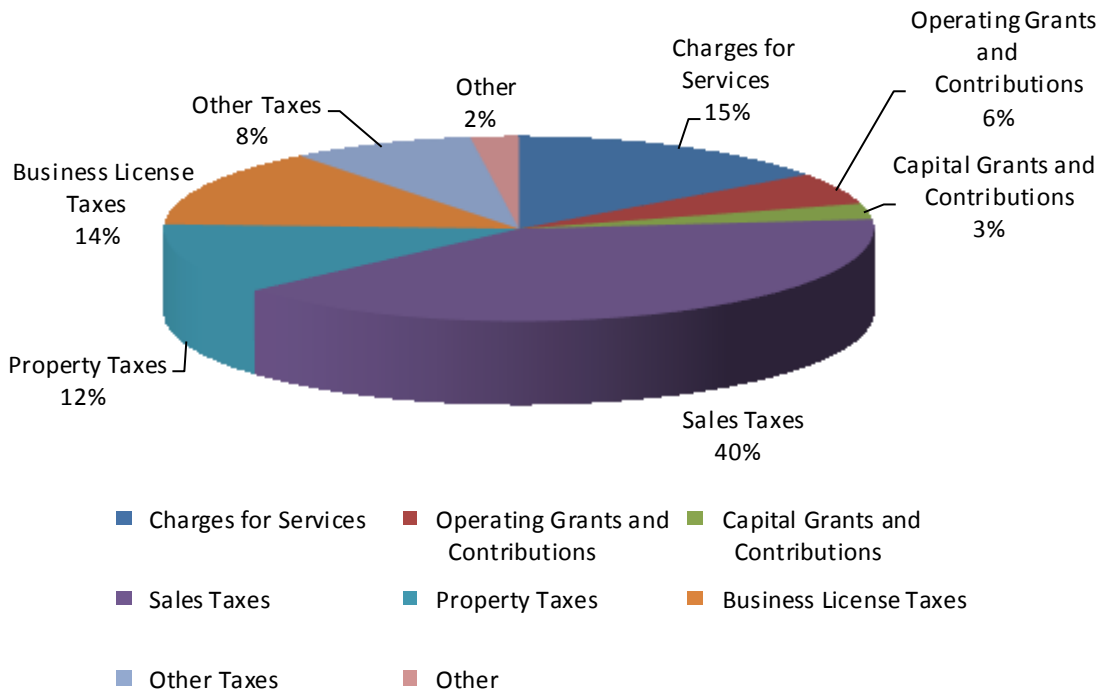
Governmental activities decreased the City's net position by \$11,560,216, thereby accounting for 88% of the total decline in net position of the City. Key elements of the decrease in net position were due to increase in pension expense, increase in other postemployment benefits, and transfers to business-type activities. The decrease was offset by increases in capital grants and contributions, sales taxes, property taxes, other taxes, and other miscellaneous tax revenues in 2018.



REVENUE BY SOURCE - GOVERNMENTAL ACTIVITIES FISCAL YEAR 2018

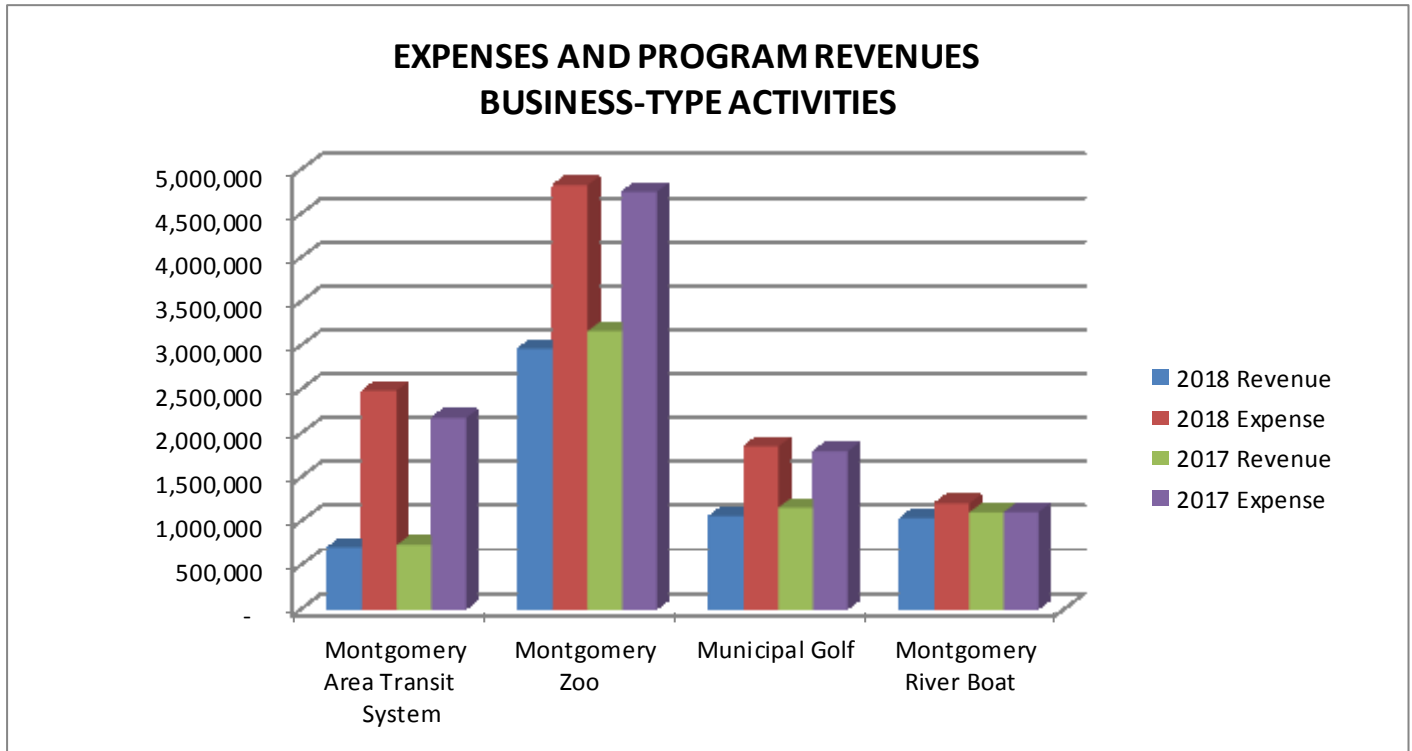


REVENUE BY SOURCE - GOVERNMENTAL ACTIVITIES FISCAL YEAR 2017



Business-type Activities

Business-type activities decreased the City’s net position by \$1,575,604, which contributed 12% to the total decline in the net position of the City. The primary factors for the decrease in net position were due to decreased operating revenues and increased operating expenses.



Fund Level Information

As noted earlier, the City 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, Capital Projects, Debt Service, and Special Revenue Funds.

In assessing the City’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, 2018, the City’s Governmental Funds had an unassigned fund balance for governmental activities in the amount of \$19,052,189.

At September 30, 2018, total fund balance in the General Fund was \$23,644,381. The fund balance in the General Fund decreased \$1,400,840 or 5.6% from the previous year. The decrease in the fund balance was primarily due to increases in departmental expenses and transfers to other funds.

Total revenue of the General Fund increased by \$3,593,146 or 1.6% in 2018 compared to the previous year. This was due to an increase in taxes collected, charges for services, and interest. Expenditures of the General Fund increased by \$5,915,801 or 3.2% more than the previous fiscal year. The increase was primarily due to increased personnel costs.

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 increased \$471,188 or 10.4% from the previous year. The increase is due to the City implementing a new process to monitor available funds for projects.

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 \$2,272,139 or 100% at September 30, 2018. The decrease in fund balance was primarily attributable to scheduled debt service payments.

Federal Transit Administration Fund (FTA) – The fund is used to account for grant funding received primarily from the Federal Transit Administration to be used for the Montgomery Area Transit System. At September 30, 2018, the fund balance of the FTA Fund decreased \$2,385,129 under the previous year. The reason for this decrease was due to a delay in the release of the grant funds from the agency.

Emergency Communications District Fund (ECD) – The fund is a blended component unit of the City and was formed by the City for the purpose of acquiring, developing, maintaining, and operating the emergency communications system within the City. The City received substantially all the benefit of all of the District's public safety activities. At September 30, 2018, the fund balance of the ECD Fund increased \$725,097 or 14.9% over the previous year.

Proprietary Funds

Proprietary fund statements provide the same information as in the business-type 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, and Montgomery River Boat at the end of the year was \$19,528,031. Total net position decreased for enterprise funds by \$1,575,604 or 7.5% in 2018 from the previous year. Total operating revenue decreased \$392,200 or 6.4% for enterprise funds.

Internal Service Fund – Internal service funds are designed to recover the internal costs of government services provided to other fund groups. At September 30, 2018, the internal service fund reported a deficit \$1,500,000 for its net position balance. The City expects to eliminate this deficit in fiscal year 2019.

Capital Assets and Debt Administration

Capital Assets – The City's investment in capital assets for governmental and business-type activities as of September 30, 2018, was \$367,330,260 (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	
	2018	2017	2018	2017	2018	2017
Land	\$ 55,339,992	\$ 54,832,711	\$ 1,047,942	\$ 1,047,942	\$ 56,387,934	\$ 55,880,653
Buildings	117,768,851	124,158,722	19,148,950	19,712,261	136,917,801	143,870,983
Improvements other than buildings	43,015,082	44,511,379	1,742,030	1,830,713	44,757,112	46,342,092
Machinery and equipment	39,151,972	37,625,648	2,124,867	2,479,408	41,276,839	40,105,056
Infrastructure	83,824,341	80,581,522	-	-	83,824,341	80,581,522
Construction in progress	4,166,233	5,736,662	-	-	4,166,233	5,736,662
	<u>\$ 343,266,471</u>	<u>\$ 347,446,644</u>	<u>\$ 24,063,789</u>	<u>\$ 25,070,324</u>	<u>\$ 367,330,260</u>	<u>\$ 372,516,968</u>

Additional information on the City's capital assets can be found in Note 7 beginning on page 62 of this report.

Long-term debt – At the end of the fiscal year the City had secured and bonded debt outstanding of \$281,933,309. Of this amount, \$262,985,658 comprises debt backed by the full faith and credit of the City, \$14,447,651 is comprised of long-term leases, and \$4,500,000 is comprised of a note payable. The City's long-term debt decreased \$21,323,809 or 7% from the previous year due to scheduled debt service payments.

State statutes limit the amount of general obligation debt a governmental entity may issue. The City can issue up to twenty (20) percent of its total assessed property valuation. The City's total valuation for the current fiscal year is \$2,332,339,380 with a current debt limit for the City of \$466,467,876. Current debt applied to the debt limit total is \$236,363,678, leaving the City with a legal debt margin of \$230,104,198.

Long-term Debt

	2018	2017	Increase (Decrease)
General Obligation Bonds	\$ 262,985,658	\$ 285,354,166	\$ (22,368,508)
Note Payable	4,500,000	4,750,000	(250,000)
Capital Leases	14,447,651	13,152,952	1,294,699
	<u>\$ 281,933,309</u>	<u>\$ 303,257,118</u>	<u>\$ (21,323,809)</u>

The City 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 64, 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 are a dynamic business that require 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, 2018, actual revenues were less than budgeted revenues by \$3,636,711 or 1.5%. The primary reasons for the variance are as follows:

- Actual taxes were less than budgeted by \$3,028,907 or 1.9 %.
- Actual licenses and permits were less than budgeted by \$291,229 or 0.7%.
- Actual intergovernmental revenues were less than budgeted by \$213,251 or 3.5%.
- Actual charges for services were less than budgeted by \$170,460 or 0.8%.
- Actual fines and forfeitures were less than budgeted by \$437,360 or 14.4%.

For the year ended September 30, 2018, actual total expenditures were less than budgeted expenditures by \$3,141,420 or 1.6% in the following functions:

- General Government actual expenditures were less than budgeted expenditures by \$485,386.
- Public Works actual expenditures were less than budgeted expenditures by \$1,235,263.
- Public Safety actual expenditures were less than budgeted expenditures by \$902,496.
- Cultural and Recreational actual expenditures were less than budgeted expenditures by \$518,275.

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

- Efficient utilization of resources accounted for actual expenditures being less than budgeted expenditures.
- Personnel costs were less than budgeted amounts due to the inability to fill and maintain budgeted personnel positions and through attrition in 2018.

Economic Factors and Year 2018

The following factors were considered in preparing the City's Budget for Fiscal Year 2018:

- The City is currently the second largest city in the state due to continued population growth.
- New construction of hotels in the City due to growth in occupancy rate.
- Increase in lodging tax receipts due to a lodging tax rate increase mandated by the City Council.
- The City's Downtown Riverfront Development continues to create economic growth through tourism.
- Continued sales tax revenue growth in 2018 over the previous year due to steady economic growth.
- Continued increases in industrial and residential development.

At September 30, 2018, fund balance in the General Fund was \$23,644,381. The City did not appropriate any fund balance from the 2018 fund balance for spending in the 2019 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 2019 budget.

Requests for Information

This financial report is designed to provide a general overview of the City'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, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Public Library
ASSETS				
Cash and cash equivalents	\$ 26,703,935	\$ 735,628	\$ 27,439,563	\$ 551,556
Restricted cash held by fiscal agent	941,438	-	941,438	-
Internal balances	2,705,642	(2,705,642)	-	-
Receivables	21,207,931	249,580	21,457,511	11,149
Certificates of deposit	4,036,276	-	4,036,276	-
Inventories	1,262,412	538,239	1,800,651	-
Prepaid items	127,442	815	128,257	-
Note receivable	700,000	-	700,000	-
Mortgage receivable	330,304	-	330,304	-
Capital assets not being depreciated:				
Land	55,339,992	1,047,942	56,387,934	-
Construction in progress	4,166,233	-	4,166,233	-
Collections	-	-	-	10,418,925
Capital assets net of accumulated depreciation:				
Buildings and system	117,768,851	19,148,950	136,917,801	2,552,443
Improvements other than buildings	43,015,082	1,742,030	44,757,112	-
Machinery and equipment	39,151,972	2,124,867	41,276,839	264,324
Infrastructure	83,824,341	-	83,824,341	-
TOTAL ASSETS	401,281,851	22,882,409	424,164,260	13,798,397
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	4,708,328	-	4,708,328	-
OPEB related items	11,838,335	-	11,838,335	-
Pension related items	31,444,625	369,840	31,814,465	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	47,991,288	369,840	48,361,128	-
LIABILITIES				
Accounts payable and accrued expenses	16,045,135	656,549	16,701,684	39,881
Retainage payable	31,791	-	31,791	-
Unearned revenue	53,246	8,160	61,406	-
Funds held in escrow	1,993,582	-	1,993,582	-
Noncurrent liabilities:				
Due within one year	25,499,754	15,158	25,514,912	-
Due in more than one year:				
Net pension liability	226,335,694	2,705,995	229,041,689	-
Total OPEB liability	391,864,969	-	391,864,969	-
Other	294,108,887	338,356	294,447,243	-
TOTAL LIABILITIES	955,933,058	3,724,218	959,657,276	39,881
DEFERRED INFLOWS OF RESOURCES				
OPEB related items	29,770,807	-	29,770,807	-
TOTAL DEFERRED INFLOWS OF RESOURCES	29,770,807	-	29,770,807	-
NET POSITION				
Net investment in capital assets	192,550,472	24,063,789	216,614,261	13,235,692
Restricted for:				
Public works	1,837,869	-	1,837,869	-
Public safety	5,084,619	-	5,084,619	-
Cultural and recreational	706,818	-	706,818	11,319
Capital projects	7,555,966	-	7,555,966	-
Municipal Court	308,862	-	308,862	-
Nonexpendable	-	-	-	104,808
Unrestricted	(744,475,332)	(4,535,758)	(749,011,090)	406,697
TOTAL NET POSITION	\$ (536,430,726)	\$ 19,528,031	\$ (516,902,695)	\$ 13,758,516

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Public Library
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 77,895,106	\$ 14,225,034	\$ 5,612,450	\$ 9,569,093	\$ (48,488,529)	\$ -	\$ (48,488,529)	\$ -
Public works	42,502,979	21,720,375	1,746,056	4,087,151	(14,949,397)	-	(14,949,397)	-
Public safety	106,294,149	1,168,305	5,824,557	608,078	(98,693,209)	-	(98,693,209)	-
Cultural and recreational	38,026,857	1,259,389	152,392	246,529	(36,368,547)	-	(36,368,547)	-
Interest on long-term debt	12,539,419	-	-	-	(12,539,419)	-	(12,539,419)	-
Total governmental activities	<u>277,258,510</u>	<u>38,373,103</u>	<u>13,335,455</u>	<u>14,510,851</u>	<u>(211,039,101)</u>	<u>-</u>	<u>(211,039,101)</u>	<u>-</u>
Business-type activities:								
Montgomery Area Transit System	2,482,941	698,155	-	-	-	(1,784,786)	(1,784,786)	-
Montgomery Zoo	4,821,620	2,961,883	-	-	-	(1,859,737)	(1,859,737)	-
Municipal Golf	1,849,579	1,054,526	-	-	-	(795,053)	(795,053)	-
Montgomery River Boat	1,200,675	1,031,816	-	-	-	(168,859)	(168,859)	-
Total business-type activities	<u>10,354,815</u>	<u>5,746,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,608,435)</u>	<u>(4,608,435)</u>	<u>-</u>
Total primary government	<u>\$ 287,613,325</u>	<u>\$ 44,119,483</u>	<u>\$ 13,335,455</u>	<u>\$ 14,510,851</u>	<u>(211,039,101)</u>	<u>(4,608,435)</u>	<u>(215,647,536)</u>	<u>-</u>
Component Unit								
Public Library	\$ 4,994,501	\$ 114,200	\$ 238,996	\$ 59,500				(4,581,805)
General Revenues								
Sales taxes					105,450,512	-	105,450,512	-
Property taxes					33,019,250	-	33,019,250	-
Business license taxes					35,185,047	-	35,185,047	-
Motor fuel taxes					5,699,072	-	5,699,072	-
Lodging taxes					11,229,327	-	11,229,327	-
Rental taxes					4,677,620	-	4,677,620	-
Tobacco taxes					1,533,377	-	1,533,377	-
Alcoholic beverage taxes					306,547	-	306,547	-
Grants and contributions not restricted to specific programs					193,646	-	193,646	5,754,278
Investment earnings					343,288	2,806	346,094	1,300
Miscellaneous revenue					4,870,329	-	4,870,329	69,305
Gain on sale of assets					-	895	895	-
Transfers					(3,029,130)	3,029,130	-	-
Total general revenues and transfers					<u>199,478,885</u>	<u>3,032,831</u>	<u>202,511,716</u>	<u>5,824,883</u>
Change in net position					<u>(11,560,216)</u>	<u>(1,575,604)</u>	<u>(13,135,820)</u>	<u>1,243,078</u>
Net position - beginning					(266,575,532)	21,103,635	(245,471,897)	12,515,438
Cumulative effect of change in accounting principle					(258,294,978)	-	(258,294,978)	-
Net position - beginning, as restated					<u>(524,870,510)</u>	<u>21,103,635</u>	<u>(503,766,875)</u>	<u>12,515,438</u>
Net position - ending					<u>\$ (536,430,726)</u>	<u>\$ 19,528,031</u>	<u>\$ (516,902,695)</u>	<u>\$ 13,758,516</u>

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Capital Project Fund	Debt Service Fund	Federal Transit Administration Grant Fund	Emergency Communication District	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 4,554,172	\$ 6,440,561	\$ 373,157	\$ -	\$ 5,143,587	\$ 7,043,747	\$ 23,555,224
Restricted cash held by fiscal agent	-	-	941,438	-	-	-	941,438
Receivables	15,278,281	131,771	87,298	2,398,088	585,306	1,641,362	20,122,106
Certificates of Deposit	4,036,276	-	-	-	-	-	4,036,276
Inventories	1,262,412	-	-	-	-	-	1,262,412
Prepaid items	125,350	-	-	-	1,467	625	127,442
Notes receivable	700,000	-	-	-	-	-	700,000
Due from other funds	4,363,174	-	-	-	-	-	4,363,174
Mortgage receivable	-	330,304	-	-	-	-	330,304
Advances to other funds	39,000	-	-	-	-	-	39,000
TOTAL ASSETS	\$ 30,358,665	\$ 6,902,636	\$ 1,401,893	\$ 2,398,088	\$ 5,730,360	\$ 8,685,734	\$ 55,477,376
LIABILITIES							
Accounts payable and accrued expenses	\$ 6,013,152	\$ 550,744	\$ -	\$ 14,795	\$ 139,934	\$ 766,352	\$ 7,484,977
Retainage payable	-	25,499	-	6,292	-	-	31,791
Due to other funds	-	-	1,401,893	2,305,449	-	386,828	4,094,170
Funds held in escrow	701,132	1,001,200	-	-	-	291,250	1,993,582
Unearned revenue	-	2,400	-	-	-	50,846	53,246
TOTAL LIABILITIES	6,714,284	1,579,843	1,401,893	2,326,536	139,934	1,495,276	13,657,766
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - long-term receivables	-	330,304	-	2,385,129	-	-	2,715,433
TOTAL DEFERRED INFLOWS OF RESOURCES	-	330,304	-	2,385,129	-	-	2,715,433
FUND BALANCES (DEFICITS)							
Nonspendable:							
Inventories	1,262,412	-	-	-	-	-	1,262,412
Long-term receivables	739,000	-	-	-	-	-	739,000
Prepaid items	125,350	-	-	-	1,467	625	127,442
Restricted:							
Capital projects	-	4,992,489	-	-	-	1,149,180	6,141,669
Emergency Communications District	-	-	-	-	5,450,517	-	5,450,517
Intergovernmental	-	-	-	-	-	5,326,944	5,326,944
Landfill	-	-	-	-	-	86,843	86,843
Municipal Court	-	-	-	-	-	304,683	304,683
Other	-	-	-	-	138,442	4,252	142,694
Riverfront Stadium	-	-	-	-	-	469,784	469,784
Unassigned	21,517,619	-	-	(2,313,577)	-	(151,853)	19,052,189
TOTAL FUND BALANCES	23,644,381	4,992,489	-	(2,313,577)	5,590,426	7,190,458	39,104,177
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 30,358,665	\$ 6,902,636	\$ 1,401,893	\$ 2,398,088	\$ 5,730,360	\$ 8,685,734	\$ 55,477,376

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, 2018

Differences in amounts reported for governmental activities in the statement of net position.

Total fund balances - governmental funds		\$ 39,104,177
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		343,266,471
Long-term receivables are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		2,715,433
Deferred outflows and inflows of resources are applicable to future periods, and, therefore, are not reported in the governmental funds:		
Deferred charge on refunding	\$ 4,708,328	
Pension related deferred outflows	31,444,625	
OPEB related deferred outflows	11,838,335	
OPEB related deferred inflows	<u>(29,770,807)</u>	
		18,220,481
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.		936,638
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Balances at September 30, 2018 were:		
Bonds, warrants, leases, and notes payable	281,933,309	
Unamortized net premiums	6,050,679	
Unamortized net discounts	(9,899)	
Accrued interest	2,864,622	
Compensated absences	20,057,953	
Retirement and disability benefits	6,711,175	
Net pension liability	226,335,694	
Total OPEB liability	391,864,969	
IREP Settlement Payable	1,500,000	
Landfill closure and postclosure costs	3,365,424	
Other	<u>-</u>	
Total long-term liabilities		<u>(940,673,926)</u>
Net position of governmental activities		<u>\$ (536,430,726)</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, 2018

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Federal Transit Administration Grant Fund</u>	<u>Emergency Communication District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes	\$ 157,734,769	\$ -	\$ -	\$ -	\$ -	\$ 4,180,936	\$ 161,915,705
Licenses and permits	43,138,412	-	-	-	-	86,312	43,224,724
Intergovernmental revenues	5,794,270	1,260,303	2,044,984	77,239	5,544,530	9,388,035	24,109,361
Charges for services	20,361,094	74,080	-	-	-	350,434	20,785,608
Fines and forfeitures	2,593,519	-	-	-	-	1,353,675	3,947,194
Interest	275,566	7,033	4,756	-	55,933	-	343,288
Miscellaneous revenues	1,986,993	1,261,497	-	34,692	-	707,701	3,990,883
Total revenues	<u>231,884,623</u>	<u>2,602,913</u>	<u>2,049,740</u>	<u>111,931</u>	<u>5,600,463</u>	<u>16,067,093</u>	<u>258,316,763</u>
EXPENDITURES							
Current:							
General government	45,040,261	4,547,078	-	5,797,060	-	3,622,307	59,006,706
Public works	30,772,240	2,786,363	-	-	-	6,445,182	40,003,785
Public safety	81,689,533	73,372	-	-	4,019,034	399,827	86,181,766
Cultural and recreational	30,488,765	897,620	-	-	-	512,100	31,898,485
Intergovernmental	-	289,964	-	-	-	-	289,964
Capital outlay	-	3,859,844	-	-	844,332	1,314,811	6,018,987
Debt service:							
Principal	4,390,223	187,200	20,307,540	-	-	-	24,884,963
Interest	161,812	154	11,456,541	-	-	-	11,618,507
Debt issuance cost	-	276,552	4,750	-	-	-	281,302
Total expenditures	<u>192,542,834</u>	<u>12,918,147</u>	<u>31,768,831</u>	<u>5,797,060</u>	<u>4,863,366</u>	<u>12,294,227</u>	<u>260,184,465</u>
Excess of revenues over (under) expenditures	<u>39,341,789</u>	<u>(10,315,234)</u>	<u>(29,719,091)</u>	<u>(5,685,129)</u>	<u>737,097</u>	<u>3,772,866</u>	<u>(1,867,702)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of capital assets	1,394,801	349,223	-	-	-	-	1,744,024
Transfers in	6,500,000	11,307,852	28,725,435	3,300,000	-	2,791,724	52,625,011
Transfers out	(55,018,471)	(399,736)	(1,278,483)	-	(12,000)	(8,289,240)	(64,997,930)
Capital leases	6,381,041	147,913	-	-	-	-	6,528,954
Proceeds of refunding bonds	-	25,765,000	-	-	-	-	25,765,000
Debt service - principal	-	(28,920,000)	-	-	-	-	(28,920,000)
Bond premium	-	2,536,170	-	-	-	-	2,536,170
Total other financing sources (uses)	<u>(40,742,629)</u>	<u>10,786,422</u>	<u>27,446,952</u>	<u>3,300,000</u>	<u>(12,000)</u>	<u>(5,497,516)</u>	<u>(4,718,771)</u>
Net change in fund balances	<u>(1,400,840)</u>	<u>471,188</u>	<u>(2,272,139)</u>	<u>(2,385,129)</u>	<u>725,097</u>	<u>(1,724,650)</u>	<u>(6,586,473)</u>
FUND BALANCES - BEGINNING	<u>25,045,221</u>	<u>4,521,301</u>	<u>2,272,139</u>	<u>71,552</u>	<u>4,865,329</u>	<u>8,915,108</u>	<u>45,690,650</u>
FUND BALANCES - ENDING	<u>\$ 23,644,381</u>	<u>\$ 4,992,489</u>	<u>\$ -</u>	<u>\$ (2,313,577)</u>	<u>\$ 5,590,426</u>	<u>\$ 7,190,458</u>	<u>\$ 39,104,177</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, 2018

Differences in amounts reported for governmental activities in the statement of activities.

Net change in fund balances - total governmental funds		\$ (6,586,473)
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the statement of net position.		12,742,763
Donations of capital assets increase net position in the statement of net position but do not appear in the governmental funds because they are not financial resources.		9,191,070
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.		(20,492,646)
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.		(5,621,362)
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 unavailable in prior periods as current year revenue.		886,910
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position.		
Refunding bond proceeds	25,765,000	
Capital lease financing	6,528,954	
Premium	2,536,170	
Total proceeds	<u>34,830,124</u>	(34,830,124)

(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, 2018

Repayment of long-term liabilities is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the statement of net position.

General obligation bonds	\$ 19,213,508	
Payment to bondholders for refunding	28,920,000	
Notes payable	250,000	
Capital leases	5,234,255	
Pollution remediation obligation	187,200	
Total repayments	<u>53,804,963</u>	\$ 53,804,963

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	54,460	
Retirement and disability benefits	(378,762)	
Pension	16,108,115	
Accrued interest	(123,044)	
OPEB	5,530,813	
Settlement Payable	1,500,000	
Landfill closure and postclosure costs	<u>(4,076,325)</u>	
Additional expenses		(18,615,257)

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization		(762,650)
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The Internal Service Fund is used by management to charge the costs of employee medical insurance and general liability insurance to individual funds. The net income (expense) of certain activities of the Internal Service Fund is reported with governmental activities.

(1,277,410)

Change in net position of governmental activities

\$ (11,560,216)

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 160,763,676	\$ 160,763,676	\$ 157,734,769	\$ (3,028,907)
Licenses and permits	43,429,641	43,429,641	43,138,412	(291,229)
Intergovernmental revenues	6,007,521	6,007,521	5,794,270	(213,251)
Charges for services	20,531,554	20,531,554	20,361,094	(170,460)
Fines and forfeitures	3,030,879	3,030,879	2,593,519	(437,360)
Interest	27,900	27,900	275,566	247,666
Miscellaneous revenues	1,730,163	1,730,163	1,986,993	256,830
Total revenues	<u>235,521,334</u>	<u>235,521,334</u>	<u>231,884,623</u>	<u>(3,636,711)</u>
EXPENDITURES				
Current:				
General government:				
Council	356,223	348,723	314,938	33,785
Mayor and cabinet	872,887	872,887	767,343	105,544
City Clerk	381,151	381,151	363,945	17,206
Customer Service	245,682	233,332	217,127	16,205
Development	500,722	390,052	282,646	107,406
Finance department	3,841,066	3,541,066	3,500,693	40,373
Fleet management	3,590,542	3,590,542	3,513,369	77,173
Information technology	3,260,303	3,145,812	2,820,087	325,725
Insurance	2,800,000	487,096	487,096	-
Investigations	286,689	286,689	240,958	45,731
Legal department	857,942	857,942	822,195	35,747
Miscellaneous activities	13,689,464	12,149,236	13,025,277	(876,041)
Municipal Court	2,947,662	2,947,662	2,901,806	45,856
Parking Management	843,188	843,188	727,743	115,445
Payments to government agencies	4,335,000	4,335,000	4,117,071	217,929
Planning	1,827,695	1,852,695	1,779,177	73,518
Retirement	8,874,816	8,874,816	8,773,267	101,549
Risk Management	374,073	387,758	385,523	2,235
Total general government	<u>49,885,105</u>	<u>45,525,647</u>	<u>45,040,261</u>	<u>485,386</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Works:				
Engineering Department	\$ 2,021,182	\$ 1,646,227	\$ 1,471,557	\$ 174,670
Inspections Division	2,383,630	2,383,630	2,230,769	152,861
Landfill Division	1,724,249	1,697,849	1,594,213	103,636
Maintenance	7,812,856	7,787,856	7,557,544	230,312
Sanitation Department	15,584,938	15,581,788	15,076,615	505,173
Traffic Engineering Department	2,910,153	2,910,153	2,841,542	68,611
Total public works	32,437,008	32,007,503	30,772,240	1,235,263
Public Safety:				
Emergency Management	392,386	392,386	266,412	125,974
Fire Department	34,657,141	34,657,141	34,522,083	135,058
Police Department	47,830,804	47,542,502	46,901,038	641,464
Total public safety	82,880,331	82,592,029	81,689,533	902,496
Cultural and Recreational:				
Building maintenance	5,430,356	5,410,356	5,392,871	17,485
City events	1,175,919	1,175,919	1,175,710	209
Library	3,374,583	3,374,583	3,144,634	229,949
Museum	3,149,823	3,149,823	3,046,715	103,108
Parks and recreation	17,299,647	17,197,703	17,157,395	40,308
Public information and external affairs	706,656	698,656	571,440	127,216
Total cultural and recreational	31,136,984	31,007,040	30,488,765	518,275
Debt Service:				
Principal	4,683,863	4,390,223	4,390,223	-
Interest	246,067	161,812	161,812	-
Total debt service	4,929,930	4,552,035	4,552,035	-
Total expenditures	201,269,358	195,684,254	192,542,834	3,141,420
Excess of revenues over expenditures	34,251,976	39,837,080	39,341,789	(495,291)

(Continued)

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMASTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<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	\$ 181,972	\$ 181,972	\$ 1,394,801	\$ 1,212,829
Transfers in	6,500,000	6,500,000	6,500,000	-
Transfers out	(45,933,948)	(51,519,052)	(55,018,471)	(3,499,419)
Capital leases	6,000,000	6,000,000	6,381,041	381,041
	<u>(33,251,976)</u>	<u>(38,837,080)</u>	<u>(40,742,629)</u>	<u>(1,905,549)</u>
Total other financing sources (uses)				
Net changes in fund balance	1,000,000	1,000,000	(1,400,840)	(2,400,840)
FUND BALANCES - BEGINNING	<u>25,045,221</u>	<u>25,045,221</u>	<u>25,045,221</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 26,045,221</u>	<u>\$ 26,045,221</u>	<u>\$ 23,644,381</u>	<u>\$ (2,400,840)</u>

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	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	\$ -	\$ 549,595	\$ 186,033	\$ 735,628	\$ 3,148,710
Receivables	187	226,399	22,994	249,580	1,085,825
Inventories	333,993	98,351	105,895	538,239	-
Prepaid items	-	815	-	815	-
Total current assets	<u>334,180</u>	<u>875,160</u>	<u>314,922</u>	<u>1,524,262</u>	<u>4,234,535</u>
NONCURRENT ASSETS					
Capital assets:					
Land	344,436	38,165	665,341	1,047,942	-
Buildings and system	20,198,149	5,932,642	213,831	26,344,622	-
Improvements other than buildings	48,341	6,000,890	1,565,024	7,614,255	-
Machinery and equipment	7,910,651	1,583,530	1,156,056	10,650,237	-
Less accumulated depreciation	(11,584,569)	(8,032,169)	(1,976,529)	(21,593,267)	-
Total capital assets, net of accumulated depreciation	<u>16,917,008</u>	<u>5,523,058</u>	<u>1,623,723</u>	<u>24,063,789</u>	<u>-</u>
TOTAL ASSETS	<u>17,251,188</u>	<u>6,398,218</u>	<u>1,938,645</u>	<u>25,588,051</u>	<u>4,234,535</u>
DEFERRED OUTFLOWS					
Pension related items	-	353,248	16,592	369,840	-
TOTAL DEFERRED OUTFLOWS	<u>-</u>	<u>353,248</u>	<u>16,592</u>	<u>369,840</u>	<u>-</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	315,088	196,861	144,600	656,549	1,607,015
Claims payable	-	-	-	-	4,086,700
Unearned revenue	-	-	8,160	8,160	-
Funds in escrow	-	-	-	-	1,820
Due to other funds	170,210	-	98,794	269,004	-
Compensated absences	-	15,158	-	15,158	-
Total current liabilities	<u>485,298</u>	<u>212,019</u>	<u>251,554</u>	<u>948,871</u>	<u>5,695,535</u>
NONCURRENT LIABILITIES					
Advances from other funds	-	-	-	-	39,000
Compensated absences	-	330,104	8,252	338,356	-
Net pension liability	-	2,680,381	25,614	2,705,995	-
Total noncurrent liabilities	<u>-</u>	<u>3,010,485</u>	<u>33,866</u>	<u>3,044,351</u>	<u>39,000</u>
TOTAL LIABILITIES	<u>485,298</u>	<u>3,222,504</u>	<u>285,420</u>	<u>3,993,222</u>	<u>5,734,535</u>
NET POSITION					
Investment in capital assets	16,917,008	5,523,058	1,623,723	24,063,789	-
Unrestricted	(151,118)	(1,994,096)	46,094	(2,099,120)	(1,500,000)
TOTAL NET POSITION	<u>\$ 16,765,890</u>	<u>\$ 3,528,962</u>	<u>\$ 1,669,817</u>	<u>21,964,669</u>	<u>\$ (1,500,000)</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds				<u>(2,436,638)</u>	
Net position of business-type activities				<u>\$ 19,528,031</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, 2018

	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	\$ 698,155	\$ 2,961,883	\$ 2,086,342	\$ 5,746,380	\$ 32,281,538
Total operating revenues	698,155	2,961,883	2,086,342	5,746,380	32,281,538
OPERATING EXPENSES					
Cost of sales and services	-	160,785	434,804	595,589	-
Administration	1,773,709	4,139,546	2,471,380	8,384,635	43,222,915
Depreciation	709,232	342,375	98,798	1,150,405	-
Total operating expenses	2,482,941	4,642,706	3,004,982	10,130,629	43,222,915
OPERATING LOSS	(1,784,786)	(1,680,823)	(918,640)	(4,384,249)	(10,941,377)
NONOPERATING REVENUES (EXPENSES)					
Gain (loss) on sale of capital assets	895	(1,596)	-	(701)	-
Interest income	-	359	2,447	2,806	-
Loss before contributions and transfers	(1,783,891)	(1,682,060)	(916,193)	(4,382,144)	(10,941,377)
Capital contributions	-	97,588	-	97,588	-
Transfers in	1,074,658	1,178,266	703,811	2,956,735	9,441,377
Transfers out	-	(25,193)	-	(25,193)	-
Change in net position	(709,233)	(431,399)	(212,382)	(1,353,014)	(1,500,000)
NET POSITION - BEGINNING	17,475,123	3,960,361	1,882,199	23,317,683	-
NET POSITION - ENDING	<u>\$ 16,765,890</u>	<u>\$ 3,528,962</u>	<u>\$ 1,669,817</u>		<u>\$ (1,500,000)</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds				(222,590)	
Change in net position of business-type activities				<u>\$ (1,575,604)</u>	

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Fund
	Montgomery Area Transit System	Montgomery Zoo	Other Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 703,141	\$ 2,958,491	\$ 2,061,699	\$ 5,723,331	\$ -
Receipts from interfund services provided	-	-	-	-	32,281,458
Payments to suppliers	(1,621,521)	(1,935,929)	(2,092,742)	(5,650,192)	(42,549,132)
Payments to employees	-	(1,913,549)	(851,193)	(2,764,742)	-
Payments for interfund services used	-	(244,418)	(14,570)	(258,988)	-
Net cash used in operating activities	<u>(918,380)</u>	<u>(1,135,405)</u>	<u>(896,806)</u>	<u>(2,950,591)</u>	<u>(10,267,674)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	-	(25,193)	-	(25,193)	-
Transfers from other funds	1,074,658	1,178,266	703,811	2,956,735	9,441,377
Net cash payments (to) from other funds	<u>(156,040)</u>	<u>-</u>	<u>98,794</u>	<u>(57,246)</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>918,618</u>	<u>1,153,073</u>	<u>802,605</u>	<u>2,874,296</u>	<u>9,441,377</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(1,133)	(46,745)	-	(47,878)	-
Proceeds from sale of capital assets	895	-	-	895	-
Net cash used by capital and related financing activities	<u>(238)</u>	<u>(46,745)</u>	<u>-</u>	<u>(46,983)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	-	359	2,447	2,806	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	(28,718)	(91,754)	(120,472)	(826,297)
CASH AND CASH EQUIVALENTS - BEGINNING	-	578,313	277,787	856,100	3,975,007
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ -</u>	<u>\$ 549,595</u>	<u>\$ 186,033</u>	<u>\$ 735,628</u>	<u>\$ 3,148,710</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Transfer of capital assets from governmental activities	\$ -	\$ 97,588	\$ -	\$ 97,588	\$ -

(Continued)

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	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 IN OPERATING ACTIVITIES:					
Operating loss	\$ (1,784,786)	\$ (1,680,823)	\$ (918,640)	\$ (4,384,249)	\$ (10,941,377)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Depreciation expense	709,232	342,375	98,798	1,150,405	-
(Increase) decrease in assets and deferred outflows:					
Receivables	4,986	(3,392)	(10,473)	(8,879)	22,844
Inventories	(11,724)	(3,965)	(40,704)	(56,393)	-
Prepaid items	62,828	(815)	-	62,013	-
Deferred outflows	-	248,955	16,302	265,257	-
Increase (decrease) in liabilities and deferred inflows:					
Accounts payable and accrued expenses	101,084	8,318	(26,558)	82,844	50,239
Deferred revenue	-	-	(14,170)	(14,170)	-
Funds in escrow	-	-	-	-	(80)
Claims payable	-	-	-	-	600,700
Compensated absences	-	14,749	1,485	16,234	-
Net pension liability	-	(60,807)	(2,846)	(63,653)	-
Total adjustments	866,406	545,418	21,834	1,433,658	673,703
Net cash used in operating activities	<u>\$ (918,380)</u>	<u>\$ (1,135,405)</u>	<u>\$ (896,806)</u>	<u>\$ (2,950,591)</u>	<u>\$ (10,267,674)</u>

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 DECEMBER 31, 2017

	Employees' Retirement System
ASSETS	
Cash	\$ 155,047
Receivables:	
Accrued interest and dividends	1,099,639
Contributions receivable	1,021,226
Other receivables	3,378
Total receivables	<u>2,124,243</u>
Investments, at fair value:	
Fixed income	71,731,108
Domestic and international equities	26,497,927
Mutual funds	233,932,246
Partnerships	19,006,636
Cash equivalents	2,300,069
Total investments	<u>353,467,986</u>
Total assets	<u>355,747,276</u>
LIABILITIES	
Accounts payable	73,946
Refunds payable	1,578,872
Total liabilities	<u>1,652,818</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u><u>\$ 354,094,458</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, 2017

	Employees' Retirement System
ADDITIONS	
Contributions:	
Employers	\$ 15,622,544
Members	6,678,738
Total contributions	<u>22,301,282</u>
Investment income:	
Interest	2,336,613
Dividends	8,402,719
Net appreciation in fair value of investments	31,503,300
	<u>42,242,632</u>
Less: Investment expense	486,904
Net investment income	<u>41,755,728</u>
Other additions:	
Interest on reinstatement contributions	35,869
Total other additions	<u>35,869</u>
Total additions	<u>64,092,879</u>
DEDUCTIONS	
Benefit payments	36,063,246
Withdrawals and refunds	1,443,071
Administration expenses	150,322
Total deductions	<u>37,656,639</u>
Change in net position	26,436,240
Net position - restricted for pension benefits beginning of year	<u>327,658,218</u>
Net position - restricted for pension benefits end of year	<u><u>\$ 354,094,458</u></u>

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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 Units. 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 exists to facilitate a municipal solid waste supply agreement and a support agreement between the City and a third party. The Authority is included in the General Fund and does not issue separate financial statements.

The Emergency Communications District of the City of Montgomery was formed by the City for the purpose of acquiring, developing, maintaining, and operating the emergency communications system within the City. The City receives substantially all the benefit of the District's public safety activities. The District is included as a Special Revenue Fund within the nonmajor governmental funds and does not issue separate financial statements.

The Alabama Capital Region Solid Waste Disposal Authority (CRSWDA) is a separate legal entity that is governed by a board nominated by the Mayor and appointed by the City Council. The Authority was established to provide financing for the construction of a recycling facility. The City is obligated to provide funding to cover the debt service of the Authority, consisting of the Series 2013-A Tax Exempt Solid Waste Disposal Revenue Bonds. The Authority is included in the Debt Service Fund and does not issue separate financial statements. As described in Note 9, in April 2018, the City issued Series 2018 General Obligation Warrants to refund the Series 2013-A Tax Exempt Solid Waste Disposal Revenue Bonds.

Discretely Presented Component Unit. The Montgomery City-County Public Library (the Library) operates for the benefit of the residents of the City and Montgomery County. The Library's operational and capital budgets are approved by the City Council and the City provides annual appropriations to fund the Library's operating costs. 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. The 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.

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund 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 discretely presented component unit.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are classified into three categories: charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that help support all functions of government and contribute to the change in the net 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The following are reported as major governmental funds:

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

Capital Project Fund – Accounts for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

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

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.

Emergency Communications District – A blended component unit of the City and was formed by the City for the purpose of acquiring, developing, maintaining, and operating the emergency communications system within the City. The City receives substantially all the benefit of the District’s public safety activities.

The City reports the following major proprietary funds:

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

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

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.

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 Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Certificates of Deposit

Certificates of deposit consist of nonnegotiable instruments with an original maturity greater than three months.

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 interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund 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 uncollectables.

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 nonexchange 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, 2017.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

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	\$ 330,869	\$ 333,993	\$ 664,862
Fuels and lubricants	178,524	-	178,524
Materials and supplies	554,782	-	554,782
Tobacco tax stamps	30,677	-	30,677
Merchandise and concessions	14,705	204,246	218,951
Other	152,855	-	152,855
Totals	\$ 1,262,412	\$ 538,239	\$ 1,800,651

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 using the consumption method.

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, 2018

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. Donated capital assets are recorded at estimated acquisition value at the date of the 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 Outflows/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 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 has several items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition, the City also reports deferred outflow items related to the City's pension plan which are described further in Note 13 and the City's OPEB plan which is described in Note 14.

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 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 has two types of items that qualify for reporting in this category. The first item results from deferred inflows related to the City's OPEB, which are described further in Note 14. The second item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from long-term receivables issued in exchange for the sale of assets. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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, 2018 totaled \$6,711,175.

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, 2018 totaled \$391,864,969.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Employee's Retirement System of the City of Montgomery (the System), and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 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.

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.

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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.

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 amount 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 City Council. The level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department.

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.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

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 and contracts) outstanding at year end are reported as restricted 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. Encumbrances are included in the actual expenditure figures on this statement so that a meaningful comparison can be made with the adopted budget. As of September 30, 2018 and 2017 there were no outstanding encumbrances in the General Fund. Therefore, the actual expenditures in this statement and the net change in fund balances (GAAP) agrees to the net change in fund balances – actual (budget).

As of September 30, 2018, the City included the encumbrances as part of governmental fund balances as follows:

Capital Project Fund	\$ 1,255,397
Nonmajor governmental funds	<u>1,153,432</u>
Encumbrances as part of governmental fund balances	<u><u>\$ 2,408,829</u></u>

Deficit Fund Equity

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

	<u>Deficit Amount</u>
Federal Transit Administration Grant Fund	\$ 2,313,577
Nonmajor Governmental Funds:	
ADECA Grant Fund	18,708
Department of Justice Grant Fund	9,244
Homeland Security Grant Fund	10,587
Internal Service Fund	1,500,000

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Deficit Fund Equity (Continued)

The Federal Transit Administration Grant Fund accounts for the federal grants that subsidize the City's transit system. This deficit is a result of delays in the receipt of funds from the federal government. 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 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.

The Internal Service Fund accounts for the operations of the self-insured medical plan, the workers compensation plan, and the self-insured liability insurance plan provided to other departments of the City on a cost reimbursement basis. The deficit is a result of actual costs exceeding the amounts charged to other departments in previous years.

The Federal Transit Administration Grant Fund deficit will be eliminated upon receipt of the federal funds. The City's intent for the remaining funds is to appropriate funds from the General Fund in order to reduce these deficits.

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. The City's cash and cash equivalents and certificates of deposit are covered by the SAFE program.

Investments

The Employees' Retirement System of the City of Montgomery, Alabama (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. The investment policy is established and may be amended by the Board of Trustees. System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Fair Value of Investments – The System measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1:* Quoted prices for identical assets in active markets;
- Level 2:* Observable inputs other than quoted market prices and;
- Level 3:* Unobservable inputs.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

Investments (Continued)

Fair Value of Investments (Continued)

At December 31, 2017, the System had the following recurring fair value measurements:

Investments by Fair Value Level	December 31, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity:				
CMO's and asset backed securities	\$ 1,235,037	\$ -	\$ 1,235,037	\$ -
Corporate securities	58,793,608	58,793,608	-	-
Foreign bonds	11,702,463	11,702,463	-	-
Mutual bond fund	18,885,301	18,885,301	-	-
Total fixed maturity	90,616,409	89,381,372	1,235,037	-
Equities:				
Domestic	24,222,883	24,222,883	-	-
International	2,275,044	2,275,044	-	-
Total equities	26,497,927	26,497,927	-	-
Mutual funds:				
Equity	74,869,281	74,869,281	-	-
Balanced	62,386,029	62,386,029	-	-
Global tactical allocation	19,211,035	19,211,035	-	-
International equities	58,580,600	58,580,600	-	-
Total mutual funds	215,046,945	215,046,945	-	-
Cash equivalents	2,300,069	2,300,069	-	-
Total investments measured at fair value level	334,461,350	\$ 333,226,313	\$ 1,235,037	\$ -
Investments measured at the Net Asset Value (NAV)				
Private equity partnerships	17,788,864			
Private debt partnerships	1,217,772			
Total investments measured at the NAV	19,006,636			
Total investments measured at fair value	\$ 353,467,986			

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

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

Investments (Continued)

Fair Value of Investments (Continued)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy consist of asset-backed securities and are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments.

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered “alternative investments” and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The System values these investments based on the partnerships’ audited financial statements as of December 31, 2017. The following table presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the System’s alternative investments measured at NAV at December 31, 2017:

<u>Investments Measured at NAV</u>	<u>Fair Value at 12/31/2017</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private equity partnerships	\$ 17,788,864	\$ 6,375,000	Illiquid (see comments below)	Illiquid (see comments below)
Private debt partnerships	<u>1,217,772</u>	<u>8,740,000</u>	Illiquid (see comments below)	Illiquid (see comments below)
Total investments measured at NAV	<u>\$ 19,006,636</u>	<u>\$ 15,115,000</u>		

Private equity partnerships consist of investments in two limited liability companies which invest primarily in common stocks of domestic and international companies. The fund manager has until April 1, 2019 to call the remaining unfunded commitments. During 2017, the fund manager called \$2,925,000 of the commitments leaving \$6,375,000 in unfunded commitments. These investments are illiquid for the life of the fund. Each fund has a 10-year term from its initial closing which was January 31, 2011 for one fund and April 1, 2015 for the second fund. Additionally, the fund manager may extend the term of each fund up to two additional two year periods. Should any of the underlying investments within each fund have liquidity events, the manager would distribute those proceeds to investors reducing the investors’ investment basis; however, the timing of such events and related distributions is unknown.

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

Investments (Continued)

Fair Value of Investments (Continued)

Private debt partnerships consist of an investment in a limited partnership which invests primarily in performing real estate related debt that are not anticipated to result in real estate ownership, with an emphasis on investments in the United States. As of December 31, 2017, the limited partners have invested 12.6% of their committed total capital. Remaining capital contribution will be made as drawdowns occur for the limited partners. During 2017, the System's capital contributions totaled \$1,180,000 leaving \$8,740,000 in unfunded commitments. These investments are illiquid for the life of the fund. The fund has a 7 year term from its initial closing which was March 13, 2017. Additionally, the fund manager may extend the term for up to three additional years. Any further extensions would require a vote of the investors. Should any of the underlying investments within each fund have liquidity events, the manager would distribute those proceeds to investors reducing the investors' investment basis; however the timing of such event and the related distributions is unknown.

The System invests in various investment securities. Investments are subject to certain types of risks including market risk, interest rate risk, credit risk (including custodial credit risk and credit quality), foreign currency risk, and concentration risk. The following describes those risks.

Market Risk – The fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises interest rate risk, currency risk, and other price risk.

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.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

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

Investments (Continued)

Fair Value of Investments (Continued)

Concentration of Credit Risk – The investment policies limit the aggregate amount that can be invested in each class of investments and any one issuer. The investment policy limits investments with a capital appreciation focus to 70% of the portfolio value, limits fixed income investments to 30% of the portfolio value. The composite target allocations are shown below:

<u>Asset Class of Sub Class</u>	<u>Target Allocation</u>
<u>Liquid Composite Targets</u>	
Capital appreciation:	
Dedicated traditional equity	33%
Risk-managed growth	25%
Satellite strategies	7%
Low volatility:	
Dedicated fixed income	27%
<u>Illiquid Composite Targets</u>	
Capital appreciation:	
Private equity	5%
Low volatility:	
Private debt	3%

Equity investments shall be diversified 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.

Alternative investments, including private equity and private debt investments, must be made through fund structures with managers that have verifiable track records. The Board may allocate up to 10% of the System’s assets in investment strategies that could expose the plan to unrelated business taxable income (UBTI). There was no UBTI for 2017 or 2016.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

Investments (Continued)

Concentration of Credit Risk (Continued)

The following table provides information as of December 31, 2017, 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
	Less Than 1	1 - 5	6 - 10	More Than 10	
<i>Fixed Maturity</i>					
CMO's and Asset-backed Securities	\$ -	\$ 1,235,037	\$ -	\$ -	\$ 1,235,037
Corporate Securities	8,068,851	50,724,757	-	-	58,793,608
Foreign Bonds	3,565,191	8,137,272	-	-	11,702,463
Mutual Bond Fund	11,935,510	6,949,791	-	-	18,885,301
<i>Total Fixed Maturity</i>	<u>\$ 23,569,552</u>	<u>\$ 67,046,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>90,616,409</u>
<i>Equities</i>					
Domestic					24,222,883
International					<u>2,275,044</u>
<i>Total Equities</i>					<u>26,497,927</u>
<i>Mutual Equity Funds</i>					215,046,945
<i>Partnerships</i>					19,006,636
<i>Cash Equivalents</i>					<u>2,300,069</u>
Total Investments					<u>\$ 353,467,986</u>

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

Mortgage-Backed Securities – As of December 31, 2017, 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.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

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

Investments (Continued)

Credit Risk – The following table provides information as of December 31, 2017, concerning credit risk:

RATING OF FIXED MATURITY INVESTMENTS

<u>Moody's Ratings § (Unless Noted)</u>	<u>Fair Value</u>	<u>Fair Value as a Percent of Total Fixed Maturity Fair Value</u>
Aaa	\$ 978,691	1.08%
AAA(SP)	8,157,132	9.00%
Aa1	750,660	0.83%
Aa2	2,155,621	2.38%
AA(SP)	944,265	1.04%
Aa3	2,689,909	2.97%
AA-(SP)	724,935	0.80%
A1	10,668,876	11.77%
A2	9,887,022	10.91%
A(SP)	3,210,501	3.54%
A3	13,328,962	14.71%
A-(SP)	468,355	0.52%
Baa1	14,353,421	15.84%
BBB+(SP)	725,145	0.80%
Baa2	8,139,420	8.98%
BBB(SP)	710,085	0.78%
Baa3	11,401,438	12.59%
BB(SP)	944,265	1.04%
B(SP)	188,853	0.21%
CCC(SP)	188,853	0.21%
Totals	<u>\$ 90,616,409</u>	<u>100.00%</u>

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

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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>Debt Service Fund</u>	<u>Federal Transit Administration Grant Fund</u>	<u>Emergency Communication District</u>	<u>Nonmajor Governmental Funds</u>
Interest and dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions receivable	-	-	-	-	-	-
Taxes	11,220,438	-	-	-	-	521,917
Accounts	1,942,613	41,222	-	-	50	113,075
Intergovernmental	2,115,230	90,549	87,298	2,398,088	585,256	1,006,370
Total receivables	\$ 15,278,281	\$ 131,771	\$ 87,298	\$ 2,398,088	\$ 585,306	\$ 1,641,362

	<u>Montgomery Area Transit System</u>	<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	\$ -	\$ -	\$ -	\$ -	1,099,639	\$ 1,099,639
Contributions receivable	-	-	-	-	1,021,226	1,021,226
Taxes	-	-	-	-	-	11,742,355
Accounts	187	226,399	22,994	1,085,825	3,378	3,435,743
Intergovernmental	-	-	-	-	-	6,282,791
Total receivables	\$ 187	\$ 226,399	\$ 22,994	\$ 1,085,825	\$ 2,124,243	\$ 23,581,754

5. INTERFUND BALANCES

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. The amounts reported as due to/from other funds should be repaid during the next fiscal year. The amounts reported as advances to/from other funds will be repaid over multiple years. The composition of interfund balances as of September 30, 2018 is shown below.

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 1,401,893
	Federal Transit Administration Grant	2,305,449
	Nonmajor Governmental	386,828
	Montgomery Area Transit System	170,210
	Nonmajor Enterprise	98,794
Total		\$ 4,363,174

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

5. INTERFUND BALANCES (Continued)

Advance to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Internal Service	\$ 39,000
		<u>\$ 39,000</u>

Interfund Transfers

<u>Transfer Out</u>	<u>Transfer In</u>				
	<u>General</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Federal Transit Administration Grant Fund</u>	<u>Nonmajor Governmental</u>
General	\$ -	\$ 8,570,345	\$ 27,980,600	\$ 3,300,000	\$ 2,769,614
Capital Project Fund	-	-	377,426	-	22,110
Debt Service Fund	-	1,278,483	-	-	-
Emergency Communications District	-	12,000	-	-	-
Nonmajor Governmental	6,500,000	1,421,831	367,409	-	-
Montgomery Zoo	-	25,193	-	-	-
Totals	<u>\$ 6,500,000</u>	<u>\$ 11,307,852</u>	<u>\$ 28,725,435</u>	<u>\$ 3,300,000</u>	<u>\$ 2,791,724</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	\$ 1,074,458	\$ 1,178,266	\$ 703,811	\$ 9,441,377	\$ 55,018,471
Capital Project Fund	200	-	-	-	399,736
Debt Service Fund	-	-	-	-	1,278,483
Emergency Communications District	-	-	-	-	12,000
Nonmajor Governmental	-	-	-	-	8,289,240
Montgomery Zoo	-	-	-	-	25,193
Totals	<u>\$ 1,074,658</u>	<u>\$ 1,178,266</u>	<u>\$ 703,811</u>	<u>\$ 9,441,377</u>	<u>\$ 65,023,123</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. Transfers into the General Fund from the special revenue funds are used to move special revenue items into the General Fund, where the activity takes place.

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

6. NOTES, WARRANTS, AND LEASE RECEIVABLE

During 2001, Montgomery Development Corporation, an Alabama nonprofit corporation, and Montgomery Housing Partners, Ltd., an Alabama limited partnership, issued a note payable to the City 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 2014, the City sold various assets held for resale and capital assets in exchange for mortgages receivable with scheduled principal repayments through 2024. Mortgages receivable and unavailable revenue of \$330,304 have been reported in the Capital Project Fund as of September 30, 2018. Certain mortgages receivable included in the Capital Project Fund totaling \$200,000 have terms of repayment dependent upon the completion of a rehabilitation agreement and other terms related to the occurrence of future events.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 54,832,711	\$ 868,127	\$ (367,646)	\$ 6,800	\$ 55,339,992
Construction in progress	5,736,662	2,964,998	(121,901)	(4,413,526)	4,166,233
Total capital assets, not being depreciated	<u>60,569,373</u>	<u>3,833,125</u>	<u>(489,547)</u>	<u>(4,406,726)</u>	<u>59,506,225</u>
Capital assets, being depreciated:					
Buildings and system	198,980,673	1,051,785	(6,936,069)	660,798	193,757,187
Improvements other than buildings	80,492,121	54,339	-	1,613,235	82,159,695
Machinery and equipment	123,021,339	8,365,314	(3,102,901)	412,566	128,696,318
Infrastructure	557,375,012	8,629,270	-	537,098	566,541,380
Total capital assets, being depreciated	<u>959,869,145</u>	<u>18,100,708</u>	<u>(10,038,970)</u>	<u>3,223,697</u>	<u>971,154,580</u>
Less accumulated depreciation for:					
Buildings and system	74,821,951	4,369,001	(3,202,616)	-	75,988,336
Improvements other than buildings	35,980,742	3,163,871	-	-	39,144,613
Machinery and equipment	85,395,691	7,036,225	(2,887,570)	-	89,544,346
Infrastructure	476,793,490	5,923,549	-	-	482,717,039
Total accumulated depreciation	<u>672,991,874</u>	<u>20,492,646</u>	<u>(6,090,186)</u>	<u>-</u>	<u>687,394,334</u>
Total capital assets, being depreciated, net	<u>286,877,271</u>	<u>(2,391,938)</u>	<u>(3,948,784)</u>	<u>3,223,697</u>	<u>283,760,246</u>
Governmental activities capital assets, net	<u>\$ 347,446,644</u>	<u>\$ 1,441,187</u>	<u>\$ (4,438,331)</u>	<u>\$ (1,183,029)</u>	<u>\$ 343,266,471</u>

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

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	26,344,622	-	-	-	26,344,622
Improvements other than buildings	7,516,667	-	-	97,588	7,614,255
Machinery and equipment	11,430,200	47,878	(827,841)	-	10,650,237
Total capital assets, being depreciated	45,291,489	47,878	(827,841)	97,588	44,609,114
Less accumulated depreciation for:					
Buildings and system	6,632,361	563,311	-	-	7,195,672
Improvements other than buildings	5,685,954	186,271	-	-	5,872,225
Machinery and equipment	8,950,792	400,823	(826,245)	-	8,525,370
Total accumulated depreciation	21,269,107	1,150,405	(826,245)	-	21,593,267
Total capital assets, being depreciated, net	24,022,382	(1,102,527)	(1,596)	97,588	23,015,847
Business-type activities capital assets, net	<u>\$ 25,070,324</u>	<u>\$ (1,102,527)</u>	<u>\$ (1,596)</u>	<u>\$ 97,588</u>	<u>\$ 24,063,789</u>

Transfers from construction in progress above include \$1,085,441 of capital assets contributed to the Montgomery City-County Public Library.

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

Governmental Activities:

General Government	\$ 13,272,691
Public Works	1,889,181
Public Safety	3,854,284
Cultural and Recreational	1,476,490
Total depreciation expense - governmental activities	<u>\$ 20,492,646</u>

Business-type Activities:

Montgomery Area Transit System	\$ 709,232
Montgomery Zoo	342,375
Montgomery River Boat	52,827
Municipal Golf	45,971
Total depreciation expense - business-type activities	<u>\$ 1,150,405</u>

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

8. SHORT-TERM DEBT

In January 2018, the City obtained a \$10,000,000 line of credit to support operations pending collection and receipt of outstanding City revenue. The line of credit bears interest on the outstanding balances at the 30-day LIBOR rate plus 2.05%. Interest was due quarterly beginning March 2018. The line of credit matured September 30, 2018. As of September 30, 2018, there were no draws on the line of credit.

Subsequent to year end, the City obtained a \$10,000,000 line of credit to support operations pending collection and receipt of outstanding City revenue. The line of credit bears interest on the outstanding balances at the 30-day LIBOR rate plus 2.05%. Interest is due quarterly beginning December 2018. The line of credit matures September 28, 2019.

9. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 285,354,166	\$ 25,765,000	\$ (48,133,508)	\$ 262,985,658	\$ 17,195,443
Less issuance discounts	(10,363)	-	464	(9,899)	-
Add issuance premiums	4,243,842	2,536,170	(729,333)	6,050,679	-
Total general obligation bonds payable	289,587,645	28,301,170	(48,862,377)	269,026,438	17,195,443
Capital leases	13,152,952	6,528,954	(5,234,255)	14,447,651	5,884,388
Notes payable	4,750,000	-	(250,000)	4,500,000	250,000
Compensated absences	20,003,493	1,725,226	(1,670,766)	20,057,953	1,670,766
Retirement and disability benefits	7,089,937	120,395	(499,157)	6,711,175	499,157
Net pension liability	231,745,188	-	(5,409,494)	226,335,694	-
Total OPEB liability	413,137,477	17,369,148	(38,641,656)	391,864,969	-
Pollution remediation obligation	187,200	-	(187,200)	-	-
IREP settlement payable	-	1,500,000	-	1,500,000	-
Landfill closure and postclosure	7,441,749	-	(4,076,325)	3,365,424	-
Governmental activities long-term liabilities	987,095,641	55,544,893	(104,831,230)	937,809,304	25,499,754
Business-type Activities:					
Compensated absences	337,280	31,392	(15,158)	353,514	15,158
Net pension liability	2,769,648	-	(63,653)	2,705,995	-
Business-type activities long-term liabilities	3,106,928	31,392	(78,811)	3,059,509	15,158
Total long-term debt	\$ 990,202,569	\$ 55,576,285	\$ (104,910,041)	\$ 940,868,813	\$ 25,514,912

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

9. LONG-TERM DEBT (Continued)

Long-term debt payable at September 30, 2018 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 \$296,575,718 with current outstanding balances as follows:

\$42,090,000 Series 2010A General Obligation Warrants due in annual installments of \$715,000 to \$3,980,000 on 2/1/12 to 2/1/27, with a maximum principal of \$3,980,000 in fiscal year 2027, interest at 2.00% to 5.00%.	\$ 31,345,000
\$60,065,000 Series 2010B Taxable General Obligation Recovery Zone Economic Development Term Warrants with principal of \$10,920,000 due 2/1/30, \$22,665,000 due 2/1/35, and \$26,480,000 due 2/1/40, with a maximum principal of \$26,480,000 in fiscal year 2040, interest at 5.30% to 5.70%.	60,065,000
\$38,760,000 Series 2011 General Obligation Warrants due in annual installments of \$1,450,000 to \$6,150,000 on 5/1/16 to 5/1/23, with a maximum principal of \$6,150,000 in fiscal year 2023, interest at 3.00% to 5.00%.	28,020,000
\$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%.	8,625,000
\$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%.	41,555,000
\$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%.	900,000
\$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%.	7,110,000

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

9. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

\$3,684,724 Series 2014-A General Obligation Warrants due in annual installments of \$333,333 to \$351,394 on 4/23/14 to 4/23/24, with a maximum principal of \$351,394 in fiscal year 2024, interest at 3.36%.	\$ 2,018,059
\$2,357,875 Series 2014-B General Obligation Warrants due in annual installments of \$471,575 on 2/19/15 to 2/19/19, interest at 2.88%.	471,575
\$9,190,000 Series 2015 Education Cooperative District Limited Obligation Revenue Warrants due in annual installments of \$200,000 to \$475,000 on 4/1/16 to 4/1/40, with a maximum principal of \$475,000 in fiscal year 2035, interest at 2.00% to 5.00%.	8,480,000
\$53,898,119 Series 2015 General Obligation Warrants due in annual installments of \$984,896 to \$4,125,605 on 2/1/16 to 2/1/29 and two final installments of \$4,233,301 and \$4,343,498 on 2/1/30 and 8/1/30, respectively, with a maximum principal of \$8,576,799 in fiscal year 2030, interest at 2.82%.	48,631,024
\$25,765,000 Series 2018 General Obligation Warrants due in annual installments of \$815,000 to \$1,895,000 on 6/15/20 to 6/15/39, with a maximum principal of \$1,895,000 in fiscal year 2039, interest at 3.00% to 5.00%.	25,765,000
	<hr/>
Total general obligation bonds	<u><u>\$ 262,985,658</u></u>

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

9. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

The following schedule illustrates debt service to maturity for General Obligation Bonds at September 30, 2018.

Year ending	Governmental Activities		
	Principal	Interest	Total
September 30:			
2019	\$ 17,195,443	\$ 10,930,186	\$ 28,125,629
2020	18,621,679	9,810,573	28,432,252
2021	19,246,089	9,167,378	28,413,467
2022	19,896,791	8,495,596	28,392,387
2023	20,510,833	7,850,647	28,361,480
2024-2028	66,952,419	30,633,003	97,585,422
2029-2033	49,227,404	18,764,509	67,991,913
2034-2038	37,200,000	8,580,372	45,780,372
2039-2040	14,135,000	748,250	14,883,250
Totals	<u>\$ 262,985,658</u>	<u>\$ 104,980,514</u>	<u>\$ 367,966,172</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, 2018, the amount of outstanding debt applicable to this limit was equal to 10.13% of property assessments as of October 1, 2017.

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.

Current Refunding – In April 2018, the City issued Series 2018 General Obligation Warrants in the amount of \$25,765,000 at a premium of \$2,536,170 with interest rates ranging from 3.0% to 5.0%, to redeem the outstanding Series 2013-A Tax Exempt Solid Waste Disposal Revenue Bonds with a principal balance of \$29,700,000 and bearing interest at 4.0% to 5.0%. The Series 2013-A Bonds were scheduled to mature in 2039. The City used the net proceeds together with available cash reserves to repay the bondholders of the Series 2013-A Bonds in full. The reacquisition price equaled the net carrying amount of the old debt. The City will see a decrease in the cash flows required to service debt of \$7,587,534 over the life of the new bonds, resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,478,236.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

9. LONG-TERM DEBT (Continued)

General Obligation Bonds (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, 2018, there was no defeased debt outstanding.

Note Payable

In August 2015, the City entered into a \$5,000,000 note payable for construction of a new municipal court complex. Interest accrues on the unpaid principal balance at the rate of 3.3% for the first four years of the agreement and will thereafter be adjusted at a per annum rate equal to the five-year LIBOR swap rate plus 175 basis points. The first interest payment was due March 1, 2017 and each six-month period thereafter. A principal payment of \$125,000 is due on the first day of each six-month period beginning March 1, 2017 until maturity on September 1, 2036. On February 10, 2017, the City drew down the entire \$5,000,000. The following schedule indicates debt service to maturity for the note payable at September 30, 2018:

	Governmental Activities		
	Principal	Interest	Total
Year ending			
September 30:			
2019	\$ 250,000	\$ 148,454	\$ 398,454
2020	250,000	140,479	390,479
2021	250,000	131,725	381,725
2022	250,000	123,360	373,360
2023	250,000	114,996	364,996
2024-2028	1,250,000	450,015	1,700,015
2029-2033	1,250,000	240,511	1,490,511
2034-2036	750,000	43,885	793,885
Totals	<u>\$ 4,500,000</u>	<u>\$ 1,393,425</u>	<u>\$ 5,893,425</u>

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

9. LONG-TERM DEBT (Continued)

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	\$ 23,700,982
Less accumulated depreciation	<u>(3,377,329)</u>
Total	<u><u>\$ 20,323,653</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, were as follows:

	<u>Governmental Activities</u>
Year ending September 30:	
2019	\$ 6,450,760
2020	4,750,308
2021	2,916,134
2022	110,574
2023	110,574
2024-2028	552,868
2029-2030	<u>221,147</u>
Total minimum lease payments	15,112,365
Less amount representing interest	<u>664,714</u>
Present value of minimum lease payments	<u><u>\$ 14,447,651</u></u>

Other Long-Term Debt

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

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

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.

The estimated liability of landfill closure and postclosure costs is approximately \$3,365,424 as of September 30, 2018, which is based on 31% usage. During 2018, the City recognized a benefit of approximately \$4,100,000 resulting from a change in the allowable final cap elevation on the landfill. The change reduced the estimated usage percentage from 70% at September 30, 2017 to 31% at September 30, 2018. It is estimated that an additional \$7,434,576 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 (2116). There are no portions of the postclosure costs expected to be paid in the next fiscal year.

The estimated total current cost of the landfill closure and postclosure care of \$10,800,000 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, 2018. 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. The remaining \$800,000 of the estimated current cost of the landfill closure and postclosure care cost will be covered by General Fund reserves.

11. OPERATING LEASES

The City is obligated under an operating ground lease for the municipal parking decks through June 30, 2021. The lease is for \$3,158 per month as adjusted for inflation and contains five five-year renewal options. The City exercised its second renewal option in 2016. The future minimum lease payments as of September 30, 2018, were as follows:

Year ending September 30:	
2019	\$ 37,896
2020	37,896
2021	<u>28,422</u>
Total	<u><u>\$ 104,214</u></u>

Total rental expense for the above operating lease is \$37,896 for the year ended September 30, 2018.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

11. OPERATING LEASES (Continued)

The City is the lessor of real estate under operating leases expiring in various years through 2020. Following is a summary of property held for lease as of September 30, 2018:

Real estate - Union Station	\$ 2,410,365
Real estate - North Jackson Street	13,200
Less accumulated depreciation	<u>1,616,510</u>
Total	<u>\$ 807,055</u>

The minimum future rentals on noncancelable operating leases as of September 30, 2018 are:

Year ending September 30:	
2019	\$ 152,171
2020	42,255
2021	32,894
2022	13,800
2023	<u>13,800</u>
Total minimum future rentals	<u>\$ 254,920</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, 2018

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 \$400,000 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 \$750,000 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, 2018 will be paid during the next fiscal year.

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

	<u>2018</u>	<u>2017</u>
Employees' Medical Insurance		
Unpaid claims, beginning of fiscal year	\$ 1,669,100	\$ 1,909,700
Incurred claims (including IBNRs)	40,959,401	35,810,067
Claim payments	<u>(40,234,001)</u>	<u>(36,050,667)</u>
Unpaid claims, end of fiscal year	<u>\$ 2,394,500</u>	<u>\$ 1,669,100</u>
Liability Insurance		
Unpaid claims, beginning of fiscal year	\$ 1,816,900	\$ 1,126,900
Incurred claims (including IBNRs)	2,263,515	2,076,631
Claim payments	<u>(2,388,215)</u>	<u>(1,386,631)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,692,200</u>	<u>\$ 1,816,900</u>

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.

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

13. PENSION PLAN

Plan Administration

The Employees' Retirement System of the City of Montgomery, Alabama (the System) is the administrator of a cost-sharing, multiple-employer retirement system (PERS). The System was established by the City of Montgomery, Alabama to provide retirement allowances to City employees and employees of one other participating governmental unit, the Airport Authority (the participating governments). Responsibility for the administration and operation of the System is vested in a nine member Board of Trustees. The Board of Trustees are appointed to a four-year term by the City Council and consist of one member employee in the City Police Department, one member employee in the City Fire Department, one member employee classified as a general municipal employee, three members that may be either active or retired members, one retired member, and two individuals that may or may not be members of the System.

The System is a pension trust fund included in the financial statements of the City of Montgomery, Alabama. The City is obligated for the payment of all retirement allowances of the System. Additionally, the System is fiscally dependent on the City by virtue of the legislative and executive controls exercised with respect to its operations and policies. The System issues a publicly available financial report that includes financial statements and required supplementary information for calendar years ending December 31. That report may be obtained by writing to the Employees' Retirement System, 103 North Perry Street, Montgomery, Alabama 36104.

Benefit provisions and contribution requirements of the System may be established or amended through legislative action of the State of Alabama.

Plan Membership

The System's members consist of substantially all permanent employees of the City and the Montgomery Airport Authority. The following table presents a summary of membership in the System as of December 31, 2017:

Inactive plan members or beneficiaries currently receiving benefits:	
General (Group I)	1,118
Police and fire (Group II)	867
Total	<u>1,985</u>
Inactive plan members entitled to but not yet receiving benefits:	
General (Group I)	6
Police and fire (Group II)	16
Total	<u>22</u>
Active plan members:	
General (Group I)	1,442
Police and fire (Group II)	874
Total	<u>2,316</u>
Total plan members	<u><u>4,323</u></u>

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

13. PENSION PLAN (Continued)

Service Retirement Allowances – 20-Year Plan

Members hired prior to October 1, 2005 were eligible to participate in the 20-Year Plan. Members who have completed 20 years of service or have reached the age of 65 years (the age of 62 years for police and fire) are entitled to a retirement benefit payable monthly for life based on final average compensation and years of service. Final average compensation with respect to a member is the compensation paid over the highest paid 12-month period accruing over the last five years of credited service. Benefits under the “20-year retirement plan” are computed as follows:

	PERCENTAGE OF AVERAGE COMPENSATION		MAXIMUM PERCENTAGE
	FOR EACH YEAR OF SERVICE		
	FIRST 20 YEARS	YEARS EXCEEDING 20	
General	2.00%	1.00%	60.00%
Police and fire	2.50%	1.00%	60.00%

Service Retirement Allowances – 25-Year Plan

Effective October 1, 2005, the “25-year retirement plan” was implemented for anyone hired after October 1, 2005 and before October 1, 2013. Participants prior to October 1, 2005, were given a one-time election to remain in the “20-year retirement plan” or to opt into the “25-year retirement plan.”

Group I are general municipal and airport employees. For a member of Group I, the “25-year retirement plan” provides for an immediate benefit at the earlier of 25 years of creditable service or age 55, equal to 2.00% of his average final compensation multiplied by his years of creditable service with a 100% of average final compensation maximum benefit. Creditable service earned prior to October 1, 2005, will be applied to the “20-year retirement plan” formula and future service earned will apply to the “25-year retirement plan” formula.

Group II are police and fire department employees. For a member of Group II, the “25-year retirement plan” provides for an immediate benefit at the earlier of 25 years of creditable service or age 55, equal to 2.50% of his average final compensation multiplied by his years of creditable service with a 100% of average final compensation maximum benefit. Creditable service earned prior to October 1, 2005, will be applied to the “20-year retirement plan” formula and future service earned will apply to the “25-year retirement plan” formula.

13. PENSION PLAN (Continued)

Service Retirement Allowances - Cash Balance Plan

Effective October 1, 2013, a new cash balance plan was implemented for Group I (general municipal and airport) employees hired on or after this date. Participants prior to October 1, 2013 were given a one-time election to remain in their current plan or opt into the new cash balance plan.

For a member of Group 1, the “Group 1 Cash Balance Plan” provides for an immediate benefit at the earlier of 25 years of creditable service or age 62, equal to (A) the service retirement allowance that is equivalent to the actuarial value of the member’s cash balance account and (B) with respect to an elective cash balance plan member, an additional service retirement allowance or vesting retirement allowance, as applicable, equal to the member’s pre-election frozen benefit. For each year, a member in the “Group 1 Cash Balance Plan” shall have the member’s cash balance account credited for that year with a pay credit equal to the following amounts, which are inclusive of the member’s contribution:

<u>Years of Service</u>	<u>Pay Credit</u>
Less than 10 years:	11% of member's salary
>10 years, but < 15 years:	12% of member's salary
>15 years, but < 20 years:	13% of member's salary
>20 years, but < 25 years:	14% of member's salary
Greater than 25 years:	15% of member's salary

For each calendar year continuing until the last day of the calendar year before the payment of benefits commence, each person’s cash balance account shall be credited, whether or not the person remains an employee or member, with an interest credit determined by multiplying the dollar amount representing the balance of the person’s cash balance account as of the first day of the calendar year and all previous pay credits and interest credits, by the yield on 30-year Treasury constant maturities for the November immediately preceding such calendar year.

Service Retirement Allowances - Group II Age 62 Plan

Effective October 1, 2013, the “Group II Age 62 Plan” was implemented for Group II (police and fire department) employees hired on or after this date.

The “Group II Age 62 Plan” provides for an immediate benefit at the earlier of 25 years of creditable service, or age 55 with at least ten years of creditable service. The member’s benefit is equal to 2.50% of their average final compensation multiplied by the number of years of creditable service, with a 100% of average final compensation maximum benefit. If benefits begin prior to age 62, the monthly benefit is reduced by an early retirement factor of 5/9% for each full month the annuity starting date precedes the member’s 62nd birthday.

Adjusted Retirement Allowances

Retirement allowances may be increased to provide for changes in the cost of living.

13. PENSION PLAN (Continued)

Disability Benefits

Any member in the “20-year retirement plan”, “25-year retirement plan”, or “Group II Age 62 Plan” in service who has completed ten years of creditable service and who is permanently incapacitated, mentally or physically, and who is not receiving any payments for such disability from the City under Worker’s Compensation or any other type of employer-provided payment for disability may retire on a disability retirement benefit. The disability retirement benefit is computed as a normal retirement benefit based on the member’s average final compensation and creditable service at disability retirement.

Vested Allowances

A member, who terminates employment before attaining retirement age, but after completing ten years of service, is eligible for a vested retirement allowance. A member who terminates employment prior to attaining retirement age and before completing ten years of service receives a refund of all accumulated member contributions without interest.

Employee Retention Incentive Program

The Employee Retention Incentive Program (ERIP) was implemented effective January 1, 2005, enabling an employee retiring with years in excess of the minimum service time to elect, at the time of retirement, to predate their retirement and collect a lump sum payment as severance in addition to a monthly lifetime benefit. The monthly pension benefit will be the amount of monthly pension the participant would have received if his or her retirement had occurred at the ERIP calculation date, based on the service and compensation as of such date. The one-time lump sum equals the monthly pension benefit so computed and multiplied by the number of months in the ERIP election period plus annual compounded interest of 5%. ERIP benefits are not available to members of the “Group I Cash Balance Plan” or the “Group II Age 62 Plan.”

Funding Policy

Active members of the “20-year retirement plan”, “25-year retirement plan”, and the “Group II Age 62 Plan” are required to contribute 7% of their annual covered salary. Active members of the “Group I Cash Balance Plan” are required to contribute 6% of their annual covered salary. The City is required to contribute at an actuarially determined rate. Contribution requirements of the System members and the City are established by, and may be amended by, the State legislature.

Employer contributions are made and the actuarial present value of accumulated plan benefits reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements. The City’s actuarially determined employer contribution rates in effect for the year ended September 30, 2018 were 11.87% of the employee’s annual covered salary for Group I employees and 23.97% of the employee’s annual covered salary for Group II employees. The City’s contribution to the System for the year ended September 30, 2018 was \$16,228,188. For the System’s calendar year ended December 31, 2017, contributions by the City totaled \$15,433,735.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

13. PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At September 30, 2018, the City reported a liability of \$229,041,689 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. The City’s proportion of the net pension liability was based on actual employer contributions during the measurement period. At December 31, 2017, the City’s proportion was 98.791%.

For the year ended September 30, 2018, the City recognized pension expense of \$32,537,905. At September 30, 2018, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
	<u> </u>
Governmental Activities:	
Differences between expected and actual results	\$ 15,569,895
Changes of assumptions	3,678,329
Transfer between employers	10,678
Net difference between projected and actual earnings on Plan investments	171,496
City contributions subsequent to measurement date	<u>12,014,227</u>
Governmental activities deferred outflows related to pensions	<u>31,444,625</u>
Business-type Activities:	
Differences between expected and actual results	183,209
Changes of assumptions	43,282
Transfer between employers	126
Net difference between projected and actual earnings on Plan investments	2,018
City contributions subsequent to measurement date	<u>141,205</u>
Business-type activities deferred outflows related to pensions	<u>369,840</u>
Total deferred outflows related to pensions	<u><u>\$ 31,814,465</u></u>

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

13. PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions (Continued)

The \$12,014,227 and \$141,205 of deferred outflows of resources resulting from the City’s contributions subsequent to the measurement date for governmental activities and business-type activities, respectively, will be recognized as a reduction of the net pension liability in the year ending September 30, 2019. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

<u>Year ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2018	\$ 5,932,446	\$ 69,807
2019	5,932,446	69,807
2020	5,932,446	69,807
2021	1,633,060	19,214
	<u>\$ 19,430,398</u>	<u>\$ 228,635</u>

Actuarial Assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality	RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2025 using Scale AA
Assumed payroll increase	2.25%
Salary scale	Annual increases by age as follows:

<u>Age</u>	<u>Group 1</u>	<u>Group 2</u>
<20	4.50%	5.00%
20 - 24	4.00%	4.50%
25 - 29	4.00%	4.50%
30 - 34	3.50%	4.00%
35 - 39	3.50%	4.00%
40 - 44	3.00%	3.50%
45 - 49	3.00%	3.50%
50 - 54	3.00%	3.50%
55 - 59	2.50%	3.00%
60 - 64	2.50%	3.00%
65+	2.50%	3.00%

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

13. PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Retirement rates	Employees are assumed to retire according to the following, if eligible:		
	<u>Age</u>	<u>Group 1</u>	<u>Group 2</u>
	40 - 44	20.00%	30.00%
	45 - 49	13.50%	30.00%
	50 - 57	15.00%	25.00%
	57 - 59	15.00%	30.00%
	60	10.00%	30.00%
	61 - 62	30.00%	30.00%
	63 - 69	18.00%	100.00%
	70 - 74	30.00%	100.00%
	75	100.00%	100.00%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation.		
Benefit elections	70% are assumed to elect a Life Annuity; 15% are assumed to elect a 50% Joint & Survivor Annuity; and 15% are assumed to elect a 100% Joint & Survivor Annuity. Once eligible, 50% of active employees are assumed to elect ERIP for three years.		
Percent married	75% of eligible active participants are assumed to be married with husbands assumed to be two years older than wives.		
Cost method	Entry age normal.		
Asset valuation method	Five year smoothing of asset gains and losses.		
Turnover	The percentage of employees expected to terminate within one year. Rates for sample ages are below:		
	<u>Age</u>	<u>Group 1</u>	<u>Group 2</u>
	20	18.60%	10.00%
	25	19.70%	8.00%
	30	13.00%	8.00%
	35	9.30%	5.00%
	40	7.40%	5.00%
	45	6.60%	5.00%
	50	6.00%	5.00%
	55	11.00%	5.00%
	60	10.00%	5.00%

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

13. PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2017 (see the discussion of the pension plan’s investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income:	
Domestic (short-term)	3.10%
Domestic (long-term)	4.10%
International	4.80%
Equities:	
Domestic (large cap)	6.40%
Domestic (small cap)	6.00%
International	7.40%
Hedge fund	7.10%
Private equities	8.60%
Alternative investments	5.5% - 6.5%

Discount rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at the actuarially determined contribution rate per year for all future years. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

13. PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Sensitivity of the net pension liability to changes in the discount rate - The following table presents the net pension liability of the participating governments calculated using the discount rate of 7.00%, as well as what the participating governments' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net Pension Liability</u>
1% decrease	6.00%	\$ 297,369,933
Current discount rate	7.00%	229,041,689
1% increase	8.00%	172,199,926

Changes in the actuarial assumptions used in the December 31, 2017 calculation consisted of a change in the cash balance interest crediting rate from 2.86% to 2.80%.

In 2018 the Alabama Legislature passed Act 2018-559 authorizing the City to join the Employees' Retirement System of Alabama (RSA). The assets and liabilities of the system will be transferred to RSA. The transfer of system to RSA is expected to be completed in 2019.

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The City's defined benefit OPEB plan, the Employees' Medical Insurance Plan (EMIP), provides OPEB for eligible retirees of the City and their spouses. The City's OPEB 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. EMIP is a single-employer defined benefit OPEB plan administered by the City. The City has not elected to advance fund the plan, but rather maintains the plan on a "pay as you go" basis, in that claims are paid as they arise, rather than establishing an irrevocable trust to accumulate restricted funds. Therefore, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASBS Statement 75. The Employees' Medical Insurance Plan does not issue a publicly available financial report. Benefit provisions and contribution requirements of the EMIP may be established or amended by the Mayor.

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

Benefits Provided and Eligibility

Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. To be eligible for retiree benefits, the participant must be covered under City benefits as an active employee immediately prior to retirement. Participants not eligible for retirement at the time of their termination are not eligible for immediate or future benefits from the retiree medical plan. Retirees are required to pay a portion of the full premium to continue benefits coverage in the City sponsored plan. Coverage is provided to spouses of retirees who are currently receiving benefits. If the retiree predeceases the spouse, coverage for the surviving spouse continues; however, the spouse must pay the full premium. The earliest retirement eligibility provisions are as follows:

Fire and Police Department Employees

Members hired prior to October 1, 2005 - Retirement at the earlier of age 62 with 10 years of service, or 20 years of service.

Members hired after September 30, 2005, but prior to October 1, 2013 - Retirement at the earlier of age 55 with 10 years of service, or 25 years of service.

Members hired after September 30, 2013 - Retirement at the earlier of 25 years of service, or age 62 with 10 years of service. These members are not eligible for the Employee Retention Incentive Program.

All Other Employees

Members hired prior to October 1, 2005 - Retirement at the earlier of age 65 with 10 years of service, or 20 years of service.

Members hired after September 30, 2005, but prior to October 1, 2013 - Retirement at the earlier of age 62 with 10 years of service, or 25 years of service.

Members hired after September 30, 2013 - Retirement at the earlier of 25 years of service, or age 62 with 10 years of service. These members are not eligible for the Employee Retention Incentive Program.

Employee Retention Incentive Program (ERIP)

Employees of the City who reach retirement service requirements are eligible to enter the ERIP for a period of up to 3 years. During the period in the ERIP, these participants will remain employed, but accrue a lump sum pension benefit. For the purposes of retiree medical eligibility, participants in the ERIP are considered active employees.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

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

Employees Covered by Benefit Terms

At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or spouses currently receiving benefit payments	2,165
Active employees	2,069
Total	<u><u>4,234</u></u>

Total OPEB Liability

The City’s total OPEB liability of \$391,864,969 was measured as of September 30, 2017 and was determined by actuarial valuation as of that date. The benefit liabilities have been rolled forward to September 30, 2018 using standard roll-forward techniques.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30%
Salary increases, including inflation	2.25%
Healthcare cost trend rates	8.10%

The discount rate was based on the average of the 20 Year Bond Government Obligation Index as of the measurement date of September 30, 2017. The discount rate used to compute the OPEB expense for the September 30, 2017 valuation date was 3.058%. The discount rate used to compute the total OPEB liability for the reporting date of September 30, 2018 was 3.640%.

Mortality rates were based on the RP-2000 Table, with mortality improvement projected to 7 and 15 years past the valuation date for annuitants and nonannuitants, respectively, based on Projection Scale AA.

100% of eligible participants retiring in the future prior to age 65 are assumed to elect medical coverage. 80% of retirees electing coverage at retirement are assumed to continue coverage after Medicare eligibility.

It is assumed that husbands are two years older than wives for future retirees. It is assumed that 80% of active employees who retire with medical coverage will elect to cover their spouse.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

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

Retirees are expected to contribute the following monthly amounts during 2018 towards the cost of their premiums:

	Monthly Premium Contribution	
	Prior to 65	65 and older
Retiree	\$ 176.86	\$ 46.00
Spouse	193.59	152.45

The plan has not had a formal actuarial experience study performed.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at September 30, 2017	\$ 413,137,477
Changes for the year:	
Service Cost	11,803,335
Interest	12,860,076
Effect of assumptions changes or inputs	(37,065,070)
Benefit payments	(8,870,849)
Net changes	(21,272,508)
Balance as of September 30, 2018	<u>\$ 391,864,969</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.058% used in the September 30, 2017 valuation to 3.64% in the roll forward for September 30, 2018 to reflect the current economic development. In addition, the payroll growth rate assumption was updated to better reflect plan experience.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using the discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current discount rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total OPEB liability	\$ 458,274,083	\$ 391,864,969	\$ 338,264,845

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

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

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trends Rate

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using the healthcare cost trend rates that are 1-percentage-point lower (7.10%) or 1-percentage-point higher (9.10%) than the current healthcare trend rates:

	1% Decrease (7.10%)	Current Trend Rate (8.10%)	1% Increase (9.10%)
Total OPEB liability	\$ 336,210,031	\$ 391,864,969	\$ 461,534,761

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$5,530,813. The \$11,838,335 of deferred outflows of resources resulting from the City’s contributions subsequent to the measurement date for governmental activities as the benefits came due will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2019. At September 30, 2018, the City also reported deferred inflows of resources related to the OPEB from the following sources:

	Deferred Inflows of Resources
Changes of assumptions	<u>\$ (29,770,807)</u>
	<u>\$ (29,770,807)</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending September 30:</u>	<u>Amount</u>
2019	\$ (7,294,263)
2020	(7,294,263)
2021	(7,294,263)
2022	(7,294,263)
2023	(593,755)

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2018, the City had commitments on construction of capital projects as follows:

Gross commitments	\$ 7,151,597
Spent-to-date	<u>4,802,244</u>
Net commitments	<u>\$ 2,349,353</u>

As of February 26, 2019, the City's total net construction commitments were approximately \$2,700,000.

17. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the year ended September 30, 2018:

The City appropriated approximately \$3,144,634 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. In addition, the City contributed capital assets of \$1,085,441 to the Montgomery City-County Public Library.

The Montgomery Water Works and Sanitary Sewer Board (the Board) paid the City \$3,357,131 in lieu of taxes and \$13,200 in franchise fees. 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 \$903,910 in charges for the use of fire hydrants.

18. ECONOMIC DEVELOPMENT INCENTIVE OBLIGATIONS - TAX ABATEMENTS

The City, in conjunction with the Industrial Development Board of the City of Montgomery and the City of Montgomery Downtown Redevelopment Authority, enters into economic development incentive agreements with entities that propose to locate businesses within the City, or expand businesses within the City, which are expected to provide jobs and stimulus to the City's economy. Eligibility for these agreements is in accordance with the Tax Reform Act of 1992 (Chapter 9B, Title 40, Code of Alabama 1975) and The Alabama Reinvestment & Abatements Act (Chapter 9G, Title 40, Code of Alabama 1975). These agreements provide for full or partial abatement of sales, use and/or property taxes. Property taxes are abated through reductions of assessed values. Sales and use taxes are abated through exemptions granted on purchases for specified construction or equipment-purchase purposes.

These incentive agreements require approval by the Mayor and City Council and are authorized by Chapters 9B and 9G of Title 40 of the Code of Alabama 1975, as amended. Some agreements provide for the repayment to the City of abated amounts if the entity ceases to operate its business for a certain length of time or fails to produce a certain level of employment. The agreements have limited terms, typically property taxes are abated for ten years.

The City does not collect property taxes directly. The Revenue Commissioner of Montgomery County is responsible for billing and collection of property taxes which are then disbursed to the City.

Property Tax Abated - Fiscal Year 2018	<u>\$ 1,808,072</u>
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Total sales taxes abatement commitments by the Industrial Development Board of the City of Montgomery in fiscal year 2018 was approximately \$6,500,000 on approximately \$500,000,000 of additional development. These developments will be completed during the next three to five years and the sales tax abatement will be realized as funds are spent. In the case of sales and use tax abatements on construction materials, the taxes abated are not received by the City, nor is there currently a reporting mechanism for the City to receive such information. The State Department of Revenue provides a Purchasing Agent appointment letter to subject entities so that they can purchase materials tax-exempt. The City will take action to require this reporting in all future abatement agreements.

19. EFFECT OF NEW PRONOUNCEMENTS

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

GASB 83, Certain Asset Retirement Obligations. This Statement establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. Requirements for this Statement will take effect for financial statements starting with the fiscal year that ends September 30, 2019.

GASB 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Requirements for this Statement will take effect for financial statements starting with the fiscal year that ends September 30, 2020.

19. EFFECT OF NEW PRONOUNCEMENTS (Continued)

GASB 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Requirements for this Statement will take effect for financial statements starting with the fiscal year that ends September 30, 2021.

GASB 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from debt. Requirements for this Statement will take effect for financial statements starting with the fiscal year that ends September 30, 2019.

GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. Requirements for this Statement will take effect for financial statements starting with the fiscal year that ends September 30, 2021.

GASB Statement No. 90, *Majority Equity Interests*. This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Additionally, this Statement requires that governments use acquisition value to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of acquisition of a component unit in which the primary government acquired a 100 percent equity interest. Requirements for this Statement will take effect for financial statements starting with the fiscal year that ends September 30, 2020.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

20. OTHER COMMITMENT

On May 29, 2018, the City’s blended component unit, the Solid Waste Disposal Authority (SWDA) executed a Municipal Solid Waste Supply Agreement with Repower South Montgomery, LLC (RPS) to operate the City’s Recycling Facility. As part of the agreement terms, the City received a Good Faith Deposit from RPS that may be used in the event of default within thirty-six (36) months. The City has an asset and liability recorded in the amount of \$1,001,200 related to this deposit and accrued interest.

21. CHANGE IN ACCOUNTING PRINCIPLE

In fiscal year 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires governments to report a liability on the face of the financial statements and include more extensive note disclosures and required supplementary information.

The implementation of Statement No. 75 resulted in the restatement of the beginning net position of the government activities in the government-wide financial statements:

	Governmental Activities
Net position at September 30, 2017, as originally stated	\$ (266,575,532)
Change in reporting for OPEB	(258,294,978)
Net Position at September 30, 2017, as restated	<u>\$ (524,870,510)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MONTGOMERY, ALABAMA

SCHEDULE OF THE CITY OF MONTGOMERY'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY

Calendar Year Ended December 31	City's Proportion of the Collective Net Pension Liability	City's Proportionate Share of the Collective Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	98.791%	\$ 229,041,689	\$ 95,077,140	240.90%	60.43%
2016	98.761%	234,514,836	94,503,344	248.16%	57.98%
2015	98.788%	226,467,135	95,568,436	236.97%	58.38%
2014	98.788%	182,853,723	96,747,398	189.00%	64.87%

Notes to the Schedule:

1. This schedule is to be built prospectively until it contains ten years of data.
2. The actuarial assumptions used for the schedule are detailed in Note 13 to the financial statements.

CITY OF MONTGOMERY, ALABAMA
 SCHEDULE OF THE CITY OF MONTGOMERY'S CONTRIBUTIONS TO THE PENSION PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended September 30	Actuarially Determined Employer Contributions	Actual Employer Contributions	Annual Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a % of Covered Payroll
2018	\$ 16,228,188	\$ 16,228,188	\$ -	\$ 95,754,653	16.95%
2017	15,161,503	15,161,503	-	95,107,507	15.94%
2016	14,650,781	14,650,781	-	98,800,023	14.83%
2015	13,220,721	13,220,721	-	95,301,742	13.87%
2014	14,588,276	14,588,276	-	103,845,353	14.05%
2013	13,200,059	13,200,059	-	104,402,423	12.64%

Notes to the Schedule:

1. This schedule is to be built prospectively until it contains ten years of data.
2. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	18 years
Asset valuation method	5 year smoothing
General inflation	2.25%
Salary increases	Varies by age, ranging from 2.50% to 5.00%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

The retirement age varies by age and service.

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2025 using Scale AA.

3. Covered payroll for the fiscal year ended September 30, 2015 and subsequent reflects the adoption of GASBS No. 82.

CITY OF MONTGOMERY, ALABAMA

SCHEDULE OF CHANGES IN THE CITY OF MONTGOMERY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST 10 FISCAL YEARS ENDING SEPTEMBER 30

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 11,803,335
Interest	12,860,076
Changes of assumptions	(37,065,070)
Benefit payments	<u>(8,870,849)</u>
Net change in total OPEB liability	(21,272,508)
Total OPEB liability - beginning	<u>413,137,477</u>
Total OPEB liability - ending (a)	<u><u>\$ 391,864,969</u></u>
Covered employee payroll	\$ 95,743,293
Total OPEB liability as a percentage of covered employee payroll	409.29%

Note to the Schedule:

1. This schedule is to be built prospectively until it contains ten years of data.
2. No assets related to OPEB benefits are accumulated in a trust that meets the criteria in GASBS No. 75, paragraph 4.
3. The City's measurement date is September 30, 2017, with the total OPEB liability rolled forward to September 30, 2018 using standard roll-forward techniques.
4. The actuarial assumptions used for the schedule are detailed in Note 14 to the financial statements.
5. There were no benefit changes for the year ended September 30, 2018.
6. Contributions are not based on a measure of pay; therefore, covered employee payroll above represents the payroll of employees that are eligible to receive future OPEB benefits.
7. The discount rate used as of September 30, 2017 was 3.058%. The discount rate was adjusted to 3.64% for the September 30, 2018 roll-forward.

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.

Miscellaneous Special Revenue Fund accounts for various intergovernmental revenue and special revenues to be used solely for City improvements, such as tobacco taxes, Alabama Heritage Trust Fund revenue, rents from property purchased with federal funds, and donations and bequests.

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

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 (CONTINUED)
SEPTEMBER 30, 2018

	Special Revenue Funds						
	State Gasoline Tax Fund	Alabama Department of Transportation Fund	ADECA Grant Fund	Department of Justice Grant Fund	Department of Agriculture Grant Fund	Homeland Security Grant Fund	
ASSETS							
Cash and cash equivalents	\$ 70,339	\$ 2,022,661	\$ -	\$ 11,348	\$ 91,824	\$ -	\$ -
Receivables	291,968	531,869	55,216	7,632	-	38,741	173,275
Prepaid items	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 362,307	\$ 2,554,530	\$ 55,216	\$ 18,980	\$ 91,824	\$ 38,741	\$ 173,275
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued expenses	\$ 362,307	\$ 191,402	\$ -	\$ 7,595	\$ 91,799	\$ 6,569	\$ -
Due to other funds	-	-	73,924	-	-	42,759	87,501
Unearned revenue	-	-	-	20,629	-	-	-
Funds held in escrow	-	-	-	-	-	-	-
TOTAL LIABILITIES	362,307	191,402	73,924	28,224	91,799	49,328	87,501
FUND BALANCES (DEFICITS)							
Nonspendable:							
Prepaid items	-	-	-	-	-	-	-
Restricted for:							
Capital projects	-	950,367	-	-	-	-	172,928
Intergovernmental	-	1,412,761	-	-	25	-	-
Landfill	-	-	-	-	-	-	-
Municipal Court Corrections	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Riverfront Stadium	-	-	-	-	-	-	-
Unassigned	-	-	(18,708)	(9,244)	-	(10,587)	(87,154)
TOTAL FUND BALANCES (DEFICITS)	-	2,363,128	(18,708)	(9,244)	25	(10,587)	85,774
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 362,307	\$ 2,554,530	\$ 55,216	\$ 18,980	\$ 91,824	\$ 38,741	\$ 173,275

(Continued)

CITY OF MONTGOMERY, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2018

Special Revenue Funds						
Housing and Urban Development Grant Fund	Miscellaneous Special Revenue Fund	Municipal Court Corrections Fund	Riverfront Stadium Fund	Seizures and Forfeitures Fund	Municipal Court Judicial Administration Fund	Total
\$ -	\$ 3,957,935	\$ 280,613	\$ 149,689	\$ 425,261	\$ 34,077	\$ 7,043,747
210,311	12,255	-	320,095	-	-	1,641,362
275	350	-	-	-	-	625
<u>\$ 210,586</u>	<u>\$ 3,970,540</u>	<u>\$ 280,613</u>	<u>\$ 469,784</u>	<u>\$ 425,261</u>	<u>\$ 34,077</u>	<u>\$ 8,685,734</u>
\$ 10,225	\$ 90,627	\$ 5,828	\$ -	\$ -	\$ -	\$ 766,352
182,644	-	-	-	-	-	386,828
17,717	12,500	-	-	-	-	50,846
-	291,250	-	-	-	-	291,250
<u>210,586</u>	<u>394,377</u>	<u>5,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,495,276</u>
275	350	-	-	-	-	625
25,885	-	-	-	-	-	1,149,180
-	3,488,897	-	-	425,261	-	5,326,944
-	86,843	-	-	-	-	86,843
-	-	270,606	-	-	34,077	304,683
-	73	4,179	-	-	-	4,252
-	-	-	469,784	-	-	469,784
(26,160)	-	-	-	-	-	(151,853)
<u>-</u>	<u>3,576,163</u>	<u>274,785</u>	<u>469,784</u>	<u>425,261</u>	<u>34,077</u>	<u>7,190,458</u>
<u>\$ 210,586</u>	<u>\$ 3,970,540</u>	<u>\$ 280,613</u>	<u>\$ 469,784</u>	<u>\$ 425,261</u>	<u>\$ 34,077</u>	<u>\$ 8,685,734</u>

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds						
	State	Alabama		Department	Department	Homeland	Miscellaneous
	Gasoline	Department of	ADECA	of Justice	of Agriculture	Security	Grant
Tax Fund	Transportation	Grant Fund	Grant Fund	Grant Fund	Grant Fund	Grant Fund	Grant Fund
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	86,312	-	-	-	-	-	-
Intergovernmental revenues	3,060,890	1,253,713	38,174	170,871	125,512	753,145	211,381
Charges for goods and services	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Miscellaneous revenues	-	27,125	-	-	-	-	16,487
Total revenues	3,147,202	1,280,838	38,174	170,871	125,512	753,145	227,868
EXPENDITURES							
Current:							
General government	-	333,876	-	115,870	-	-	224,667
Public works	5,197,553	1,085,911	-	-	-	-	-
Public safety	-	-	38,174	32,380	-	229,265	-
Cultural and recreational	-	-	-	-	125,512	-	-
Capital outlay	-	402,126	-	31,863	-	575,691	-
Total expenditures	5,197,553	1,821,913	38,174	180,113	125,512	804,956	224,667
Excess of revenues over (under) expenditures	(2,050,351)	(541,075)	-	(9,242)	-	(51,811)	3,201
OTHER FINANCING SOURCES (USES)							
Transfers in	2,250,351	495,350	529	-	-	-	494
Transfers out	(200,000)	-	-	-	-	-	(1)
Total other financing sources (uses)	2,050,351	495,350	529	-	-	-	493
Net change in fund balances	-	(45,725)	529	(9,242)	-	(51,811)	3,694
FUND BALANCES - BEGINNING	-	2,408,853	(19,237)	(2)	25	41,224	82,080
FUND BALANCES - ENDING	\$ -	\$ 2,363,128	\$ (18,708)	\$ (9,244)	\$ 25	\$ (10,587)	\$ 85,774

(Continued)

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Special Revenue Funds						
Housing and Urban Development Grant Fund	Miscellaneous Special Revenue Fund	Municipal Court Corrections Fund	Riverfront Stadium Fund	Seizures and Forfeitures Fund	Municipal Court Judicial Administration Fund	Total
\$ -	\$ 1,533,377	\$ -	\$ 2,647,559	\$ -	\$ -	\$ 4,180,936
-	-	-	-	-	-	86,312
1,987,176	1,787,173	-	-	-	-	9,388,035
-	350,434	-	-	-	-	350,434
-	-	1,047,107	-	-	306,568	1,353,675
-	97,177	-	419,081	147,831	-	707,701
1,987,176	3,768,161	1,047,107	3,066,640	147,831	306,568	16,067,093
1,986,509	814,711	146,674	-	-	-	3,622,307
667	161,051	-	-	-	-	6,445,182
-	14,812	-	-	85,196	-	399,827
-	122,638	-	263,950	-	-	512,100
-	228,133	14,485	62,513	-	-	1,314,811
1,987,176	1,341,345	161,159	326,463	85,196	-	12,294,227
-	2,426,816	885,948	2,740,177	62,635	306,568	3,772,866
-	-	-	45,000	-	-	2,791,724
-	(3,004,430)	(900,000)	(3,884,809)	-	(300,000)	(8,289,240)
-	(3,004,430)	(900,000)	(3,839,809)	-	(300,000)	(5,497,516)
-	(577,614)	(14,052)	(1,099,632)	62,635	6,568	(1,724,650)
-	4,153,777	288,837	1,569,416	362,626	27,509	8,915,108
\$ -	\$ 3,576,163	\$ 274,785	\$ 469,784	\$ 425,261	\$ 34,077	\$ 7,190,458

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Licenses	\$ 115,835	\$ 115,835	\$ 86,312	\$ (29,523)
Intergovernmental revenues	3,059,476	3,059,476	3,060,890	1,414
Total revenues	3,175,311	3,175,311	3,147,202	(28,109)
EXPENDITURES				
Public works:				
Maintenance	1,813,736	1,613,736	1,281,311	332,425
Traffic engineering	3,949,059	3,949,059	3,916,242	32,817
Total expenditures	5,762,795	5,562,795	5,197,553	365,242
Excess of expenditures over revenues	(2,587,484)	(2,387,484)	(2,050,351)	337,133
OTHER FINANCING USES				
Operating transfers in	2,587,484	2,587,484	2,250,351	(337,133)
Operating transfers out	-	(200,000)	(200,000)	-
Total other financing uses	2,587,484	2,387,484	2,050,351	(337,133)
Net change in fund balance	-	-	-	-
FUND BALANCES - BEGINNING	-	-	-	-
FUND BALANCES - ENDING	\$ -	\$ -	\$ -	\$ -

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.

Municipal Golf Fund accounts for the operations of the City's recreational complexes.

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

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2018

	Municipal Golf	Montgomery River Boat	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 183,443	\$ 2,590	\$ 186,033
Receivables	1,514	21,480	22,994
Inventories	92,671	13,224	105,895
Total current assets	<u>277,628</u>	<u>37,294</u>	<u>314,922</u>
NONCURRENT ASSETS			
Capital assets:			
Land	665,341	-	665,341
Buildings and system	213,831	-	213,831
Improvements other than buildings	1,565,024	-	1,565,024
Machinery and equipment	369,456	786,600	1,156,056
Less accumulated depreciation	<u>(1,844,462)</u>	<u>(132,067)</u>	<u>(1,976,529)</u>
Total capital assets, net of accumulated depreciation	<u>969,190</u>	<u>654,533</u>	<u>1,623,723</u>
TOTAL ASSETS	<u>1,246,818</u>	<u>691,827</u>	<u>1,938,645</u>
DEFERRED OUTFLOWS			
Pension related items	-	16,592	16,592
TOTAL DEFERRED OUTFLOWS	<u>-</u>	<u>16,592</u>	<u>16,592</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	100,017	44,583	144,600
Unearned revenue	6,929	1,231	8,160
Due to other funds	-	98,794	98,794
Total current liabilities	<u>106,946</u>	<u>144,608</u>	<u>251,554</u>
NONCURRENT LIABILITIES			
Compensated absences	-	8,252	8,252
Net pension liability	-	25,614	25,614
Total noncurrent liabilities	<u>-</u>	<u>33,866</u>	<u>33,866</u>
TOTAL LIABILITIES	<u>106,946</u>	<u>178,474</u>	<u>285,420</u>
NET POSITION			
Investment in capital assets	969,190	654,533	1,623,723
Unrestricted	170,682	(124,588)	46,094
TOTAL NET POSITION	<u>\$ 1,139,872</u>	<u>\$ 529,945</u>	<u>\$ 1,669,817</u>

CITY OF MONTGOMERY, ALABAMA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Municipal Golf	Montgomery River Boat	Total
OPERATING REVENUES			
Charges for goods and services	\$ 1,054,526	\$ 1,031,816	\$ 2,086,342
Total operating revenues	<u>1,054,526</u>	<u>1,031,816</u>	<u>2,086,342</u>
OPERATING EXPENSES			
Cost of sales and services	137,772	297,032	434,804
Administration	1,620,564	850,816	2,471,380
Depreciation	45,971	52,827	98,798
Total operating expenses	<u>1,804,307</u>	<u>1,200,675</u>	<u>3,004,982</u>
OPERATING LOSS	(749,781)	(168,859)	(918,640)
NONOPERATING REVENUES (EXPENSES)			
Interest income	-	2,447	2,447
Loss before contributions and transfers	(749,781)	(166,412)	(916,193)
Transfers in	703,811	-	703,811
Change in net position	<u>(45,970)</u>	<u>(166,412)</u>	<u>(212,382)</u>
TOTAL NET POSITION - BEGINNING	<u>1,185,842</u>	<u>696,357</u>	<u>1,882,199</u>
TOTAL NET POSITION - ENDING	<u>\$ 1,139,872</u>	<u>\$ 529,945</u>	<u>\$ 1,669,817</u>

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Municipal Golf	Montgomery River Boat	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,055,497	\$ 1,006,202	\$ 2,061,699
Payments to suppliers	(1,039,188)	(1,053,554)	(2,092,742)
Payments to employees	(759,651)	(91,542)	(851,193)
Payments for interfund services used	-	(14,570)	(14,570)
Net cash provided by (used in) operating activities	<u>(743,342)</u>	<u>(153,464)</u>	<u>(896,806)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	703,811	-	703,811
Net cash payments from other funds	-	98,794	98,794
Net cash provided by (used in) noncapital financing activities	<u>703,811</u>	<u>98,794</u>	<u>802,605</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	-	2,447	2,447
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(39,531)</u>	<u>(52,223)</u>	<u>(91,754)</u>
CASH AND CASH EQUIVALENTS - BEGINNING	<u>222,974</u>	<u>54,813</u>	<u>277,787</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 183,443</u></u>	<u><u>\$ 2,590</u></u>	<u><u>\$ 186,033</u></u>

(Continued)

CITY OF MONTGOMERY, ALABAMA
 COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Municipal Golf</u>	<u>Montgomery River Boat</u>	<u>Total</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating loss	\$ (749,781)	\$ (168,859)	\$ (918,640)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation expense	45,971	52,827	98,798
(Increase) decrease in assets and deferred outflows:			
Receivables	1,448	(11,921)	(10,473)
Inventories	(35,205)	(5,499)	(40,704)
Deferred outflows	-	16,302	16,302
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable and accrued expenses	(5,298)	(21,260)	(26,558)
Unearned revenue	(477)	(13,693)	(14,170)
Compensated absences	-	1,485	1,485
Net pension liability	-	(2,846)	(2,846)
Total adjustments	<u>6,439</u>	<u>15,395</u>	<u>21,834</u>
Net cash provided by (used in) operating activities	<u>\$ (743,342)</u>	<u>\$ (153,464)</u>	<u>\$ (896,806)</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.	102
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.	108
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.	113
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.	120
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.	122

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)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental Activities										
Net investment in capital assets	\$ 220,950,653	\$ 253,437,449	\$ 203,973,790	\$ 217,212,528	\$ 202,191,726	\$ 201,285,470	\$ 193,379,215	\$ 197,752,975	\$ 188,338,796	\$ 192,550,472
Restricted:										
Public works	3,510,905	1,487,038	1,304,163	4,199,221	4,648,168	4,672,714	4,892,875	2,557,209	1,453,747	1,837,869
Public safety	1,144,993	769,875	991,204	875,641	758,012	2,392,966	3,227,187	3,520,102	3,999,212	5,084,619
Cultural and recreational	4,280,263	4,260,063	4,622,557	3,366,997	3,126,119	1,590,318	1,029,012	1,994,217	669,672	706,818
Capital projects	30,017,486	72,261,635	34,609,691	9,383,106	8,404,945	3,049,561	15,014,719	4,205,006	8,142,625	7,555,966
Municipal Court Corrections	-	-	484,534	672,821	430,225	-	751,405	743,815	316,347	308,862
Unrestricted	(130,543,360)	(236,206,455)	(208,261,996)	(224,173,096)	(240,122,438)	(253,195,405)	(408,662,806)	(452,725,979)	(469,495,931)	(744,475,332)
Total governmental activities net position	\$ 129,360,940	\$ 96,009,605	\$ 37,723,943	\$ 11,537,218	\$ (20,563,243)	\$ (40,204,376)	\$ (190,368,393)	\$ (241,952,655)	\$ (266,575,532)	\$ (536,430,726)
Business-type Activities										
Net investment in capital assets	\$ 14,675,876	\$ 14,351,455	\$ 34,407,586	\$ 32,791,667	\$ 28,790,949	\$ 27,223,447	\$ 26,471,886	\$ 25,956,239	\$ 25,070,324	\$ 24,063,789
Unrestricted	(7,181,180)	790,709	(1,430,759)	(2,301,948)	(3,234,555)	(2,532,885)	(3,952,620)	(3,929,704)	(3,966,689)	(4,535,758)
Total business-type activities net position	\$ 7,494,696	\$ 15,142,164	\$ 32,976,827	\$ 30,489,719	\$ 25,556,394	\$ 24,690,562	\$ 22,519,266	\$ 22,026,535	\$ 21,103,635	\$ 19,528,031
Primary Government										
Net investment in capital assets	\$ 235,626,529	\$ 267,788,904	\$ 238,381,376	\$ 250,004,195	\$ 230,982,675	\$ 228,508,917	\$ 219,851,101	\$ 223,709,214	\$ 213,409,120	\$ 216,614,261
Restricted	38,953,647	78,778,611	42,012,149	18,497,786	17,367,469	11,705,559	24,915,198	13,020,349	14,581,603	15,494,134
Unrestricted	(137,724,540)	(235,415,746)	(209,692,755)	(226,475,044)	(243,356,993)	(255,728,290)	(412,615,426)	(456,655,683)	(473,462,620)	(749,011,090)
Total primary government net position	\$ 136,855,636	\$ 111,151,769	\$ 70,700,770	\$ 42,026,937	\$ 4,993,151	\$ (15,513,814)	\$ (167,849,127)	\$ (219,926,120)	\$ (245,471,897)	\$ (516,902,695)

Note: Periods prior to 2013 have not been retroactively restated to reflect the implementation of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Periods prior to 2015 have not been retroactively restated to reflect the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, or GASB Statement No. 71, Pension Transition of Contributions Made Subsequent to Measurement Date. Periods prior to 2018 have not been retroactively restated to reflect the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Expenses										
Governmental activities:										
General government	\$ 92,913,247	\$ 86,120,124	\$ 75,547,042	\$ 76,833,428	\$ 90,962,630	\$ 81,766,281	\$ 72,981,992	\$ 81,389,604	\$ 79,602,193	\$ 77,895,106
Public works	57,744,148	47,781,026	51,232,910	44,582,467	44,184,691	44,674,284	47,251,656	44,122,265	45,492,230	42,502,979
Public safety	83,265,102	89,288,506	95,703,085	95,841,814	91,141,018	94,292,962	94,705,501	102,967,635	107,487,117	106,294,149
Cultural and recreational	27,939,722	33,837,935	33,826,263	34,317,494	32,880,877	33,624,299	32,690,968	34,217,643	35,755,774	38,026,857
Interest on long-term debt	11,452,425	10,561,682	14,459,954	12,795,380	11,571,588	13,216,304	12,394,618	13,452,451	12,638,139	12,539,419
Total governmental activities expenses	<u>273,314,644</u>	<u>267,589,273</u>	<u>270,769,254</u>	<u>264,370,583</u>	<u>270,740,804</u>	<u>267,574,130</u>	<u>260,024,735</u>	<u>276,149,598</u>	<u>280,975,453</u>	<u>277,258,510</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	51,000,292	20,029,894	16,597,743	18,189,668	18,211,157	17,946,132	15,864,486	15,685,140	14,889,008	14,225,034
Public works	14,943,331	15,849,768	16,482,254	16,907,133	18,955,519	18,332,989	21,326,889	21,854,726	21,555,690	21,720,375
Public safety	-	-	-	1,750	1,250	822,692	868,299	1,016,039	1,077,214	1,168,305
Cultural and recreational	916,564	1,237,731	1,518,289	1,325,399	1,178,046	1,482,858	1,285,299	1,501,822	1,332,089	1,259,389
Operating grants and contributions	9,522,821	14,727,336	13,082,354	9,473,816	11,055,114	15,112,143	15,578,353	14,942,746	14,467,164	13,335,455
Capital grants and contributions	10,074,229	21,969,518	11,386,411	9,390,530	6,179,104	12,311,447	5,634,815	8,061,992	7,122,157	14,510,851
Total governmental activities program revenues	<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>	<u>66,008,261</u>	<u>60,558,141</u>	<u>63,062,465</u>	<u>60,443,322</u>	<u>66,219,409</u>
Total primary government net expenses	<u>(186,857,407)</u>	<u>(193,775,026)</u>	<u>(211,702,203)</u>	<u>(209,082,287)</u>	<u>(215,160,614)</u>	<u>(201,565,869)</u>	<u>(199,466,594)</u>	<u>(213,087,133)</u>	<u>(220,532,131)</u>	<u>(211,039,101)</u>
General revenues and other changes in net position										
Governmental activities:										
Taxes:										
Sales taxes	83,980,254	86,150,767	88,699,968	91,159,140	93,635,244	95,775,104	100,641,722	102,478,204	103,720,833	105,450,512
Property taxes	31,099,699	31,378,176	30,885,675	29,892,243	29,394,346	28,963,542	28,922,582	29,621,888	32,194,491	33,019,250
Business license taxes	-	30,482,588	31,366,586	32,630,148	32,949,782	33,899,942	34,838,755	35,321,276	35,417,566	35,185,047
Motor fuel taxes	8,202,877	8,335,705	8,052,601	7,633,517	7,770,057	5,154,871	5,289,781	5,632,958	5,743,942	5,699,072
Lodging taxes	5,269,547	5,578,274	5,712,415	6,061,073	6,217,583	8,119,756	8,984,951	9,389,538	9,582,950	11,229,327
Rental taxes	1,764,595	3,285,663	3,337,930	3,298,583	3,395,139	3,558,689	4,311,055	4,687,049	4,485,646	4,677,620
Tobacco taxes	1,411,990	1,438,763	1,451,072	1,426,532	1,495,410	1,494,478	1,779,831	1,588,275	1,502,207	1,533,377
Alcoholic beverage taxes	254,164	234,501	276,837	291,270	391,566	296,786	350,653	316,166	330,386	306,547
Grants and contributions not restricted to specific programs	186,693	199,092	206,561	374,097	114,298	187,221	181,857	233,702	171,104	193,646
Investment earnings	425,825	50,449	124,557	64,461	24,626	10,179	43,169	117,610	197,190	343,288
Miscellaneous revenue	5,794,279	6,905,175	7,734,015	12,465,707	10,027,818	7,250,519	5,968,139	7,965,410	5,312,045	4,870,329
Gain on sale of assets	-	146,640	159,766	301,805	-	-	976,092	-	-	-
Extraordinary item	3,900,000	-	-	-	-	-	-	(31,636,655)	-	-
Transfers	(4,249,246)	(13,762,102)	(24,591,442)	(2,703,014)	251,687	(2,786,351)	(3,176,087)	(4,212,460)	(2,749,106)	(3,029,130)
Total governmental activities general revenues and other changes in net position	<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>	<u>181,924,736</u>	<u>189,112,500</u>	<u>161,502,961</u>	<u>195,909,254</u>	<u>199,478,885</u>
Total governmental activities changes in net position	<u>\$ (48,816,730)</u>	<u>\$ (33,351,335)</u>	<u>\$ (58,285,662)</u>	<u>\$ (26,186,725)</u>	<u>\$ (29,493,058)</u>	<u>\$ (19,641,133)</u>	<u>\$ (10,354,094)</u>	<u>\$ (51,584,172)</u>	<u>\$ (24,622,877)</u>	<u>\$ (11,560,216)</u>

Note: Periods prior to 2013 have not been retroactively restated to reflect the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Periods prior to 2015 have not been retroactively restated to reflect the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, or GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to Measurement Date*. Periods prior to 2018 have not been retroactively restated to reflect the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

(Continued)

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Business-type Activities										
Expenses										
Montgomery Area Transit System	\$ 3,205,634	\$ 2,291,121	\$ 3,516,281	\$ 2,893,071	\$ 2,968,117	\$ 2,508,276	\$ 2,604,476	\$ 4,219,191	\$ 2,171,855	\$ 2,482,941
Montgomery Zoo	5,709,728	5,889,762	5,960,749	4,157,248	4,314,540	4,236,650	4,417,798	4,514,802	4,744,773	4,821,620
Municipal Golf	2,932,109	2,014,501	2,343,402	2,099,827	2,100,103	1,964,366	1,697,967	1,735,682	1,793,047	1,849,579
Montgomery River Boat	553,658	858,102	764,208	657,438	696,408	718,214	913,531	1,172,106	1,101,647	1,200,675
Municipal Parking Decks	318,963	348,955	330,042	383,818	-	-	-	-	-	-
Food Services	-	-	-	1,730,374	1,086,281	-	-	-	-	-
Total business-type activities expenses	<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>	<u>9,427,506</u>	<u>9,633,772</u>	<u>11,641,781</u>	<u>9,811,322</u>	<u>10,354,815</u>
Revenues										
Charges for services:										
Montgomery Area Transit System	800,896	761,053	746,779	892,983	1,043,162	1,169,748	899,258	792,009	727,226	698,155
Montgomery Zoo	2,553,288	2,719,497	3,144,888	2,157,345	2,647,074	2,552,954	2,814,323	3,000,320	3,160,812	2,961,883
Municipal Golf	1,372,814	883,908	1,167,130	1,247,380	1,237,161	1,209,769	1,239,048	1,186,204	1,152,652	1,054,526
Montgomery River Boat	564,180	691,978	739,255	804,468	723,314	842,319	989,788	1,143,939	1,097,890	1,031,816
Municipal Parking Decks	62,302	230,980	322,179	280,769	-	-	-	-	-	-
Food Services	-	-	-	1,311,857	832,747	-	-	-	-	-
Total business-type activities revenues	<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>	<u>5,774,790</u>	<u>5,942,417</u>	<u>6,122,472</u>	<u>6,138,580</u>	<u>5,746,380</u>
Total business-type activities net program expenses	<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>	<u>(3,652,716)</u>	<u>(3,691,355)</u>	<u>(5,519,309)</u>	<u>(3,672,742)</u>	<u>(4,608,435)</u>
Other Changes in Net Position										
Investment earnings	3,329	391	372	411	-	533	521	652	736	2,806
Miscellaneous revenue	-	-	37,300	-	-	-	-	780,000	-	-
Capital contributions	11,085	-	-	-	-	-	-	-	-	-
Gain on sale of assets	-	-	-	36,441	-	-	-	33,466	-	895
Transfers	4,249,246	13,762,102	24,591,442	2,703,014	(251,334)	2,786,351	3,176,087	4,212,460	2,749,106	3,029,130
	<u>4,263,660</u>	<u>13,762,493</u>	<u>24,629,114</u>	<u>2,739,866</u>	<u>(251,334)</u>	<u>2,786,884</u>	<u>3,176,608</u>	<u>5,026,578</u>	<u>2,749,842</u>	<u>3,032,831</u>
Total business-type activities change in net position	<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>	<u>\$ (865,832)</u>	<u>\$ (514,747)</u>	<u>\$ (492,731)</u>	<u>\$ (922,900)</u>	<u>\$ (1,575,604)</u>
Total primary government change in net position	<u>\$ (51,919,682)</u>	<u>\$ (25,703,867)</u>	<u>\$ (40,450,999)</u>	<u>\$ (28,673,833)</u>	<u>\$ (34,426,383)</u>	<u>\$ (20,506,965)</u>	<u>\$ (10,868,841)</u>	<u>\$ (52,076,903)</u>	<u>\$ (25,545,777)</u>	<u>\$ (13,135,820)</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund										
Reserved	\$ 3,006,134	\$ 4,180,402	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designated	12,480,127	5,580,127	-	-	-	-	-	-	-	-
Unreserved	18,322,084	(370,572)	-	-	-	-	-	-	-	-
Nonspendable:										
Inventories	-	-	1,216,275	1,282,344	1,172,223	1,186,772	1,028,876	1,085,069	1,110,863	1,262,412
Long-term receivables	-	-	6,016,006	9,048,715	8,171,171	4,697,483	2,342,258	1,639,902	739,000	739,000
Prepaid items	-	-	156,915	107,386	36,048	10,731	29,968	48,392	86,232	125,350
Assigned to other	-	-	3,110	-	-	-	-	-	-	-
Unassigned	-	-	(2,147,624)	(4,685,090)	5,750,888	11,778,557	17,066,461	19,926,880	23,109,126	21,517,619
Total general fund	<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>	<u>\$ 17,673,543</u>	<u>\$ 20,467,563</u>	<u>\$ 22,700,243</u>	<u>\$ 25,045,221</u>	<u>\$ 23,644,381</u>

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
All Other Governmental Funds										
Reserved	\$ 5,912,466	\$ 13,248,404	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designated, reported in:										
Debt service funds	2,501,349	2,000,065	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Unreserved, undesignated, reported in:										
Capital projects funds	27,053,980	64,274,507	-	-	-	-	-	-	-	-
Special revenue funds	5,987,202	2,376,183	-	-	-	-	-	-	-	-
Nonspendable:										
Assets held for resale	-	-	856,500	664,500	533,600	21,931	32,817	32,817	-	-
Long-term receivables	-	-	1,126	1,126	201,126	404,020	-	-	-	-
Prepaid items	-	-	87,132	50,278	16,048	2,316	9,882	4,494	934,180	2,092
Restricted for:										
Capital projects	-	-	34,834,191	9,806,574	9,384,544	2,446,650	15,339,315	4,615,427	5,039,758	6,141,669
Debt service	-	-	2,506,239	2,139,717	1,212,885	2,109,921	369,032	1,803,103	2,272,139	-
Emergency communications center	-	-	-	-	-	1,578,649	3,212,736	3,866,305	4,374,661	5,450,517
Intergovernmental	-	-	2,600,889	6,802,355	4,192,108	5,715,597	5,694,904	5,202,496	5,493,827	5,326,944
Landfill	-	-	2,015,410	865,984	4,364,550	1,642,477	548,499	322,750	125,827	86,843
Municipal Court Corrections	-	-	484,534	672,821	469,090	44,299	751,405	743,814	297,683	304,683
Other	-	-	13,083	11,744	8,155	70,320	42,690	-	559,512	142,694
Riverfront Stadium	-	-	4,506,503	3,047,947	2,842,834	1,210,093	1,418,442	1,799,981	1,569,416	469,784
Roads	-	-	448,962	-	-	-	-	-	-	-
Assigned to:										
Capital projects	-	-	678,527	-	108,715	-	-	-	-	-
Other	-	-	99,205	253,295	-	-	-	-	-	-
Unassigned	-	-	(4,140,529)	(1,657,915)	(1,668,547)	(1,325,010)	(835,214)	(467,681)	(21,574)	(2,465,430)
Total all other governmental funds	\$ 41,454,997	\$ 81,899,159	\$ 44,991,772	\$ 22,658,426	\$ 21,665,108	\$ 13,921,263	\$ 26,584,508	\$ 17,923,506	\$ 20,645,429	\$ 15,459,796

Note: Periods prior to 2011 have not been retroactively restated for the impact of GASB Statement No. 54, *Fund Balance Reporting and the Governmental Fund Type Definitions*.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 131,983,126	\$ 136,401,849	\$ 138,416,498	\$ 139,762,358	\$ 142,299,345	\$ 143,363,226	\$ 150,280,575	\$ 153,714,078	\$ 157,560,455	\$ 161,915,705
Licenses and permits	37,874,584	38,269,290	38,943,003	40,233,482	40,745,775	41,974,540	43,199,450	43,590,108	43,516,014	43,224,724
Intergovernmental revenues	22,849,318	31,409,043	25,003,498	21,364,126	22,877,080	31,816,898	27,602,041	27,884,939	28,721,254	24,109,361
Charges and fees for services	13,457,972	14,592,111	15,311,202	15,585,598	18,120,872	18,284,417	20,630,699	21,178,385	20,732,095	20,785,608
Fines and forfeitures	8,648,985	9,834,116	7,853,059	8,929,730	8,071,750	7,407,973	5,349,328	4,832,941	4,180,815	3,947,194
Interest	425,830	50,446	124,557	64,461	24,626	10,179	43,169	109,063	197,190	343,288
Miscellaneous	6,624,840	8,270,334	6,756,166	12,050,750	7,918,093	6,944,784	5,559,181	7,065,423	4,467,256	3,990,883
Total revenues	<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>	<u>249,802,017</u>	<u>252,664,443</u>	<u>258,374,937</u>	<u>259,375,079</u>	<u>258,316,763</u>
Expenditures										
Current:										
General government	41,762,638	47,973,762	44,341,654	53,663,426	55,517,932	54,133,890	52,399,400	55,366,370	57,315,050	59,006,707
Public works	55,801,973	42,371,546	43,843,513	40,306,505	40,563,256	39,338,940	42,125,024	38,291,278	38,461,751	40,003,785
Public safety	80,660,653	80,282,388	83,563,849	92,011,982	82,176,920	83,226,748	82,520,109	83,706,010	84,788,114	86,181,766
Cultural and recreational	20,439,052	28,014,356	29,047,378	29,642,735	30,381,600	29,816,021	28,776,655	29,641,124	30,030,865	31,898,485
Intergovernmental	25,666,518	14,594,405	4,214,102	2,649,743	13,176,451	5,731,528	2,045,603	6,648,198	2,394,912	289,964
Capital outlay	19,903,596	22,953,351	35,497,808	23,519,971	8,267,765	9,536,571	5,864,652	10,865,899	6,715,101	6,018,987
Debt service:										
Principal payments	18,364,694	18,927,115	11,031,381	11,274,995	14,285,642	21,657,205	37,145,515	22,573,320	22,983,227	24,884,962
Interest	11,324,313	10,936,652	13,660,258	13,279,429	12,020,002	11,784,215	11,466,389	12,332,267	11,947,860	11,618,507
Debt issuance costs	-	1,011,871	409,212	5,000	888,563	21,037	197,221	35,287	15,720	281,302
Total expenditures	<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>	<u>255,246,155</u>	<u>262,540,568</u>	<u>259,459,753</u>	<u>254,652,600</u>	<u>260,184,465</u>
Excess of revenue over (under) expenditures	<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>	<u>(5,444,138)</u>	<u>(9,876,125)</u>	<u>(1,084,816)</u>	<u>4,722,479</u>	<u>(1,867,702)</u>
Other Financing Sources (Uses)										
Proceeds from sale of assets	209,170	177,871	413,709	462,131	554,770	1,663,452	1,544,459	961,979	648,819	1,744,024
Transfers in	53,853,006	46,527,332	39,962,038	29,721,790	41,971,370	41,383,047	50,158,502	46,135,425	48,535,595	52,625,011
Transfers out	(61,568,260)	(81,233,589)	(52,984,538)	(38,224,333)	(51,828,388)	(54,267,557)	(56,802,146)	(57,405,625)	(59,156,441)	(64,997,930)
Capital leases	5,010,974	5,966,304	4,332,320	14,067,540	4,003,234	4,643,947	2,930,657	4,964,715	5,316,447	6,528,954
Issuance of bonds	5,000,000	64,905,000	-	511,480	29,583,757	-	9,190,000	-	-	-
Issuance of refunding bonds	-	42,090,000	38,760,000	-	76,946,243	6,042,599	53,898,119	-	-	25,765,000
Issuance of notes payable	-	-	-	-	952,351	778,019	-	-	5,000,000	-
Payment to refunded bonds escrow agent	-	(39,108,572)	(40,886,025)	-	(76,946,243)	-	(36,382,129)	-	-	-
Debt service - principal (current refunding)	-	-	-	-	-	-	-	-	-	(28,920,000)
Bond premium and discount, net	-	4,939,685	2,551,006	-	367,153	-	795,928	-	-	2,536,170
Total other financing sources (uses)	<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>	<u>243,507</u>	<u>25,333,390</u>	<u>(5,343,506)</u>	<u>344,420</u>	<u>(4,718,771)</u>
Net change in fund balance	<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>	<u>\$ (5,200,631)</u>	<u>\$ 15,457,265</u>	<u>\$ (6,428,322)</u>	<u>\$ 5,066,899</u>	<u>\$ (6,586,473)</u>
Debt service as a percentage of noncapital expenditures	11.98%	12.28%	10.89%	10.91%	11.04%	14.02%	19.26%	13.45%	14.44%	14.75%

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
2009	\$ 83,980,254	\$ 31,099,699	\$ 8,202,877	\$ 5,269,547	\$ 254,164	\$ 1,411,990	\$ 1,764,595	\$ 131,983,126
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
2014	95,775,104	28,963,542	5,154,871	8,119,756	296,786	1,494,478	3,558,689	143,363,226
2015	100,641,722	28,922,582	5,289,781	8,984,951	350,653	1,779,831	4,311,055	150,280,575
2016	102,478,204	29,621,888	5,632,958	9,389,538	316,166	1,588,275	4,687,049	153,714,078
2017	103,720,833	32,194,491	5,743,942	9,582,950	330,386	1,502,207	4,485,646	157,560,455
2018	105,450,512	33,019,250	5,699,072	11,229,327	306,547	1,533,377	4,677,620	161,915,705

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General merchandise	\$ 2,259,586,708	\$ 2,262,566,175	\$ 2,339,761,197	\$ 2,385,494,258	\$ 2,435,808,044	\$ 2,491,187,011	\$ 2,621,362,041	\$ 2,670,083,155	\$ 2,272,979,997	\$ 2,348,317,593
Auto and agriculture	323,164,949	358,467,479	415,092,080	451,123,914	497,452,400	517,108,866	556,428,894	209,319,797	585,447,368	568,742,620
Manufacturing machine	52,592,609	141,720,419	90,271,143	116,039,303	124,393,644	120,237,936	110,782,253	48,545,725	105,025,002	95,811,559
Totals	\$ 2,635,344,266	\$ 2,762,754,073	\$ 2,845,124,420	\$ 2,952,657,475	\$ 3,057,654,088	\$ 3,128,533,813	\$ 3,288,573,188	\$ 2,927,948,677	\$ 2,963,452,367	\$ 3,012,871,772
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

	2009			2010			2011		
	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers
General merchandise	\$ 78,160,260	6,311	23.25%	\$ 79,189,817	6,082	24.33%	\$ 81,931,572	6,045	22.24%
Auto and agriculture	4,723,801	276	59.06%	4,480,843	216	62.29%	5,188,651	211	69.23%
Manufacturing machine	1,096,193	352	53.75%	2,480,107	348	54.80%	1,579,745	354	62.10%
Totals	<u>\$ 83,980,254</u>	<u>6,939</u>		<u>\$ 86,150,767</u>	<u>6,646</u>		<u>\$ 88,699,968</u>	<u>6,610</u>	
	2012			2013			2014		
	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	\$ 83,489,402	6,198	22.85%	\$ 85,253,282	6,183	22.72%	\$ 87,191,545	6,466	24.02%
Auto and agriculture	5,639,050	228	30.81%	6,218,155	228	56.91%	6,463,861	243	83.12%
Manufacturing machine	2,030,688	350	72.62%	2,176,889	376	81.00%	2,104,164	357	81.83%
Totals	<u>\$ 91,159,140</u>	<u>6,776</u>		<u>\$ 93,648,326</u>	<u>6,787</u>		<u>\$ 95,759,570</u>	<u>7,066</u>	
	2015			2016			2017		
	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	\$ 91,747,671	6,376	23.66%	\$ 93,452,910	6,227	23.67%	\$ 94,654,853	5,197	22.15%
Auto and agriculture	6,955,361	237	65.32%	7,326,194	255	75.34%	7,240,503	186	73.78%
Manufacturing machine	1,938,690	327	75.69%	1,699,100	370	65.53%	1,825,477	287	72.75%
Totals	<u>\$ 100,641,722</u>	<u>6,940</u>		<u>\$ 102,478,204</u>	<u>6,852</u>		<u>\$ 103,720,833</u>	<u>5,670</u>	
	2018								
	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers						
General merchandise	\$ 96,766,762	6,585	23.42%						
Auto and agriculture	7,022,291	266	75.20%						
Manufacturing machine	1,661,459	375	66.63%						
Totals	<u>\$ 105,450,512</u>	<u>7,226</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

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Montgomery County</u>	<u>State of Alabama</u>	<u>Total Sales Tax</u>
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%
2014	3.50%	2.50%	4.00%	10.00%
2015	3.50%	2.50%	4.00%	10.00%
2016	3.50%	2.50%	4.00%	10.00%
2017	3.50%	2.50%	4.00%	10.00%
2018	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

<u>Tax Remitter</u>	<u>2009</u>		<u>2018</u>	
	<u>Rank</u>	<u>Percentage of Total Sales Tax Remitted</u>	<u>Rank</u>	<u>Percentage of Total Sales Tax Remitted</u>
Wal-Mart	1	6.36%	1	6.97%
Winn Dixie of Montgomery	2	2.95%	7	1.17%
Publix Alabama, LLC	3	2.89%	2	2.84%
Sams	4	2.81%	4	2.26%
Costco Wholesale	5	1.31%	3	2.43%
Dillard's	6	1.27%	8	0.98%
Target Store	7	1.21%	6	1.24%
Lowe's of Montgomery	8	1.14%	10	0.85%
Best Buy Stores, LP	9	0.91%	-	-
Home Depot USA, Inc.	10	0.79%	5	1.50%
Dollar General	-	-	9	0.91%
Totals		<u>21.64%</u>		<u>21.15%</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	Notes Payable				
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	9.89%	6.12%	1,418.85
2013	304,070,449	-	18,956,267	952,351	323,979,067	10.60%	6.64%	1,574.52
2014	293,365,985	-	17,895,621	1,730,370	312,991,976	10.00%	6.24%	1,521.12
2015	293,050,266	-	14,280,511	-	307,330,777	9.35%	6.09%	1,493.61
2016	307,215,172	-	13,524,025	-	320,739,197	10.95%	6.38%	1,558.77
2017	289,587,645	-	13,152,952	4,750,000	307,490,597	10.38%	5.86%	1,494.38
2018	269,026,438	-	14,447,651	4,500,000	287,974,089	9.56%	5.41%	1,399.54

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 original issuance discounts and premiums.
- (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)
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	304,070,449	1,212,885	302,857,564	9.90%	1,471.87
2014	293,365,985	2,109,921	291,256,064	9.31%	1,415.49
2015	293,050,266	369,032	292,681,234	8.90%	1,422.41
2016	307,215,172	2,793,745	304,421,427	10.40%	1,479.47
2017	289,587,645	2,739,347	286,848,298	9.68%	1,394.06
2018	269,026,438	941,438	268,085,000	8.90%	1,302.88

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 externally 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>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>

(Continued)

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	\$ 323,979,067	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>\$ 445,214,067</u>		<u>\$ 416,951,921</u>
<u>2014</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 312,991,976	100.00%	\$ 312,991,976
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>121,129,218</u>	86.68%	<u>104,999,970</u>
Total direct and overlapping debt	<u>\$ 434,121,194</u>		<u>\$ 417,991,946</u>
<u>2015</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 307,330,777	100.00%	\$ 307,330,777
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>132,842,065</u>	88.41%	<u>117,439,525</u>
Total direct and overlapping debt	<u>\$ 440,172,842</u>		<u>\$ 424,770,302</u>

(Continued)

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>2016</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 320,739,197	100.00%	\$ 320,739,197
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>126,874,223</u>	87.82%	<u>111,422,953</u>
Total direct and overlapping debt	<u>\$ 447,613,420</u>		<u>\$ 432,162,150</u>
<u>2017</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 307,490,597	100.00%	\$ 307,490,597
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>120,639,320</u>	87.80%	<u>105,916,290</u>
Total direct and overlapping debt	<u>\$ 428,129,917</u>		<u>\$ 413,406,887</u>
<u>2018</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 287,974,088	100.00%	\$ 287,974,088
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>115,926,380</u>	87.40%	<u>101,320,441</u>
Total direct and overlapping debt	<u>\$ 403,900,468</u>		<u>\$ 389,294,529</u>

(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.

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.

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.

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 13
LEGAL DEBT MARGIN INFORMATION

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$ 565,013,780	\$ 559,440,631	\$ 551,311,856	\$ 524,101,032	\$ 531,082,554	\$ 538,171,288	\$ 545,789,924	\$ 426,159,672	\$ 451,905,092	\$ 466,467,876
Total net debt applicable to limit	<u>178,602,164</u>	<u>224,288,072</u>	<u>220,390,601</u>	<u>237,372,574</u>	<u>249,669,288</u>	<u>248,510,294</u>	<u>243,181,650</u>	<u>260,624,103</u>	<u>251,539,250</u>	<u>236,363,679</u>
Legal debt margin	<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>	<u>\$ 289,660,994</u>	<u>\$ 302,608,274</u>	<u>\$ 165,535,569</u>	<u>\$ 200,365,842</u>	<u>\$ 230,104,197</u>
Total net debt applicable to the limit as a percentage of debt limit	31.61%	40.09%	39.98%	45.29%	47.01%	46.18%	44.56%	61.16%	55.66%	50.67%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed property value	<u>\$ 2,332,339,380</u>
Debt limit (20% of assessed property value)	<u>\$ 466,467,876</u>
Debt applicable to limit:	
General obligation debt including capital leases and notes payable	\$ 287,974,089
Less: Debt attributable to construction of school houses	<u>(51,610,410)</u>
Total net debt applicable to limit	<u>236,363,679</u>
Legal debt margin	<u>\$ 230,104,197</u>

CITY OF MONTGOMERY, ALABAMA

SCHEDULE 14

PLEDGED-REVENUE COVERAGE

<u>Fiscal Year</u>	<u>Revenue Warrants</u>			
	<u>Lodging Tax Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
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
2014	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A
2017	N/A	N/A	N/A	N/A
2018	N/A	N/A	N/A	N/A

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 were 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
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%
2014	205,764	5,013,439,860	24,365	31,316	6.6%
2015	205,764	5,048,831,268	24,537	30,298	6.0%
2016	205,764	5,026,814,520	24,430	29,811	5.7%
2017	205,764	5,244,512,832	25,488	29,500	3.6%
2018	205,764	5,318,793,636	25,849	29,500	3.5%

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>2009</u>		<u>2018</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	6.78%	12,280	6.18%
State of Alabama	9,500	5.24%	11,639	5.86%
Montgomery Public Schools	4,524	2.50%	4,524	2.28%
Baptist Health Systems	4,300	2.37%	4,300	2.17%
Hyundai Motor Manufacturing AL	3,171	1.75%	3,100	1.56%
ALFA Insurance Companies	2,568	1.42%	2,568	1.29%
City of Montgomery	2,500	1.38%	2,500	1.26%
MOBIS Alabama, LLC	-	0.00%	1,400	0.71%
Jackson Hospital & Clinic, Inc.	1,300	0.72%	1,300	0.65%
Koch Foods	-	0.00%	1,250	0.63%
GKN Aerospace	1,000	0.55%	-	0.00%
Regions Bank	977	0.54%	-	0.00%
Total	<u>42,120</u>	<u>23.24%</u>	<u>44,861</u>	<u>22.59%</u>

Source: Montgomery Chamber of Commerce.

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government:										
Mayor	5	6	8	8	8	8	8	8	10	10
City Clerk	4	4	4	4	3	4	4	4	5	5
City Attorney	7	11	11	8	8	8	8	8	7	8
City Investigation	-	-	-	3	3	2	3	2	3	2
Development	-	-	-	2	2	2	5	5	4	4
Finance	54	55	57	54	51	50	50	49	52	50
Information Technology	14	20	21	19	29	31	28	28	28	28
Garage	78	74	63	61	64	56	54	54	57	56
Municipal Court	52	49	48	46	44	45	43	43	44	43
Municipal Parking Deck	5	5	6	6	13	13	15	15	13	14
Planning and Development	36	34	35	31	32	31	29	27	28	26
Risk Management	-	-	-	-	6	6	6	5	6	6
311 Call Center	-	-	-	-	5	7	6	4	4	7
Public safety:										
Police:										
Officers	507	500	528	523	523	506	491	492	493	478
Civilians	173	168	207	161	136	134	132	127	126	114
Fire:										
Officers	539	496	550	551	552	552	555	524	516	503
Civilians	9	8	9	9	8	8	7	7	7	6
City/County Emergency Management Agency	5	11	11	11	5	4	4	5	5	5
Communications	86	81	77	72	48	56	66	58	59	65
Public works:										
Engineering	26	25	26	23	21	21	20	19	16	15
Inspections	38	36	37	35	35	31	31	32	31	36
Landfill	20	21	21	19	18	16	16	14	15	15
Maintenance	276	201	207	195	193	183	183	174	152	155
Sanitation	316	281	289	262	246	258	260	238	232	226
Traffic Engineering	41	42	41	42	38	36	33	34	32	33
Cultural and recreational:										
Parks and Recreation	286	267	251	260	253	294	221	206	211	224
Downtown Redevelopment	8	8	9	-	-	-	9	9	9	10
Food Services	-	-	-	16	5	-	-	-	-	-
Harriott II Riverboat	-	-	-	-	-	-	3	3	4	3
Lagoon and Gateway Parks	31	28	24	14	11	11	-	-	-	-
Leisure Department - Building Maintenance	103	67	68	61	60	63	62	65	64	66
Library	65	63	63	61	62	60	61	62	63	64
Montgomery Zoo	92	89	75	51	45	46	45	45	43	42
Museum	36	34	37	37	37	35	34	32	39	36
Old Alabama Town	4	-	-	-	-	-	-	-	-	-
Public Information and External Affairs	4	4	4	4	4	6	6	6	5	4
Total	2,920	2,688	2,787	2,649	2,568	2,583	2,498	2,404	2,383	2,359

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government:										
Business licenses issued	16,922	15,353	14,975	14,826	14,741	14,793	15,116	16,089	15,076	16,578
Building permits issued	5,919	6,578	6,705	6,834	7,554	8,303	8,459	9,064	8,724	9,561
Public safety:										
Police:										
Physical arrests	10,436	11,493	11,003	15,982	13,973	11,583	10,673	9,436	9,853	10,007
Parking violations	57,674	51,744	51,744	31,754	37,022	31,505	31,414	28,246	28,305	27,477
Traffic violations	117,158	104,462	104,462	108,143	87,425	78,070	61,630	62,846	55,814	77,309
Fire:										
Emergency responses	28,578	25,510	26,043	26,972	24,155	27,299	26,538	32,734	34,775	34,939
Fires extinguished	5,006	5,339	4,959	4,786	4,930	7,042	5,320	4,933	4,839	5,511
Inspections	18,966	15,661	17,940	18,787	18,425	15,898	16,542	15,690	11,746	11,015
Public works:										
Refuse collected (tons per year)	123,504	112,889	114,310	111,049	112,676	68,341	64,119	107,849	113,580	105,672
Recyclables collected (tons per year)	2,775	1,275	578	581	559	39,772	44,734	-	-	-
Streets resurfaced (tons of paving material)	44,247	28,023	30,055	25,739	42,109	33,750	52,183	32,031	35,180	29,650
Transit:										
Passengers	1,336,936	1,361,928	1,202,482	1,036,087	958,023	941,920	867,901	785,069	683,363	621,371
Cultural and recreational:										
Library:										
Total circulation	450,285	448,993	446,657	416,320	390,571	367,149	444,671	667,157	654,579	740,446
Parks and Recreation:										
Golf rounds played	40,053	40,108	38,922	24,740	37,017	33,340	34,530	33,400	28,330	28,424
Youth baseball/softball games played	6,361	6,291	6,351	6,415	6,435	6,503	6,551	6,601	6,704	6,748
League and tournament games played	2,568	3,018	2,782	2,840	2,865	2,888	2,995	3,262	3,312	3,360
Games played in athletic facilities:										
Basketball	825	832	912	1,028	292	443	470	480	510	525
Volleyball	75	82	86	215	167	185	195	220	235	250
Football	408	415	421	450	41	43	44	47	48	50
Soccer	1,305	1,320	1,358	1,460	1,620	1,680	1,750	1,763	1,807	1,868
Kickball	-	-	-	-	75	80	80	266	278	286
Baseball	-	-	-	-	-	-	-	255	263	275

Sources: Various City departments.

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety:										
Police:										
Stations	1	1	1	1	1	3	3	3	3	3
Patrol cars	248	216	223	235	240	252	257	256	268	262
Fire stations	15	15	15	15	15	16	16	16	16	16
Public works:										
Streets (miles)	1,107	1,203	1,110	1,115	1,118	1,107	1,068	1,070	1,093	1,095
Traffic signals	470	474	478	483	436	429	429	432	432	432
Street lights	29,013	29,057	28,981	29,000	29,012	29,032	29,033	29,033	29,033	29,033
Refuse collection trucks	125	130	125	127	129	120	122	118	117	124
Transit:										
Busses	50	45	55	48	48	45	49	44	48	33
Cultural and recreational:										
Acreage	1,827	1,836	1,836	1,836	1,857	1,857	1,857	1,857	1,873	1,873
Golf courses (acres)	610	610	610	610	610	610	610	610	610	610
Playgrounds	55	54	52	52	52	52	52	52	58	58
Baseball/softball fields	87	87	87	87	87	87	87	87	87	87
Tennis courts	46	46	46	46	46	46	46	46	46	46
Special facilities	6	6	6	7	7	7	7	7	7	7
Community centers	28	26	26	26	23	23	20	20	21	20

Sources: Various City departments.

Notes: No capital asset indicators are available for the general government.