

CITY OF MONTGOMERY, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

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

CITY OF MONTGOMERY, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2015

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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 David Burkette Brantley Lyons
Fred F. Bell William Green, Jr. Glen Pruitt, Jr.

March 21, 2016

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, 2015. 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, 2015. The accounting firm of Jackson Thornton & Co., P.C. was selected to conduct the 2015 audit. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the federal Single Audit Act of 1996 and related OMB Circular A-133. The auditors' report on the basic financial statements is included in the front of the financial section of this report. The auditors' reports related specifically to the single audit are included in a separate report.

GOVERNMENT PROFILE

The City of Montgomery is the capital city and currently the second largest city in the State of Alabama. The City was incorporated on December 3, 1819 as a merger of two towns situated along the Alabama River. It is located in the south central section of the state. It serves a population of more than 205,000. The City's vision to sustain a safe, vibrant, and growing Montgomery in its entirety that all citizens can be proud to call "home" has become a reality in the way services are provided to its citizens, construction of new public facilities, along with expansion and the addition of new businesses in the City. The City of Montgomery operates under a Mayor/Council form of government with a fiscal year from October 1st through September 30th. The Mayor and nine (9) Council members are each elected to four (4) year terms. The City provides police and fire protection; emergency 911 services; sanitation services; construction and maintenance of highways, streets, and infrastructure; public parking facilities; recreational activities, and cultural events.

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

Formal budgetary integration is employed as a management control device. On a day to be set by the Council, but no later than August 20th of each year, the Mayor submits to the Council a balanced budget for the next fiscal year. The Council schedules public hearings for the purpose of discussing and adopting the budget and may add to or delete from the budget submitted by the Mayor as long as the budget remains in balance. The Council, by a majority vote, shall adopt the budget no later than September 20th. Activities of the General Fund and the State Gasoline Tax Fund are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Project Funds. The level of budgetary control (the level at which expenditures cannot legally exceed appropriated funding) is established by department. 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, 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 2,500 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 FY 2015, the manufacturing sector represented over 10% of jobs in the region. The housing market also continues to improve with home sales up 14% in FY 2015.

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

The City of Montgomery still leads the state in the creation of new and expanded industry. The economic future for the City of Montgomery continues to show signs of growth which is primarily due to the creation of new and expanded industry in the region. The local economy is buffered by the presence of local, state, and federal governments, including two military bases. The unemployment rate for Montgomery decreased from 6.4% to 5.8% in 2015. The economy continues to rebound from the earlier recessionary times and in 2015, sales tax receipts and lodging taxes in the City increased over the previous year 5.1% and 10.7%, respectively.

The face of Downtown Montgomery continued to change in 2015. 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 this season.

The City's economic development continued to expand in 2015 as outlined below:

- (1) New capital investments in excess of \$150,000,000 for the creation of new industry and expansion of existing industries that is expected to bring approximately 1,400 additional jobs to the region. The new and expanded industries include the following:

<u>Company</u>	<u>Capital Investments</u>	<u># Jobs</u>
AEP Industries	\$ 2,500,000	4
A-Hiteco	950,000	26
Bama Budweiser of Montgomery Inc.	250,000	-
Big Lots	3,400,000	5
Capitol Container	1,925,000	15
Chowel Weldparts	3,500,000	200
Custom Stud of Alabama, Inc.	2,800,000	30
DAS	20,800,000	115
EGS	1,170,000	300
Glovia – Total Safety Corp.	700,000	8
Hancock Bank	-	55
HP	-	150
Hyundai Motor Manufacturing AL	48,300,000	-
Kinpak, Inc.	3,000,000	-
KOAM Maintenance, LLC	400,000	25
Montgomery UPS	14,000,000	-
Rheem Water Heaters	23,680,000	-
Russell Brands LLC	8,100,000	-
SYKES Enterprises, Inc.	3,000,000	500
Varner Woodwork	1,150,000	-
Walker360	2,180,000	35
WestRock	8,500,000	-

- (2) The City recently hosted the second Camellia Bowl which invites teams from the Mountain Athletic Conference and Sunbelt Conference – of the 40 bowl games; this was ranked as the 11th best by CBS Sports.
- (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) The City completed a number of infrastructure improvements and additions in connection with the 50th anniversary of the Selma to Montgomery Voting Rights March. These improvements included renovation and demolition of blighted properties, installing and repairing sidewalks and streets, and significant landscaping improvements along the way.
- (5) A new police sub-station was opened at the West Fairview Farmers Market. This new facility will enhance the safety of the City’s citizens.
- (6) The Montgomery Zoo began planning and raising funds for a new stingray exhibit during the year. They also made some improvements and upgrades to the Skylift. These additions to the Zoo are expected to attract new and repeat visits from the citizens of Montgomery.
- (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.

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 be successful in providing City employees and their dependents with those services that would be rendered by a family practice physician. CareHere, LLC is managing all aspects of operations for the clinics.

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

AWARDS AND ACKNOWLEDGEMENTS


The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Montgomery for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2014. 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 2015 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 & Co., P.C. The independent auditors' have issued an unmodified or "clean" opinion on the City of Montgomery's financial statements for the year ended September 30, 2015.

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

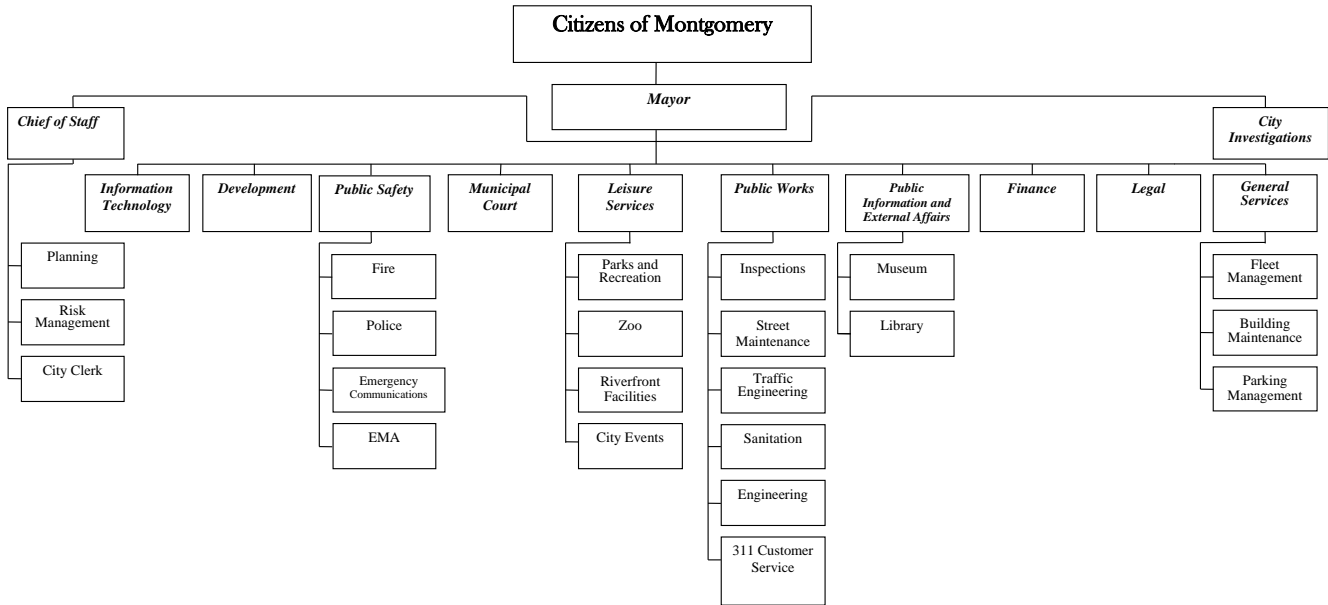
City of Montgomery
Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

CITY OF MONTGOMERY, ALABAMA ORGANIZATIONAL CHART



CITY OF MONTGOMERY, ALABAMA
ELECTED AND APPOINTED OFFICIALS
SEPTEMBER 30, 2015

Elected Officials

Mayor	Todd Strange
Council Members	
District 9	Charles W. Jinright, President
District 3	Tracy Larkin, President Pro Tem
District 1	Richard Bollinger
District 2	Charles W. Smith
District 4	David Burkette
District 5	Cornelius Calhoun
District 6	Jon Dow
District 7	Arch M. Lee
District 8	Glen O. Pruitt, Jr.

Appointed Officials

Building Maintenance	Doug Jones
Chief of Staff	Anita Archie
City Attorney	Kim Fehl
City Clerk	Brenda Gale Blalock
City Investigations	Ronald Sams, Director
311 Customer Service Center	Deliesha Ramos
Development	Mac McLeod, Director
Emergency Communications	Larry Fisher
Emergency Management Agency	Calvin I. Brown Jr.
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	Stephen Jones, 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	Judge Les Hayes
	Kenneth Nixon, Court Administrator
Museum	Mark M. Johnson
Parking Management	Bryan Dunn
Parks and Recreation	Robert Spivery
Planning	Robert Smith
Police	Chief Ernest Finley, Jr.
Public Information and External Affairs	Michael Briddell, Director
Public Safety	Christopher Murphy, Director
Public Works	Christopher W. Conway, Director
Risk Manager	Scott Kramer
Riverfront Facilities	Thomas Pierce
Sanitation	Daniel R. Dickey
Traffic Engineering	Locke D. Bowden

The elected and appointed officials were those in office at September 30, 2015.

FINANCIAL SECTION

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



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Montgomery, Alabama (the City) as of and for the year ended September 30, 2015, 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, 2015, 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 20 to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to Measurement Date*. 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 funding progress for the Employees' Health Insurance Plan on pages 13 through 25 and pages 89 through 91 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 Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Jackson Shernton & Co. PC

Montgomery, Alabama
March 21, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's Management Discussion and Analysis (MD&A) is a narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2015. The intent of this MD&A is to provide a brief, objective, and easily readable analysis of the City's financial performance for the year and its financial position at fiscal year ended September 30, 2015.

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

Financial Highlights

The City of Montgomery's assets and deferred outflows of resources were less than its liabilities at September 30, 2015, by \$167,849,317 (net position). However, \$244,766,299 was either restricted or invested in capital assets leaving a deficit unrestricted balance of \$412,615,516.

The City's total net position decreased \$152,335,403. This decrease was primarily due to the depreciation expense incurred for the year, the net increase in other postemployment benefits obligation, and the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Implementation of this statement improves accounting and financial reporting by state and local governments for pensions. This new provision relates to employer accounting and results in changes to the City's accounting and financial reporting for its net pension liability and related accounts. The City participates in a shared pension plan with the City of Montgomery's Airport Authority. As of September 30, 2015, the City reported its proportionate share of the net pension liability as being \$182,853,723. Details in reference to the City's pension plan are in Note 13, beginning on page 73 of the Notes to Financial Statements.

Readers of the financial report will see the addition of the net pension liability to the government-wide 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 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 implementation of Statement No. 68 resulted in the restatement of the beginning net position of the governmental and business-type activities in the government-wide financial statements. The calculations for the restated items can be found in Note 20 on page 88 of the Notes to the Financial Statements.

At September 30, 2015, the City of Montgomery's governmental funds reported combined ending fund balances of \$47,052,071, an increase of \$15,457,265 over the previous fiscal year. Of the ending governmental fund balance, \$3,443,801 is non-spendable for assets held for resale, inventories, long-term receivables, and prepaid items. The largest portion of the governmental fund balance is in the amount of \$27,377,023 which is restricted for capital projects, debt service, intergovernmental activities, the City's landfill, Municipal Court Corrections, the Riverfront Stadium, an emergency communication center, and other miscellaneous projects. The combined totals for non-spendable and restricted, plus the unassigned amount of \$16,231,247 yields a total combined ending fund balance of \$47,052,071 for fiscal year 2015.

The General Fund reported an unassigned fund balance of \$17,066,461 or 9.5% of the total general fund expenditures. Governmental Activities revenue increased \$2,127,380 or 0.9% over the previous year. The slight increase in revenues was primarily attributable to a 3.1% increase in operating grants and contributions, a 2.0% increase in charges for services, a 5.1% increase in sales tax revenue, a 2.8% increase in business licenses, and 11.2% in other miscellaneous taxes. Expenses in Governmental Activities decreased \$7,549,395 or 2.8% from the previous year. The decrease in expenses was primarily due to operating efficiency of City departments.

Long-term debt, consisting of general obligation bonds, capital leases, and notes payable decreased \$5,551,738 or 1.8% from the previous year. The decrease was due to making larger principal payments than was paid in previous years.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Governmental activities reported in the statements include general government, public works, public safety, cultural and recreational, and debt service. The business-type activities include the Montgomery Area Transit System, the Montgomery Zoo, Municipal Golf, and the Montgomery River Boat.

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

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for the same functions as those reported under the government-wide Statement of Net Position and Statement of Activities. However, unlike the government-wide financial statements, governmental fund financial statements focus on events that produce near-term inflows and outflows of expendable resources as well as the balances of expendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is more narrow 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 fourteen (14) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the supplementary information section of this report.

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

Proprietary Funds

The City of Montgomery maintains two types of proprietary funds: enterprise funds and an internal service fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Montgomery Area Transit System, 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 of Montgomery uses an internal service fund to account for its employees' medical insurance, workers' compensation, and liability insurance. The internal service fund is presented in the fund financial statements.

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Montgomery's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 89 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 92 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. As discussed in Notes 13 and 20, the City was required to implement the provisions of GASB Statement No. 68 in the current year which significantly changed the City's accounting for its net pension liability and related costs. As part of the implementation of this new standard, the City was required to restate the beginning net position for both its governmental and business-type activities. The impact of the adoption of GASB Statement No. 68 is reflected in the 2015 amounts in the following table:

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014 *	2015	2014 *	2015	2014 *
Current and other assets (net of internal balances)	\$ 66,464,450	\$ 50,468,416	\$ 1,870,821	\$ 1,939,286	\$ 68,335,271	\$ 52,407,702
Internal balances	3,161,459	3,380,382	(3,161,459)	(3,380,382)	-	-
Capital assets	361,124,167	374,092,630	26,471,886	27,223,447	387,596,053	401,316,077
Total Assets	430,750,076	427,941,428	25,181,248	25,782,351	455,931,324	453,723,779
Deferred charge on refunding	9,488,628	9,224,686	-	-	9,488,628	9,224,686
Pension related items	34,802,252		433,264		35,235,516	-
Total Deferred Outflows of Resources	44,290,880	9,224,686	433,264	-	44,724,144	9,224,686
Long-term liabilities	643,717,790	455,207,953	2,466,847	477,106	646,184,637	455,685,059
Other liabilities	21,691,649	22,162,537	628,399	614,683	22,320,048	22,777,220
Total Liabilities	665,409,439	477,370,490	3,095,246	1,091,789	668,504,685	478,462,279
Net position						
Net investment in						
Capital assets	193,379,215	201,285,470	26,471,886	27,223,447	219,851,101	228,508,917
Restricted	24,915,198	11,705,559	-	-	24,915,198	11,705,559
Unrestricted	(408,662,896)	(253,195,405)	(3,952,620)	(2,532,885)	(412,615,516)	(255,728,290)
Total Net Position	\$ (190,368,483)	\$ (40,204,376)	\$ 22,519,266	\$ 24,690,562	\$ (167,849,217)	\$ (15,513,814)

* The 2014 balances were not restated for the adoption of GASB Statement No. 68 because it was impractical to do so.

Although total assets remained stable, the liabilities increased significantly due to having to account for the provisions of GASB Statement No. 68. The City of Montgomery's total assets and deferred outflows of resources were less than its total liabilities by \$167,849,217 as reflected in the above table. The largest portion of net position reflects 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 \$24,915,198 and is restricted for use in public works, public safety, cultural and recreational, capital projects, and Municipal Court Corrections. The City's overall net position for governmental activities and business-type activities was, in part, a result of outstanding debt incurred for facilities owned by the Montgomery County Board of Education for the year ended September 30, 2015.

As reflected in the following table, the City's net position decreased by \$10,868,841 or 6.9% during the fiscal year. This decrease was primarily due to the recognition of a net increase in other postemployment benefit (OPEB) liability of \$11,397,065 for the year ended September 30, 2015.

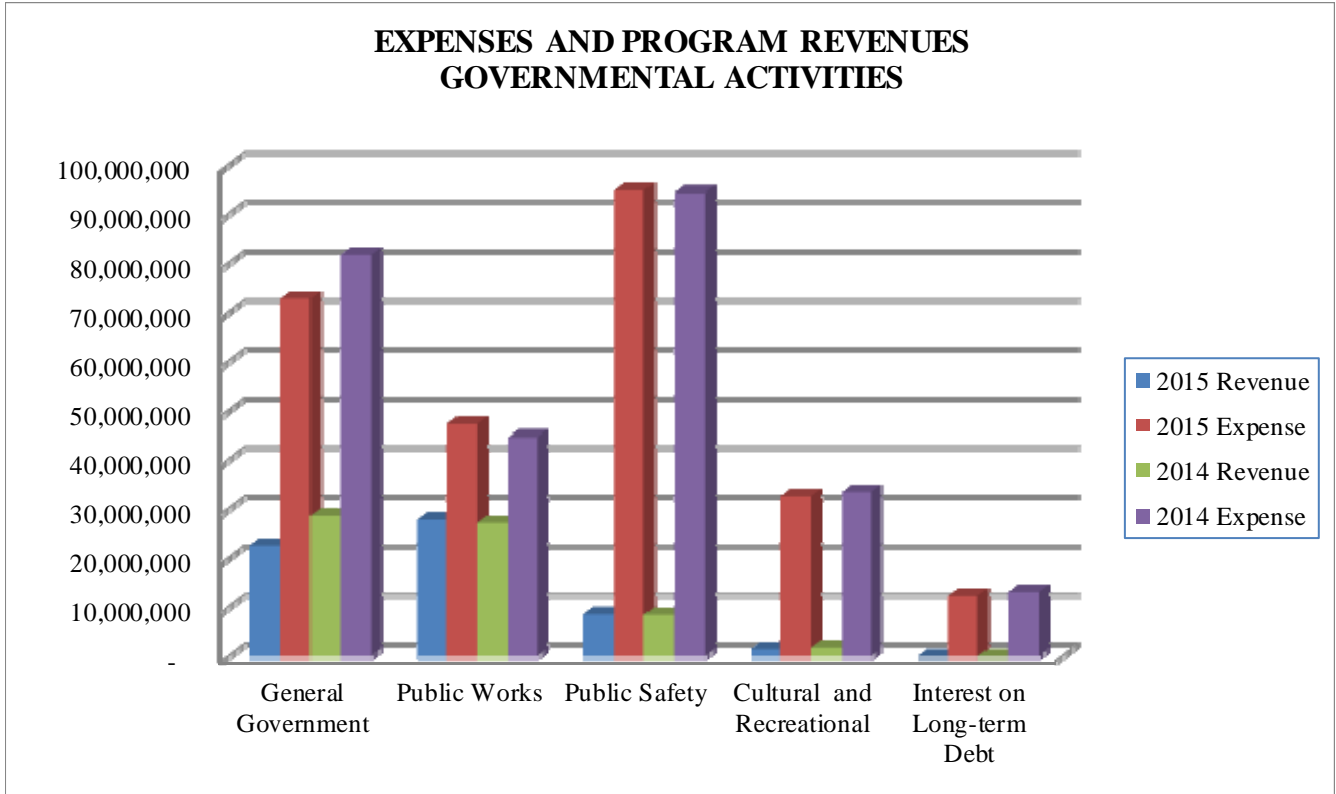
City of Montgomery's Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014 *	2015	2014 *	2015	2014 *
Revenues						
Program revenues						
Charges for services	\$ 39,344,973	\$ 38,584,671	\$ 5,942,417	\$ 5,774,790	\$ 45,287,390	\$ 44,359,461
Operating grants and contributions	15,578,353	15,112,143	-	-	15,578,353	15,112,143
Capital grants and contributions	5,634,815	12,311,447	-	-	5,634,815	12,311,447
General revenues						
Sales taxes	100,641,722	95,775,104	-	-	100,641,722	95,775,104
Property taxes	28,922,582	28,963,542	-	-	28,922,582	28,963,542
Business license taxes	34,838,755	33,899,942	-	-	34,838,755	33,899,942
Other taxes	20,716,271	18,624,580	-	-	20,716,271	18,624,580
Other	7,169,257	7,447,919	521	533	7,169,778	7,448,452
Total revenues	<u>252,846,728</u>	<u>250,719,348</u>	<u>5,942,938</u>	<u>5,775,323</u>	<u>258,789,666</u>	<u>256,494,671</u>
Expenses						
General government	72,981,992	81,766,281	-	-	72,981,992	81,766,281
Public works	47,251,656	44,674,284	-	-	47,251,656	44,674,284
Public safety	94,705,501	94,292,962	-	-	94,705,501	94,292,962
Cultural and recreational	32,690,968	33,624,299	-	-	32,690,968	33,624,299
Interest on long-term debt	12,394,618	13,216,304	-	-	12,394,618	13,216,304
Montgomery Area Transit System	-	-	2,604,476	2,508,276	2,604,476	2,508,276
Montgomery Zoo	-	-	4,417,798	4,236,650	4,417,798	4,236,650
Municipal Golf	-	-	1,697,967	1,964,366	1,697,967	1,964,366
Montgomery River Boat	-	-	913,531	718,214	913,531	718,214
Total expenses	<u>260,024,735</u>	<u>267,574,130</u>	<u>9,633,772</u>	<u>9,427,506</u>	<u>269,658,507</u>	<u>277,001,636</u>
Decrease in net position before transfers	(7,178,007)	(16,854,782)	(3,690,834)	(3,652,183)	(10,868,841)	(20,506,965)
Transfers in (out)	(3,176,087)	(2,786,351)	3,176,087	2,786,351	-	-
Decrease in net position	<u>(10,354,094)</u>	<u>(19,641,133)</u>	<u>(514,747)</u>	<u>(865,832)</u>	<u>(10,868,841)</u>	<u>(20,506,965)</u>
Net position - beginning	(40,204,376)	(20,563,243)	24,690,562	25,556,394	(15,513,814)	4,993,151
Cumulative effect of change in accounting principle	(139,810,013)	-	(1,656,549)	-	(141,466,562)	-
Net position - beginning, as restated	<u>(180,014,389)</u>	<u>(20,563,243)</u>	<u>23,034,013</u>	<u>25,556,394</u>	<u>(156,980,376)</u>	<u>4,993,151</u>
Net position - ending	<u>\$ (190,368,483)</u>	<u>\$ (40,204,376)</u>	<u>\$ 22,519,266</u>	<u>\$ 24,690,562</u>	<u>\$ (167,849,217)</u>	<u>\$ (15,513,814)</u>

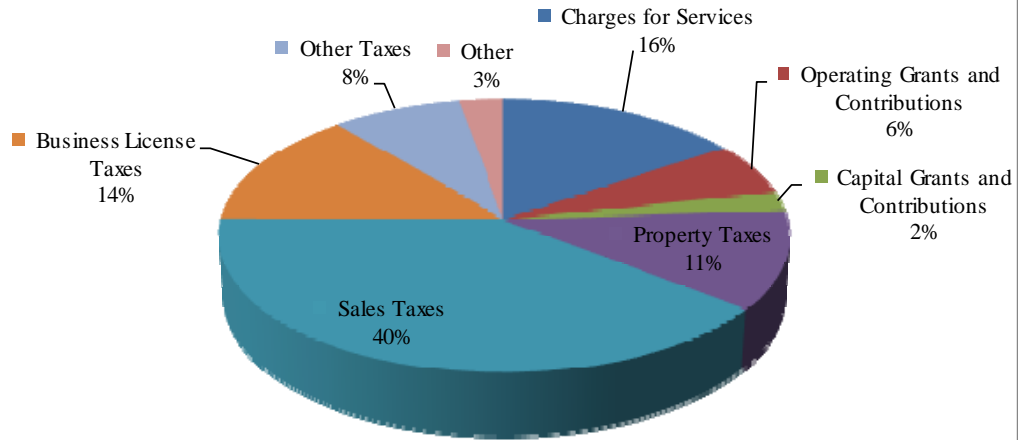
* The 2014 balances were not restated for the adoption of GASB Statement No. 68 because it was impractical to do so.

Governmental Activities

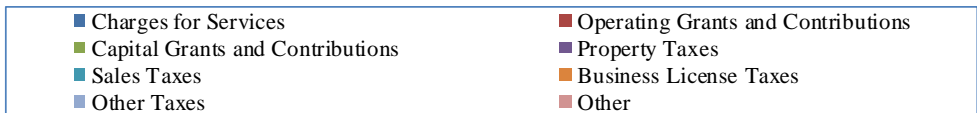
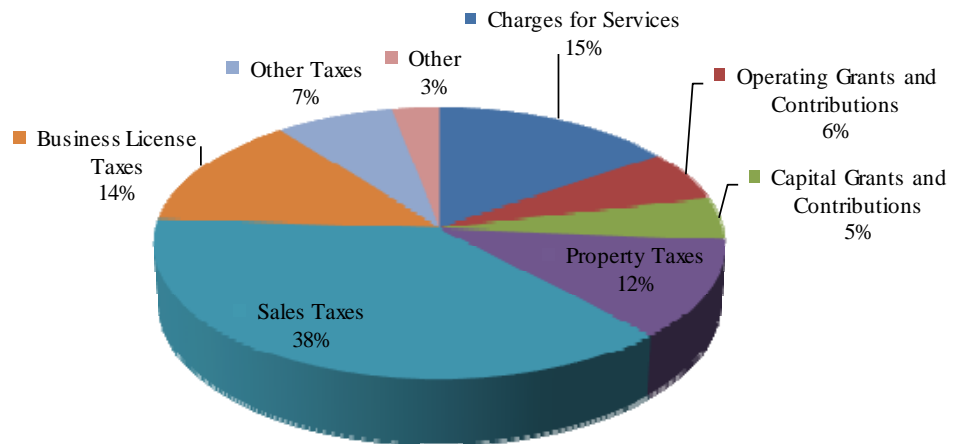
After restatement of the City's beginning net position due to implementation of GASB Statement No. 68, Governmental activities decreased the City's net position by \$10,354,094, thereby accounting for 95.3% of the total decline in net position of the City. Key elements of the decrease in net position were due to depreciation expense, increase in other postemployment benefits, and transfers to business-type activities. The decrease was offset by increases in operating grants and contributions, sales taxes, business licenses receipts, and other miscellaneous tax revenues in 2015.



**REVENUE BY SOURCE - GOVERNMENTAL
ACTIVITIES FISCAL YEAR 2015**

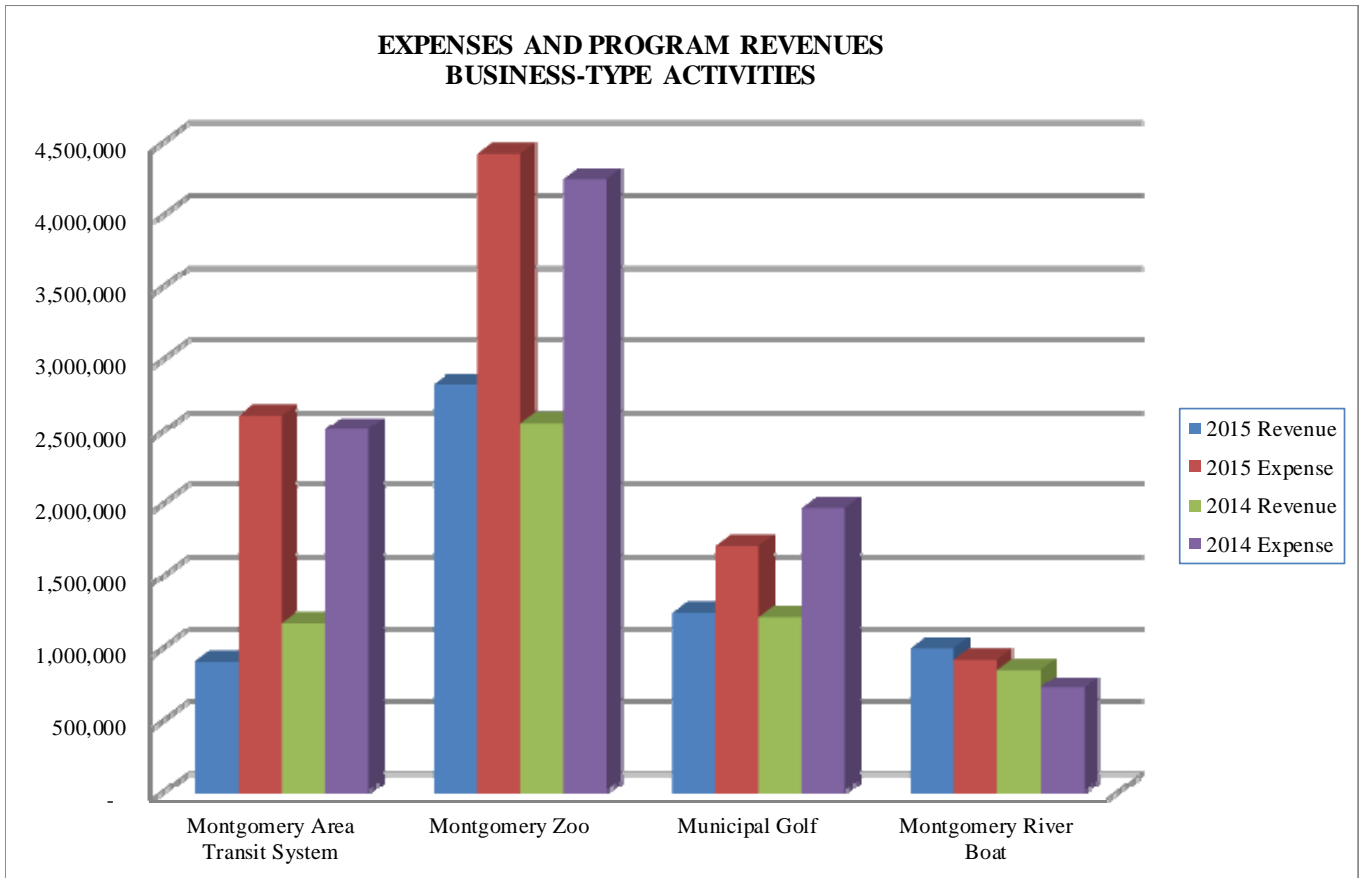


**REVENUE BY SOURCE - GOVERNMENTAL
ACTIVITIES FISCAL YEAR 2014**



Business-type Activities

The beginning net position of business-type activities was also restated due to the implementation of GASB Statement No. 68. Business-type activities decreased the City’s net position by \$514,747, which contributed 4.7% to the total decline in the net position of the City. The primary factor for the decrease in net position was due to the depreciation of capital assets.



Fund Level Information

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

Governmental Funds

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

In assessing the City of Montgomery’s financing requirements, unassigned fund balance is a particularly useful measure of net resources available for spending at the end of the fiscal year. As of September 30, 2015, the City of Montgomery’s Governmental Funds had an unassigned fund balance for governmental activities in the amount of \$16,231,247.

At September 30, 2015, total fund balance in the General Fund was \$20,467,563. The fund balance in the General Fund increased \$2,794,020 or 15.8% from the previous year. The increase in the fund balance was due to increases in sales taxes, licenses and permits, and other miscellaneous revenues.

Total revenue of the General Fund increased by \$7,456,262 or 3.5% in 2015 compared to the previous year. This was due to an increase in taxes, licenses and permits, as well as other miscellaneous revenues. Expenditures of the General Fund at fiscal year-end were \$353,699 or 0.2% less than the previous year which was primarily due to efficient departmental management of operations.

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 \$12,276,754 from the previous year due to the issuance of bonds for the Montgomery Public School System, and transfer of funds for construction of a new cell at the City landfill and miscellaneous infrastructure and land improvements.

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 \$1,740,889 or 82.5% at September 30, 2015. The decrease in fund balance was primarily attributable to the amount of debt retired in the current year.

Miscellaneous Special Revenue Fund – The fund is used to account for proceeds of specific revenue resources that are legally restricted by Federal or State government, or committed by the City Council for specific uses. At September 30, 2015, the fund balance of the Special Revenue Funds decreased \$1,088,016 or 16.2% over the previous year. The primary reason for the decrease in fund balance was due to transfers out of the fund.

Proprietary Funds

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

Enterprise Funds – Net position of the Montgomery Area Transit System (MATS), the Montgomery Zoo, Municipal Golf, and Montgomery River Boat at the end of the year was \$24,396,719. Total net position decreased for enterprise funds by \$2,143,553 or 8.1% in 2015 from the previous year. Total operating revenue increased \$167,627 or 2.9% for enterprise funds which was mainly due to an increase in revenue for nonmajor enterprise funds in the amount of \$176,748 or 8.6%.

Internal Service Fund – Internal service funds are designed to recover the internal costs of government services provided to other fund groups. At September 30, 2015, the internal service fund reported a deficit of \$2,492,846 for its net position balance, which was due to the amount of estimated claims payable and advances payable to the General Fund. Because claims and advances payable were less than they had been in previous years, the aforementioned deficit decreased \$2,318,010 or 48.2% from the previous year.

Capital Assets and Debt Administration

Capital assets – The City of Montgomery’s investment in capital assets for governmental and business-type activities as of September 30, 2015, was \$387,596,053 (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	
	2015	2014	2015	2014	2015	2014
Land	\$ 54,844,403	\$ 54,534,619	\$ 1,047,942	\$ 1,047,942	\$ 55,892,345	\$ 55,582,561
Buildings	125,553,981	129,346,416	20,845,555	21,413,313	146,399,536	150,759,729
Improvements other than buildings	48,784,402	50,202,159	1,525,535	1,416,874	50,309,937	51,619,033
Machinery and equipment	38,173,805	32,912,330	3,052,854	3,345,318	41,226,659	36,257,648
Infrastructure	87,062,725	94,027,692	-	-	87,062,725	94,027,692
Construction in progress	6,704,851	13,069,414	-	-	6,704,851	13,069,414
Totals	<u>\$ 361,124,167</u>	<u>\$ 374,092,630</u>	<u>\$ 26,471,886</u>	<u>\$ 27,223,447</u>	<u>\$ 387,596,053</u>	<u>\$ 401,316,077</u>

Additional information on the City of Montgomery’s capital assets can be found in Note 7 beginning on page 61 of this report.

Long-term debt – At the end of the fiscal year the City of Montgomery had secured and bonded debt outstanding of \$301,973,103. Of this amount \$287,692,592 comprises debt backed by the full faith and credit of the City and \$14,280,511 is comprised of long-term leases. The City’s long-term debt decreased \$5,551,738 or 1.8% from the previous year due to paying off higher principal payments compared to previous years. State statutes limit the amount of general obligation debt a governmental entity may issue. The City of Montgomery can issue up to twenty (20) percent of its total assessed property valuation. The City’s total valuation for the current fiscal year is \$2,191,308,060 with a current debt limit for the City of \$438,261,612. Current debt applied to the debt limit total is \$243,181,650, leaving the City with a legal debt margin of \$195,079,962.

Long-term Debt

	2015	2014	Increase (Decrease)
General obligation bonds	\$ 287,692,592	\$ 287,898,850	\$ (206,258)
Capital leases	14,280,511	17,895,621	(3,615,110)
Note payable	-	1,730,370	(1,730,370)
Totals	<u>\$ 301,973,103</u>	<u>\$ 307,524,841</u>	<u>\$ (5,551,738)</u>

The City of Montgomery carries an A1 rating from Moody’s and an AA rating from Standard and Poor’s. These ratings reflect the strength of the City’s economy and the efficiency of operations by management and staff. See Note 9 beginning on page 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 of Montgomery 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, 2015, actual revenues were more than budgeted revenues by \$2,572,856. The primary reasons for the variance are as follows:

- Actual tax revenue exceeded budgeted tax revenue by \$2,909,607 or 2.0%.
- Actual licenses and permits exceeded budgeted revenue by \$1,962,251 or 4.8%.
- Actual interest and miscellaneous revenues exceeded budgeted revenue by \$491,694 or 33.8%.

For the year ended September 30, 2015, actual total expenditures were less than budgeted expenditures by \$3,119,646 or 1.7% in the following departments:

- General Government actual expenditures were less than budgeted expenditures by \$1,863,320.
- Public Works actual expenditures were less than budgeted expenditures by \$450,271.
- Public Safety actual expenditures were less than budgeted expenditures by \$132,587.
- Cultural and Recreational actual expenditures were less than budgeted expenditures by \$596,208.

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

- Efficient utilization of resources accounted for actual expenditures being less than budgeted expenditures.
- Personnel costs were less than budgeted amounts due to the inability to fill and maintain budgeted personnel positions and through attrition. Non-essential positions were not filled in 2015.

Economic Factors and Year 2015

The following factors were considered in preparing The City of Montgomery's Budget for Fiscal Year 2015:

- Montgomery's unemployment rate decreased from 6.4% in 2014 to 5.8% in 2015. The unemployment rate was 0.6% less than the previous year.
- The City of Montgomery is currently the second largest city in the state due to continued population growth. The occupancy rate of the City's Downtown District continues to have steady growth.
- The City's Downtown Riverfront Development continues to create economic growth through tourism.
- Sales tax revenue increased in 2015 over the previous year. It is anticipated that sales tax revenue will continue to increase slowly as the economy improves.
- Continued increases in industrial and residential development.

At September 30, 2015, fund balance in the General Fund was \$20,467,563. The City of Montgomery did not appropriate any fund balance from the 2015 fund balance for spending in the 2016 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 2016 budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Public Library
ASSETS				
Cash and cash equivalents	\$ 29,669,497	\$ 1,210,783	\$ 30,880,280	\$ 429,011
Cash held by fiscal agent	9,859,294	-	9,859,294	-
Internal balances	3,161,459	(3,161,459)	-	-
Receivables	20,507,106	215,333	20,722,439	948
Inventories	1,028,876	444,705	1,473,581	-
Prepaid items	39,850	-	39,850	-
Assets held for resale	32,817	-	32,817	-
Note receivable	700,000	-	700,000	-
Mortgage receivable	1,300,115	-	1,300,115	-
Lease receivable	2,194,335	-	2,194,335	-
Warrants receivable	1,132,560	-	1,132,560	-
Capital assets not being depreciated:				
Land	54,844,403	1,047,942	55,892,345	-
Construction in progress	6,704,851	-	6,704,851	-
Collections	-	-	-	10,418,925
Capital assets net of accumulated depreciation:				
Buildings and system	125,553,981	20,845,555	146,399,536	1,636,405
Improvements other than buildings	48,784,402	1,525,535	50,309,937	-
Machinery and equipment	38,173,805	3,052,854	41,226,659	142,012
Infrastructure	87,062,725	-	87,062,725	-
TOTAL ASSETS	430,750,076	25,181,248	455,931,324	12,627,301
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	9,488,628	-	9,488,628	-
Pension related items	34,802,252	433,264	35,235,516	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	44,290,880	433,264	44,724,144	-
LIABILITIES				
Accounts payable and accrued expenses	19,983,135	560,674	20,543,809	24,322
Retainage payable	112,877	-	112,877	-
Unearned revenue	244,421	26,479	270,900	-
Funds held in escrow	1,351,216	-	1,351,216	-
Noncurrent liabilities:				
Due within one year	24,487,039	41,246	24,528,285	-
Due in more than one year:				
Net pension liability	180,698,003	2,155,720	182,853,723	-
Postemployment benefits other than pensions	118,699,137	-	118,699,137	-
Other	319,833,611	311,127	320,144,738	-
TOTAL LIABILITIES	665,409,439	3,095,246	668,504,685	24,322
NET POSITION				
Net investment in capital assets	193,379,215	26,471,886	219,851,101	12,197,342
Restricted for:				
Public works	4,892,875	-	4,892,875	-
Public safety	3,227,187	-	3,227,187	-
Cultural and recreational	1,029,012	-	1,029,012	39,333
Capital projects	15,014,719	-	15,014,719	-
Municipal Court Corrections	751,405	-	751,405	-
Nonexpendable	-	-	-	102,936
Unrestricted	(408,662,896)	(3,952,620)	(412,615,516)	263,368
TOTAL NET POSITION	\$ (190,368,483)	\$ 22,519,266	\$ (167,849,217)	\$ 12,602,979

See accompanying notes to financial statements.

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 72,981,992	\$ 15,864,486	\$ 5,645,878	\$ 1,150,014
Public works	47,251,656	21,326,889	2,377,947	4,076,267
Public safety	94,705,501	868,299	7,304,510	362,591
Cultural and recreational	32,690,968	1,285,299	250,018	45,943
Interest on long-term debt	12,394,618	-	-	-
Total governmental activities	<u>260,024,735</u>	<u>39,344,973</u>	<u>15,578,353</u>	<u>5,634,815</u>
Business-type activities:				
Montgomery Area Transit System	2,604,476	899,258	-	-
Montgomery Zoo	4,417,798	2,814,323	-	-
Municipal Golf	1,697,967	1,239,048	-	-
Montgomery River Boat	913,531	989,788	-	-
Total business-type activities	<u>9,633,772</u>	<u>5,942,417</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 269,658,507</u>	<u>\$ 45,287,390</u>	<u>\$ 15,578,353</u>	<u>\$ 5,634,815</u>
Component Unit				
Public Library	\$ 4,832,881	\$ 124,969	\$ 203,547	\$ 57,863
General Revenues				
Sales taxes				
Property taxes				
Business license taxes				
Motor fuel taxes				
Lodging taxes				
Rental taxes				
Tobacco taxes				
Alcoholic beverage taxes				
Grants and contributions not restricted to specific programs				
Investment earnings				
Miscellaneous revenue				
Gain on sale of assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as originally stated				
Cumulative effect of change in accounting principle				
Net position - beginning, as restated				
Net position - ending				

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Public Library
\$ (50,321,614)	\$ -	\$ (50,321,614)	\$ -
(19,470,553)	-	(19,470,553)	-
(86,170,101)	-	(86,170,101)	-
(31,109,708)	-	(31,109,708)	-
(12,394,618)	-	(12,394,618)	-
<u>(199,466,594)</u>	<u>-</u>	<u>(199,466,594)</u>	<u>-</u>
-	(1,705,218)	(1,705,218)	-
-	(1,603,475)	(1,603,475)	-
-	(458,919)	(458,919)	-
-	76,257	76,257	-
-	<u>(3,691,355)</u>	<u>(3,691,355)</u>	<u>-</u>
<u>(199,466,594)</u>	<u>(3,691,355)</u>	<u>(203,157,949)</u>	<u>-</u>
			<u>(4,446,502)</u>
100,641,722	-	100,641,722	-
28,922,582	-	28,922,582	-
34,838,755	-	34,838,755	-
5,289,781	-	5,289,781	-
8,984,951	-	8,984,951	-
4,311,055	-	4,311,055	-
1,779,831	-	1,779,831	-
350,653	-	350,653	-
181,857	-	181,857	4,208,564
43,169	521	43,690	3,804
5,968,139	-	5,968,139	-
976,092	-	976,092	-
<u>(3,176,087)</u>	<u>3,176,087</u>	<u>-</u>	<u>-</u>
<u>189,112,500</u>	<u>3,176,608</u>	<u>192,289,108</u>	<u>4,212,368</u>
<u>(10,354,094)</u>	<u>(514,747)</u>	<u>(10,868,841)</u>	<u>(234,134)</u>
(40,204,376)	24,690,562	(15,513,814)	12,837,113
<u>(139,810,013)</u>	<u>(1,656,549)</u>	<u>(141,466,562)</u>	<u>-</u>
<u>(180,014,389)</u>	<u>23,034,013</u>	<u>(156,980,376)</u>	<u>12,837,113</u>
<u>\$ (190,368,483)</u>	<u>\$ 22,519,266</u>	<u>\$ (167,849,217)</u>	<u>\$ 12,602,979</u>

CITY OF MONTGOMERY, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Capital Project Fund	Debt Service Fund	Miscellaneous Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 8,571,939	\$ 5,396,936	\$ 369,032	\$ 6,530,993	\$ 8,168,380	\$ 29,037,280
Cash held by fiscal agent	-	9,859,294	-	-	-	9,859,294
Receivables	14,961,959	435,646	-	19,885	4,292,166	19,709,656
Inventories	1,028,876	-	-	-	-	1,028,876
Prepaid items	29,968	-	-	9,373	509	39,850
Assets held for resale	-	-	-	32,817	-	32,817
Notes receivable	700,000	-	-	-	-	700,000
Due from other funds	3,505,776	-	-	-	-	3,505,776
Mortgage receivable	-	1,111,826	-	-	188,289	1,300,115
Lease receivable	-	-	2,194,335	-	-	2,194,335
Warrants receivable	-	-	1,132,560	-	-	1,132,560
Advances to other funds	1,642,258	-	-	-	-	1,642,258
TOTAL ASSETS	\$ 30,440,776	\$ 16,803,702	\$ 3,695,927	\$ 6,593,068	\$ 12,649,344	\$ 70,182,817
LIABILITIES						
Accounts payable and accrued expenses	\$ 9,284,711	\$ 2,394,833	\$ -	\$ 308,067	\$ 1,170,872	\$ 13,158,483
Retainage payable	-	72,313	-	-	40,564	112,877
Due to other funds	-	-	-	-	3,001,977	3,001,977
Funds held in escrow	688,502	1,200	-	655,191	6,323	1,351,216
Unearned revenue	-	2,400	-	-	242,021	244,421
Advances from other funds	-	-	-	-	823,051	823,051
TOTAL LIABILITIES	9,973,213	2,470,746	-	963,258	5,284,808	18,692,025
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - long term receivables	-	1,111,826	3,326,895	-	-	4,438,721
TOTAL DEFERRED INFLOWS OF RESOURCES	-	1,111,826	3,326,895	-	-	4,438,721
FUND BALANCES (DEFICITS)						
Nonspendable:						
Assets held for resale	-	-	-	32,817	-	32,817
Inventories	1,028,876	-	-	-	-	1,028,876
Long-term receivables	2,342,258	-	-	-	-	2,342,258
Prepaid items	29,968	-	-	9,373	509	39,850
Restricted:						
Capital projects	-	13,221,130	-	1,444,639	673,546	15,339,315
Debt service	-	-	369,032	-	-	369,032
Emergency communications center	-	-	-	-	3,212,736	3,212,736
Intergovernmental	-	-	-	3,583,266	2,111,638	5,694,904
Landfill	-	-	-	548,499	-	548,499
Municipal Court Corrections	-	-	-	-	751,405	751,405
Other	-	-	-	11,216	31,474	42,690
Riverfront Stadium	-	-	-	-	1,418,442	1,418,442
Unassigned	17,066,461	-	-	-	(835,214)	16,231,247
TOTAL FUND BALANCES	20,467,563	13,221,130	369,032	5,629,810	7,364,536	47,052,071
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 30,440,776	\$ 16,803,702	\$ 3,695,927	\$ 6,593,068	\$ 12,649,344	\$ 70,182,817

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, 2015

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

Total fund balances - governmental funds		\$ 47,052,071
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		361,124,167
Long-term receivables are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		4,438,721
Deferred outflows of resources are applicable to future periods, and, therefore, are not reported in the governmental funds:		
Deferred charge on refunding	\$ 9,488,628	
Pension related items	<u>34,802,252</u>	
		44,290,880
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.		(615,393)
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, 2015 were:		
Bonds, warrants, leases, and notes payable	301,973,103	
Unamortized net premiums	5,376,139	
Unamortized net discounts	(18,465)	
Accrued interest	2,941,139	
Compensated absences	20,305,621	
Retirement and disability benefits	8,304,441	
Net pension liability	180,698,003	
Postemployment benefits other than pensions	118,699,137	
Pollution remediation obligation	561,600	
Landfill closure and postclosure costs	<u>7,818,211</u>	
Total long-term liabilities		<u>(646,658,929)</u>
Net position of governmental activities		<u><u>\$ (190,368,483)</u></u>

See accompanying notes to financial statements

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Miscellaneous Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$ 146,297,445	\$ -	\$ -	\$ 1,779,831	\$ 2,203,299	\$ 150,280,575
Licenses and permits	43,095,565	-	-	-	103,885	43,199,450
Intergovernmental revenues	5,186,107	403,675	1,948,691	1,873,793	18,189,775	27,602,041
Charges for services	20,136,959	159,358	-	334,382	-	20,630,699
Fines and forfeitures	3,746,117	-	-	-	1,603,211	5,349,328
Interest	21,410	20,890	869	-	-	43,169
Miscellaneous revenues	1,923,419	1,583,012	1,929	1,297,115	753,706	5,559,181
Total revenues	<u>220,407,022</u>	<u>2,166,935</u>	<u>1,951,489</u>	<u>5,285,121</u>	<u>22,853,876</u>	<u>252,664,443</u>
EXPENDITURES						
Current:						
General government	40,232,966	3,232,028	-	1,175,257	7,759,149	52,399,400
Public works	29,924,975	2,156,071	-	3,114,492	6,929,486	42,125,024
Public safety	76,242,720	450,259	-	8,706	5,818,424	82,520,109
Cultural and recreational	27,903,549	467,003	-	141,823	264,280	28,776,655
Intergovernmental	-	2,045,603	-	-	-	2,045,603
Capital outlay	-	3,648,370	-	25,594	2,190,688	5,864,652
Debt service:						
Principal	5,761,488	17,419,355	13,964,672	-	-	37,145,515
Interest	267,964	60,135	11,138,290	-	-	11,466,389
Debt issuance cost	-	197,221	-	-	-	197,221
Total expenditures	<u>180,333,662</u>	<u>29,676,045</u>	<u>25,102,962</u>	<u>4,465,872</u>	<u>22,962,027</u>	<u>262,540,568</u>
Excess of revenues over (under) expenditures	<u>40,073,360</u>	<u>(27,509,110)</u>	<u>(23,151,473)</u>	<u>819,249</u>	<u>(108,151)</u>	<u>(9,876,125)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	809,846	734,613	-	-	-	1,544,459
Transfers in	5,271,160	13,180,356	21,410,584	2,883,548	7,412,854	50,158,502
Transfers out	(46,291,003)	(1,631,023)	-	(4,790,813)	(4,089,307)	(56,802,146)
Capital leases	2,930,657	-	-	-	-	2,930,657
Issuance of bonds	-	9,190,000	-	-	-	9,190,000
Issuance of refunding bonds	-	53,898,119	-	-	-	53,898,119
Payment to refunded bonds escrow agent	-	(36,382,129)	-	-	-	(36,382,129)
Bond premium	-	795,928	-	-	-	795,928
Total other financing sources (uses)	<u>(37,279,340)</u>	<u>39,785,864</u>	<u>21,410,584</u>	<u>(1,907,265)</u>	<u>3,323,547</u>	<u>25,333,390</u>
Net change in fund balances	2,794,020	12,276,754	(1,740,889)	(1,088,016)	3,215,396	15,457,265
FUND BALANCES - BEGINNING	<u>17,673,543</u>	<u>944,376</u>	<u>2,109,921</u>	<u>6,717,826</u>	<u>4,149,140</u>	<u>31,594,806</u>
FUND BALANCES - ENDING	<u>\$ 20,467,563</u>	<u>\$ 13,221,130</u>	<u>\$ 369,032</u>	<u>\$ 5,629,810</u>	<u>\$ 7,364,536</u>	<u>\$ 47,052,071</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, 2015

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

Net change in fund balances - total governmental funds		\$ 15,457,265
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.		10,088,238
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.		745,926
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.		(23,293,293)
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.		(509,334)
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.		(1,853,591)
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.		
Bond proceeds	\$ 9,190,000	
Refunding bond proceeds	53,898,119	
Capital lease financing	2,930,657	
Premium on bonds	795,928	
Total proceeds	<u>66,814,704</u>	(66,814,704)

(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, 2015

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	\$ 28,869,376	
Payment to escrow agent for refunding	36,382,129	
Notes payable	1,730,370	
Capital leases	6,545,767	
Other	241,781	
Total repayments		\$ 73,769,423

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	1,415,090	
Retirement and disability benefits	(474,249)	
Pension	6,085,738	
Accrued interest	(56,791)	
Postemployment benefit plans other than pensions	11,397,065	
Pollution remediation	561,600	
Landfill closure and postclosure costs	573,527	
Additional expenses		(19,501,980)

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		(787,797)
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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.

2,345,753

Change in net position of governmental activities \$ (10,354,094)

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 143,387,838	\$ 143,387,838	\$ 146,297,445	\$ 2,909,607
Licenses and permits	41,133,314	41,133,314	43,095,565	1,962,251
Intergovernmental revenues	5,308,271	5,308,271	5,186,107	(122,164)
Charges for services	20,249,608	20,249,608	20,136,959	(112,649)
Fines and forfeitures	6,302,000	6,302,000	3,746,117	(2,555,883)
Interest	6,555	6,555	21,410	14,855
Miscellaneous revenues	1,446,580	1,446,580	1,923,419	476,839
Total revenues	<u>217,834,166</u>	<u>217,834,166</u>	<u>220,407,022</u>	<u>2,572,856</u>
EXPENDITURES				
Current:				
General government:				
Council	341,082	338,582	322,944	15,638
Mayor and cabinet	830,119	830,119	690,138	139,981
City Clerk	311,119	311,119	298,796	12,323
Customer Service	268,242	259,242	247,219	12,023
Development	450,000	442,500	429,726	12,774
Finance department	3,560,038	3,560,038	3,215,675	344,363
Fleet management	3,406,313	3,406,313	3,185,968	220,345
Information technology	3,026,786	2,824,292	2,666,207	158,085
Insurance	1,592,000	494,615	494,615	-
Investigations	238,854	242,805	242,805	-
Legal Department	783,498	783,498	761,339	22,159
Miscellaneous activities	10,257,642	9,841,488	10,002,149	(160,661)
Municipal Court	2,555,235	2,555,235	2,504,886	50,349
Parking Management	754,130	754,130	705,758	48,372
Payments to government agencies	4,840,256	4,753,748	4,268,047	485,701
Planning	1,664,220	1,695,905	1,695,906	(1)
Retirement	8,596,466	8,596,466	8,098,942	497,524
Risk Management	406,191	406,191	401,846	4,345
Total general government	<u>43,882,191</u>	<u>42,096,286</u>	<u>40,232,966</u>	<u>1,863,320</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Works:				
Engineering Department	\$ 1,835,087	\$ 1,823,614	\$ 1,774,929	\$ 48,685
Inspections Division	2,263,539	2,252,693	2,211,315	41,378
Landfill Division	1,665,278	1,635,278	1,435,070	200,208
Maintenance	7,416,375	7,416,375	7,292,714	123,661
Sanitation Department	13,710,828	14,614,242	14,610,014	4,228
Traffic Engineering Department	2,634,000	2,633,044	2,600,933	32,111
Total public works	<u>29,525,107</u>	<u>30,375,246</u>	<u>29,924,975</u>	<u>450,271</u>
Public Safety:				
Emergency Management	323,376	311,431	288,204	23,227
Fire Department	31,910,466	31,521,249	31,302,176	219,073
Police Department	44,558,285	44,542,627	44,652,340	(109,713)
Total public safety	<u>76,792,127</u>	<u>76,375,307</u>	<u>76,242,720</u>	<u>132,587</u>
Cultural and Recreational:				
Building maintenance	4,676,338	4,782,874	4,782,873	1
City events	1,102,165	1,070,417	1,070,416	1
Library	2,956,368	3,063,025	3,063,024	1
Museum	2,961,847	2,961,847	2,868,268	93,579
Parks and recreation	15,772,809	15,772,809	15,441,903	330,906
Public information and external affairs	929,970	848,785	677,065	171,720
Total cultural and recreational	<u>28,399,497</u>	<u>28,499,757</u>	<u>27,903,549</u>	<u>596,208</u>
Debt Service:				
Principal	5,490,063	5,490,063	5,761,488	(271,425)
Interest	616,649	616,649	267,964	348,685
Total debt service	<u>6,106,712</u>	<u>6,106,712</u>	<u>6,029,452</u>	<u>77,260</u>
Total expenditures	<u>184,705,634</u>	<u>183,453,308</u>	<u>180,333,662</u>	<u>3,119,646</u>
Excess of revenues over expenditures	<u>33,128,532</u>	<u>34,380,858</u>	<u>40,073,360</u>	<u>5,692,502</u>

(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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	\$ 750,000	\$ 750,000	\$ 809,846	\$ 59,846
Transfers in	6,639,810	6,639,810	5,271,160	(1,368,650)
Transfers out	(41,268,342)	(42,520,668)	(46,291,003)	(3,770,335)
Capital leases	2,750,000	2,750,000	2,930,657	180,657
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	(31,128,532)	(32,380,858)	(37,279,340)	(4,898,482)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net changes in fund balance	2,000,000	2,000,000	2,794,020	794,020
FUND BALANCES - BEGINNING	<u>17,673,543</u>	<u>17,673,543</u>	<u>17,673,543</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 19,673,543</u>	<u>\$ 19,673,543</u>	<u>\$ 20,467,563</u>	<u>\$ 794,020</u>

See accompanying notes to financial statements

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Montgomery Area Transit System	Montgomery Zoo	Other Enterprise Funds	Total Enterprise Funds	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ -	\$ 680,456	\$ 530,327	\$ 1,210,783	\$ 632,217
Receivables	6,239	198,873	10,221	215,333	797,450
Inventories	269,212	114,199	61,294	444,705	-
Total current assets	<u>275,451</u>	<u>993,528</u>	<u>601,842</u>	<u>1,870,821</u>	<u>1,429,667</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	5,277,403	1,565,024	6,890,768	-
Machinery and equipment	9,806,375	1,565,339	397,356	11,769,070	-
Less accumulated depreciation	(10,661,113)	(7,195,532)	(1,723,871)	(19,580,516)	-
Total capital assets, net of accumulated depreciation	<u>19,736,188</u>	<u>5,618,017</u>	<u>1,117,681</u>	<u>26,471,886</u>	<u>-</u>
TOTAL ASSETS	<u>20,011,639</u>	<u>6,611,545</u>	<u>1,719,523</u>	<u>28,342,707</u>	<u>1,429,667</u>
DEFERRED OUTFLOWS					
Pension related items	-	430,090	3,174	433,264	-
TOTAL DEFERRED OUTFLOWS	<u>-</u>	<u>430,090</u>	<u>3,174</u>	<u>433,264</u>	<u>-</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	247,555	188,817	124,302	560,674	1,583,111
Claims payable	-	-	-	-	2,296,742
Unearned revenue	-	-	26,479	26,479	-
Funds in escrow	-	-	-	-	3,660
Due to other funds	-	-	503,799	503,799	-
Compensated absences	-	41,246	-	41,246	-
Total current liabilities	<u>247,555</u>	<u>230,063</u>	<u>654,580</u>	<u>1,132,198</u>	<u>3,883,513</u>
NONCURRENT LIABILITIES					
Advances from other funds	780,207	-	-	780,207	39,000
Compensated absences	-	307,717	3,410	311,127	-
Net pension liability	-	2,155,720	-	2,155,720	-
Total noncurrent liabilities	<u>780,207</u>	<u>2,463,437</u>	<u>3,410</u>	<u>3,247,054</u>	<u>39,000</u>
TOTAL LIABILITIES	<u>1,027,762</u>	<u>2,693,500</u>	<u>657,990</u>	<u>4,379,252</u>	<u>3,922,513</u>
NET POSITION					
Investment in capital assets	19,736,188	5,618,017	1,117,681	26,471,886	-
Unrestricted	(752,311)	(1,269,882)	(52,974)	(2,075,167)	(2,492,846)
TOTAL NET POSITION	<u>\$ 18,983,877</u>	<u>\$ 4,348,135</u>	<u>\$ 1,064,707</u>	<u>24,396,719</u>	<u>\$ (2,492,846)</u>
Adjustment to reflect the consolidation of internal service fund activities related to Enterprise Funds				<u>(1,877,453)</u>	
Net position of business-type activities				<u>\$ 22,519,266</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, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund	
	Montgomery Area Transit System	Montgomery Zoo	Other Enterprise Funds		Total Enterprise Funds
OPERATING REVENUES					
Charges for goods and services	\$ 899,258	\$ 2,814,323	\$ 2,228,836	\$ 5,942,417	\$ 31,853,348
Total operating revenues	899,258	2,814,323	2,228,836	5,942,417	31,853,348
OPERATING EXPENSES					
Cost of sales and services	-	174,990	394,125	569,115	-
Administration	1,253,655	3,932,242	2,145,732	7,331,629	33,257,723
Depreciation	1,350,821	296,867	57,597	1,705,285	-
Total operating expenses	2,604,476	4,404,099	2,597,454	9,606,029	33,257,723
OPERATING LOSS	(1,705,218)	(1,589,776)	(368,618)	(3,663,612)	(1,404,375)
NONOPERATING REVENUES (EXPENSES)					
Interest income	-	310	211	521	-
Loss before contributions and transfers	(1,705,218)	(1,589,466)	(368,407)	(3,663,091)	(1,404,375)
Capital contributions	-	254,828	-	254,828	-
Transfers in	1,482,085	1,297,775	387,279	3,167,139	3,722,385
Transfers out	-	(35,000)	(210,880)	(245,880)	-
Change in net position	(223,133)	(71,863)	(192,008)	(487,004)	2,318,010
NET POSITION - BEGINNING, AS ORIGINALLY STATED	19,207,010	6,076,547	1,256,715	26,540,272	(4,810,856)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	-	(1,656,549)	-	(1,656,549)	-
NET POSITION - BEGINNING, AS RESTATED	19,207,010	4,419,998	1,256,715	24,883,723	(4,810,856)
NET POSITION - ENDING	<u>\$ 18,983,877</u>	<u>\$ 4,348,135</u>	<u>\$ 1,064,707</u>		<u>\$ (2,492,846)</u>
Adjustment to reflect the consolidation of internal service fund activities related to Enterprise Funds				(27,743)	
Change in net position of business-type activities				<u>\$ (514,747)</u>	

See accompanying notes to financial statements

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Montgomery Area Transit System	Montgomery Zoo	Other Enterprise Funds	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 899,654	\$ 2,810,637	\$ 2,226,303	\$ 5,936,594	\$ -
Receipts from interfund services provided	-	-	-	-	31,856,588
Payments to suppliers	(1,273,905)	(1,703,229)	(1,785,797)	(4,762,931)	(33,707,377)
Payments to employees	-	(2,057,747)	(873,259)	(2,931,006)	-
Payments for interfund services used	-	(261,820)	(8,745)	(270,565)	-
Net cash used by operating activities	<u>(374,251)</u>	<u>(1,212,159)</u>	<u>(441,498)</u>	<u>(2,027,908)</u>	<u>(1,850,789)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	-	(35,000)	(210,880)	(245,880)	-
Transfers from other funds	1,482,085	1,297,775	387,279	3,167,139	3,722,385
Net cash payments (to) from other funds	<u>(408,938)</u>	<u>-</u>	<u>162,272</u>	<u>(246,666)</u>	<u>(1,530,578)</u>
Net cash provided by noncapital financing activities	<u>1,073,147</u>	<u>1,262,775</u>	<u>338,671</u>	<u>2,674,593</u>	<u>2,191,807</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	<u>(698,896)</u>	<u>-</u>	<u>-</u>	<u>(698,896)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(698,896)</u>	<u>-</u>	<u>-</u>	<u>(698,896)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	<u>-</u>	<u>310</u>	<u>211</u>	<u>521</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>-</u>	<u>50,926</u>	<u>(102,616)</u>	<u>(51,690)</u>	<u>341,018</u>
CASH AND CASH EQUIVALENTS - BEGINNING	<u>-</u>	<u>629,530</u>	<u>632,943</u>	<u>1,262,473</u>	<u>291,199</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ -</u>	<u>\$ 680,456</u>	<u>\$ 530,327</u>	<u>\$ 1,210,783</u>	<u>\$ 632,217</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Contributions of capital assets from governmental activities	\$ -	\$ 254,828	\$ -	\$ 254,828	\$ -

(Continued)

See accompanying notes to financial statements

CITY OF MONTGOMERY, ALABAMA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	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 PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating loss	\$ (1,705,218)	\$ (1,589,776)	\$ (368,618)	\$ (3,663,612)	\$ (1,404,375)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation expense	1,350,821	296,867	57,597	1,705,285	-
(Increase) decrease in assets and: deferred outflows:					
Receivables	396	(3,686)	1,845	(1,445)	87,026
Inventories	(18,278)	16,119	20,379	18,220	-
Prepaid items	-	-	-	-	1,297
Deferred outflows	-	(300,964)	(3,174)	(304,138)	-
Increase (decrease) in liabilities and deferred inflows:					
Accounts payable and accrued expenses	(1,972)	4,984	(26,164)	(23,152)	56,642
Deferred revenue	-	-	(4,378)	(4,378)	-
Funds in escrow	-	-	-	-	3,240
Claims payable	-	-	-	-	(594,619)
Compensated absences	-	(5,748)	(118,985)	(124,733)	-
Net pension liability	-	370,045	-	370,045	-
Total adjustments	1,330,967	377,617	(72,880)	1,635,704	(446,414)
Net cash provided (used) by operating activities	\$ (374,251)	\$ (1,212,159)	\$ (441,498)	\$ (2,027,908)	\$ (1,850,789)

See accompanying notes to financial statements

CITY OF MONTGOMERY, ALABAMA
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 DECEMBER 31, 2014

	Employees' Retirement System
ASSETS	
Cash	\$ 203,386
Receivables:	
Accrued interest and dividends	874,041
Contributions receivable	686,411
Other receivables	8,390
Total receivables	<u>1,568,842</u>
Investments, at fair value:	
Fixed income	84,589,330
Domestic and international equities	26,766,064
Mutual funds	205,817,832
Partnerships	22,546,210
Cash equivalents	2,174,197
Total investments	<u>341,893,633</u>
Total assets	<u>343,665,861</u>
LIABILITIES	
Accounts payable	214,474
Refunds payable	1,717,222
Total liabilities	<u>1,931,696</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u><u>\$ 341,734,165</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, 2014

	Employees' Retirement System
ADDITIONS	
Contributions:	
Employers	\$ 14,485,504
Members	6,680,063
Total contributions	<u>21,165,567</u>
Investment income:	
Interest	2,646,792
Dividends	7,899,649
Net depreciation in fair value of investments	(841,167)
	<u>9,705,274</u>
Less: Investment expense	540,268
Net investment income	<u>9,165,006</u>
Other additions:	
Interest on reinstatement contributions	12,700
Total other additions	<u>12,700</u>
Total additions	<u>30,343,273</u>
DEDUCTIONS	
Benefit payments	32,341,394
Withdrawals and refunds	3,243,646
Administration expenses	83,980
Total deductions	<u>35,669,020</u>
Change in net position	(5,325,747)
Net position - restricted for pension benefits beginning of year	<u>347,059,912</u>
Net position - restricted for pension benefits end of year	<u><u>\$ 341,734,165</u></u>

See accompanying notes to financial statements

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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 was created to facilitate a municipal solid waste feedstock supply agreement and a support agreement between the City and a third party. The Authority is included in the Miscellaneous Special Revenue Fund 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 all 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.

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

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

Government-wide and Fund Financial Statements

The basic financial statements consist of the government-wide financial statements and fund financial statements. Both sets of statements distinguish between governmental and business-type activities. Government-wide financial statements are comprised of the statement of net position and the statement of activities and reports information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. The exception to this is interfund services provided and used which are eliminated in the consolidation process.

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (continued)

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, 2015

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.

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.

The City reports the following major proprietary funds:

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

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

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 fund are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

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

Receivables and Payables

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

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

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

City property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and delinquent after December 31. In accordance with the non-exchange transactions provision of GASB Statement No. 33, a receivable for taxes is recorded when an enforceable legal claim has arisen or when resources are received, whichever is first. That date for the City is October 1, 2014.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

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	\$ 249,363	\$ 269,212	\$ 518,575
Fuels and lubricants	209,492	-	209,492
Materials and supplies	323,056	-	323,056
Tobacco tax stamps	60,927	-	60,927
Merchandise and concessions	13,643	175,493	189,136
Police uniforms	21,310	-	21,310
Other	151,085	-	151,085
Totals	<u>\$ 1,028,876</u>	<u>\$ 444,705</u>	<u>\$ 1,473,581</u>

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

Portfolio Valuation Method

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

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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.

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 only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the 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, 2015 totaled \$8,304,441.

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, 2015 totaled \$118,699,137.

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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.

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 amounts of unrestricted fund balance is available.

Management Estimates and Assumptions

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

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

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

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted 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, 2015 and 2014 there were no outstanding encumbrances included in 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, 2015, the City included the encumbrances as part of governmental fund balances as follows:

Capital Project Fund	\$ 6,822,765
Miscellaneous Special Revenue Fund	43,456
Nonmajor governmental funds	<u>705,020</u>
Encumbrances as part of governmental fund balances	<u><u>\$ 7,571,241</u></u>

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Deficit Fund Equity

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

	<u>Deficit Amount</u>
Nonmajor Governmental Fund:	
State Gasoline Tax	\$ 823,051
ADECA Grant Fund	1,574
Department of Justice Grant Fund	2
Department of Homeland Security	10,587
Nonmajor Enterprise Fund:	
Montgomery River Boat	223,346
Internal Service Fund	2,492,846

The State Gasoline Tax Fund accounts for proceeds from state gasoline taxes. This deficit is a result of the City exceeding budgeted costs. 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 Department of 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 Montgomery River Boat accounts for the operations of the City's riverboat. The deficit is the result of the purchase of the riverboat.

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 City's intent is to appropriate funds from the General Fund in order to reduce the 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.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

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

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.

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

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

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

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

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

Concentration of Credit Risk – The investment policies limit the aggregate amount that can be invested in each class of investments and any one issuer. The investment policy limits equity investments to 70% of the portfolio value, plus or minus 5% and limits fixed income investments to 30% of the portfolio value, plus or minus 5%. Equity investments are further limited as follows:

<u>Asset Class of Sub Class</u>	<u>Target Allocation</u>
Direct Large/Mid Cap Equity	10% - 20%
Direct Small Cap Equity	5% - 12%
Direct International Equity	5% - 12%
Global Multi-Strategy	19% - 29%
Satellite Strategies	4% - 8%
Private Equity	0% - 9%

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Investments (Continued)

Concentration of Credit Risk (Continued)

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.

The following table provides information as of December 31, 2014, concerning the fair value of investments, interest rate risk, and foreign currency risk:

Type of Investment	Investment Maturities at Fair Value (in Years)				Total Fair Value	Cost
	Less Than 1	1 - 5	6 - 10	More Than 10		
<i>Fixed Maturity</i>						
CMO's and Asset Backed Securities	\$ -	\$ 749,986	\$ -	\$ 575,794	\$ 1,325,780	\$ 1,348,420
Corporate Securities	17,085,286	52,538,004	-	-	69,623,290	70,788,418
Foreign Bonds	5,443,920	8,196,340	-	-	13,640,260	13,862,295
Mutual Bond Fund	6,952,314	5,201,360	527,861	193,120	12,874,655	12,990,055
<i>Total Fixed Maturity</i>	<u>\$ 29,481,520</u>	<u>\$ 66,685,690</u>	<u>\$ 527,861</u>	<u>\$ 768,914</u>	<u>97,463,985</u>	<u>98,989,188</u>
<i>Equities</i>						
Domestic					25,269,728	20,151,554
International					1,496,336	1,166,617
<i>Total Equities</i>					<u>26,766,064</u>	<u>21,318,171</u>
<i>Mutual Equity Funds</i>					192,943,177	168,462,546
<i>Partnerships*</i>					22,546,210	17,441,286
<i>Cash Equivalents</i>					2,174,197	2,174,197
Total Investments					<u>\$ 341,893,633</u>	<u>\$ 308,385,388</u>

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

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

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

Investments (Continued)

Mortgage-Backed Securities – As of December 31, 2014, the System had investments in mortgage-backed securities. Embedded prepayment options cause these investments to be highly sensitive to changes in interest rates. Prepayments by the obligees of the underlying assets reduce the total interest payments to be received. Generally, when interest rates fall, obligees tend to prepay the mortgages thus eliminating the stream of interest payments that would have been received under the original amortization schedule. The resulting reduction in cash flow diminishes the fair value of mortgage-backed securities.

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

Credit Risk – The following table provides information as of December 31, 2014, concerning credit risk:

RATING OF FIXED MATURITY INVESTMENTS

<u>Moody's Ratings § (Unless Noted)</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value as a Percent of Total Fixed Maturity Fair Value</u>
Aaa	\$ 3,453,663	\$ 3,478,849	3.54%
Aa	2,188,691	2,208,310	2.25%
Aa1	1,019,071	1,038,580	1.05%
Aa2	2,313,257	2,352,126	2.37%
Aa3	4,115,737	4,121,932	4.22%
A	3,167,165	3,195,554	3.25%
A1	8,005,998	8,105,320	8.21%
A2	10,246,607	10,351,781	10.52%
A(SP)	529,364	539,339	0.54%
A3	8,885,492	9,072,041	9.12%
A-(SP)	823,234	848,754	0.84%
Baa	3,489,031	3,520,305	3.58%
Baa1	19,676,748	19,942,977	20.19%
BBB+(SP)	437,126	455,235	0.45%
Baa2	19,161,619	19,612,547	19.66%
BB(SP)	656,607	662,493	0.67%
Baa3	8,779,589	8,963,442	9.01%
B	347,616	350,732	0.36%
Caa	167,370	168,871	0.17%
Totals	<u>\$ 97,463,985</u>	<u>\$ 98,989,188</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, 2015

4. RECEIVABLES

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

	<u>General</u>	<u>Capital Project Fund</u>	<u>Miscellaneous Special Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Montgomery Area Transit System</u>
Interest and dividends	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions receivable	-	-	-	-	-
Taxes	10,432,527	-	-	456,291	-
Accounts	2,666,053	435,646	19,885	2,025	6,239
Intergovernmental	1,863,379	-	-	3,833,850	-
Total receivables	\$ 14,961,959	\$ 435,646	\$ 19,885	\$ 4,292,166	\$ 6,239

	<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	\$ -	\$ -	\$ -	\$ 874,041	\$ 874,041
Contributions receivable	-	-	-	686,411	686,411
Taxes	-	-	-	-	10,888,818
Accounts	198,873	10,221	797,450	8,390	4,144,782
Intergovernmental	-	-	-	-	5,697,229
Total receivables	\$ 198,873	\$ 10,221	\$ 797,450	\$ 1,568,842	\$ 22,291,281

5. INTERFUND BALANCES

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. The amounts reported as due to/from 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, 2015 is shown below.

Due to/from other funds

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 3,001,977
	Nonmajor Enterprise	503,799
Total		\$ 3,505,776

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

5. INTERFUND BALANCES (Continued)

Advance to/from other funds

Advances to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 823,051
	Montgomery Area Transit System	780,207
	Internal Service	39,000
		<u>39,000</u>
Total		<u>\$ 1,642,258</u>

Interfund Transfers

<u>Transfer Out</u>	<u>Transfer In</u>				
	<u>General</u>	<u>Capital Project Funds</u>	<u>Debt Service Fund</u>	<u>Miscellaneous Special Revenue Fund</u>	<u>Nonmajor Governmental</u>
General	\$ -	\$ 10,418,640	\$ 21,045,369	\$ 2,785,000	\$ 5,851,364
Capital Project Fund	-	-	5,985	98,548	1,526,490
Miscellaneous Special Revenue Fund	2,741,160	2,014,653	-	-	35,000
Nonmajor Governmental	2,530,000	501,183	359,230	-	-
Montgomery Zoo	-	35,000	-	-	-
Nonmajor Enterprise	-	210,880	-	-	-
	<u>5,271,160</u>	<u>13,180,356</u>	<u>21,410,584</u>	<u>2,883,548</u>	<u>7,412,854</u>
Totals	<u>\$ 5,271,160</u>	<u>\$ 13,180,356</u>	<u>\$ 21,410,584</u>	<u>\$ 2,883,548</u>	<u>\$ 7,412,854</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	\$ 783,191	\$ 1,297,775	\$ 387,279	\$ 3,722,385	\$ 46,291,003
Capital Project Fund	-	-	-	-	1,631,023
Miscellaneous Special Revenue Fund	-	-	-	-	4,790,813
Nonmajor Governmental	698,894	-	-	-	4,089,307
Montgomery Zoo	-	-	-	-	35,000
Nonmajor Enterprise	-	-	-	-	210,880
	<u>1,482,085</u>	<u>1,297,775</u>	<u>387,279</u>	<u>3,722,385</u>	<u>57,048,026</u>
Totals	<u>\$ 1,482,085</u>	<u>\$ 1,297,775</u>	<u>\$ 387,279</u>	<u>\$ 3,722,385</u>	<u>\$ 57,048,026</u>

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

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

6. NOTES, WARRANTS, AND LEASE RECEIVABLE

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

During 2005, the Montgomery County Commission issued a limited obligation warrant payable to the City of Montgomery through 2018. The limited obligation warrant of \$1,132,560 is recorded as a receivable and unavailable revenue in the Debt Service Fund.

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

	Governmental Activities	
	Principal	Interest
Year ending September 30:		
2016	\$ 358,776	\$ 46,667
2017	376,992	28,272
2018	396,792	9,424
Totals	<u>\$ 1,132,560</u>	<u>\$ 84,363</u>

In 2005, the Montgomery County Board of Education entered into a lease agreement with the City of Montgomery for the construction of public schools. This lease with the Montgomery County Board of Education is classified as a direct financing lease expiring in the year 2018. The lease receivable of \$2,194,335 is recorded as a receivable and unavailable revenue in the Debt Service Fund.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

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

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015, are as follows:

	<u>Amount</u>
Year ending September 30:	
2016	\$ 785,545
2017	785,200
2018	<u>787,043</u>
Total minimum lease payments	2,357,788
Less amounts representing interest	<u>163,453</u>
 Present value of minimum lease payments	 <u><u>\$ 2,194,335</u></u>

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 \$1,111,826 have been reported in the Capital Project Fund as of September 30, 2015. Certain mortgages receivable included in the Capital Projects Fund totaling \$319,360 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, 2015

7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 54,534,619	\$ 453,299	\$ (143,515)	\$ -	\$ 54,844,403
Construction in progress	13,069,414	5,198,252	(21,598)	(11,541,217)	6,704,851
Total capital assets, not being depreciated	<u>67,604,033</u>	<u>5,651,551</u>	<u>(165,113)</u>	<u>(11,541,217)</u>	<u>61,549,254</u>
Capital assets, being depreciated:					
Buildings and system	191,919,584	41,360	-	420,555	192,381,499
Improvements other than buildings	77,261,547	11,616	-	1,592,610	78,865,773
Machinery and equipment	109,637,638	4,290,963	(3,306,779)	7,938,192	118,560,014
Infrastructure	546,874,712	843,824	-	1,335,032	549,053,568
Total capital assets, being depreciated	<u>925,693,481</u>	<u>5,187,763</u>	<u>(3,306,779)</u>	<u>11,286,389</u>	<u>938,860,854</u>
Less accumulated depreciation for:					
Buildings and system	62,573,168	4,254,350	-	-	66,827,518
Improvements other than buildings	27,059,388	3,021,983	-	-	30,081,371
Machinery and equipment	76,725,308	6,873,137	(3,212,236)	-	80,386,209
Infrastructure	452,847,020	9,143,823	-	-	461,990,843
Total accumulated depreciation	<u>619,204,884</u>	<u>23,293,293</u>	<u>(3,212,236)</u>	<u>-</u>	<u>639,285,941</u>
Total capital assets, being depreciated, net	<u>306,488,597</u>	<u>(18,105,530)</u>	<u>(94,543)</u>	<u>11,286,389</u>	<u>299,574,913</u>
Governmental activities capital assets, net	<u>\$ 374,092,630</u>	<u>\$ (12,453,979)</u>	<u>\$ (259,656)</u>	<u>\$ (254,828)</u>	<u>\$ 361,124,167</u>

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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	6,635,940	-	-	254,828	6,890,768
Machinery and equipment	11,077,670	698,896	(7,496)	-	11,769,070
Total capital assets, being depreciated	<u>44,058,232</u>	<u>698,896</u>	<u>(7,496)</u>	<u>254,828</u>	<u>45,004,460</u>
Less accumulated depreciation for:					
Buildings and system	4,931,309	567,758	-	-	5,499,067
Improvements other than buildings	5,219,066	146,167	-	-	5,365,233
Machinery and equipment	7,732,352	991,360	(7,496)	-	8,716,216
Total accumulated depreciation	<u>17,882,727</u>	<u>1,705,285</u>	<u>(7,496)</u>	<u>-</u>	<u>19,580,516</u>
Total capital assets, being depreciated, net	<u>26,175,505</u>	<u>(1,006,389)</u>	<u>-</u>	<u>254,828</u>	<u>25,423,944</u>
Business-type activities capital assets, net	<u>\$ 27,223,447</u>	<u>\$ (1,006,389)</u>	<u>\$ -</u>	<u>\$ 254,828</u>	<u>\$ 26,471,886</u>

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

Governmental Activities:

General Government	\$ 16,194,583
Public Works	4,027,765
Public Safety	1,708,226
Cultural and Recreational	1,362,719
Total depreciation expense - governmental activities	<u>\$ 23,293,293</u>

Business-type Activities:

Montgomery Area Transit System	\$ 1,350,821
Montgomery Zoo	296,867
Municipal Golf	57,597
Total depreciation expense - business-type activities	<u>\$ 1,705,285</u>

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

8. SHORT-TERM DEBT

In July 2014, the City obtained a \$25,000,000 line of credit to support operations pending collection and receipt of outstanding City revenue. Interest is paid on outstanding balances at the 30 day LIBOR rate plus 1.95%. The line of credit matured in July 2015 and was not renewed. Short-term debt activity for the year ended September 30, 2015 was as follows:

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

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 January 2016. The line of credit matures October 10, 2016.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

9. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 287,898,850	\$ 63,088,119	\$ (63,294,377)	287,692,592	\$ 15,713,345
Less issuance discounts	(32,606)	-	14,141	(18,465)	-
Add issuance premiums	5,499,741	795,928	(919,530)	5,376,139	-
Total general obligation bonds payable	293,365,985	63,884,047	(64,199,766)	293,050,266	15,713,345
Capital leases	17,895,621	2,930,657	(6,545,767)	14,280,511	5,711,078
Note payable	1,730,370	-	(1,730,370)	-	-
Compensated absences	18,890,531	3,709,498	(2,294,408)	20,305,621	2,294,408
Retirement and disability benefits	8,778,690	106,759	(581,008)	8,304,441	581,008
Net pension liability	150,708,012	29,989,991	-	180,698,003	-
Postemployment benefits other than pensions	107,302,072	22,229,796	(10,832,731)	118,699,137	-
Pollution remediation obligation	-	561,600	-	561,600	187,200
Landfill closure and postclosure	7,244,684	573,527	-	7,818,211	-
Governmental activities long-term liabilities	605,915,965	123,985,875	(86,184,050)	643,717,790	24,487,039
Business-type activities:					
Compensated absences	477,106	33,569	(158,302)	352,373	41,246
Net pension liability	1,785,675	370,045	-	2,155,720	-
Business-type activities long-term liabilities	2,262,781	403,614	(158,302)	2,508,093	41,246
Total long-term debt	\$ 608,178,746	\$ 124,389,489	\$ (86,342,352)	\$ 646,225,883	\$ 24,528,285

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

9. LONG-TERM DEBT (Continued)

Long-term debt payable at September 30, 2015 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 \$334,142,198 with current outstanding balances as follows:

<p>\$9,265,000 Series 2006A Taxable General Obligation Tax Increment Warrants due in annual installments of \$315,000 to \$455,000 on 1-01-09 to 1-01-16, with a maximum principal of \$455,000 in fiscal year 2016, interest at 5.05% to 5.55%. In addition to being general obligations of the City, the Warrants are secured by a special pledge of the incremental increase in local non-educational ad valorem tax receipts attributable to the increase in equalized values of taxable properties located within the Downtown revitalization area. These warrants were partially defeased by the issuance of the Series 2012A General Obligation Warrants and the Series 2012B Taxable General Obligation Warrants.</p>	<p>\$ 455,000</p>
<p>\$8,995,000 Series 2006B General Obligation Tax Increment Warrants due in annual installments of \$355,000 to \$475,000 on 1-01-09 to 1-01-17, with a maximum principal of \$475,000 in fiscal year 2017, interest at 3.20% to 4.40%. In addition to being general obligations of the City, the Warrants are secured by a special pledge of the incremental increase in local non-educational ad valorem tax receipts attributable to the increase in equalized values of taxable properties located within the Downtown revitalization area. These warrants were partially defeased by the issuance of the Series 2012B Taxable General Obligation Warrants.</p>	<p>935,000</p>
<p>\$18,795,000 Series 2006C General Obligation Warrants due in annual installments of \$640,000 to \$910,000 on 1-01-07 to 1-01-17, with a maximum principal of \$910,000 in fiscal year 2017, interest at 3.20% to 4.50%. These warrants were partially defeased by the issuance of the Series 2012B Taxable General Obligation Warrants.</p>	<p>1,785,000</p>
<p>\$42,090,000 Series 2010A General Obligation Warrants due in annual installments of \$715,000 to \$3,980,000 on 2-01-12 to 2-01-27, with a maximum principal of \$3,980,000 in fiscal year 2027, interest at 2.00% to 5.00%.</p>	<p>38,805,000</p>
<p>\$60,065,000 Series 2010B Taxable General Obligation Recovery Zone Economic Development Term Warrants with principal of \$10,920,000 due 2-01-30, \$22,665,000 due 2-01-35, and \$26,480,000 due 2-01-40, with a maximum principal of \$26,480,000 in fiscal year 2040, interest at 5.30% to 5.70%.</p>	<p>60,065,000</p>
<p>\$38,760,000 Series 2011 General Obligation Warrants due in annual installments of \$1,450,000 to \$6,150,000 on 5-01-16 to 5-01-23, with a maximum principal of \$6,150,000 in fiscal year 2023, interest at 3.00% to 5.00%.</p>	<p>38,760,000</p>
<p>\$511,480 Series 2012B General Obligation Warrants due in quarterly installments of \$16,115 to \$20,595 on 8-30-12 to 5-30-19, with a maximum principal of \$20,595 in fiscal year 2019, interest at 3.65%.</p>	<p>290,115</p>

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

9. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

\$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%.	\$ 9,185,000
\$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%.	59,290,000
\$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%.	1,035,000
\$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%.	9,095,000
\$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%.	3,018,058
\$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%.	1,886,300
\$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%.	9,190,000
\$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 2.820%.	<u>53,898,119</u>
Total general obligation bonds	<u><u>\$ 287,692,592</u></u>

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

9. LONG-TERM DEBT (Continued)

The following schedule illustrates debt service to maturity for General Obligation Bonds at September 30, 2015.

Year ending	Governmental Activities		
	Principal	Interest	Total
September 30:			
2016	\$ 15,713,345	\$ 10,962,362	\$ 26,675,707
2017	16,184,770	10,581,488	26,766,258
2018	18,512,592	10,131,699	28,644,291
2019	17,256,671	9,204,956	26,461,627
2020	17,806,679	8,671,898	26,478,577
2021-2025	84,896,861	34,180,537	119,077,398
2026-2030	57,876,674	21,824,131	79,700,805
2031-2035	30,285,000	12,193,936	42,478,936
2036-2040	29,160,000	4,235,556	33,395,556
Totals	<u>\$ 287,692,592</u>	<u>\$ 121,986,563</u>	<u>\$ 409,679,155</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, 2015, the amount of outstanding debt applicable to this limit was equal to 11.10% of property assessments as of October 1, 2014.

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

Refunding – On August 6, 2015, the City issued \$63,088,119 in general obligation refunding bonds with a fixed interest rate of 2.82%. The City issued the bonds to advance refund the outstanding principal of the \$34,425,000 Series 2007 general obligation warrants with an interest rate of 4.25% to 5.00%, and to currently refund the outstanding principal of \$17,419,355 million of the 2013 general obligation warrants with an interest rate of 2.39%. The City used the net proceeds after the current refunding of the 2013 general obligation warrants to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2007 series general obligation warrants. As a result, that portion of the 2007 series general obligation warrants is considered defeased, and the City has removed the liability from its accounts. The outstanding principal on the defeased warrants is \$34,425,000 at September 30, 2015.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

9. LONG-TERM DEBT (Continued)

Refunding (continued)

The refunding increased total debt service payments over the next 15 years by approximately \$1.2 million; however, it reduced the total debt service over the next 3 years by approximately \$17 million due to the extension of a \$13.6 million principal payment that would have been due in August 2018 under the Series 2013 general obligation warrants. The refunding results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$2.1 million.

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, 2015, the amount of defeased debt outstanding amounted to \$56,455,000.

Note Payable

In August 2015, the City obtained a \$5,000,000 line of credit for construction of a new municipal court complex. Interest will accrue 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 is due March 1, 2016 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. At September 30, 2015, there were no draws on the line of credit.

LEASE OBLIGATIONS

Capital Leases

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

The assets acquired through capital leases are as follows:

<u>Asset</u>	Governmental Activities
Machinery and equipment	\$ 28,840,900
Less accumulated depreciation	<u>(5,029,598)</u>
Total	<u>\$ 23,811,302</u>

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

9. LONG-TERM DEBT (Continued)

Capital Leases (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015, were as follows:

	Governmental Activities
Year ending September 30:	
2016	\$ 5,983,393
2017	4,234,342
2018	1,934,002
2019	930,844
2020	930,844
Thereafter	<u>930,844</u>
Total minimum lease payments	14,944,269
Less amount representing interest	<u>663,758</u>
Present value of minimum lease payments	<u><u>\$ 14,280,511</u></u>

Pollution Remediation Obligation

On September 30, 2015, the City entered into a past costs funding agreement for the Capitol City Plume Proposed Superfund Site in Montgomery, Alabama (the Site), with other interested parties, in order to resolve the United States Environmental Protection Agency’s (EPA) proceedings and claims related to the Site. The City’s obligation is limited to \$561,600, payable in three annual installments of \$187,200 beginning October 30, 2015, and bearing interest at 0.67%. Under the agreement, the City is protected by the EPA from any and all past costs contribution actions or claims in connection with the Site, including without limitation, claims brought under Section 113 and 107 of the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) and Alabama statutory or common law claims.

Other Long-Term Debt

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

10. CLOSURE AND POSTCLOSURE COSTS

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

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

The estimated liability of landfill closure and postclosure costs is approximately \$7,818,211 as of September 30, 2015, which is based on 67% usage. It is estimated that an additional \$3,781,789 will be recognized as closure and postclosure care expenses between the balance sheet date and the date the landfill is expected to be filled to capacity (2043). 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 \$11,600,000 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, 2015. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

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

11. OPERATING LEASES

The City is obligated under an operating ground lease for the municipal parking decks through June 30, 2016. The lease is for \$3,158 per month as adjusted for inflation and contains five five-year renewal options. The City exercised its first renewal option in 2012. The future minimum lease payments as of September 30, 2015, were as follows:

Year ending September 30:	
2016	\$ 28,422
	<u> </u>
Total	<u>\$ 28,422</u>

Total rental expense for the above operating lease is \$37,896 for the year ended September 30, 2015.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

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, 2015:

Real estate - Union Station	\$ 2,410,365
Real estate - North Jackson Street	13,200
Less accumulated depreciation	<u>1,490,743</u>
Total	<u><u>\$ 932,822</u></u>

The minimum future rentals on noncancelable operating leases as of September 30, 2015 are:

Year ending September 30:	
2016	\$ 201,085
2017	75,019
2018	64,600
2019	34,100
2020	<u>13,900</u>
Total minimum future rentals	<u><u>\$ 388,704</u></u>

12. RISK MANAGEMENT

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

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

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

12. RISK MANAGEMENT (continued)

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$350,000 for employees' medical insurance and \$250,000 for the liabilities financed in the Internal Service Fund. An excess coverage insurance policy covers individual claims in excess of \$600,000 for workers' compensation. Settlements have not exceeded coverage for each of the past three fiscal years. It is anticipated that all claims outstanding as of September 30, 2015 will be paid during the next fiscal year.

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

Employees' Medical Insurance	2015	2014
Unpaid claims, beginning of fiscal year	\$ 2,016,300	\$ 1,905,300
Incurred claims (including IBNRs)	31,807,856	34,954,056
Claim payments	<u>(32,332,156)</u>	<u>(34,843,056)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,492,000</u>	<u>\$ 2,016,300</u>
 Liability Insurance	 2015	 2014
Unpaid claims, beginning of fiscal year	\$ 875,061	\$ 1,150,865
Incurred claims (including IBNRs)	1,449,867	1,422,764
Claim payments	<u>(1,520,186)</u>	<u>(1,698,568)</u>
Unpaid claims, end of fiscal year	<u>\$ 804,742</u>	<u>\$ 875,061</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, 2015

13. PENSION PLAN

Plan Description

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

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, 2014:

Inactive plan members or beneficiaries currently receiving benefits:	
General (Group I)	1,006
Police and fire (Group II)	821
Total	<u>1,827</u>
Inactive plan members entitled to but not yet receiving benefits:	
General (Group I)	6
Police and fire (Group II)	8
Total	<u>14</u>
Active plan members:	
General (Group I)	1,504
Police and fire (Group II)	931
Total	<u>2,435</u>
Total plan members	<u><u>4,276</u></u>

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

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 twelve-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 FOR EACH YEAR OF SERVICE		MAXIMUM PERCENTAGE
	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.

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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, 2015 were 10.22% of the employee’s annual covered salary for Group I employees and 21.34% of the employee’s annual covered salary for Group II employees. The City’s contribution to the System for the year ended September 30, 2015 was \$13,220,721. For the System’s calendar year ended December 31, 2014, contributions by the City totaled \$14,309,921.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

13. PENSION PLAN (continued)

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

At September 30, 2015, the City reported a liability of \$182,853,723 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. The City’s proportion of the net pension liability was based on actual employer contributions during the measurement period. At December 31, 2014, the City’s proportion was 98.788%.

For the year ended September 30, 2015, the City recognized pension expense of \$19,372,362. At September 30, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Governmental activities:	
Differences between expected and actual results	\$ 13,428,381
Net difference between projected and actual earnings on Plan investments	11,561,236
City contributions subsequent to measurement date	<u>9,812,635</u>
Governmental activities deferred outflows related to pensions	<u>34,802,252</u>
Business-type activities:	
Differences between expected and actual results	165,692
Net difference between projected and actual earnings on Plan investments	142,653
City contributions subsequent to measurement date	<u>124,919</u>
Business-type activities deferred outflows related to pensions	<u>433,264</u>
Total deferred outflows related to pensions	<u><u>\$ 35,235,516</u></u>

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

13. PENSION PLAN (continued)

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

The \$9,812,635 and \$124,919 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, 2016. 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>
2016	\$ 6,333,484	\$ 78,148
2017	6,333,484	78,148
2018	6,333,484	78,148
2019	5,989,165	73,901
	<u>\$ 24,989,617</u>	<u>\$ 308,345</u>

Actuarial Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%																																				
Salary increases	Annual increases by age as follows:																																				
	<table border="1"> <thead> <tr> <th style="text-align: center;"><u>Age</u></th> <th style="text-align: center;"><u>Group 1</u></th> <th style="text-align: center;"><u>Group 2</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><20</td> <td style="text-align: center;">4.50%</td> <td style="text-align: center;">5.00%</td> </tr> <tr> <td style="text-align: center;">20-24</td> <td style="text-align: center;">4.00%</td> <td style="text-align: center;">4.50%</td> </tr> <tr> <td style="text-align: center;">25-29</td> <td style="text-align: center;">4.00%</td> <td style="text-align: center;">4.50%</td> </tr> <tr> <td style="text-align: center;">30-34</td> <td style="text-align: center;">3.50%</td> <td style="text-align: center;">4.00%</td> </tr> <tr> <td style="text-align: center;">35-39</td> <td style="text-align: center;">3.50%</td> <td style="text-align: center;">4.00%</td> </tr> <tr> <td style="text-align: center;">40-44</td> <td style="text-align: center;">3.00%</td> <td style="text-align: center;">3.50%</td> </tr> <tr> <td style="text-align: center;">45-49</td> <td style="text-align: center;">3.00%</td> <td style="text-align: center;">3.50%</td> </tr> <tr> <td style="text-align: center;">50-54</td> <td style="text-align: center;">3.00%</td> <td style="text-align: center;">3.50%</td> </tr> <tr> <td style="text-align: center;">55-59</td> <td style="text-align: center;">2.50%</td> <td style="text-align: center;">3.00%</td> </tr> <tr> <td style="text-align: center;">60-64</td> <td style="text-align: center;">2.50%</td> <td style="text-align: center;">3.00%</td> </tr> <tr> <td style="text-align: center;">65+</td> <td style="text-align: center;">2.50%</td> <td style="text-align: center;">3.00%</td> </tr> </tbody> </table>	<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%
<u>Age</u>	<u>Group 1</u>	<u>Group 2</u>																																			
<20	4.50%	5.00%																																			
20-24	4.00%	4.50%																																			
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55-59	2.50%	3.00%																																			
60-64	2.50%	3.00%																																			
65+	2.50%	3.00%																																			
Investment rate of return	7.00%, net of pension plan investment expense, including inflation																																				

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2022 using Scale AA.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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, 2014 (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)	3.50%
Domestic (long-term)	4.40%
International	5.20%
Equities:	
Domestic	6.70%
International	7.20%
Cash	2.90%

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, 2015

13. PENSION PLAN (continued)

Actuarial Assumptions (continued)

Sensitivity of the net pension liability to changes in the discount rate - The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-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%	\$ 244,553,158
Current discount rate	7.00%	182,853,723
1% increase	8.00%	131,490,724

Plan Fiduciary Net Position – Detailed information about the System’s fiduciary net position is available in the separately issued Employees’ Retirement System of the City of Montgomery, Alabama financial report.

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City administers a single-employer postemployment defined benefit healthcare plan (the Employees’ Medical Insurance Plan) for employees of the City. The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City’s group health insurance plan, which covers both active and retired members. The 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. The Employees’ Medical Insurance Plan does not issue a publicly available financial report. Benefit provisions and contribution requirements of the Employees’ Medical Insurance Plan may be established or amended by the Mayor. At September 30, 2015, the plan had approximately 2,100 active participants and 2,247 retired members and beneficiaries.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funding Policy

The employer requires biweekly contributions of \$83 to \$244 from active participants in the PPO plan, and \$43 to \$164 from active participants in the HMP plan. In addition, a biweekly contribution of \$12.50 to \$16.67 is required from participants that use tobacco and from participants with increased health risks.

Retirees or their beneficiaries are required to contribute certain amounts based on level of coverage and date of retirement as follows:

	<u>Monthly Contribution</u>
Retired before January 1, 1988:	
Retiree and spouse over 65	\$ 117
Retiree and spouse (one over 65 and one under 65)	141
Retired after January 1, 1988:	
Retiree and spouse over 65	186
Retiree and spouse (one over 65 and one under 65)	192
Retiree over 65	46
Retiree over 65 and family	246
Beneficiary over 65	228
Beneficiary under 65	464
Beneficiary and family	1,010
Blue Cross Blue Shield W/C beneficiary and family	231
Retiree under 65 (PPO Plan)	185
Retiree under 65 and family (PPO Plan)	375
Retiree under 65 (HMP Plan)	105
Retiree under 65 and family (HMP Plan)	255

Total member contributions were \$6,689,409 for active participants and \$3,611,187 for retirees and beneficiaries.

Annual OPEB Cost and Net OPEB Obligation

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

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

Annual required contribution	\$ 23,214,425
Interest on net OPEB obligation	5,220,660
Adjustment to ARC	<u>(6,205,289)</u>
Annual OPEB cost	22,229,796
Contributions made	<u>(10,832,731)</u>
Increase in net OPEB obligation	11,397,065
Net OPEB obligation - beginning of year	<u>107,302,072</u>
Net OPEB obligation - end of year	<u><u>\$ 118,699,137</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the previous two years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2013	\$ 24,114,922	42.1%	\$ 94,248,390
9/30/2014	24,766,498	47.3%	107,302,072
9/30/2015	22,229,796	48.7%	118,699,137

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress

As of October 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$295,682,753 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$102,847,022 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 287%.

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

Actuarial Methods and Assumptions

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

In the October 1, 2014 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was utilized in computing actuarial liabilities and costs. The amortization for October 1, 2014 is calculated as a level dollar amount. The unfunded actuarial accrued liability is being amortized on an open basis over the maximum permissible period under GASB 45 of 30 years. The remaining amortization period at October 1, 2014, was 30 years.

The following significant assumptions were made in the October 1, 2014 actuarial valuation:

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

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

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

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Participation assumption – 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.

Marital status – At the calculation date, it is assumed that husbands are two years older than their wives and 80% of active employees who retire with medical coverage will elect to cover their spouse.

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

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

Healthcare cost trend rate – Claim costs in future years are estimated by adjusting the starting claim costs by an assumed ongoing cost trend. An annual healthcare cost trend rate of 8.5% was used initially, reduced by decrements to 5.81% after 11 years, with an ultimate rate of 4.3% reached for the first time in the year 2075.

Discount rate – 4.0% per annum, compounded annually, if unfunded.

Inflation rate – 2.5% per annum, compounded annually.

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.

CITY OF MONTGOMERY, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

16. CONSTRUCTION COMMITMENT

As of September 30, 2015, the City had commitments on construction of capital projects as follows:

Gross commitments	\$ 11,115,663
Spent-to-date	<u>3,760,435</u>
Net commitments	<u>\$ 7,355,228</u>

As of March 21, 2016, the City's total net construction commitments were approximately \$6,926,000.

17. OTHER COMMITMENT

Effective as of June 4, 2013, the City's blended component unit, the Solid Waste Disposal Authority of the City of Montgomery (SWDA) executed an Amended and Restated Municipal Solid Waste Feedstock Supply Agreement (Feedstock Supply Agreement) with IREP-Montgomery MRF, LLC (IREP). In addition, as of the same date, the City entered into an amended and restated support agreement with SWDA whereby the City obligated itself to take certain actions and support and fund certain obligations of SWDA and to make available to SWDA or pay directly to IREP tipping fees to begin on the commencement of the operation of the IREP materials recovery facility (May 16, 2014), and to continue for the duration of the Feedstock Supply Agreement (a minimum of 25 years). The contract year is a twelve month year beginning May 16. SWDA and consequently the City guaranteed delivery of not less than 100,000 tons of municipal solid waste to IREP during each contract year. That amount of waste is the minimum put. The City on behalf of SWDA initially pays tipping fees equal to \$28 per ton of waste delivered to IREP; the fees are subject to annual adjustment. However, if SWDA or the City fails to deliver the minimum put, SWDA nevertheless is required to pay a minimum tipping amount, which initially was \$2.8 million per contract year. The Feedstock Supply Agreement also requires IREP to pay tipping fees to the City for residue delivered to the City's landfill at rates ranging from \$28 to \$56 per ton depending on the percentage of residue delivered to the landfill. For the fiscal year ended September 30, 2015, the City recorded expenditures to IREP in the amount of \$2.8 million.

During the course of the fiscal year, IREP encountered operating and financial difficulties and was unable to pay any of the tipping fees owed to the City. SWDA and the City made several concessions to IREP including reducing tipping fees due from over \$2.5 million to \$300,000 and allowing IREP access for operations to a portion of certain funds held in an escrow account. In spite of these concessions, IREP ceased accepting waste on September 30, 2015, and SWDA commenced foreclosure proceedings on January 28, 2016, in an effort to gain control of the facility. In accordance with the terms of the Feedstock Supply Agreement, SWDA's minimum tipping fees were reduced to \$2.175 million per contract year effective as of the commencement of foreclosure proceedings for the balance of the term of the Feedstock Supply Agreement.

18. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the year ended September 30, 2015:

The City appropriated approximately \$3,063,000 to the Montgomery City-County Public Library, a component unit, for salaries, operating costs, and miscellaneous capital projects. The City's appropriation is net of Montgomery County's reimbursements to the City for its share.

The Montgomery Water Works and Sanitary Sewer Board (the Board) paid the City \$3,060,678 in lieu of taxes and \$14,300 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 \$800,253 in charges for the use of fire hydrants.

19. EFFECT OF NEW PRONOUNCEMENTS

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

GASB Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to define fair value, describe how fair value should be measured, what assets and liabilities should be measured at fair value, and describe what information about fair value should be disclosed in the notes to the financial statements. Requirements of this Statement are effective for financial statements whose fiscal year begins after June 15, 2015.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statements 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to establish requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. Requirements of the Statement are effective for financial statements whose fiscal year begins after June 15, 2015.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaced GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria, as well as requiring more extensive note disclosure and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated. Requirements of this Statement are effective for financial statements whose fiscal year begins after June 15, 2016.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the current GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2017.

CITY OF MONTGOMERY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

19. EFFECT OF NEW PRONOUNCEMENTS (Continued)

GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2015.

GASB 77, *Tax Abatement Disclosures*. This statement requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2015.

GASB 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2015.

GASB 79, *Certain External Investment Pools and Pool Participants*. This Statement permits qualifying external investment pools to measure pool investments at amortized cost for financial reporting purposes and provides guidance that will allow many pools to continue to qualify for amortized cost accounting. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2015.

CITY OF MONTGOMERY, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

20. CHANGE IN ACCOUNTING PRINCIPLE

In fiscal year 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* which improves accounting and financial reporting by state and local governments for pensions.

The implementation of Statement No. 68 resulted in the restatement of the beginning net position of the governmental and business-type activities in the government-wide financial statements:

	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES
Net position at September 30, 2014, as originally stated	\$ (40,204,376)	\$ 24,690,562
Change in reporting for pension benefits	(139,810,013)	(1,656,549)
Net position at September 30, 2014, as restated	<u>\$ (180,014,389)</u>	<u>\$ 23,034,013</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF MONTGOMERY, ALABAMA

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

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- Employee Payroll	City's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	98.788%	\$ 182,853,723	\$ 103,239,483	177.12%	64.87%

Notes to the Schedule:

1. This schedule is to be built prospectively until it contain 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

Year Ended September 30	Actuarially Determined Employer Contributions	Actual Employer Contributions	Annual Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions as a % of Covered Employee Payroll
2015	\$ 13,220,721	\$ 13,220,721	\$ -	\$103,908,226	12.72%
2014	14,588,276	14,588,276	-	103,845,353	14.05%
2013	13,200,059	13,200,059	-	104,402,423	12.64%
2012	13,839,744	13,839,744	-	105,071,625	13.17%

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	23 years
Asset valuation method	5 year smoothing
General inflation	2.50%
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 Health mortality table with mortality improvement projected to 2022 using Scale AA.

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]	
10/1/2010	\$	-	\$ 335,103,802	\$ 335,103,802	0.00%	\$ 105,848,639	317%
10/1/2012		-	312,375,359	312,375,359	0.00%	103,816,125	301%
10/1/2014		-	295,682,763	295,682,763	0.00%	102,847,022	287%

Note to the Schedule:

1. The actuarial assumptions used for the schedule are detailed in Note 14 to the financial statements.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Emergency Communications District 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 receives substantially all the benefit of all of the District's public safety activities.

CITY OF MONTGOMERY, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	Special Revenue Funds						
	State Gasoline Tax	Alabama Department of Transportation Grant Fund	ADECA Grant Fund	Department of Justice Grant Fund	Department of Agriculture Grant Fund	Homeland Security Grant Fund	Miscellaneous Grant Fund
ASSETS							
Cash and cash equivalents	\$ 111,381	\$ 2,097,495	\$ -	\$ -	\$ 25	\$ -	\$ 55,796
Receivables	280,053	303,169	16,062	96,438	-	264,672	20,128
Prepaid items	-	-	-	-	-	-	-
Mortgage receivable	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 391,434	\$ 2,400,664	\$ 16,062	\$ 96,438	\$ 25	\$ 264,672	\$ 75,924
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued expenses	\$ 391,434	\$ 239,792	\$ 14,268	\$ 2,451	\$ -	\$ 2,901	\$ 3,357
Retainage payable	-	34,272	-	-	-	-	-
Due to other funds	-	-	3,368	93,989	-	219,973	-
Unearned revenue	-	-	-	-	-	52,385	-
Funds held in escrow	-	-	-	-	-	-	-
Advances from other funds	823,051	-	-	-	-	-	-
TOTAL LIABILITIES	1,214,485	274,064	17,636	96,440	-	275,259	3,357
FUND BALANCES (DEFICITS)							
Nonspendable:							
Prepaid items	-	-	-	-	-	-	-
Restricted for:							
Capital projects	-	599,456	-	-	-	-	72,567
Emergency communications center	-	-	-	-	-	-	-
Intergovernmental	-	1,527,144	-	-	25	-	-
Municipal Court Corrections	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Riverfront Stadium	-	-	-	-	-	-	-
Unassigned	(823,051)	-	(1,574)	(2)	-	(10,587)	-
TOTAL FUND BALANCES (DEFICITS)	(823,051)	2,126,600	(1,574)	(2)	25	(10,587)	72,567
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 391,434	\$ 2,400,664	\$ 16,062	\$ 96,438	\$ 25	\$ 264,672	\$ 75,924

(Continued)

CITY OF MONTGOMERY, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2015

Special Revenue Funds							
Housing and Urban Development Grant Fund	Municipal Court Corrections Fund	Federal Transit Administration Grant Fund	Riverfront Stadium Fund	Seizures and Forfeitures Fund	Municipal Court Judicial Administration Fund	Emergency Communications District	Total
\$ -	\$ 599,948	\$ -	\$ 1,242,204	\$ 500,308	\$ 158,130	\$ 3,403,093	\$ 8,168,380
665,887	-	2,469,519	176,238	-	-	-	4,292,166
-	-	-	-	-	-	509	509
188,289	-	-	-	-	-	-	188,289
<u>\$ 854,176</u>	<u>\$ 599,948</u>	<u>\$ 2,469,519</u>	<u>\$ 1,418,442</u>	<u>\$ 500,308</u>	<u>\$ 158,130</u>	<u>\$ 3,403,602</u>	<u>\$ 12,649,344</u>
\$ 282,599	\$ 6,673	\$ -	\$ -	\$ 37,040	\$ -	\$ 190,357	\$ 1,170,872
-	-	6,292	-	-	-	-	40,564
380,418	-	2,304,229	-	-	-	-	3,001,977
189,636	-	-	-	-	-	-	242,021
-	-	-	-	6,323	-	-	6,323
-	-	-	-	-	-	-	823,051
<u>852,653</u>	<u>6,673</u>	<u>2,310,521</u>	<u>-</u>	<u>43,363</u>	<u>-</u>	<u>190,357</u>	<u>5,284,808</u>
-	-	-	-	-	-	509	509
1,523	-	-	-	-	-	-	673,546
-	-	-	-	-	-	3,212,736	3,212,736
-	-	158,998	-	425,471	-	-	2,111,638
-	593,275	-	-	-	158,130	-	751,405
-	-	-	-	31,474	-	-	31,474
-	-	-	1,418,442	-	-	-	1,418,442
-	-	-	-	-	-	-	(835,214)
<u>1,523</u>	<u>593,275</u>	<u>158,998</u>	<u>1,418,442</u>	<u>456,945</u>	<u>158,130</u>	<u>3,213,245</u>	<u>7,364,536</u>
<u>\$ 854,176</u>	<u>\$ 599,948</u>	<u>\$ 2,469,519</u>	<u>\$ 1,418,442</u>	<u>\$ 500,308</u>	<u>\$ 158,130</u>	<u>\$ 3,403,602</u>	<u>\$ 12,649,344</u>

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	Special Revenue Funds						
	State	Alabama					
	Gasoline	Department of	ADECA	Department	Department	Homeland	
Tax	Transportation	Grant Fund	Grant Fund	of Justice	of Agriculture	Security	
	Grant Fund	Grant Fund	Grant Fund	Grant Fund	Grant Fund	Grant Fund	Miscellaneous
							Grant
							Fund
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	103,885	-	-	-	-	-	-
Intergovernmental revenues	2,933,919	2,547,811	320,563	177,613	173,578	1,260,707	15,366
Fines and forfeitures	-	-	-	-	-	-	-
Miscellaneous revenues	-	-	27,577	-	253	25	145,375
Total revenues	<u>3,037,804</u>	<u>2,547,811</u>	<u>348,140</u>	<u>177,613</u>	<u>173,831</u>	<u>1,260,732</u>	<u>160,741</u>
EXPENDITURES							
Current:							
General government	-	518,196	6,663	-	-	-	93,641
Public works	5,023,504	1,794,672	-	-	-	-	-
Public safety	-	138	342,006	157,829	-	1,260,734	-
Cultural and recreational	-	-	-	-	173,831	-	-
Capital outlay	-	1,635,589	-	19,784	-	-	-
Total expenditures	<u>5,023,504</u>	<u>3,948,595</u>	<u>348,669</u>	<u>177,613</u>	<u>173,831</u>	<u>1,260,734</u>	<u>93,641</u>
Excess of revenues over (under) expenditures	<u>(1,985,700)</u>	<u>(1,400,784)</u>	<u>(529)</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>67,100</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	2,651,408	1,671,446	-	-	-	-	-
Transfers out	(250,000)	-	-	-	-	-	-
Total other financing sources (uses)	<u>2,401,408</u>	<u>1,671,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	415,708	270,662	(529)	-	-	(2)	67,100
FUND BALANCES - BEGINNING	<u>(1,238,759)</u>	<u>1,855,938</u>	<u>(1,045)</u>	<u>(2)</u>	<u>25</u>	<u>(10,585)</u>	<u>5,467</u>
FUND BALANCES - ENDING	<u>\$ (823,051)</u>	<u>\$ 2,126,600</u>	<u>\$ (1,574)</u>	<u>\$ (2)</u>	<u>\$ 25</u>	<u>\$ (10,587)</u>	<u>\$ 72,567</u>

(Continued)

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2015

Special Revenue Funds							
Housing and Urban Development Grant Fund	Municipal Court Corrections Fund	Federal Transit Administration Grant Fund	Riverfront Stadium Fund	Seizures and Forfeitures Fund	Municipal Court Judicial Administration Fund	Emergency Communications District	Total
\$ -	\$ -	\$ -	\$ 2,203,299	\$ -	\$ -	\$ -	\$ 2,203,299
-	-	-	-	-	-	-	103,885
1,777,100	-	3,099,482	-	-	-	5,883,636	18,189,775
-	1,259,127	-	-	-	344,084	-	1,603,211
1,523	-	-	360,591	218,362	-	-	753,706
1,778,623	1,259,127	3,099,482	2,563,890	218,362	344,084	5,883,636	22,853,876
1,633,313	83,298	5,414,404	9,634	-	-	-	7,759,149
111,310	-	-	-	-	-	-	6,929,486
-	-	-	-	177,546	253	3,879,918	5,818,424
32,723	-	-	57,726	-	-	-	264,280
9,754	-	-	28,951	266,778	-	229,832	2,190,688
1,787,100	83,298	5,414,404	96,311	444,324	253	4,109,750	22,962,027
(8,477)	1,175,829	(2,314,922)	2,467,579	(225,962)	343,831	1,773,886	(108,151)
-	-	3,090,000	-	-	-	-	7,412,854
-	(507,935)	(698,894)	(2,259,230)	-	(230,000)	(143,248)	(4,089,307)
-	(507,935)	2,391,106	(2,259,230)	-	(230,000)	(143,248)	3,323,547
(8,477)	667,894	76,184	208,349	(225,962)	113,831	1,630,638	3,215,396
10,000	(74,619)	82,814	1,210,093	682,907	44,299	1,582,607	4,149,140
\$ 1,523	\$ 593,275	\$ 158,998	\$ 1,418,442	\$ 456,945	\$ 158,130	\$ 3,213,245	\$ 7,364,536

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, 2015

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Licenses	\$ 69,478	\$ 69,478	\$ 103,885	\$ 34,407
Intergovernmental revenue	2,764,647	2,764,647	2,933,919	169,272
Total revenues	2,834,125	2,834,125	3,037,804	203,679
EXPENDITURES				
Public works:				
Maintenance	998,032	748,032	1,344,267	(596,235)
Traffic engineering	1,836,093	1,836,093	3,679,237	(1,843,144)
Total expenditures	2,834,125	2,584,125	5,023,504	(2,439,379)
Excess of expenditures over revenues	-	250,000	(1,985,700)	(2,235,700)
OTHER FINANCING USES				
Operating transfers in	-	-	2,651,408	2,651,408
Operating transfers out	-	(250,000)	(250,000)	-
Total other financing uses	-	(250,000)	2,401,408	2,651,408
Net change in fund balance	-	-	415,708	415,708
FUND BALANCES - BEGINNING	(1,238,759)	(1,238,759)	(1,238,759)	-
FUND BALANCES - ENDING	\$ (1,238,759)	\$ (1,238,759)	\$ (823,051)	\$ 415,708

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, 2015

	Municipal Golf	Montgomery River Boat	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 527,737	\$ 2,590	\$ 530,327
Receivables	7,857	2,364	10,221
Inventories	49,780	11,514	61,294
Total current assets	<u>585,374</u>	<u>16,468</u>	<u>601,842</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	397,356	-	397,356
Less accumulated depreciation	<u>(1,723,871)</u>	<u>-</u>	<u>(1,723,871)</u>
Total capital assets, net of accumulated depreciation	<u>1,117,681</u>	<u>-</u>	<u>1,117,681</u>
TOTAL ASSETS	<u>1,703,055</u>	<u>16,468</u>	<u>1,719,523</u>
DEFERRED OUTFLOWS			
Pension related items	<u>-</u>	<u>3,174</u>	<u>3,174</u>
TOTAL DEFERRED OUTFLOWS	<u>-</u>	<u>3,174</u>	<u>3,174</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	87,029	37,273	124,302
Deferred revenue	6,827	19,652	26,479
Due to other funds	321,146	182,653	503,799
Compensated absences	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>415,002</u>	<u>239,578</u>	<u>654,580</u>
NONCURRENT LIABILITIES			
Compensated absences	<u>-</u>	<u>3,410</u>	<u>3,410</u>
Total noncurrent liabilities	<u>-</u>	<u>3,410</u>	<u>3,410</u>
TOTAL LIABILITIES	<u>415,002</u>	<u>242,988</u>	<u>657,990</u>
NET POSITION			
Investment in capital assets	1,117,681	-	1,117,681
Unrestricted	<u>170,372</u>	<u>(223,346)</u>	<u>(52,974)</u>
TOTAL NET POSITION	<u>\$ 1,288,053</u>	<u>\$ (223,346)</u>	<u>\$ 1,064,707</u>

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Municipal Golf</u>	<u>Montgomery River Boat</u>	<u>Total</u>
OPERATING REVENUES			
Charges for goods and services	\$ 1,239,048	\$ 989,788	\$ 2,228,836
Total operating revenues	<u>1,239,048</u>	<u>989,788</u>	<u>2,228,836</u>
OPERATING EXPENSES			
Cost of sales and services	127,063	267,062	394,125
Administration	1,499,263	646,469	2,145,732
Depreciation	57,597	-	57,597
Total operating expenses	<u>1,683,923</u>	<u>913,531</u>	<u>2,597,454</u>
OPERATING INCOME (LOSS)	(444,875)	76,257	(368,618)
NONOPERATING REVENUES (EXPENSES)			
Interest income	-	211	211
Income (loss) before contributions and transfers	(444,875)	76,468	(368,407)
Transfers in	387,279	-	387,279
Transfers out	-	(210,880)	(210,880)
Change in net position	<u>(57,596)</u>	<u>(134,412)</u>	<u>(192,008)</u>
TOTAL NET POSITION - BEGINNING	<u>1,345,649</u>	<u>(88,934)</u>	<u>1,256,715</u>
TOTAL NET POSITION - ENDING	<u>\$ 1,288,053</u>	<u>\$ (223,346)</u>	<u>\$ 1,064,707</u>

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Municipal Golf</u>	<u>Montgomery River Boat</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,239,160	\$ 987,143	\$ 2,226,303
Payments to suppliers	(936,039)	(849,758)	(1,785,797)
Payments to employees	(822,341)	(50,918)	(873,259)
Payments for interfund services used	(8,745)	-	(8,745)
Net cash provided (used) by operating activities	<u>(527,965)</u>	<u>86,467</u>	<u>(441,498)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	(210,880)	(210,880)
Transfers from other funds	387,279	-	387,279
Net cash payments (to) from other funds	<u>37,630</u>	<u>124,642</u>	<u>162,272</u>
Net cash provided (used) by noncapital financing activities	<u>424,909</u>	<u>(86,238)</u>	<u>338,671</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>-</u>	<u>211</u>	<u>211</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(103,056)	440	(102,616)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>630,793</u>	<u>2,150</u>	<u>632,943</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 527,737</u>	<u>\$ 2,590</u>	<u>\$ 530,327</u>

(Continued)

CITY OF MONTGOMERY, ALABAMA
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Municipal Golf</u>	<u>Montgomery River Boat</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (444,875)	\$ 76,257	\$ (368,618)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	57,597	-	57,597
(Increase) decrease in assets and deferred outflows:			
Receivables	1,376	469	1,845
Inventories	18,821	1,558	20,379
Deferred outflows	-	(3,174)	(3,174)
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable and accrued expenses	(37,225)	11,061	(26,164)
Deferred revenue	(1,264)	(3,114)	(4,378)
Compensated absences	(122,395)	3,410	(118,985)
Total adjustments	<u>(83,090)</u>	<u>10,210</u>	<u>(72,880)</u>
Net cash provided (used) by operating activities	<u>\$ (527,965)</u>	<u>\$ 86,467</u>	<u>\$ (441,498)</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.	101
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.	107
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.	112
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.	119
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.	121

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 221,977,996	\$ 225,335,184	\$ 214,327,085	\$ 220,950,653	\$ 253,437,449	\$ 203,973,790	\$ 217,212,528	\$ 202,191,726	\$ 201,285,470	\$ 193,379,215
Restricted:										
Public works	2,954,236	5,367,112	4,084,839	3,510,905	1,487,038	1,304,163	4,199,221	4,648,168	4,672,714	4,892,875
Public safety	950,068	1,365,804	1,821,728	1,144,993	769,875	991,204	875,641	758,012	2,392,966	3,227,187
Cultural and recreational	2,925,208	4,880,585	7,314,372	4,280,263	4,260,063	4,622,557	3,366,997	3,126,119	1,590,318	1,029,012
Capital projects	64,066,096	84,775,102	89,389,536	30,017,486	72,261,635	34,609,691	9,383,106	8,404,945	3,049,561	15,014,719
Municipal Court Corrections	-	-	-	-	-	484,534	672,821	430,225	-	751,405
Unrestricted	(76,168,967)	(100,673,323)	(138,059,890)	(130,543,360)	(236,206,455)	(208,261,996)	(224,173,096)	(240,122,438)	(253,195,405)	(408,662,896)
Total governmental activities net position	<u>\$ 216,704,637</u>	<u>\$ 221,050,464</u>	<u>\$ 178,877,670</u>	<u>\$ 129,360,940</u>	<u>\$ 96,009,605</u>	<u>\$ 37,723,943</u>	<u>\$ 11,537,218</u>	<u>\$ (20,563,243)</u>	<u>\$ (40,204,376)</u>	<u>\$ (190,368,483)</u>
Business-type activities										
Net investment in capital assets	\$ 17,355,041	\$ 16,311,677	\$ 15,775,925	\$ 14,675,876	\$ 14,351,455	\$ 34,407,586	\$ 32,791,667	\$ 28,790,949	\$ 27,223,447	\$ 26,471,886
Unrestricted	(4,022,236)	(4,128,744)	(5,178,277)	(7,181,180)	790,709	(1,430,759)	(2,301,948)	(3,234,555)	(2,532,885)	(3,952,620)
Total business-type activities net position	<u>\$ 13,332,805</u>	<u>\$ 12,182,933</u>	<u>\$ 10,597,648</u>	<u>\$ 7,494,696</u>	<u>\$ 15,142,164</u>	<u>\$ 32,976,827</u>	<u>\$ 30,489,719</u>	<u>\$ 25,556,394</u>	<u>\$ 24,690,562</u>	<u>\$ 22,519,266</u>
Primary government										
Net investment in capital assets	\$ 239,333,037	\$ 241,646,861	\$ 230,103,010	\$ 235,626,529	\$ 267,788,904	\$ 238,381,376	\$ 250,004,195	\$ 230,982,675	\$ 228,508,917	\$ 219,851,101
Restricted	70,895,608	96,388,603	102,610,475	38,953,647	78,778,611	42,012,149	18,497,786	17,367,469	11,705,559	24,915,198
Unrestricted	(80,191,203)	(104,802,067)	(143,238,167)	(137,724,540)	(235,415,746)	(209,692,755)	(226,475,044)	(243,356,993)	(255,728,290)	(412,615,516)
Total primary government net position	<u>\$ 230,037,442</u>	<u>\$ 233,233,397</u>	<u>\$ 189,475,318</u>	<u>\$ 136,855,636</u>	<u>\$ 111,151,769</u>	<u>\$ 70,700,770</u>	<u>\$ 42,026,937</u>	<u>\$ 4,993,151</u>	<u>\$ (15,513,814)</u>	<u>\$ (167,849,217)</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*.

CITY OF MONTGOMERY, ALABAMA

SCHEDULE 2

CHANGES IN NET POSITION

(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Expenses										
Governmental activities:										
General government	\$ 66,407,230	\$ 64,197,483	\$ 72,773,403	\$ 92,913,247	\$ 86,120,124	\$ 75,547,042	\$ 76,833,428	\$ 90,962,630	\$ 81,766,281	\$ 72,981,992
Public works	53,005,558	52,259,298	60,747,459	57,744,148	47,781,026	51,232,910	44,582,467	44,184,691	44,674,284	47,251,656
Public safety	72,695,668	75,159,784	90,376,182	83,265,102	89,288,506	95,703,085	95,841,814	91,141,018	94,292,962	94,705,501
Cultural and recreational	20,414,279	23,220,119	30,131,588	27,939,722	33,837,935	33,826,263	34,317,494	32,880,877	33,624,299	32,690,968
Interest on long-term debt	9,089,961	11,467,071	11,822,764	11,452,425	10,561,682	14,459,954	12,795,380	11,571,588	13,216,304	12,394,618
Total governmental activities expenses	<u>221,612,696</u>	<u>226,303,755</u>	<u>265,851,396</u>	<u>273,314,644</u>	<u>267,589,273</u>	<u>270,769,254</u>	<u>264,370,583</u>	<u>270,740,804</u>	<u>267,574,130</u>	<u>260,024,735</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	41,954,623	44,037,361	47,421,394	51,000,292	20,029,894	16,597,743	18,189,668	18,211,157	17,946,132	15,864,486
Public works	13,075,274	12,906,112	12,795,231	14,943,331	15,849,768	16,482,254	16,907,133	18,955,519	18,332,989	21,326,889
Public safety	-	-	-	-	-	-	1,750	1,250	822,692	868,299
Cultural and recreational	1,045,697	1,141,386	988,058	916,564	1,237,731	1,518,289	1,325,399	1,178,046	1,482,858	1,285,299
Operating grants and contributions	11,280,471	12,694,612	9,307,772	9,522,821	14,727,336	13,082,354	9,473,816	11,055,114	15,112,143	15,578,353
Capital grants and contributions	19,777,090	9,351,999	5,859,738	10,074,229	21,969,518	11,386,411	9,390,530	6,179,104	12,311,447	5,634,815
Total governmental activities program revenues	<u>87,133,155</u>	<u>80,131,470</u>	<u>76,372,193</u>	<u>86,457,237</u>	<u>73,814,247</u>	<u>59,067,051</u>	<u>55,288,296</u>	<u>55,580,190</u>	<u>66,008,261</u>	<u>60,558,141</u>
Total primary government net expense	<u>(134,479,541)</u>	<u>(146,172,285)</u>	<u>(189,479,203)</u>	<u>(186,857,407)</u>	<u>(193,775,026)</u>	<u>(211,702,203)</u>	<u>(209,082,287)</u>	<u>(215,160,614)</u>	<u>(201,565,869)</u>	<u>(199,466,594)</u>
General revenues and other changes in net position										
Governmental activities:										
Taxes:										
Sales taxes	96,432,102	98,174,542	93,799,356	83,980,254	86,150,767	88,699,968	91,159,140	93,635,244	95,775,104	100,641,722
Property taxes	26,763,925	28,552,456	30,241,233	31,099,699	31,378,176	30,885,675	29,892,243	29,394,346	28,963,542	28,922,582
Business license taxes	-	-	-	-	30,482,588	31,366,586	32,630,148	32,949,782	33,899,942	34,838,755
Motor fuel taxes	8,645,857	8,560,057	8,363,071	8,202,877	8,335,705	8,052,601	7,633,517	7,770,057	5,154,871	5,289,781
Lodging taxes	5,656,263	5,444,264	5,550,268	5,269,547	5,578,274	5,712,415	6,061,073	6,217,583	8,119,756	8,984,951
Rental taxes	-	-	-	1,764,595	3,285,663	3,337,930	3,298,583	3,395,139	3,558,689	4,311,055
Tobacco taxes	1,781,887	1,761,227	1,619,508	1,411,990	1,438,763	1,451,072	1,426,532	1,495,410	1,494,478	1,779,831
Alcoholic beverage taxes	177,033	248,883	227,511	254,164	234,501	276,837	291,270	391,566	296,786	350,653
Grants and contributions not restricted										
to specific programs	131,995	158,378	141,631	186,693	199,092	206,561	374,097	114,298	187,221	181,857
Investment earnings	5,937,376	6,875,303	3,862,641	425,825	50,449	124,557	64,461	24,626	10,179	43,169
Miscellaneous revenue	6,189,366	5,514,223	6,531,834	5,794,279	6,905,175	7,734,015	12,465,707	10,027,818	7,250,519	5,968,139
Gain on sale of assets	-	41,745	323,158	-	146,640	159,766	301,805	-	-	976,092
Extraordinary item	-	-	-	3,900,000	-	-	-	-	-	-
Transfers	(7,613,962)	(4,812,966)	(4,753,802)	(4,249,246)	(13,762,102)	(24,591,442)	(2,703,014)	251,687	(2,786,351)	(3,176,087)
Total governmental activities general revenues and other changes in net position	<u>144,101,842</u>	<u>150,518,112</u>	<u>145,906,409</u>	<u>138,040,677</u>	<u>160,423,691</u>	<u>153,416,541</u>	<u>182,895,562</u>	<u>185,667,556</u>	<u>181,924,736</u>	<u>189,112,500</u>
Total governmental activities change in net position	<u>\$ 9,622,301</u>	<u>\$ 4,345,827</u>	<u>\$ (43,572,794)</u>	<u>\$ (48,816,730)</u>	<u>\$ (33,351,335)</u>	<u>\$ (58,285,662)</u>	<u>\$ (26,186,725)</u>	<u>\$ (29,493,058)</u>	<u>\$ (19,641,133)</u>	<u>\$ (10,354,094)</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*.

(Continued)

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities										
Expenses										
Montgomery Area Transit System	\$ 1,741,793	\$ 1,749,082	\$ 2,194,586	\$ 3,205,634	\$ 2,291,121	\$ 3,516,281	\$ 2,893,071	\$ 2,968,117	\$ 2,508,276	\$ 2,604,476
Montgomery Zoo	5,632,383	5,953,913	6,223,595	5,709,728	5,889,762	5,960,749	4,157,248	4,314,540	4,236,650	4,417,798
Municipal Golf	2,803,024	3,043,118	3,290,143	2,932,109	2,014,501	2,343,402	2,099,827	2,100,103	1,964,366	1,697,967
Montgomery River Boat	-	-	-	553,658	858,102	764,208	657,438	696,408	718,214	913,531
Municipal Parking Decks	199,525	217,947	266,244	318,963	348,955	330,042	383,818	-	-	-
Food Services	-	-	-	-	-	-	1,730,374	1,086,281	-	-
Total business-type activities expenses	<u>10,376,725</u>	<u>10,964,060</u>	<u>11,974,568</u>	<u>12,720,092</u>	<u>11,402,441</u>	<u>12,914,682</u>	<u>11,921,776</u>	<u>11,165,449</u>	<u>9,427,506</u>	<u>9,633,772</u>
Revenues										
Charges for services:										
Montgomery Area Transit System	613,269	605,931	750,752	800,896	761,053	746,779	892,983	1,043,162	1,169,748	899,258
Montgomery Zoo	2,685,908	2,931,547	3,284,339	2,553,288	2,719,497	3,144,888	2,157,345	2,647,074	2,552,954	2,814,323
Municipal Golf	1,069,817	1,347,708	1,528,342	1,372,814	883,908	1,167,130	1,247,380	1,237,161	1,209,769	1,239,048
Montgomery River Boat	-	-	-	564,180	691,978	739,255	804,468	723,314	842,319	989,788
Municipal Parking Decks	152,555	99,604	56,369	62,302	230,980	322,179	280,769	-	-	-
Food Services	-	-	-	-	-	-	1,311,857	832,747	-	-
Total business-type activities revenues	<u>4,521,549</u>	<u>4,984,790</u>	<u>5,619,802</u>	<u>5,353,480</u>	<u>5,287,416</u>	<u>6,120,231</u>	<u>6,694,802</u>	<u>6,483,458</u>	<u>5,774,790</u>	<u>5,942,417</u>
Total business-type activities net program expense	<u>(5,855,176)</u>	<u>(5,979,270)</u>	<u>(6,354,766)</u>	<u>(7,366,612)</u>	<u>(6,115,025)</u>	<u>(6,794,451)</u>	<u>(5,226,974)</u>	<u>(4,681,991)</u>	<u>(3,652,716)</u>	<u>(3,691,355)</u>
Other changes in net position										
Investment earnings	11,288	16,432	15,679	3,329	391	372	411	-	533	521
Miscellaneous revenue	-	-	-	-	-	37,300	-	-	-	-
Capital contributions	-	-	-	11,085	-	-	-	-	-	-
Gain on sale of assets	-	-	-	-	-	-	36,441	-	-	-
Transfers	<u>7,613,962</u>	<u>4,812,966</u>	<u>4,753,802</u>	<u>4,249,246</u>	<u>13,762,102</u>	<u>24,591,442</u>	<u>2,703,014</u>	<u>(251,334)</u>	<u>2,786,351</u>	<u>3,176,087</u>
	<u>7,625,250</u>	<u>4,829,398</u>	<u>4,769,481</u>	<u>4,263,660</u>	<u>13,762,493</u>	<u>24,629,114</u>	<u>2,739,866</u>	<u>(251,334)</u>	<u>2,786,884</u>	<u>3,176,608</u>
Total business-type activities change in net position	<u>\$ 1,770,074</u>	<u>\$ (1,149,872)</u>	<u>\$ (1,585,285)</u>	<u>\$ (3,102,952)</u>	<u>\$ 7,647,468</u>	<u>\$ 17,834,663</u>	<u>\$ (2,487,108)</u>	<u>\$ (4,933,325)</u>	<u>\$ (865,832)</u>	<u>\$ (514,747)</u>
Total primary government change in net position	<u>\$ 11,392,375</u>	<u>\$ 3,195,955</u>	<u>\$ (45,158,079)</u>	<u>\$ (51,919,682)</u>	<u>\$ (25,703,867)</u>	<u>\$ (40,450,999)</u>	<u>\$ (28,673,833)</u>	<u>\$ (34,426,383)</u>	<u>\$ (20,506,965)</u>	<u>\$ (10,868,841)</u>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund										
Reserved	\$ 3,234,275	\$ 2,536,789	\$ 2,538,295	\$ 3,006,134	\$ 4,180,402	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designated	4,852,300	4,852,300	4,852,300	12,480,127	5,580,127	-	-	-	-	-
Unreserved	46,083,120	48,725,745	36,114,095	18,322,084	(370,572)	-	-	-	-	-
Nonspendable:										
Inventories	-	-	-	-	-	1,216,275	1,282,344	1,172,223	1,186,772	1,028,876
Long-term receivables	-	-	-	-	-	6,016,006	9,048,715	8,171,171	4,697,483	2,342,258
Prepaid items	-	-	-	-	-	156,915	107,386	36,048	10,731	29,968
Assigned to other	-	-	-	-	-	3,110	-	-	-	-
Unassigned	-	-	-	-	-	(2,147,624)	(4,685,090)	5,750,888	11,778,557	17,066,461
Total general fund	<u>\$ 54,169,695</u>	<u>\$ 56,114,834</u>	<u>\$ 43,504,690</u>	<u>\$ 33,808,345</u>	<u>\$ 9,389,957</u>	<u>\$ 5,244,682</u>	<u>\$ 5,753,355</u>	<u>\$ 15,130,330</u>	<u>\$ 17,673,543</u>	<u>\$ 20,467,563</u>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
All other governmental funds										
Reserved	\$ 17,436,580	\$ 8,184,796	\$ 12,773,443	\$ 5,912,466	\$ 13,248,404	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designated, reported in:										
Debt service funds	4,137,141	2,808,696	2,351,976	2,501,349	2,000,065	-	-	-	-	-
Capital projects funds	50,000	-	-	-	-	-	-	-	-	-
Unreserved, undesignated, reported in:										
Capital projects funds	54,274,757	80,089,520	56,863,500	27,053,980	64,274,507	-	-	-	-	-
Special revenue funds	(639,014)	8,114,287	9,332,375	5,987,202	2,376,183	-	-	-	-	-
Nonspendable:										
Assets held for resale	-	-	-	-	-	856,500	664,500	533,600	21,931	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
Restricted for:										
Capital projects	-	-	-	-	-	34,834,191	9,806,574	9,384,544	2,446,650	15,339,315
Debt service	-	-	-	-	-	2,506,239	2,139,717	1,212,885	2,109,921	369,032
Emergency communications center	-	-	-	-	-	-	-	-	1,578,649	3,212,736
Intergovernmental	-	-	-	-	-	2,600,889	6,802,355	4,192,108	5,715,597	5,694,904
Landfill	-	-	-	-	-	2,015,410	865,984	4,364,550	1,642,477	548,499
Municipal Court Corrections	-	-	-	-	-	484,534	672,821	469,090	44,299	751,405
Other	-	-	-	-	-	13,083	11,744	8,155	70,320	42,690
Riverfront Stadium	-	-	-	-	-	4,506,503	3,047,947	2,842,834	1,210,093	1,418,442
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)
Total all other governmental funds	<u>\$ 75,259,464</u>	<u>\$ 99,197,299</u>	<u>\$ 81,321,294</u>	<u>\$ 41,454,997</u>	<u>\$ 81,899,159</u>	<u>\$ 44,991,772</u>	<u>\$ 22,658,426</u>	<u>\$ 21,665,108</u>	<u>\$ 13,921,263</u>	<u>\$ 26,584,508</u>

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)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 139,457,067	\$ 142,741,429	\$ 139,800,947	\$ 131,983,126	\$ 136,401,849	\$ 138,416,498	\$ 139,762,358	\$ 142,299,345	\$ 143,363,226	\$ 150,280,575
Licenses and permits	33,263,521	35,066,083	37,956,968	37,874,584	38,269,290	38,943,003	40,233,482	40,745,775	41,974,540	43,199,450
Intergovernmental revenues	28,314,508	20,493,406	17,382,785	22,849,318	31,409,043	25,003,498	21,364,126	22,877,080	31,816,898	27,602,041
Charges and fees for services	11,685,509	11,599,115	11,360,885	13,457,972	14,592,111	15,311,202	15,585,598	18,120,872	18,284,417	20,630,699
Fines and forfeitures	4,769,262	5,574,497	6,817,336	8,648,985	9,834,116	7,853,059	8,929,730	8,071,750	7,407,973	5,349,328
Interest	5,780,989	6,766,329	3,862,641	425,830	50,446	124,557	64,461	24,626	10,179	43,169
Miscellaneous	6,055,198	7,070,652	7,336,803	6,624,840	8,270,334	6,756,166	12,050,750	7,918,093	6,944,784	5,559,181
Total revenues	<u>229,326,054</u>	<u>229,311,511</u>	<u>224,518,365</u>	<u>221,864,655</u>	<u>238,827,189</u>	<u>232,407,983</u>	<u>237,990,505</u>	<u>240,057,541</u>	<u>249,802,017</u>	<u>252,664,443</u>
Expenditures										
Current:										
General government	42,878,968	41,644,554	40,290,264	41,762,638	47,973,762	44,341,654	53,663,426	55,517,932	54,133,890	52,399,400
Public works	57,770,842	56,619,086	54,863,215	55,801,973	42,371,546	43,843,513	40,306,505	40,563,256	39,338,940	42,125,024
Public safety	72,042,280	75,033,957	81,551,085	80,660,653	80,282,388	83,563,849	92,011,982	82,176,920	83,226,748	82,520,109
Cultural and recreational	24,549,676	24,983,988	26,859,709	20,439,052	28,014,356	29,047,378	29,642,735	30,381,600	29,816,021	28,776,655
Intergovernmental	5,614,812	3,088,263	3,870,401	25,666,518	14,594,405	4,214,102	2,649,743	13,176,451	5,731,528	2,045,603
Capital outlay	19,431,041	21,074,966	22,574,761	19,903,596	22,953,351	35,497,808	23,519,971	8,267,765	9,536,571	5,864,652
Debt service:										
Principal payments	6,266,217	11,173,939	11,429,727	18,364,694	18,927,115	11,031,381	11,274,995	14,285,642	21,657,205	37,145,515
Interest	8,440,090	11,030,577	11,794,593	11,324,313	10,936,652	13,660,258	13,279,429	12,020,002	11,784,215	11,466,389
Debt issuance costs	570,965	546,817	-	-	1,011,871	409,212	5,000	888,563	21,037	197,221
Total expenditures	<u>237,564,891</u>	<u>245,196,147</u>	<u>253,233,755</u>	<u>273,923,437</u>	<u>267,065,446</u>	<u>265,609,155</u>	<u>266,353,786</u>	<u>257,278,131</u>	<u>255,246,155</u>	<u>262,540,568</u>
Excess of revenue over (under) expenditures	<u>(8,238,837)</u>	<u>(15,884,636)</u>	<u>(28,715,390)</u>	<u>(52,058,782)</u>	<u>(28,238,257)</u>	<u>(33,201,172)</u>	<u>(28,363,281)</u>	<u>(17,220,590)</u>	<u>(5,444,138)</u>	<u>(9,876,125)</u>
Other financing sources (uses)										
Proceeds from sale of assets	217,810	499,260	461,044	209,170	177,871	413,709	462,131	554,770	1,663,452	1,544,459
Transfers in	32,220,327	52,478,773	36,134,376	53,853,006	46,527,332	39,962,038	29,721,790	41,971,370	41,383,047	50,158,502
Transfers out	(40,375,333)	(60,534,047)	(43,990,008)	(61,568,260)	(81,233,589)	(52,984,538)	(38,224,333)	(51,828,388)	(54,267,557)	(56,802,146)
Capital leases	3,795,309	4,715,409	4,923,829	5,010,974	5,966,304	4,332,320	14,067,540	4,003,234	4,643,947	2,930,657
Issuance of bonds	37,055,000	44,400,000	-	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
Issuance of notes payable	-	-	-	-	-	-	-	952,351	778,019	-
Payment to refunded bonds escrow agent	-	-	-	-	(39,108,572)	(40,886,025)	-	(76,946,243)	-	(36,382,129)
Bond premium and discount, net	160,270	208,215	-	-	4,939,685	2,551,006	-	367,153	-	795,928
Total other financing sources (uses)	<u>33,073,383</u>	<u>41,767,610</u>	<u>(2,470,759)</u>	<u>2,504,890</u>	<u>44,264,031</u>	<u>(7,851,490)</u>	<u>6,538,608</u>	<u>25,604,247</u>	<u>243,507</u>	<u>25,333,390</u>
Net change in fund balance	<u>\$ 24,834,546</u>	<u>\$ 25,882,974</u>	<u>\$ (31,186,149)</u>	<u>\$ (49,553,892)</u>	<u>\$ 16,025,774</u>	<u>\$ (41,052,662)</u>	<u>\$ (21,824,673)</u>	<u>\$ 8,383,657</u>	<u>\$ (5,200,631)</u>	<u>\$ 15,457,265</u>
Debt service as a percentage of noncapital expenditures	7.34%	10.52%	10.45%	11.98%	12.28%	10.89%	10.91%	11.04%	14.02%	19.26%

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
2006	\$ 96,432,102	\$ 26,763,925	\$ 8,645,857	\$ 5,656,263	\$ 177,033	\$ 1,781,887	\$ -	\$ 139,457,067
2007	98,174,542	28,552,456	8,560,057	5,444,264	248,883	1,761,227	-	142,741,429
2008	93,799,356	30,241,233	8,363,070	5,550,268	227,511	1,619,508	-	139,800,946
2009	83,980,254	31,099,698	8,202,877	5,269,547	254,164	1,411,990	1,764,595	131,983,125
2010	86,150,767	31,378,176	8,335,705	5,578,274	234,501	1,438,763	3,285,663	136,401,849
2011	88,699,968	30,885,675	8,052,601	5,712,415	276,837	1,451,072	3,337,930	138,416,498
2012	91,159,140	29,892,243	7,633,517	6,061,073	291,270	1,426,532	3,298,583	139,762,358
2013	93,635,244	29,394,346	7,770,057	6,217,583	391,566	1,495,410	3,395,139	142,299,345
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

Note: The City of Montgomery instituted a rental tax in 2009 of four (4) percent for tangible personal property, linens, and garments and one and one-half (1.5) percent for vehicles, truck trailers, and house trailers. Effective April 1, 2014, the rate for vehicles, truck trailers, and house trailers was increased to 3.5%.

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General merchandise	\$ 2,556,259,577	\$ 2,580,287,236	\$ 2,485,139,504	\$ 2,259,586,708	\$ 2,262,566,175	\$ 2,339,761,197	\$ 2,385,494,258	\$ 2,435,808,044	\$ 2,491,187,011	\$ 2,621,362,041
Auto and agriculture	461,498,197	486,483,247	420,546,870	323,164,949	358,467,479	415,092,080	451,123,914	497,452,400	517,108,866	556,428,894
Manufacturing machine	68,243,989	82,408,703	69,707,851	52,592,609	141,720,419	90,271,143	116,039,303	124,393,644	120,237,936	110,782,253
Totals	<u>\$ 3,086,001,763</u>	<u>\$ 3,149,179,186</u>	<u>\$ 2,975,394,225</u>	<u>\$ 2,635,344,266</u>	<u>\$ 2,762,754,073</u>	<u>\$ 2,845,124,420</u>	<u>\$ 2,952,657,475</u>	<u>\$ 3,057,654,088</u>	<u>\$ 3,128,533,813</u>	<u>\$ 3,288,573,188</u>
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

	2006			2007			2008		
	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers
General merchandise	\$ 89,469,104	5,546	22.86%	\$ 90,622,355	6,544	22.80%	\$ 87,322,631	6,327	21.87%
Auto and agriculture	5,768,728	182	67.03%	6,110,034	262	66.95%	5,256,837	251	67.53%
Manufacturing machine	1,194,270	257	52.99%	1,442,153	362	63.34%	1,219,888	360	51.55%
Totals	<u>\$ 96,432,102</u>	<u>5,985</u>		<u>\$ 98,174,542</u>	<u>7,168</u>		<u>\$ 93,799,356</u>	<u>6,938</u>	
	2009			2010			2011		
	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers
General merchandise	\$ 78,160,260	6,311	23.25%	\$ 79,189,817	6,082	24.33%	\$ 81,931,572	6,045	22.24%
Auto and agriculture	4,723,801	276	59.06%	4,480,843	216	62.29%	5,188,651	211	69.23%
Manufacturing machine	1,096,193	352	53.75%	2,480,107	348	54.80%	1,579,745	354	62.10%
Totals	<u>\$ 83,980,254</u>	<u>6,939</u>		<u>\$ 86,150,767</u>	<u>6,646</u>		<u>\$ 88,699,968</u>	<u>6,610</u>	
	2012			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								
	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers						
General merchandise	\$ 91,747,671	6,376	23.66%						
Auto and agriculture	6,955,361	237	65.32%						
Manufacturing machine	1,938,690	327	75.69%						
Totals	<u>\$ 100,641,722</u>	<u>6,940</u>							

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

Source: City Revenue Division of the Department of Finance.

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

Fiscal Year	City Direct Rate	Montgomery County	State of Alabama	Total Sales Tax
2006	3.50%	2.50%	4.00%	10.00%
2007	3.50%	2.50%	4.00%	10.00%
2008	3.50%	2.50%	4.00%	10.00%
2009	3.50%	2.50%	4.00%	10.00%
2010	3.50%	2.50%	4.00%	10.00%
2011	3.50%	2.50%	4.00%	10.00%
2012	3.50%	2.50%	4.00%	10.00%
2013	3.50%	2.50%	4.00%	10.00%
2014	3.50%	2.50%	4.00%	10.00%
2015	3.50%	2.50%	4.00%	10.00%

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

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 9
PRINCIPAL SALES TAX REMITTERS

Tax Remitter	2006		2015	
	Rank	Percentage of Total Sales Tax Remitted	Rank	Percentage of Total Sales Tax Remitted
Wal-Mart East, LP	1	6.44%	1	5.21%
Winn Dixie of Montgomery	2	2.84%	5	1.99%
Sams East	3	2.83%	3	2.59%
Publix Alabama, LLC	4	1.80%	2	3.24%
Brunos Super Markets	5	1.54%	-	-
Lowes of Montgomery	6	1.38%	10	1.01%
Target Store	7	1.32%	9	1.13%
Home Depot USA, Inc.	8	1.18%	-	-
Best Buy Stores, LP	9	0.98%	-	-
Parisian	10	0.91%		-
Gayfers/Dillard's	-	-	8	1.26%
Costco Wholesale	-	-	4	2.57%
Capitol Chevrolet/IMF, Inc.	-	-	7	1.98%
Jack Ingram Motors, Co.	-	-	6	2.03%
Totals		21.22%		23.01%

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				
2006	\$ 175,655,539	\$ 24,670,000	\$ 10,821,537	\$ -	\$ 211,147,076	6.84%	4.62%	\$ 1,047.52
2007	213,266,350	24,115,000	12,673,006	-	250,054,356	7.94%	5.34%	1,240.55
2008	205,882,794	23,520,000	14,202,106	-	243,604,900	8.19%	5.14%	1,208.55
2009	202,564,561	18,385,000	13,445,826	-	234,395,387	8.89%	5.02%	1,162.86
2010	265,981,223	18,205,000	11,003,130	-	295,189,353	10.68%	5.99%	1,434.60
2011	260,253,900	17,975,000	10,600,735	-	288,829,635	10.15%	6.01%	1,403.69
2012	254,266,917	17,690,000	19,991,063	-	291,947,980	9.78%	6.12%	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

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)
2006	\$ 175,655,539	\$ 4,137,141	\$ 171,518,398	5.56%	\$ 850.92
2007	213,266,350	2,808,696	210,457,654	6.68%	1,044.10
2008	205,882,794	2,351,976	203,530,818	6.84%	1,009.74
2009	202,564,561	2,501,349	200,063,212	7.59%	992.53
2010	265,981,223	2,000,065	263,981,158	9.56%	1,282.93
2011	260,253,900	2,506,239	257,747,661	9.06%	1,252.64
2012	254,266,917	2,139,717	252,127,200	8.54%	1,225.32
2013	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

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

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

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>2006</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 211,147,076	100.00%	\$ 211,147,076
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>112,877,677</u>	85.03%	<u>95,976,480</u>
Total direct and overlapping debt	<u>\$ 324,024,753</u>		<u>\$ 307,123,556</u>
<u>2007</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 250,054,356	100.00%	\$ 250,054,356
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>144,875,820</u>	85.02%	<u>123,179,018</u>
Total direct and overlapping debt	<u>\$ 394,930,176</u>		<u>\$ 373,233,374</u>
<u>2008</u>			
Direct			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 243,604,900	100.00%	\$ 243,604,900
Overlapping			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>140,090,000</u>	79.48%	<u>111,336,779</u>
Total direct and overlapping debt	<u>\$ 383,694,900</u>		<u>\$ 354,941,679</u>

(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>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>
<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>

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>
2013			
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>	88.41%	<u>107,178,255</u>
Total direct and overlapping debt	<u><u>\$ 445,214,067</u></u>		<u><u>\$ 418,955,688</u></u>
2014			
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><u>\$ 434,121,194</u></u>		<u><u>\$ 417,991,946</u></u>
2015			
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>	86.67%	<u>115,138,920</u>
Total direct and overlapping debt	<u><u>\$ 440,172,842</u></u>		<u><u>\$ 422,469,697</u></u>

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

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

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

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 13
LEGAL DEBT MARGIN INFORMATION

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 453,968,000	\$ 453,972,540	\$ 549,783,152	\$ 565,013,780	\$ 559,440,631	\$ 551,311,856	\$ 524,101,032	\$ 531,082,554	\$ 538,171,288	\$ 438,261,612
Total net debt applicable to limit	192,911,537	189,594,143	185,430,776	178,602,164	224,288,072	220,390,601	237,372,574	249,669,288	254,388,183	243,181,650
Legal debt margin	<u>\$ 261,056,463</u>	<u>\$ 264,378,397</u>	<u>\$ 364,352,376</u>	<u>\$ 386,411,616</u>	<u>\$ 335,152,559</u>	<u>\$ 330,921,255</u>	<u>\$ 286,728,458</u>	<u>\$ 281,413,266</u>	<u>\$ 283,783,105</u>	<u>\$ 195,079,962</u>
Total net debt applicable to the limit as a percentage of debt limit	42.49%	41.76%	33.73%	31.61%	40.09%	39.98%	45.29%	47.01%	47.27%	55.49%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed property value	<u>\$ 2,191,308,060</u>
Debt limit (20% of assessed property value)	<u>\$ 438,261,612</u>
Debt applicable to limit:	
General obligation debt including capital leases and notes payable	\$ 307,330,777
Less: Debt attributable to construction of school houses	<u>(64,149,127)</u>
Total net debt applicable to limit	<u>243,181,650</u>
Legal debt margin	<u>\$ 195,079,962</u>

CITY OF MONTGOMERY, ALABAMA
SCHEDULE 14
PLEDGED-REVENUE COVERAGE

Fiscal Year	Revenue Warrants				Coverage
	Lodging Tax Revenue	Debt Service			
		Principal	Interest		
2006	\$ 1,599,457	\$ 1,520,000	\$ 1,445,468	0.54	
2007	1,613,870	555,000	1,417,613	0.82	
2008	1,622,584	595,000	1,288,115	0.86	
2009	1,578,726	5,135,000	1,105,969	0.25	
2010	1,618,591	180,000	1,077,463	1.29	
2011	1,823,172	230,000	1,067,213	1.41	
2012	1,782,052	285,000	1,054,338	1.33	
2013	1,805,041	340,000	523,606	2.09	
2014	N/A	N/A	N/A	N/A	
2015	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
2006	201,568	\$ 4,572,368,512	\$ 22,684	32,520	3.4%
2007	201,568	4,682,223,072	23,229	31,939	3.7%
2008	201,568	4,743,902,880	23,535	31,588	5.4%
2009	201,568	4,672,346,240	23,180	31,743	10.1%
2010	205,764	4,931,751,552	23,968	31,681	9.2%
2011	205,764	4,807,264,332	23,363	31,681	10.0%
2012	205,764	4,768,786,464	23,176	31,470	7.9%
2013	205,764	4,880,927,844	23,721	31,316	7.1%
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%

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>2006</u>		<u>2015</u>	
	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Maxwell-Gunter Air Force Base	12,280	6.31%	12,280	6.48%
State of Alabama	9,500	4.88%	11,830	6.24%
Montgomery Public Schools	3,700	1.90%	4,524	2.39%
Baptist Health Systems	4,300	2.21%	4,300	2.27%
Hyundai Motor Manufacturing AL	2,700	1.39%	3,100	1.64%
ALFA Insurance Companies	2,568	1.32%	2,568	1.36%
City of Montgomery	2,500	1.28%	2,500	1.32%
MOBIS Alabama, LLC	-	-	1,400	0.69%
Jackson Hospital & Clinic, Inc.	1,300	0.67%	1,300	0.64%
Rheem Water Heaters	1,050	0.54%	1,173	0.62%
754th Electronic Systems Group	1,943	1.00%	-	-
Totals	<u>41,841</u>	<u>21.50%</u>	<u>44,975</u>	<u>23.65%</u>

Source: Montgomery Chamber of Commerce.

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

Function/Program	Full-time Equivalent Employees as of September 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government:										
Mayor	6	6	6	5	6	8	8	8	8	8
City Clerk	3	3	4	4	4	4	4	3	4	4
City Attorney	9	9	13	7	11	11	8	8	8	8
City Investigation	-	-	-	-	-	-	3	3	2	3
Development	-	-	-	-	-	-	2	2	2	5
Finance	76	55	59	54	55	57	54	51	50	50
Information Technology	-	19	24	14	20	21	19	29	31	28
Garage	77	80	75	78	74	63	61	64	56	54
Municipal Court	40	43	48	52	49	48	46	44	45	43
Municipal Parking Deck	2	3	4	5	5	6	6	13	13	15
Planning and Development	36	38	36	36	34	35	31	32	31	29
Risk Management	-	-	-	-	-	-	-	6	6	6
311 Call Center	-	-	-	-	-	-	-	5	7	6
Public safety:										
Police:										
Officers	483	485	512	507	500	528	523	523	506	491
Civilians	141	142	147	173	168	207	161	136	134	132
Fire:										
Officers	537	515	542	539	496	550	551	552	552	555
Civilians	7	7	8	9	8	9	9	8	8	7
City/County Emergency Management Agency	3	4	3	5	11	11	11	5	4	4
Communications	85	79	88	86	81	77	72	48	56	66
Public works:										
Engineering	87	89	87	26	25	26	23	21	21	20
Inspections	-	-	-	38	36	37	35	35	31	31
Landfill	-	-	-	20	21	21	19	18	16	16
Maintenance	324	313	326	276	201	207	195	193	183	183
Sanitation	323	336	311	316	281	289	262	246	258	260
Traffic Engineering	43	45	44	41	42	41	42	38	36	33
Cultural and recreational:										
Parks and Recreation	306	304	294	286	267	251	260	253	294	221
Downtown Redevelopment	6	9	9	8	8	9	-	-	-	9
Food Services	-	-	-	-	-	-	16	5	-	-
boat	-	-	-	-	-	-	-	-	-	3
Lagoon and Gateway Parks	41	41	42	31	28	24	14	11	11	-
Leisure Department - Building Maintenance	-	-	-	103	67	68	61	60	63	62
Library	67	67	67	65	63	63	61	62	60	61
Montgomery Zoo	91	92	87	92	89	75	51	45	46	45
Museum	36	37	40	36	34	37	37	37	35	34
Old Alabama Town	4	4	4	4	-	-	-	-	-	-
Public Information and External Affairs	-	-	-	4	4	4	4	4	6	6
Total	2,833	2,825	2,880	2,920	2,688	2,787	2,649	2,568	2,583	2,498

Source: City Finance Department.

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

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

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government:										
Business licenses issued	17,664	17,811	16,909	16,922	15,353	14,975	14,826	14,741	14,793	15,116
Building permits issued	11,176	10,649	7,813	5,919	6,578	6,705	6,834	7,554	8,303	8,459
Public safety:										
Police:										
Physical arrests	8,423	10,104	6,981	10,436	11,493	11,003	15,982	13,973	11,583	10,673
Parking violations	77,205	68,667	73,006	57,674	51,744	51,744	31,754	37,022	31,505	31,414
Traffic violations	56,777	66,669	119,416	117,158	104,462	104,462	108,143	87,425	78,070	61,630
Fire:										
Emergency responses	29,042	30,032	30,211	28,578	25,510	26,043	26,972	24,155	27,299	26,538
Fires extinguished	5,341	5,236	5,666	5,006	5,339	4,959	4,786	4,930	7,042	5,320
Inspections	24,122	28,792	18,140	18,966	15,661	17,940	18,787	18,425	15,898	16,542
Public works:										
Refuse collected (tons per year)	132,813	130,537	132,645	123,504	112,889	114,310	111,049	112,676	68,341	64,119
Recyclables collected (tons per year)	2,222	2,185	2,690	2,775	1,275	578	581	559	39,772	44,734
Streets resurfaced (tons of paving material)	52,884	42,885	44,228	44,247	28,023	30,055	25,739	42,109	33,750	52,183
Transit:										
Passengers	907,999	1,086,762	1,328,459	1,336,936	1,361,928	1,202,482	1,036,087	958,023	941,920	867,901
Cultural and recreational:										
Library:										
Total circulation	497,872	445,882	458,072	450,285	448,993	446,657	416,320	390,571	367,149	444,671
Parks and Recreation:										
Golf rounds played	27,926	39,871	39,926	40,053	40,108	38,922	24,740	37,017	33,340	34,530
Youth baseball/softball games played	6,231	6,278	6,295	6,361	6,291	6,351	6,415	6,435	6,503	6,551
League and tournament games played	2,845	2,920	2,935	2,568	3,018	2,782	2,840	2,865	2,888	2,995
Games played in athletic facilities:										
Basketball	765	790	810	825	832	912	1,028	292	443	470
Volleyball	58	75	84	75	82	86	215	167	185	195
Football	378	385	395	408	415	421	450	41	43	44
Soccer	1,245	1,275	1,290	1,305	1,320	1,358	1,460	1,620	1,680	1,750
Kickball	-	-	-	-	-	-	-	75	80	80

Sources: Various City departments.

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	3	3
Patrol cars	270	224	224	248	216	223	235	240	252	257
Fire stations	15	15	15	15	15	15	15	15	16	16
Public works:										
Streets (miles)	1,079	1,085	1,099	1,107	1,203	1,110	1,115	1,118	1,107	1,068
Traffic signals	429	438	438	470	474	478	483	436	429	429
Street lights	27,906	28,011	28,230	29,013	29,057	28,981	29,000	29,012	29,032	29,033
Refuse collection trucks	134	130	128	125	130	125	127	129	120	122
Transit:										
Busses	43	43	50	50	45	55	48	48	45	49
Cultural and recreational:										
Acreage	1,722	1,722	1,822	1,827	1,836	1,836	1,836	1,857	1,857	1,857
Golf courses (acres)	610	610	610	610	610	610	610	610	610	610
Playgrounds	60	58	58	55	54	52	52	52	52	52
Baseball/softball fields	84	90	90	87	87	87	87	87	87	87
Tennis courts	42	42	42	46	46	46	46	46	46	46
Special facilities	6	6	6	6	6	6	7	7	7	7
Community centers	28	28	28	28	26	26	26	23	23	20

Sources: Various City departments.

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