

**CITY OF MONTGOMERY, ALABAMA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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

**CITY OF MONTGOMERY, ALABAMA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2016**

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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 3, 2017

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, 2016. 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, 2016. The accounting firm of Warren Averett was selected to conduct the 2016 audit. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the federal Single Audit Act of 1996 and related 2 CFR 200 (Uniform Guidance). The auditors' report on the basic financial statements is

included in front of the financial section of this report. The auditors' reports related specifically to the single audit are included in a separate report.

## **GOVERNMENT PROFILE**

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

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

Formal budgetary integration is employed as a management control device. On a day to be set by the Council, but no later than August 20<sup>th</sup> of each year, the Mayor submits to the Council a balanced budget for the next fiscal year. The Council schedules public hearings for the purpose of discussing and adopting the budget and may add to or delete from the budget submitted by the Mayor as long as the budget remains in balance. The Council, by a majority vote, shall adopt the budget no later than September 20<sup>th</sup>. Activities of the General Fund and the State Gasoline Tax Fund are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Project Funds. The level of budgetary control (the level at which expenditures cannot legally exceed appropriated funding) is established by function within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Appropriations in the General Fund lapse at the end of the fiscal year unless expended or encumbered.

In order to prepare a financial report, it is necessary to identify all components of the reporting entity. Potential component units were evaluated to determine whether they should be reported in the City's financial report. A component unit was considered to be part of the City's reporting entity if it was concluded that the City was financially accountable for the entity or the nature and significance of the relationship between the City and the entity was such that exclusion would cause the City's financial statements to be misleading or incomplete. The Montgomery City-County Public Library, the Solid Waste Disposal Authority of the City of Montgomery, the Alabama Capital Region Solid Waste Disposal Authority, and the Emergency Communications District of the City of Montgomery were determined to be reportable component units and have been included in this report.



## **ECONOMIC CONDITION**

Government makes up more than one-fourth of the work force at the local, state, and federal levels which allows it to play a major role in the economy of Montgomery. The military presence of Maxwell Gunter Air Force Base makes a significant contribution to the local economy. Both the federal government and state government account for approximately 12,000 jobs each in the City. City government accounts for approximately 2,400 jobs in the region. Additionally, local colleges and universities have given rise to a growing economy in the City.

Manufacturing growth continues to drive the local economy. In fiscal year 2016, the manufacturing sector represented over 11% of jobs in the region. The housing market also remained firm with home sales stable and average sales prices increasing by almost 4% in fiscal year 2016.

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

The economic future for the City of Montgomery continues to show signs of growth which is primarily due to the creation of new and expanded industry in the region. The local economy is buffered by the presence of local, state, and federal governments, including two military bases. The unemployment rate for Montgomery decreased from 5.8% to 5.5% in 2016. The economy continues to rebound from the earlier recessionary times and in 2016, sales tax receipts and lodging taxes in the City increased over the previous year 1.8% and 4.5%, respectively.

The face of Downtown Montgomery continued to change in 2016. 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 last year.

The City's economic development continued to expand in 2016 as outlined below:

- (1) New capital investments in excess of \$375,000,000 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>
Akami Technologies	\$ 1,500,000	-
CNJ Inc.	51,000,000	160
Dong Yang Pistons	1,650,000	10
Gerhardi, Inc.	37,865,000	235
Mid-Gulf Courier	-	16
ALFA Financial Corporation	100,000,000	-
All Fitness Solutions	-	100
AmeriCold Logistics	-	12
ASK Telemarketing/Always Open	2,255,000	435
Big Lots Stores	12,706,000	-
Burt Steel	1,150,000	22
CS Eng	3,000,000	18
Dow Corning of Alabama	24,901,000	-
Hager Companies	2,000,000	-
Hewlett Packard	-	232
Hyundai Motor Manufacturing AL	52,000,000	38
Koch Foods	31,000,000	-
Lear Corporation - Montgomery	4,000,000	111
MOBIS Alabama LLC	28,400,000	-
Print Alliance	500,000	22
Store Room Fasteners	750,000	3
TK, LLC	3,000,000	-
Whitfield Foods, Inc	9,400,000	14
Walker360	2,180,000	35
WestRock	8,500,000	-

- (2) The City recently hosted the third Camellia Bowl which invites teams from the Mountain Athletic Conference and Sunbelt Conference – of the 40 bowl games; this was ranked as the 6<sup>th</sup> 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) A Whole Foods store opened along with several other restaurants and retail shops in Eastchase Commons.
- (5) The City established an Internet Exchange for the purposes of optimizing local internet traffic in the Area. The new Internet Exchange in its first year has grown from three participants to twelve. The growth is attracting new Internet Service Providers and content providers who are offering better services at competitive prices.
- (6) The Montgomery Zoo continues to raise funds for a new stingray exhibit expected to open in fiscal year 2017. It also plans upgrades and improvements to its train. These additions and improvements 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**

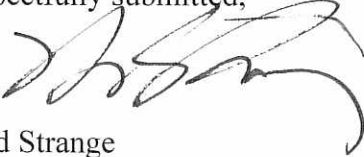
The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Montgomery for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2015. In order to be awarded 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 2016 CAFR continues to meet the Certificate of Achievement Program's requirements, and it is being submitted to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the professional dedication and knowledge of our independent auditors, Warren Averett. The independent auditors have issued an unqualified or "clean" opinion on the City of Montgomery's financial statements for the year ended September 30, 2016.

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

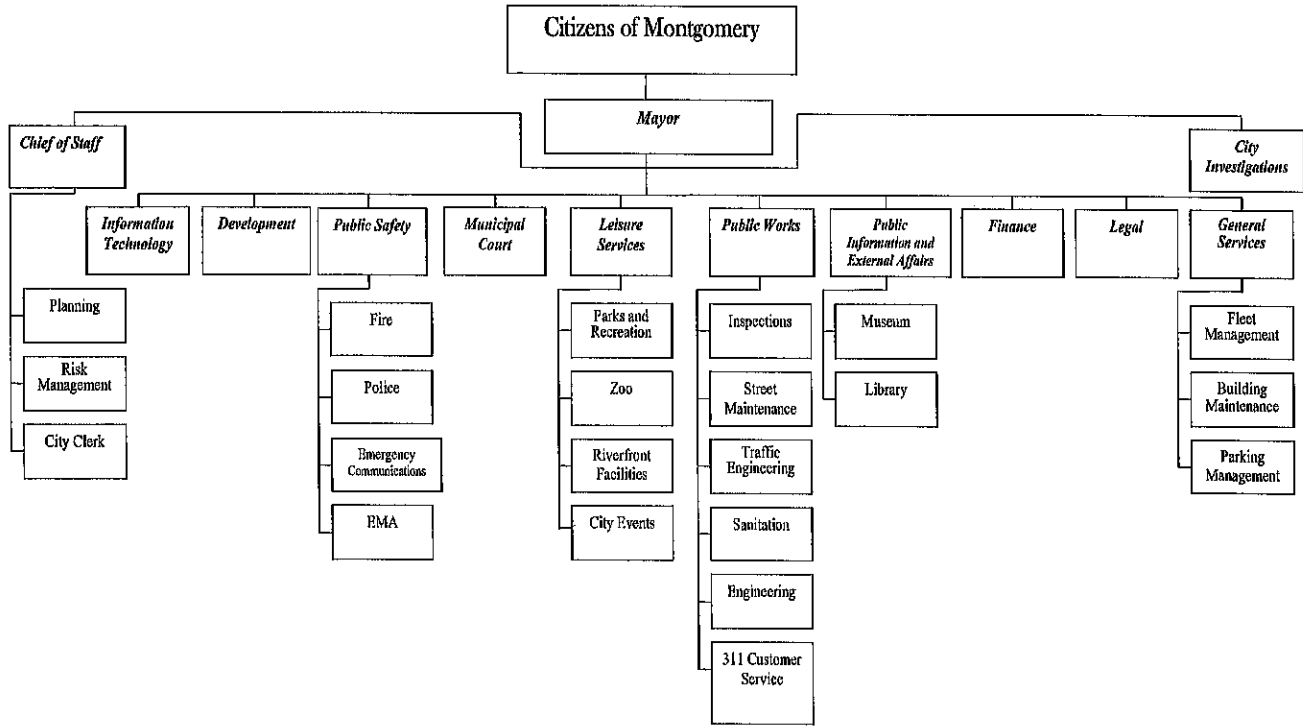
**City of Montgomery  
Alabama**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

Executive Director/CEO

# CITY OF MONTGOMERY, ALABAMA ORGANIZATIONAL CHART



**CITY OF MONTGOMERY, ALABAMA**  
**ELECTED AND APPOINTED OFFICIALS**  
**SEPTEMBER 30, 2016**

Elected Officials

Mayor	Todd Strange
Council Members	
District 9	Charles W. Jinright, President
District 3	Tracy Larkin, President Pro Tem
District 1	Richard Bollinger
District 2	Brantley W. Lyons
District 4	David Burkette
District 5	William A. Green, Jr.
District 6	Fred F. Bell
District 7	Arch M. Lee
District 8	Glen O. Pruitt, Jr.

Appointed Officials

Building Maintenance	Doug Jones
Chief of Staff	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	Christina Thornton
Engineering	Patrick Dunson
Finance	Barry O. Crabb, Director
Fire	Betty P. Beville, Deputy Director
Fleet Management	Chief Miford Jordan
General Services	Walter G. Lilley Jr.
Information Technology	Stephen Jones, Director
Inspections	Lou Ialacci
Landfill	Jerry C. Russell, Jr.
Leisure Services	Noah Johnson
Library	Scott Miller, Director
Maintenance	Jaunita M. Owes
Montgomery Zoo	Diane Burke
Municipal Court	Doug Goode
Museum	Judge Les Hayes
Parking Management	Kenneth Nixon, Court Administrator
Parks and Recreation	Mark M. Johnson
Planning	Bryan Dunn
Police	Robert Spivery
Public Information and External Affairs	Robert Smith
Public Safety	Chief Ernest Finley, Jr.
Public Works	Michael Briddell, Director
Risk Manager	Christopher Murphy, Director
Riverfront Facilities	Christopher W. Conway, Director
Sanitation	Scott Kramer
Traffic Engineering	Thomas Pierce
	Daniel R. Dickey
	Locke D. Bowden

The elected and appointed officials were those in office at September 30, 2016.

## **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, 2016, 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 City of Montgomery Employees' Retirement System (Pension Trust Fund), the fiduciary fund of the City, or the Montgomery City-County Public Library, the discretely presented component unit of the City. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as if related to the amounts included for the Pension Trust Fund and Montgomery City-County Public Library, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Pension Trust Fund and the Montgomery City-County Public Library were not audited in accordance with *Government Auditing Standards*.

An audit 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, 2016, 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.

## **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 87 through 89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedule, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2017 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.

*Warren Averett, LLC*

Montgomery, Alabama  
March 3, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Montgomery, Alabama (the City), we present this narrative overview and analysis designed to assist readers of the City's financial statements for the fiscal year ended September 30, 2016. The intent of the Management's Discussion and Analysis (MD&A) is to provide a brief, objective, and easily readable analysis of the City's financial performance for the year and its financial position at fiscal year ended September 30, 2016.

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

### Financial Highlights

The City's assets and deferred outflows of resources were less than its liabilities at September 30, 2016, by \$219,926,120 (net position). However, \$236,997,758 was either restricted or invested in capital assets leaving a deficit unrestricted balance of \$456,923,878.

The City's total net position decreased \$52,076,903. This decrease was primarily due to the depreciation expense incurred for the year, the net increase in other postemployment benefits obligation, and an increase in the net pension liability. The City participates in a shared pension plan with the City of Montgomery's Airport Authority. As of September 30, 2016, the City reported its proportionate share of the net pension liability as being \$226,467,135. Details in reference to the City's pension plan are in Note 13, beginning on page 72, of the notes to financial statements.

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

At September 30, 2016, the City's governmental funds reported combined ending fund balances of \$40,623,749, a decrease of \$6,428,322 over the previous fiscal year. Of the ending governmental fund balance, \$2,810,674 is non-spendable for assets held for resale, inventories, long-term receivables, and prepaid items. A significant portion, or 45.2% of the governmental fund balance is in the amount of \$18,353,876 which is restricted for capital projects, debt service, intergovernmental activities, the City's landfill, Municipal Court, the Riverfront Stadium, and an Emergency Communications District. The combined totals for non-spendable and restricted, plus the unassigned amount of \$19,459,199 yields a total combined ending fund balance of \$40,623,749 for fiscal year 2016.

The General Fund reported an unassigned fund balance of \$19,926,880 or 10.8% of the total general fund expenditures. Governmental Activities revenue increased \$7,567,813 or 3.0% over the previous year. The increase in revenues was primarily attributable to a 43.1% increase in capital grants and contributions, a 1.8% increase in charges for services, a 1.8% increase in sales tax revenue, a 1.4% increase in business licenses, a 2.4% increase in property taxes, and a 4.3% increase in other miscellaneous taxes. Expenses in Governmental Activities increased \$16,124,863 or 6.2% from the previous year. Although the expenses increased in the Governmental Activities in the government-wide financial statements, the City's departments continued to operate efficiently. The increase in expenses was mainly due to the increase in pension expense. The pension expense was \$10,799,566 or 55.8% greater than the previous year's pension expense. Due to the efficiency in departmental operations the net increase in total expense was less than 2.0% for the year.

Long-term debt, consisting of general obligation bonds, capital leases, and notes payable increased \$13,763,595 or 4.6% from the previous year. The increase was due to the Recycling Facility debt assumption for the Alabama Capital Region Solid Waste Authority (CRSWA) in the amount of \$31,185,000.

### **Overview of the Financial Statements**

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

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the financial position of the City and are similar to private-sector financial statements. The statements include a statement of net position and a statement of activities.

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

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

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

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

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

## **Fund Financial Statements**

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

## **Governmental Funds**

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

Because the focus of governmental funds is 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 thirteen (13) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the supplementary information section of this report.

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

## **Proprietary Funds**

The City maintains two (2) types of proprietary funds: enterprise funds and an internal service fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Montgomery Area Transit System, the Montgomery Zoo, Municipal Golf, and the Montgomery River Boat. The internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its employees' medical insurance, workers' compensation, and liability insurance. The internal service fund is presented in the fund financial statements.

## **Fiduciary Funds**

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

## **Notes to the Financial Statements**

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

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 87 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 90 of this report.

## Government-Wide Financial Analysis

As noted earlier, changes in net position over time can be one of the best and most useful indicators of the City's financial position. The City's total assets and deferred outflows of resources were less than its total liabilities by \$219,926,120, as reflected in the following table:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets (net of internal balances)	\$ 56,732,431	\$ 66,464,450	\$ 1,447,507	\$ 1,870,821	\$ 58,179,938	\$ 68,335,271
Internal balances	2,509,130	3,161,459	(2,509,130)	(3,161,459)	-	-
Capital assets	356,245,365	361,124,167	25,956,239	26,471,886	382,201,604	387,596,053
<b>Total Assets</b>	<b>415,486,926</b>	<b>430,750,076</b>	<b>24,894,616</b>	<b>25,181,248</b>	<b>440,381,542</b>	<b>455,931,324</b>
Deferred charge on refunding	7,804,994	9,488,628	-	-	7,804,994	9,488,628
Pension related items	62,574,267	34,802,252	753,518	433,264	63,327,785	35,235,516
<b>Total Deferred Outflows of Resources</b>	<b>70,379,261</b>	<b>44,290,880</b>	<b>753,518</b>	<b>433,264</b>	<b>71,132,779</b>	<b>44,724,144</b>
Long-term liabilities	709,880,125	643,717,790	2,987,940	2,466,847	712,868,065	646,184,637
Other liabilities	17,938,717	21,691,649	633,659	628,399	18,572,376	22,320,048
<b>Total Liabilities</b>	<b>727,818,842</b>	<b>665,409,439</b>	<b>3,621,599</b>	<b>3,095,246</b>	<b>731,440,441</b>	<b>668,504,685</b>
<b>Net position</b>						
Net investment in						
Capital assets	197,752,975	193,379,215	25,956,239	26,471,886	223,709,214	219,851,101
Restricted	13,288,544	24,915,198	-	-	13,288,544	24,915,198
Unrestricted	(452,994,174)	(408,662,896)	(3,929,704)	(3,952,620)	(456,923,878)	(412,615,516)
<b>Total Net Position</b>	<b>\$ (241,952,655)</b>	<b>\$ (190,368,483)</b>	<b>\$ 22,026,535</b>	<b>\$ 22,519,266</b>	<b>\$ (219,926,120)</b>	<b>\$ (167,849,217)</b>

Total assets declined \$15,549,782 or 3.4% from the previous fiscal year and liabilities increased \$62,935,756 or 9.4%. The decline in assets was primarily due to the use of cash to build the new justice center. The funds for the center are to be drawn down in a future period using a promissory note that has been approved by the City Council. The largest portion of net position is reflected in the City's investment in capital assets (e.g., land, construction in progress, buildings, infrastructure, improvements other than buildings, and machinery and equipment) less any related outstanding debt used to acquire those assets. Because City capital assets are used to provide services to citizens, the assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the capital assets are not used to liquidate the liability. Consequently, other resources are used to repay any associated debt.

An additional portion of the City's resources is restricted, or has restrictions on how they may be used. Governmental activities restricted net position totaled \$13,288,544 and is restricted for use in public works, public safety, cultural and recreational, capital projects, Emergency Communications District, and Municipal Court. 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, 2016.



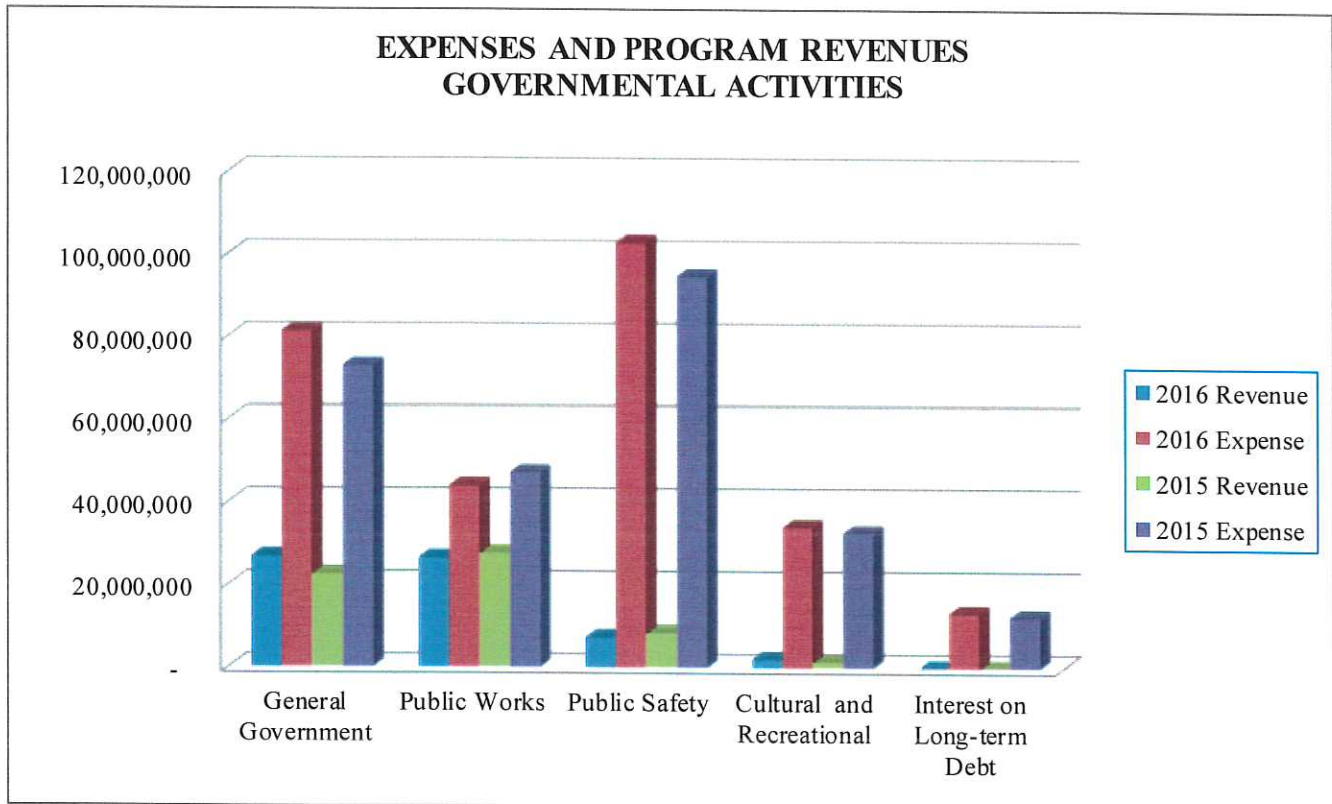
As reflected in the following table, the City's net position decreased by \$52,076,903 or 31.0% during the fiscal year. This decrease was primarily due to the assumption of debt for a recycling facility as described in Note 17 on page 84 in the notes to the financial statements. This assumption contributed to 60.8% of the decrease in the City's net position. The decrease was also attributed to the recognition of a net increase in other postemployment benefit (OPEB) liability of \$11,337,010 for the year ended September 30, 2016.

### City of Montgomery's Changes in Net Position

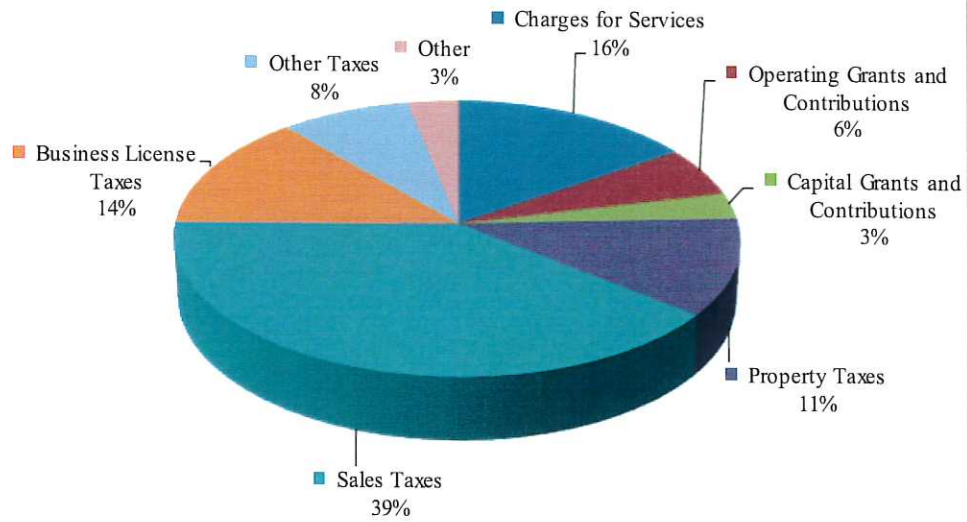
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 40,057,727	\$ 39,344,973	\$ 6,127,473	\$ 5,942,417	\$ 46,185,200	\$ 45,287,390
Operating grants and contributions	14,942,746	15,578,353	-	-	14,942,746	15,578,353
Capital grants and contributions	8,061,992	5,634,815	-	-	8,061,992	5,634,815
<b>General revenues</b>						
Sales taxes	102,478,204	100,641,722	-	-	102,478,204	100,641,722
Property taxes	29,621,888	28,922,582	-	-	29,621,888	28,922,582
Business license taxes	35,321,276	34,838,755	-	-	35,321,276	34,838,755
Other taxes	21,613,986	20,716,271	-	-	21,613,986	20,716,271
Other	8,316,722	7,169,257	809,118	521	9,125,840	7,169,778
Total revenues	260,414,541	252,846,728	6,936,591	5,942,938	267,351,132	258,789,666
<b>Expenses</b>						
General government	81,389,604	72,981,992	-	-	81,389,604	72,981,992
Public works	44,122,265	47,251,656	-	-	44,122,265	47,251,656
Public safety	102,967,635	94,705,501	-	-	102,967,635	94,705,501
Cultural and recreational	34,217,643	32,690,968	-	-	34,217,643	32,690,968
Interest on long-term debt	13,452,451	12,394,618	-	-	13,452,451	12,394,618
Montgomery Area Transit System	-	-	4,219,191	2,604,476	4,219,191	2,604,476
Montgomery Zoo	-	-	4,514,803	4,417,798	4,514,803	4,417,798
Municipal Golf	-	-	1,735,682	1,697,967	1,735,682	1,697,967
Montgomery River Boat	-	-	1,172,106	913,531	1,172,106	913,531
Total expenses	276,149,598	260,024,735	11,641,782	9,633,772	287,791,380	269,658,507
Decrease in net position before special items and transfers	(15,735,057)	(7,178,007)	(4,705,191)	(3,690,834)	(20,440,248)	(10,868,841)
Special item - Recycling facility debt assumption	(31,636,655)	-	-	-	(31,636,655)	-
Transfers in (out)	(4,212,460)	(3,176,087)	4,212,460	3,176,087	-	-
Decrease in net position	(51,584,172)	(10,354,094)	(492,731)	(514,747)	(52,076,903)	(10,868,841)
Net position - beginning	(190,368,483)	(180,014,389)	22,519,266	23,034,013	(167,849,217)	(156,980,376)
Net position - ending	\$ (241,952,655)	\$ (190,368,483)	\$ 22,026,535	\$ 22,519,266	\$ (219,926,120)	\$ (167,849,217)

## Governmental Activities

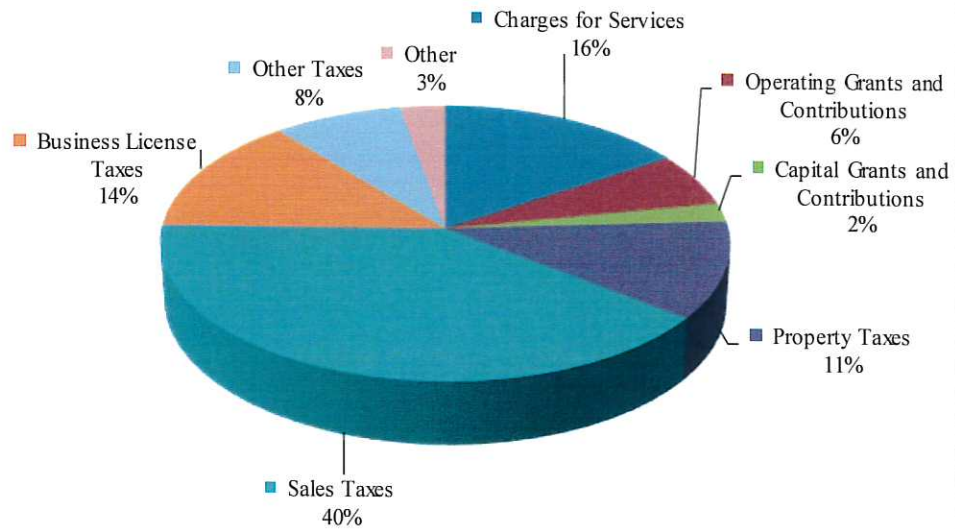
Governmental activities decreased the City's net position by \$51,584,172, thereby accounting for 99.1% of the total decline in net position of the City. Key elements of the decrease in net position were due to depreciation expense, increase in pension expense, increase in other postemployment benefits, the Recycling Facility debt assumption, and transfers to business-type activities. The decrease was offset by increases in capital grants and contributions, charges for services, sales taxes, property taxes, business licenses receipts, and other miscellaneous tax revenues in 2016.



**REVENUE BY SOURCE - GOVERNMENTAL  
ACTIVITIES FISCAL YEAR 2016**

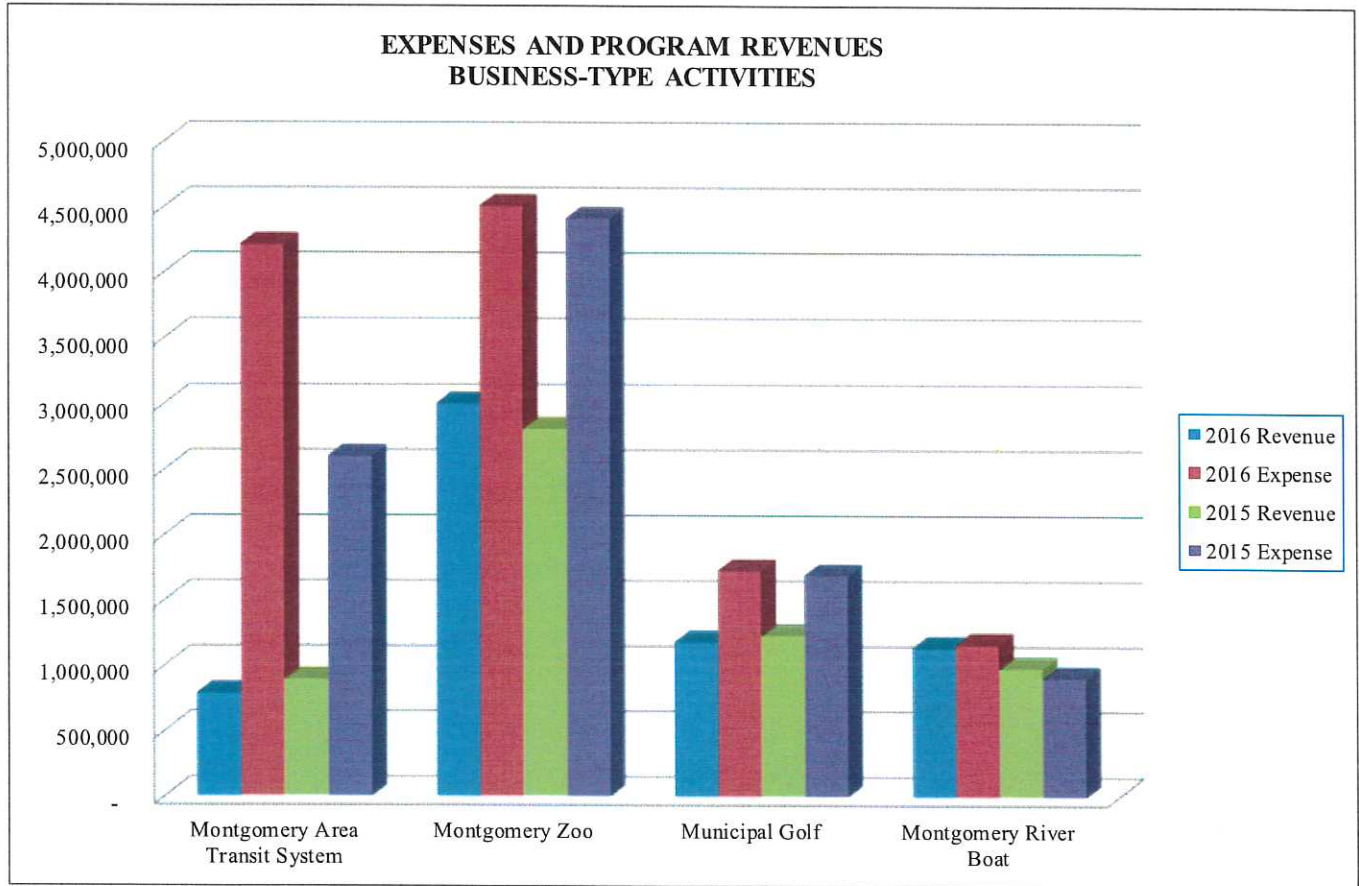


**REVENUE BY SOURCE - GOVERNMENTAL  
ACTIVITIES FISCAL YEAR 2015**



**Business-type Activities**

Business-type activities decreased the City’s net position by \$492,731, which contributed 0.9% 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 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, Special Revenue Funds, and Federal Funds.

In assessing the City’s financing requirements, unassigned fund balance is a particularly useful measure of net resources available for spending at the end of the fiscal year. As of September 30, 2016, the City’s Governmental Funds had an unassigned fund balance for governmental activities in the amount of \$19,459,199.

At September 30, 2016, total fund balance in the General Fund was \$22,700,243. The fund balance in the General Fund increased \$2,232,680 or 10.9% from the previous year. The increase in the fund balance was due to increases in charges for services, sales taxes, licenses and permits, intergovernmental revenues, and interest.

Total revenue of the General Fund increased by \$4,096,706 or 1.9% in 2016 compared to the previous year. This was due to an increase in taxes, intergovernmental revenues, charges for services, licenses and permits, and interest revenue. Expenditures of the General Fund at fiscal year-end were \$5,104,118 or 2.8% more than the previous year which was primarily due to personnel costs related to a budgeted market adjustment for the entire fiscal year, versus a partial year in fiscal year 2015.

Capital Project Fund – The fund is used to account for the acquisition and construction of major capital facilities. The fund balance of the capital project fund decreased \$10,910,985 or 85.5% from the previous year due to use of proceeds for completion of various Montgomery Public School System (MPS) projects, landfill construction, Municipal Court construction, and various land improvements and infrastructure projects.

Debt Service Fund – The fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest, and other related costs. The fund balance of the Debt Service Fund increased \$1,434,071 or 388.6% at September 30, 2016. The increase in fund balance was primarily attributable to an increase in transfers to service debt payments that were paid 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, 2016, the fund balance of the Special Revenue Funds decreased \$547,625 or 9.7% over the previous year. The primary reason for the decrease in fund balance was due to transfers out of the fund.

Federal Transit Administration Fund (FTA) – The fund is used to account for grant funding received primarily from the Federal Transit Administration to be used for the Montgomery Area Transit System. At September 30, 2016, the fund balance of the FTA Fund decreased \$85,000 or 53.5% over the previous year. The reason for the decrease was due to transfers out of the fund.

### **Proprietary Funds**

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

Enterprise Funds – Net position of the Montgomery Area Transit System (MATS), the Montgomery Zoo, Municipal Golf, and Montgomery River Boat at the end of the year was \$22,026,535. Total net position decreased for enterprise funds by \$492,731 or 2.2% in 2016 from the previous year. Total operating revenue increased \$185,056 or 3.1% for enterprise funds which was mainly due to an increase in revenue for nonmajor enterprise funds in the amount of \$101,307 or 4.6%. Total revenue for enterprise funds increased due to the donation of the Montgomery Riverboat to the City that was recorded at a fair market value of \$775,000. Additionally, the City sold several buses that had a positive effect on the net increase in total revenue for enterprise funds.

**Internal Service Fund** – Internal service funds are designed to recover the internal costs of government services provided to other fund groups. At September 30, 2016, the internal service fund reported a deficit of \$1,388,570 for its net position balance, which was due to a large transfer of funds from the General Fund. Because of the City’s aggressive policy to reduce the deficit in the internal service fund, the aforementioned deficit decreased \$1,104,276 or 44.3% from the previous year.

**Capital Assets and Debt Administration**

**Capital assets** – The City’s investment in capital assets for governmental and business-type activities as of September 30, 2016, was \$382,201,604 (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	
	2016	2015	2016	2015	2016	2015
Land	\$ 54,323,344	\$ 54,844,403	\$ 1,047,942	\$ 1,047,942	\$ 55,371,286	\$ 55,892,345
Buildings	127,609,579	125,553,981	20,277,797	20,845,555	147,887,376	146,399,536
Improvements other than buildings	46,623,038	48,784,402	1,372,999	1,525,535	47,996,037	50,309,937
Machinery and equipment	36,817,001	38,173,805	3,257,501	3,052,854	40,074,502	41,226,659
Infrastructure	83,089,475	87,062,725	-	-	83,089,475	87,062,725
Construction in progress	7,782,928	6,704,851	-	-	7,782,928	6,704,851
<b>Totals</b>	<b>\$ 356,245,365</b>	<b>\$ 361,124,167</b>	<b>\$ 25,956,239</b>	<b>\$ 26,471,886</b>	<b>\$ 382,201,604</b>	<b>\$ 387,596,053</b>

Additional information on the City’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 had secured and bonded debt outstanding of \$315,736,698. Of this amount \$302,212,673 comprises debt backed by the full faith and credit of the City and \$13,524,025 is comprised of long-term leases. The City’s long-term debt increased \$13,763,595 or 4.6% from the previous year due to the assumption of debt for a recycling facility as explained in Note 17, on page 84, in the notes to the financial statements.

State statutes limit the amount of general obligation debt a governmental entity may issue. The City can issue up to twenty (20) percent of its total assessed property valuation. The City’s total valuation for the current fiscal year is \$2,130,798,360 with a current debt limit for the City of \$426,159,672. Current debt applied to the debt limit total is \$260,624,103, leaving the City with a legal debt margin of \$165,535,569.

**Long-term Debt**

	2016	2015	Increase (Decrease)
General obligation bonds	\$ 302,212,673	\$ 287,692,592	\$ 14,520,081
Capital leases	13,524,025	14,280,511	(756,486)
<b>Totals</b>	<b>\$ 315,736,698</b>	<b>\$ 301,973,103</b>	<b>\$ 13,763,595</b>

The City carries an A1 rating from Moody's and an AA rating from Standard and Poor's. These ratings reflect the strength of the City's economy and the efficiency of operations by management and staff. See Note 9, beginning on page 63, for a detailed description of the City's total outstanding obligations.

### **General Fund Budgetary Highlights**

Budget to actual statements and schedules are provided in the financial statements for the General Fund and Gasoline Tax Fund, the only funds with legally adopted budgets. Columns are provided for both the original adopted budget as well as the final budget. These budgets are followed by columns for actual expenditures and for variances between the final budget and actual expenditures.

The operations of the City are a dynamic business that require strict budget control throughout the year. An adequate budget balance must be available for the particular line item for which a payment request has been submitted. If the budget balance is not adequate, the payment will be rejected. A payment will be approved after a budget adjustment for that cost center has been processed.

### General Fund

For the year ended September 30, 2016, actual revenues were more than budgeted revenues by \$550,710. The primary reasons for the variance are as follows:

- Actual intergovernmental revenue exceeded budgeted tax revenue by \$914,973 or 17.9%.
- Actual licenses and permits exceeded budgeted revenue by \$1,567,606 or 3.7%.
- Actual charges for service and interest exceeded budgeted revenue by \$526,338 or 2.6%.

For the year ended September 30, 2016, actual total expenditures were less than budgeted expenditures by \$3,316,264 or 1.8% in the following departments:

- General Government actual expenditures were less than budgeted expenditures by \$890,304.
- Public Works actual expenditures were less than budgeted expenditures by \$1,103,091.
- Public Safety actual expenditures were less than budgeted expenditures by \$180,893.
- Cultural and Recreational actual expenditures were less than budgeted expenditures by \$1,153,505.

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 in 2016.

## **Economic Factors and Year 2016**

The following factors were considered in preparing the City's Budget for Fiscal Year 2016:

- Montgomery's unemployment rate decreased from 5.8% in 2015 to 5.5% in 2016. The unemployment rate was 0.3% less than the previous year.
- The City 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.
- Continued sales tax revenue growth in 2016 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, 2016, fund balance in the General Fund was \$22,700,243. The City did not appropriate any fund balance from the 2016 fund balance for spending in the 2017 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 2017 budget.

### **Requests for Information**

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



## **BASIC FINANCIAL STATEMENTS**

**CITY OF MONTGOMERY, ALABAMA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2016**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Public Library
<b>ASSETS</b>				
Cash and cash equivalents	\$ 28,187,226	\$ 796,351	\$ 28,983,577	\$ 422,173
Cash held by fiscal agent	4,920,124	-	4,920,124	-
Internal balances	2,509,130	(2,509,130)	-	-
Receivables	18,367,365	232,738	18,600,103	1,008
Inventories	1,085,069	418,418	1,503,487	-
Prepaid items	53,006	-	53,006	-
Assets held for resale	32,817	-	32,817	-
Note receivable	700,000	-	700,000	-
Mortgage receivable	1,113,833	-	1,113,833	-
Lease receivable	1,499,207	-	1,499,207	-
Warrants receivable	773,784	-	773,784	-
Capital assets not being depreciated:				
Land	54,323,344	1,047,942	55,371,286	-
Construction in progress	7,782,928	-	7,782,928	-
Collections	-	-	-	10,418,925
Capital assets net of accumulated depreciation:				
Buildings and system	127,609,579	20,277,797	147,887,376	1,576,113
Improvements other than buildings	46,623,038	1,372,999	47,996,037	-
Machinery and equipment	36,817,001	3,257,501	40,074,502	102,920
Infrastructure	83,089,475	-	83,089,475	-
<b>TOTAL ASSETS</b>	<b>415,486,926</b>	<b>24,894,616</b>	<b>440,381,542</b>	<b>12,521,139</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	7,804,994	-	7,804,994	-
Pension related items	62,574,267	753,518	63,327,785	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>70,379,261</b>	<b>753,518</b>	<b>71,132,779</b>	<b>-</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	15,778,033	590,430	16,368,463	179,713
Retainage payable	297,338	-	297,338	-
Unearned revenue	464,997	13,013	478,010	-
Funds held in escrow	1,398,349	-	1,398,349	-
Noncurrent liabilities:				
Due within one year	24,984,184	30,216	25,014,400	-
Due in more than one year:				
Net pension liability	223,792,852	2,674,283	226,467,135	-
Postemployment benefits other than pensions	130,036,147	-	130,036,147	-
Other	331,066,942	313,657	331,380,599	-
<b>TOTAL LIABILITIES</b>	<b>727,818,842</b>	<b>3,621,599</b>	<b>731,440,441</b>	<b>179,713</b>
<b>NET POSITION</b>				
Net investment in capital assets	197,752,975	25,956,239	223,709,214	12,097,958
Restricted for:				
Public works	2,555,485	-	2,555,485	-
Public safety	3,506,648	-	3,506,648	-
Cultural and recreational	2,277,590	-	2,277,590	6,747
Capital projects	4,205,006	-	4,205,006	-
Municipal Court	743,815	-	743,815	-
Nonexpendable	-	-	-	103,661
Unrestricted	(452,994,174)	(3,929,704)	(456,923,878)	133,060
<b>TOTAL NET POSITION</b>	<b>\$ (241,952,655)</b>	<b>\$ 22,026,535</b>	<b>\$ (219,926,120)</b>	<b>\$ 12,341,426</b>

See accompanying notes to financial statements.

**CITY OF MONTGOMERY, ALABAMA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 81,389,604	\$ 15,685,140	\$ 7,797,959	\$ 3,443,804
Public works	44,122,265	21,854,726	1,455,099	3,266,049
Public safety	102,967,635	1,016,039	5,064,228	1,303,543
Cultural and recreational	34,217,643	1,501,822	625,460	48,596
Interest on long-term debt	13,452,451	-	-	-
Total governmental activities	<u>276,149,598</u>	<u>40,057,727</u>	<u>14,942,746</u>	<u>8,061,992</u>
Business-type activities:				
Montgomery Area Transit System	4,219,191	792,009	-	-
Montgomery Zoo	4,514,803	3,005,321	-	-
Municipal Golf	1,735,682	1,186,204	-	-
Montgomery River Boat	1,172,106	1,143,939	-	-
Total business-type activities	<u>11,641,782</u>	<u>6,127,473</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 287,791,380</u>	<u>\$ 46,185,200</u>	<u>\$ 14,942,746</u>	<u>\$ 8,061,992</u>
<b>Component Unit</b>				
Public Library	<u>\$ 4,902,802</u>	<u>\$ 122,000</u>	<u>\$ 206,845</u>	<u>\$ 50,000</u>
<b>General Revenues</b>				
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				
Special item - Recycling facility debt assumption (Note 17)				
<b>Transfers</b>				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
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
\$ (54,462,701)	\$ -	\$ (54,462,701)	\$ -
(17,546,391)	-	(17,546,391)	-
(95,583,825)	-	(95,583,825)	-
(32,041,765)	-	(32,041,765)	-
(13,452,451)	-	(13,452,451)	-
<u>(213,087,133)</u>	<u>-</u>	<u>(213,087,133)</u>	<u>-</u>
-	(3,427,182)	(3,427,182)	-
-	(1,509,482)	(1,509,482)	-
-	(549,478)	(549,478)	-
-	(28,167)	(28,167)	-
<u>-</u>	<u>(5,514,309)</u>	<u>(5,514,309)</u>	<u>-</u>
<u>(213,087,133)</u>	<u>(5,514,309)</u>	<u>(218,601,442)</u>	<u>-</u>
			<u>(4,523,957)</u>
102,478,204	-	102,478,204	-
29,621,888	-	29,621,888	-
35,321,276	-	35,321,276	-
5,632,958	-	5,632,958	-
9,389,538	-	9,389,538	-
4,687,049	-	4,687,049	-
1,588,275	-	1,588,275	-
316,166	-	316,166	-
233,702	-	233,702	4,195,602
117,610	652	118,262	2,795
7,965,410	775,000	8,740,410	64,007
-	33,466	33,466	-
(31,636,655)	-	(31,636,655)	-
<u>(4,212,460)</u>	<u>4,212,460</u>	<u>-</u>	<u>-</u>
<u>161,502,961</u>	<u>5,021,578</u>	<u>166,524,539</u>	<u>4,262,404</u>
<u>(51,584,172)</u>	<u>(492,731)</u>	<u>(52,076,903)</u>	<u>(261,553)</u>
<u>(190,368,483)</u>	<u>22,519,266</u>	<u>(167,849,217)</u>	<u>12,602,979</u>
<u>\$ (241,952,655)</u>	<u>\$ 22,026,535</u>	<u>\$ (219,926,120)</u>	<u>\$ 12,341,426</u>

**CITY OF MONTGOMERY, ALABAMA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2016**

	General Fund	Capital Project Fund	Debt Service Fund	Miscellaneous Special Revenue Fund	Federal Transit Administration Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 9,619,261	\$ 1,888,141	\$ -	\$ 5,265,670	\$ -	\$ 8,845,673	\$ 25,618,745
Cash held by fiscal agent	-	2,126,379	2,793,745	-	-	-	4,920,124
Receivables	13,618,333	128,795	-	30,444	2,420,835	1,554,909	17,753,316
Inventories	1,085,069	-	-	-	-	-	1,085,069
Prepaid items	48,392	-	-	930	-	3,564	52,886
Assets held for resale	-	-	-	32,817	-	-	32,817
Notes receivable	700,000	-	-	-	-	-	700,000
Due from other funds	3,697,043	-	-	-	-	-	3,697,043
Mortgage receivable	-	925,544	-	-	-	188,289	1,113,833
Lease receivable	-	-	1,499,207	-	-	-	1,499,207
Warrants receivable	-	-	773,784	-	-	-	773,784
Advances to other funds	939,902	-	-	-	-	-	939,902
<b>TOTAL ASSETS</b>	<b>\$ 29,708,000</b>	<b>\$ 5,068,859</b>	<b>\$ 5,066,736</b>	<b>\$ 5,329,861</b>	<b>\$ 2,420,835</b>	<b>\$ 10,592,435</b>	<b>\$ 58,186,726</b>
<b>LIABILITIES</b>							
Accounts payable and accrued expenses	\$ 5,832,256	\$ 1,446,124	\$ -	\$ 31,077	\$ -	\$ 787,126	\$ 8,096,583
Retainage payable	-	256,774	-	-	6,293	34,272	297,339
Due to other funds	-	-	990,642	-	2,340,544	365,857	3,697,043
Funds held in escrow	1,175,501	1,200	-	215,325	-	6,323	1,398,349
Unearned revenue	-	129,072	-	1,274	-	334,651	464,997
Advances from other funds	-	-	-	-	-	410,131	410,131
<b>TOTAL LIABILITIES</b>	<b>7,007,757</b>	<b>1,833,170</b>	<b>990,642</b>	<b>247,676</b>	<b>2,346,837</b>	<b>1,938,360</b>	<b>14,364,442</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - long-term receivables	-	925,544	2,272,991	-	-	-	3,198,535
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>925,544</b>	<b>2,272,991</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,198,535</b>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable:							
Assets held for resale	-	-	-	32,817	-	-	32,817
Inventories	1,085,069	-	-	-	-	-	1,085,069
Long-term receivables	1,639,902	-	-	-	-	-	1,639,902
Prepaid items	48,392	-	-	930	-	3,564	52,886
Restricted:							
Capital projects	-	2,310,145	-	1,526,654	-	778,628	4,615,427
Debt service	-	-	1,803,103	-	-	-	1,803,103
Emergency Communications District	-	-	-	-	-	3,866,305	3,866,305
Intergovernmental	-	-	-	3,199,034	73,998	1,929,464	5,202,496
Landfill	-	-	-	322,750	-	-	322,750
Municipal Court	-	-	-	-	-	743,814	743,814
Riverfront Stadium	-	-	-	-	-	1,799,981	1,799,981
Unassigned	19,926,880	-	-	-	-	(467,681)	19,459,199
<b>TOTAL FUND BALANCES</b>	<b>22,700,243</b>	<b>2,310,145</b>	<b>1,803,103</b>	<b>5,082,185</b>	<b>73,998</b>	<b>8,654,075</b>	<b>40,623,749</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 29,708,000</b>	<b>\$ 5,068,859</b>	<b>\$ 5,066,736</b>	<b>\$ 5,329,861</b>	<b>\$ 2,420,835</b>	<b>\$ 10,592,435</b>	<b>\$ 58,186,726</b>

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, 2016**

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

Total fund balances - governmental funds		\$ 40,623,749
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		356,245,365
Long-term receivables are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		3,198,535
Deferred outflows of resources are applicable to future periods, and, therefore, are not reported in the governmental funds:		
Deferred charge on refunding	\$ 7,804,994	
Pension related items	<u>62,574,267</u>	
		70,379,261
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.		629,789
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, 2016 were:		
Bonds, warrants, leases, and notes payable	315,736,698	
Unamortized net premiums	5,017,180	
Unamortized net discounts	(14,681)	
Accrued interest	3,149,229	
Compensated absences	19,893,041	
Retirement and disability benefits	7,780,750	
Net pension liability	223,792,852	
Postemployment benefits other than pensions	130,036,147	
Pollution remediation obligation	374,400	
Landfill closure and postclosure costs	<u>7,263,738</u>	
Total long-term liabilities		<u>(713,029,354)</u>
Net position of governmental activities		<u>\$ (241,952,655)</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, 2016**

	General Fund	Capital Project Fund	Debt Service Fund	Miscellaneous Special Revenue Fund	Federal Transit Administration Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 149,737,006	\$ -	\$ -	\$ 1,588,275	\$ -	\$ 2,388,797	\$ 153,714,078
Licenses and permits	43,481,851	-	-	-	-	108,257	43,590,108
Intergovernmental revenues	6,011,272	402,689	1,953,891	1,856,014	2,938,867	14,722,206	27,884,939
Charges for services	20,776,789	71,280	-	330,316	-	-	21,178,385
Fines and forfeitures	3,315,194	-	-	-	-	1,517,747	4,832,941
Interest	75,156	22,109	1,010	-	-	10,788	109,063
Miscellaneous revenues	1,106,460	2,669,961	2,280,211	167,000	6,198	835,593	7,065,423
Total revenues	224,503,728	3,166,039	4,235,112	3,941,605	2,945,065	19,583,388	258,374,937
<b>EXPENDITURES</b>							
Current:							
General government	43,557,626	2,180,513	-	381,050	4,374,375	4,872,806	55,366,370
Public works	29,655,813	1,601,295	-	162,330	-	6,871,840	38,291,278
Public safety	78,688,561	500,658	-	38,902	-	4,477,889	83,706,010
Cultural and recreational	28,398,478	775,372	-	188,825	-	278,449	29,641,124
Intergovernmental	-	6,648,198	-	-	-	-	6,648,198
Capital outlay	-	9,427,942	-	19,365	7,537	1,411,055	10,865,899
Debt service:							
Principal	4,917,489	187,200	17,468,631	-	-	-	22,573,320
Interest	219,813	-	12,112,454	-	-	-	12,332,267
Debt issuance cost	-	-	35,287	-	-	-	35,287
Total expenditures	185,437,780	21,321,178	29,616,372	790,472	4,381,912	17,912,039	259,459,753
Excess of revenues over (under) expenditures	39,065,948	(18,155,139)	(25,381,260)	3,151,133	(1,436,847)	1,671,349	(1,084,816)
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from sale of capital assets	181,972	780,007	-	-	-	-	961,979
Transfers in	5,500,000	8,322,674	26,815,331	26,000	1,757,976	3,713,444	46,135,425
Transfers out	(47,410,245)	(1,928,237)	-	(3,724,758)	(406,129)	(3,936,256)	(57,405,625)
Capital leases	4,895,005	69,710	-	-	-	-	4,964,715
Total other financing sources (uses)	(36,833,268)	7,244,154	26,815,331	(3,698,758)	1,351,847	(222,812)	(5,343,506)
Net change in fund balances	2,232,680	(10,910,985)	1,434,071	(547,625)	(85,000)	1,448,537	(6,428,322)
<b>FUND BALANCES - BEGINNING</b>	20,467,563	13,221,130	369,032	5,629,810	158,998	7,205,538	47,052,071
<b>FUND BALANCES - ENDING</b>	\$ 22,700,243	\$ 2,310,145	\$ 1,803,103	\$ 5,082,185	\$ 73,998	\$ 8,654,075	\$ 40,623,749

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, 2016

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

Net change in fund balances - total governmental funds	\$ (6,428,322)
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the statement of net position.	16,930,957
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.	3,084,962
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.	(22,277,604)
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.	(2,617,117)
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.	(1,240,183)
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position.	
Capital lease financing	\$ 4,964,715
Recycling Facility Debt Assumption (Note 17)	<u>31,636,655</u>
Total proceeds	(36,601,370)

(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, 2016

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	\$ 16,664,919	
Capital leases	5,721,201	
Pollution remediation obligation	<u>187,200</u>	
Total repayments		\$ 22,573,320

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	(412,580)	
Retirement and disability benefits	(523,691)	
Pension	15,322,834	
Accrued interest	208,093	
Postemployment benefit plans other than pensions	11,337,010	
Landfill closure and postclosure costs	<u>(554,473)</u>	
Additional expenses		(25,377,193)

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		(876,804)
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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.

		<u>1,245,182</u>
Change in net position of governmental activities		<u>\$ (51,584,172)</u>

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 150,433,167	\$ 150,433,167	\$ 149,737,006	\$ (696,161)
Licenses and permits	41,914,245	41,914,245	43,481,851	1,567,606
Intergovernmental revenues	5,096,299	5,096,299	6,011,272	914,973
Charges for services	20,316,557	20,316,557	20,776,789	460,232
Fines and forfeitures	4,400,000	4,400,000	3,315,194	(1,084,806)
Interest	9,050	9,050	75,156	66,106
Miscellaneous revenues	1,783,700	1,783,700	1,106,460	(677,240)
Total revenues	<u>223,953,018</u>	<u>223,953,018</u>	<u>224,503,728</u>	<u>550,710</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Council	341,762	335,162	322,070	13,092
Mayor and cabinet	828,811	828,811	765,919	62,892
City Clerk	315,298	315,298	305,736	9,562
Customer Service	233,632	232,641	210,341	22,300
Development	482,089	468,089	466,632	1,457
Finance department	3,705,774	3,358,774	3,248,296	110,478
Fleet management	3,405,517	3,405,517	3,269,272	136,245
Information technology	3,076,330	2,803,930	2,618,293	185,637
Insurance	1,800,000	471,243	471,243	-
Investigations	271,024	285,258	265,703	19,555
Legal Department	826,125	826,125	776,559	49,566
Miscellaneous activities	12,456,592	12,703,142	13,459,106	(755,964)
Municipal Court	2,673,406	2,673,406	2,550,001	123,405
Parking Management	846,393	846,393	735,561	110,832
Payments to government agencies	4,989,023	4,342,023	4,039,648	302,375
Planning	1,745,914	1,756,914	1,618,840	138,074
Retirement	8,381,973	8,381,973	8,033,542	348,431
Risk Management	505,413	413,231	400,864	12,367
Total general government	<u>46,885,076</u>	<u>44,447,930</u>	<u>43,557,626</u>	<u>890,304</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Public Works:</b>				
Engineering Department	\$ 1,891,036	\$ 1,877,113	\$ 1,771,735	\$ 105,378
Inspections Division	2,301,266	2,301,266	2,175,399	125,867
Landfill Division	1,698,696	1,625,633	1,407,096	218,537
Maintenance	7,468,136	7,427,875	7,242,808	185,067
Sanitation Department	14,768,938	14,808,938	14,341,852	467,086
Traffic Engineering Department	2,733,152	2,718,079	2,716,923	1,156
Total public works	30,861,224	30,758,904	29,655,813	1,103,091
<b>Public Safety:</b>				
Emergency Management	335,084	345,084	338,252	6,832
Fire Department	32,550,541	32,889,937	33,118,391	(228,454)
Police Department	45,737,923	45,634,433	45,231,918	402,515
Total public safety	78,623,548	78,869,454	78,688,561	180,893
<b>Cultural and Recreational:</b>				
Building maintenance	5,288,555	5,274,051	5,199,362	74,689
City events	1,102,165	1,152,165	1,147,652	4,513
Library	3,227,670	3,227,670	3,063,230	164,440
Museum	3,047,412	3,047,412	2,969,574	77,838
Parks and recreation	16,533,500	15,981,917	15,414,095	567,822
Public information and external affairs	940,768	868,768	604,565	264,203
Total cultural and recreational	30,140,070	29,551,983	28,398,478	1,153,505
<b>Debt Service:</b>				
Principal	4,872,347	4,872,347	4,917,489	(45,142)
Interest	253,426	253,426	219,813	33,613
Total debt service	5,125,773	5,125,773	5,137,302	(11,529)
Total expenditures	191,635,691	188,754,044	185,437,780	3,316,264
Excess of revenues over expenditures	32,317,327	35,198,974	39,065,948	3,866,974

(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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	\$ -	\$ -	\$ 181,972	\$ 181,972
Transfers in	6,000,000	6,000,000	5,500,000	(500,000)
Transfers out	(41,817,327)	(44,698,974)	(47,410,245)	(2,711,271)
Capital leases	5,500,000	5,500,000	4,895,005	(604,995)
Total other financing sources (uses)	<u>(30,317,327)</u>	<u>(33,198,974)</u>	<u>(36,833,268)</u>	<u>(3,634,294)</u>
Net changes in fund balance	2,000,000	2,000,000	2,232,680	232,680
<b>FUND BALANCES - BEGINNING</b>	<u>20,467,563</u>	<u>20,467,563</u>	<u>20,467,563</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 22,467,563</u>	<u>\$ 22,467,563</u>	<u>\$ 22,700,243</u>	<u>\$ 232,680</u>

See accompanying notes to financial statements.

**CITY OF MONTGOMERY, ALABAMA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2016**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund	
	Montgomery Area Transit System	Montgomery Zoo	Other Enterprise Funds		Total Enterprise Funds
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 568,410	\$ 227,941	\$ 796,351	\$ 2,568,480
Receivables	6,645	213,307	12,786	232,738	614,049
Inventories	264,585	107,425	46,408	418,418	-
Prepaid items	-	-	-	-	120
Total current assets	<u>271,230</u>	<u>889,142</u>	<u>287,135</u>	<u>1,447,507</u>	<u>3,182,649</u>
<b>NONCURRENT ASSETS</b>					
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	8,633,996	1,637,971	1,183,956	11,455,923	-
Less accumulated depreciation	(10,519,139)	(7,463,553)	(1,800,324)	(19,783,016)	-
Total capital assets, net of accumulated depreciation	<u>18,705,783</u>	<u>5,422,628</u>	<u>1,827,828</u>	<u>25,956,239</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>18,977,013</u>	<u>6,311,770</u>	<u>2,114,963</u>	<u>27,403,746</u>	<u>3,182,649</u>
<b>DEFERRED OUTFLOWS</b>					
Pension related items	-	719,260	34,258	753,518	-
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>-</u>	<u>719,260</u>	<u>34,258</u>	<u>753,518</u>	<u>-</u>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued expenses	283,987	175,529	130,914	590,430	1,493,152
Claims payable	-	-	-	-	3,036,600
Unearned revenue	-	-	13,013	13,013	-
Funds in escrow	-	-	-	-	2,467
Compensated absences	-	30,216	-	30,216	-
Total current liabilities	<u>283,987</u>	<u>205,745</u>	<u>143,927</u>	<u>633,659</u>	<u>4,532,219</u>
<b>NONCURRENT LIABILITIES</b>					
Advances from other funds	277,983	-	212,788	490,771	39,000
Compensated absences	-	306,745	6,912	313,657	-
Net pension liability	-	2,650,732	23,551	2,674,283	-
Total noncurrent liabilities	<u>277,983</u>	<u>2,957,477</u>	<u>243,251</u>	<u>3,478,711</u>	<u>39,000</u>
<b>TOTAL LIABILITIES</b>	<u>561,970</u>	<u>3,163,222</u>	<u>387,178</u>	<u>4,112,370</u>	<u>4,571,219</u>
<b>NET POSITION</b>					
Investment in capital assets	18,705,783	5,422,628	1,827,828	25,956,239	-
Unrestricted	(290,740)	(1,554,820)	(65,785)	(1,911,345)	(1,388,570)
<b>TOTAL NET POSITION</b>	<u>\$ 18,415,043</u>	<u>\$ 3,867,808</u>	<u>\$ 1,762,043</u>	<u>24,044,894</u>	<u>\$ (1,388,570)</u>
Adjustment to reflect the consolidation of internal service fund activities related to Enterprise Funds				(2,018,359)	
Net position of business-type activities				<u>\$ 22,026,535</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, 2016**

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Fund
	Montgomery Area Transit System	Montgomery Zoo	Other Enterprise Funds		
<b>OPERATING REVENUES</b>					
Charges for goods and services	\$ 792,009	\$ 3,005,321	\$ 2,330,143	\$ 6,127,473	\$ 31,369,309
Total operating revenues	792,009	3,005,321	2,330,143	6,127,473	31,369,309
<b>OPERATING EXPENSES</b>					
Cost of sales and services	-	164,096	458,475	622,571	-
Administration	2,782,658	3,935,079	2,340,346	9,058,083	37,331,320
Depreciation	1,436,533	307,236	76,453	1,820,222	-
Total operating expenses	4,219,191	4,406,411	2,875,274	11,500,876	37,331,320
<b>OPERATING LOSS</b>	(3,427,182)	(1,401,090)	(545,131)	(5,373,403)	(5,962,011)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Gain on sale of capital assets	32,749	717	-	33,466	-
Interest income	-	419	233	652	8,547
Loss before contributions and transfers	(3,394,433)	(1,399,954)	(544,898)	(5,339,285)	(5,953,464)
Donated capital assets	-	-	775,000	775,000	-
Transfers in	2,825,599	919,627	467,234	4,212,460	7,057,740
Change in net position	(568,834)	(480,327)	697,336	(351,825)	1,104,276
<b>NET POSITION - BEGINNING</b>	18,983,877	4,348,135	1,064,707	24,396,719	(2,492,846)
<b>NET POSITION - ENDING</b>	\$ 18,415,043	\$ 3,867,808	\$ 1,762,043		\$ (1,388,570)
Adjustment to reflect the consolidation of internal service fund activities related to Enterprise Funds				(140,906)	
Change in net position of business-type activities				\$ (492,731)	

See accompanying notes to financial statements.

**CITY OF MONTGOMERY, ALABAMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Fund
	Montgomery Area Transit System	Montgomery Zoo	Other Enterprise Funds		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 791,603	\$ 2,990,887	\$ 2,314,112	\$ 6,096,602	\$ -
Receipts from interfund services provided	-	-	-	-	31,368,116
Payments to suppliers	(2,741,600)	(1,678,504)	(1,934,232)	(6,354,336)	(36,498,140)
Payments to employees	-	(1,998,557)	(839,966)	(2,838,523)	-
Payments for interfund services used	-	(234,790)	(7,155)	(241,945)	-
Net cash used by operating activities	<u>(1,949,997)</u>	<u>(920,964)</u>	<u>(467,241)</u>	<u>(3,338,202)</u>	<u>(5,130,024)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	2,825,599	919,627	467,234	4,212,460	7,057,740
Net cash payments to other funds	(502,224)	-	(291,012)	(793,236)	-
Net cash provided by noncapital financing activities	<u>2,323,375</u>	<u>919,627</u>	<u>176,222</u>	<u>3,419,224</u>	<u>7,057,740</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(406,129)	(113,306)	(11,600)	(531,035)	-
Proceeds from sale of capital assets	32,751	2,178	-	34,929	-
Net cash used by capital and related financing activities	<u>(373,378)</u>	<u>(111,128)</u>	<u>(11,600)</u>	<u>(496,106)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest income	-	419	233	652	8,547
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(112,046)	(302,386)	(414,432)	1,936,263
CASH AND CASH EQUIVALENTS - BEGINNING	-	680,456	530,327	1,210,783	632,217
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ -</u>	<u>\$ 568,410</u>	<u>\$ 227,941</u>	<u>\$ 796,351</u>	<u>\$ 2,568,480</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>					
Donated capital assets	\$ -	\$ -	\$ 775,000	\$ 775,000	\$ -

(Continued)

See accompanying notes to financial statements.

**CITY OF MONTGOMERY, ALABAMA**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Fund
	Montgomery Area Transit System	Montgomery Zoo	Other Enterprise Funds		
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>					
Operating loss	\$ (3,427,182)	\$ (1,401,090)	\$ (545,131)	\$ (5,373,403)	\$ (5,962,011)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation expense	1,436,533	307,236	76,453	1,820,222	-
(Increase) decrease in assets and deferred outflows:					
Receivables	(406)	(14,434)	(2,565)	(17,405)	183,401
Inventories	4,627	6,774	14,886	26,287	-
Prepaid items	-	-	-	-	(120)
Deferred outflows	-	(289,170)	(31,084)	(320,254)	-
Increase (decrease) in liabilities and deferred inflows:					
Accounts payable and accrued expenses	36,431	(13,290)	6,613	29,754	(89,959)
Deferred revenue	-	-	(13,466)	(13,466)	-
Funds in escrow	-	-	-	-	(1,193)
Claims payable	-	-	-	-	739,858
Compensated absences	-	(12,002)	3,502	(8,500)	-
Net pension liability	-	495,012	23,551	518,563	-
Total adjustments	1,477,185	480,126	77,890	2,035,201	831,987
Net cash used by operating activities	\$ (1,949,997)	\$ (920,964)	\$ (467,241)	\$ (3,338,202)	\$ (5,130,024)

See accompanying notes to financial statements.



**CITY OF MONTGOMERY, ALABAMA**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 DECEMBER 31, 2015

	<b>Employees' Retirement System</b>
<b>ASSETS</b>	
Cash	\$ 94,655
Receivables:	
Accrued interest and dividends	826,265
Contributions receivable	822,817
Other receivables	4,034
Total receivables	<u>1,653,116</u>
Investments, at fair value:	
Fixed income	84,065,027
Domestic and international equities	27,863,889
Mutual funds	182,851,221
Partnerships	25,275,171
Cash equivalents	1,740,505
Total investments	<u>321,795,813</u>
Total assets	<u>323,543,584</u>
<b>LIABILITIES</b>	
Accounts payable	120,026
Refunds payable	1,834,156
Total liabilities	<u>1,954,182</u>
<b>NET POSITION - RESTRICTED FOR PENSION BENEFITS</b>	<u><u>\$ 321,589,402</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, 2015**

	<b>Employees' Retirement System</b>
<b>ADDITIONS</b>	
Contributions:	
Employers	\$ 13,833,363
Members	6,766,735
Total contributions	<u>20,600,098</u>
Investment income:	
Interest	2,937,148
Dividends	7,988,015
Net depreciation in fair value of investments	<u>(15,527,092)</u>
	<u>(4,601,929)</u>
Less: Investment expense	488,602
Net investment income	<u>(5,090,531)</u>
Other additions:	
Interest on reinstatement contributions	<u>59,565</u>
Total other additions	<u>59,565</u>
Total additions	<u>15,569,132</u>
<b>DEDUCTIONS</b>	
Benefit payments	34,160,722
Withdrawals and refunds	1,415,556
Administration expenses	<u>137,617</u>
Total deductions	<u>35,713,895</u>
Change in net position	(20,144,763)
Net position - restricted for pension benefits beginning of year	<u>341,734,165</u>
Net position - restricted for pension benefits end of year	<u><u>\$ 321,589,402</u></u>

See accompanying notes to financial statements.

# CITY OF MONTGOMERY, ALABAMA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Reporting Entity*

The City of Montgomery (the City) was incorporated under the laws of the State of Alabama in 1837 and operates under an elected Mayor-Council form of government as required by State of Alabama Legislative Act No. 73-618 approved August 28, 1973. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. It is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

**Blended Component 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.

The Alabama Capital Region Solid Waste Disposal Authority is a separate legal entity that is governed by a board nominated by the Mayor and appointed by the City Council. The Authority was established to provide financing for the construction of a recycling facility. The City is obligated to provide funding to cover the debt service of the Authority. The Authority is included in the Debt Service Fund and does not issue separate financial statements.

**Discretely Presented Component Unit.** The Montgomery City-County Public Library (the Library) operates for the benefit of the residents of the City and Montgomery County. The Library's operational and capital budgets are approved by the City Council and the City provides annual appropriations to fund the Library's operating costs. The Library is prohibited from issuing bonded debt without the approval of the City Council. The members of the governing board of the Library are jointly appointed by the City Council and Montgomery County. The Library is presented as a governmental fund type. The complete financial statements of the individual component unit can be obtained directly from its administrative office.

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

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

***Government-wide and Fund Financial Statements***

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

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate 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, 2016

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### 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.

**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.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

**Internal Service Fund** – Accounts for the operations of the self-insured medical insurance plan, workers’ compensation plan, and the self-insured liability insurance plan provided to other departments of the City on a cost reimbursement basis. The liability insurance plan includes general liability, public officials’ liability, and law enforcement officers’ liability.

**Pension Trust Fund** – Accounts for the activities of the Employees’ Retirement System of the City of Montgomery, Alabama, which accumulates resources for pension benefit payments to qualified City employees.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the internal service 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, 2015.

**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2016

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

*Inventories and Prepaid Items*

Inventories are stated at cost using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Inventories are summarized as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Automotive parts	\$ 267,425	\$ 264,585	\$ 532,010
Fuels and lubricants	196,332	-	196,332
Materials and supplies	421,733	-	421,733
Tobacco tax stamps	35,627	-	35,627
Merchandise and concessions	13,147	153,833	166,980
Other	150,805	-	150,805
	<u>\$ 1,085,069</u>	<u>\$ 418,418</u>	<u>\$ 1,503,487</u>
Totals	<u>\$ 1,085,069</u>	<u>\$ 418,418</u>	<u>\$ 1,503,487</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, 2016

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

*Capital Assets*

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

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

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

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

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



**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, 2016 totaled \$7,780,750.

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, 2016 totaled \$130,036,147.

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

***Pensions***

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

***Long-term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Lease Obligations***

Capital lease obligations are stated at the original fair value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest in the lease. Also, in the year an asset is acquired by capital lease, the expenditure for the asset and the offsetting amount of the financing source are reflected in the fund financial statements. Capital lease obligations of proprietary funds and governmental activities in the government-wide financial statements and the cost of assets so acquired are reflected in the accounts of those funds and statements.

***Fund Balance***

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

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

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

# CITY OF MONTGOMERY, ALABAMA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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### 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.

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

**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2016

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

***Budgetary Information (Continued)***

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

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, 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, 2016 and 2015 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, 2016, the City included the encumbrances as part of governmental fund balances as follows:

Capital Project Fund	\$ 2,310,145
Miscellaneous Special Revenue Fund	114,255
Federal Transit Administration Fund	1,717
Nonmajor governmental funds	<u>778,628</u>
Encumbrances as part of governmental fund balances	<u>\$ 3,204,745</u>

***Deficit Fund Equity***

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

	<b>Deficit Amount</b>
<b>Nonmajor Governmental Fund:</b>	
State Gasoline Tax	\$ 410,131
ADECA Grant Fund	44,663
Department of Justice Grant Fund	2
Department of Homeland Security	10,587
<b>Internal Service Fund</b>	<b>1,388,570</b>

**CITY OF MONTGOMERY, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

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

*Deficit Fund Equity (Continued)*

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 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.

*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.

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

The System's year end is December 31, 2015, which precedes the effective date for GASB Statement No. 72. As a result, GASB Statement No. 72 has not been implemented with regards to the System's investments.

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

*Investments (Continued)*

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.

**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, 2016

**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, 2015, 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	\$ -	\$ 749,329	\$ -	\$ 510,876	\$ 1,260,205	\$ 1,305,724
Corporate Securities	11,178,445	60,507,765	-	-	71,686,210	72,538,651
Foreign Bonds	649,036	10,469,576	-	-	11,118,612	11,235,793
Mutual Bond Fund	3,114,783	6,423,634	126,144	38,814	9,703,375	9,926,699
<b>Total Fixed Maturity</b>	<b>\$ 14,942,264</b>	<b>\$ 78,150,304</b>	<b>\$ 126,144</b>	<b>\$ 549,690</b>	<b>93,768,402</b>	<b>95,006,867</b>
<i>Equities</i>						
Domestic					26,072,072	22,354,825
International					1,791,817	1,415,544
<b>Total Equities</b>					<b>27,863,889</b>	<b>23,770,369</b>
<i>Mutual Equity Funds</i>					173,147,846	161,212,546
<i>Partnerships*</i>					25,275,171	17,441,286
<i>Cash Equivalents</i>					1,740,505	1,740,505
<b>Total Investments</b>					<b>\$ 321,795,813</b>	<b>\$ 299,171,573</b>

\* 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, 2016**

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

*Investments (Continued)*

**Mortgage-Backed Securities** – As of December 31, 2015, 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, 2015, concerning credit risk:

<u><b>RATING OF FIXED MATURITY INVESTMENTS</b></u>			
<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	\$ 5,261,398	\$ 5,366,852	5.61%
Aa	1,038,261	1,062,157	1.11%
Aa1	112,158	120,050	0.12%
Aa2	1,579,641	1,594,004	1.68%
Aa3	3,990,772	3,985,160	4.26%
A	2,260,886	2,312,921	2.41%
A1	11,995,127	12,069,491	12.79%
A2	11,838,665	11,919,219	12.63%
A(SP)	581,134	589,717	0.62%
A3	11,494,798	11,571,586	12.26%
Baa	1,251,735	1,280,544	1.33%
Baa1	23,037,187	23,281,939	24.57%
BBB+(SP)	398,718	434,737	0.43%
Baa2	9,157,409	9,437,350	9.77%
BB(SP)	368,728	377,215	0.39%
Baa3	9,168,904	9,365,684	9.78%
B	126,144	129,047	0.13%
Caa	106,737	109,194	0.11%
Totals	<u>\$ 93,768,402</u>	<u>\$ 95,006,867</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, 2016**

**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>Transit Administration Grant</u>	<u>Nonmajor Governmental Funds</u>	<u>Montgomery Area Transit System</u>
Interest and dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions receivable	-	-	-	-	-	-
Taxes	10,672,717	-	-	-	470,561	-
Accounts	1,719,621	39,808	30,444	-	165,285	6,645
Intergovernmental	1,225,995	88,987	-	2,420,835	919,063	-
<b>Total receivables</b>	<b>\$ 13,618,333</b>	<b>\$ 128,795</b>	<b>\$ 30,444</b>	<b>\$ 2,420,835</b>	<b>\$ 1,554,909</b>	<b>\$ 6,645</b>

	<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	\$ -	\$ -	\$ -	\$ 826,265	\$ 826,265
Contributions receivable	-	-	-	822,817	822,817
Taxes	-	-	-	-	11,143,278
Accounts	213,307	12,786	614,049	4,034	2,805,979
Intergovernmental	-	-	-	-	4,654,880
<b>Total receivables</b>	<b>\$ 213,307</b>	<b>\$ 12,786</b>	<b>\$ 614,049</b>	<b>\$ 1,653,116</b>	<b>\$ 20,253,219</b>

**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, 2016 is shown below.

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 990,642
	Federal Transit Administration Grant	2,340,544
	Nonmajor Governmental	365,857
<b>Total</b>		<b>\$ 3,697,043</b>

**CITY OF MONTGOMERY, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**5. INTERFUND BALANCES (Continued)**

**Advance to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 410,131
	Montgomery Area Transit System	277,983
	Nonmajor Enterprise	212,788
	Internal Service	39,000
		<u>939,902</u>
Total		<u>\$ 939,902</u>

**Interfund Transfers**

<u>Transfer Out</u>	<u>Transfer In</u>					<u>Nonmajor Governmental</u>
	<u>General</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Miscellaneous Special Revenue Fund</u>	<u>Federal Transit Administration Grant</u>	
General	\$ -	\$ 6,492,404	\$ 25,768,744	\$ 26,000	\$ 1,757,976	\$ 2,530,938
Capital Project Fund	-	-	931,399	-	-	966,950
Miscellaneous Special Revenue Fund	1,991,871	1,517,331	-	-	-	215,556
Federal Transit Administration Grant	-	-	-	-	-	-
Nonmajor Governmental	3,508,129	312,939	115,188	-	-	-
Totals	<u>\$ 5,500,000</u>	<u>\$ 8,322,674</u>	<u>\$ 26,815,331</u>	<u>\$ 26,000</u>	<u>\$ 1,757,976</u>	<u>\$ 3,713,444</u>

<u>Transfer Out</u>	<u>Transfer In</u>				<u>Total</u>
	<u>Montgomery Area Transit</u>	<u>Montgomery Zoo</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>	
General	\$ 2,419,470	\$ 889,739	\$ 467,234	\$ 7,057,740	\$ 47,410,245
Capital Project Fund	-	29,888	-	-	1,928,237
Miscellaneous Special Revenue Fund	-	-	-	-	3,724,758
Federal Transit Administration Grant	406,129	-	-	-	406,129
Nonmajor Governmental	-	-	-	-	3,936,256
Totals	<u>\$ 2,825,599</u>	<u>\$ 919,627</u>	<u>\$ 467,234</u>	<u>\$ 7,057,740</u>	<u>\$ 57,405,625</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, 2016

**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 \$773,784 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:

	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
Year ending September 30:		
2017	\$ 376,992	\$ 28,272
2018	396,792	9,424
Totals	<u>\$ 773,784</u>	<u>\$ 37,696</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 \$1,499,207 is recorded as a receivable and unavailable revenue in the Debt Service Fund.

**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2016

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**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, 2016, are as follows:

	<u>Amount</u>
Year ending September 30:	
2017	\$ 785,200
2018	787,043
Total minimum lease payments	<u>1,572,243</u>
Less amounts representing interest	<u>73,036</u>
Present value of minimum lease payments	<u>\$ 1,499,207</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 \$925,544 have been reported in the Capital Project Fund as of September 30, 2016. Certain mortgages receivable included in the Capital Project Fund totaling \$200,000 have terms of repayment dependent upon the completion of a rehabilitation agreement and other terms related to the occurrence of future events.

**CITY OF MONTGOMERY, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**7. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2016 was as follows:

*Primary Government*

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 54,844,403	\$ 403,904	\$ (924,963)	\$ -	\$ 54,323,344
Construction in progress	6,704,851	10,578,422	-	(9,500,345)	7,782,928
Total capital assets, not being depreciated	<u>61,549,254</u>	<u>10,982,326</u>	<u>(924,963)</u>	<u>(9,500,345)</u>	<u>62,106,272</u>
Capital assets, being depreciated:					
Buildings and system	192,381,499	92,123	(1,360,368)	7,503,488	198,616,742
Improvements other than buildings	78,865,773	10,465	-	901,268	79,777,506
Machinery and equipment	118,560,014	5,862,828	(5,984,734)	87,423	118,525,531
Infrastructure	549,053,568	3,068,177	(107,800)	1,007,621	553,021,566
Total capital assets, being depreciated	<u>938,860,854</u>	<u>9,033,593</u>	<u>(7,452,902)</u>	<u>9,499,800</u>	<u>949,941,345</u>
Less accumulated depreciation for:					
Buildings and system	66,827,518	4,322,638	(142,993)	-	71,007,163
Improvements other than buildings	30,081,371	3,073,097	-	-	33,154,468
Machinery and equipment	80,386,209	6,919,061	(5,596,195)	(545)	81,708,530
Infrastructure	461,990,843	7,962,808	(21,560)	-	469,932,091
Total accumulated depreciation	<u>639,285,941</u>	<u>22,277,604</u>	<u>(5,760,748)</u>	<u>(545)</u>	<u>655,802,252</u>
Total capital assets, being depreciated, net	<u>299,574,913</u>	<u>(13,244,011)</u>	<u>(1,692,154)</u>	<u>9,500,345</u>	<u>294,139,093</u>
Governmental activities capital assets, net	<u>\$ 361,124,167</u>	<u>\$ (2,261,685)</u>	<u>\$ (2,617,117)</u>	<u>\$ -</u>	<u>\$ 356,245,365</u>

**CITY OF MONTGOMERY, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**7. CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 1,047,942	\$ -	\$ -	\$ -	\$ 1,047,942
Capital assets, being depreciated:					
Buildings and system	26,344,622	-	-	-	26,344,622
Improvements other than buildings	6,890,768	-	-	-	6,890,768
Machinery and equipment	11,769,070	1,306,035	(1,602,383)	(16,799)	11,455,923
Total capital assets, being depreciated	45,004,460	1,306,035	(1,602,383)	(16,799)	44,691,313
Less accumulated depreciation for:					
Buildings and system	5,499,067	567,758	-	-	6,066,825
Improvements other than buildings	5,365,233	152,536	-	-	5,517,769
Machinery and equipment	8,716,216	1,099,928	(1,600,923)	(16,799)	8,198,422
Total accumulated depreciation	19,580,516	1,820,222	(1,600,923)	(16,799)	19,783,016
Total capital assets, being depreciated, net	25,423,944	(514,187)	(1,460)	-	24,908,297
Business-type activities capital assets, net	\$ 26,471,886	\$ (514,187)	\$ (1,460)	\$ -	\$ 25,956,239

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

**Governmental Activities:**

General Government	\$ 15,176,651
Public Works	1,800,773
Public Safety	3,897,699
Cultural and Recreational	1,402,481
Total depreciation expense - governmental activities	\$ 22,277,604

**Business-type Activities:**

Montgomery Area Transit System	\$ 1,436,533
Montgomery Zoo	307,236
Montgomery River Boat	26,413
Municipal Golf	50,040
Total depreciation expense - business-type activities	\$ 1,820,222

**CITY OF MONTGOMERY, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**8. SHORT-TERM DEBT**

In October 2016, 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 matured October 10, 2016. As of September 30, 2016, there were no draws on the line of credit.

Subsequent to year end, the City obtained a \$10,000,000 line of credit to support operations pending collection and receipt of outstanding City revenue. The line of credit bears interest on the outstanding balances at the 30-day LIBOR rate plus 2.05%. Interest is due quarterly beginning January 2017. The line of credit matures October 30, 2017.

**9. LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 287,692,592	\$ 31,185,000	\$ (16,664,919)	\$ 302,212,673	\$ 16,858,508
Less issuance discounts	(18,465)	-	3,784	(14,681)	-
Add issuance premiums	5,376,139	451,655	(810,614)	5,017,180	-
Total general obligation bonds payable	293,050,266	31,636,655	(17,471,749)	307,215,172	16,858,508
Capital leases	14,280,511	4,964,715	(5,721,201)	13,524,025	5,687,520
Compensated absences	20,305,621	1,278,168	(1,690,748)	19,893,041	1,690,748
Retirement and disability benefits	8,304,441	36,517	(560,208)	7,780,750	560,208
Net pension liability	180,698,003	43,094,849	-	223,792,852	-
Postemployment benefits other than pensions	118,699,137	22,829,085	(11,492,075)	130,036,147	-
Pollution remediation obligation	561,600	-	(187,200)	374,400	187,200
Landfill closure and postclosure	7,818,211	-	(554,473)	7,263,738	-
Governmental activities long-term liabilities	<u>643,717,790</u>	<u>103,839,989</u>	<u>(37,677,654)</u>	<u>709,880,125</u>	<u>24,984,184</u>
<b>Business-type activities:</b>					
Compensated absences	352,373	21,716	(30,216)	343,873	30,216
Net pension liability	2,155,720	518,563	-	2,674,283	-
Business-type activities long-term liabilities	<u>2,508,093</u>	<u>540,279</u>	<u>(30,216)</u>	<u>3,018,156</u>	<u>30,216</u>
Total long-term debt	<u>\$ 646,225,883</u>	<u>\$ 104,380,268</u>	<u>\$ (37,707,870)</u>	<u>\$ 712,898,281</u>	<u>\$ 25,014,400</u>

**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2016

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

Long-term debt payable at September 30, 2016 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 \$354,975,718 with current outstanding balances as follows:

<p><b>\$8,995,000 Series 2006B General Obligation Tax Increment Warrants</b> due in annual installments of \$355,000 to \$475,000 on 1/1/09 to 1/1/17, 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>\$ 475,000</p>
<p><b>\$18,795,000 Series 2006C General Obligation Warrants</b> due in annual installments of \$640,000 to \$910,000 on 1/1/07 to 1/1/17, 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>910,000</p>
<p><b>\$42,090,000 Series 2010A General Obligation Warrants</b> due in annual installments of \$715,000 to \$3,980,000 on 2/1/12 to 2/1/27, with a maximum principal of \$3,980,000 in fiscal year 2027, interest at 2.00% to 5.00%.</p>	<p>36,420,000</p>
<p><b>\$60,065,000 Series 2010B Taxable General Obligation Recovery Zone Economic Development Term Warrants</b> with principal of \$10,920,000 due 2/1/30, \$22,665,000 due 2/1/35, and \$26,480,000 due 2/1/40, with a maximum principal of \$26,480,000 in fiscal year 2040, interest at 5.30% to 5.70%.</p>	<p>60,065,000</p>
<p><b>\$38,760,000 Series 2011 General Obligation Warrants</b> due in annual installments of \$1,450,000 to \$6,150,000 on 5/1/16 to 5/1/23, with a maximum principal of \$6,150,000 in fiscal year 2023, interest at 3.00% to 5.00%.</p>	<p>35,295,000</p>



**CITY OF MONTGOMERY, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

***General Obligation Bonds (Continued)***

<b>\$9,835,000 Series 2012A General Obligation Warrants</b> 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%.	\$ 9,000,000
<b>\$65,150,000 Series 2012B Taxable General Obligation Warrants</b> 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%.	53,755,000
<b>\$1,935,000 Series 2012-CWSRF-DL General Obligation Warrants</b> \$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%.	990,000
<b>\$9,610,000 Series 2013-A General Obligation Warrants</b> 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%.	8,905,000
<b>\$3,684,724 Series 2014-A General Obligation Warrants</b> due in annual installments of \$333,333 to \$351,394 on 4/23/14 to 4/23/24, with a maximum principal of \$351,394 in fiscal year 2024, interest at 3.36%.	2,684,725
<b>\$2,357,875 Series 2014-B General Obligation Warrants</b> due in annual installments of \$471,575 on 2/19/15 to 2/19/19, interest at 2.88%.	1,414,725
<b>\$9,190,000 Series 2015 Education Cooperative District Limited Obligation Revenue Warrants</b> due in annual installments of \$200,000 to \$475,000 on 4/1/16 to 4/1/40, with a maximum principal of \$475,000 in fiscal year 2035, interest at 2.00% to 5.00%.	8,935,000
<b>\$53,898,119 Series 2015 General Obligation Warrants</b> 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%.	52,913,223
<b>\$30,610,000 Series 2013-A Tax Exempt Solid Waste Disposal Revenue Bonds</b> due in annual installments of \$160,000 to \$3,105,000 on 6/15/16 to 6/15/39, with a maximum principal of \$3,105,000 in fiscal year 2039, interest at 4.0% to 5.0%.	<u>30,450,000</u>
Total general obligation bonds	<u><u>\$ 302,212,673</u></u>

**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2016

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

***General Obligation Bonds (Continued)***

The following schedule illustrates debt service to maturity for General Obligation Bonds at September 30, 2016.

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2017	\$ 16,858,508	\$ 10,191,578	\$ 27,050,086
2018	19,213,508	9,733,603	28,947,111
2019	18,010,443	9,203,836	27,214,279
2020	18,651,679	8,671,898	27,323,577
2021	19,301,089	8,053,453	27,354,542
2022-2026	86,059,131	31,369,761	117,428,892
2027-2031	55,813,315	19,663,328	75,476,643
2032-2036	37,750,000	10,598,653	48,348,653
2037-2041	30,555,000	2,748,966	33,303,966
Totals	<u>\$ 302,212,673</u>	<u>\$ 110,235,076</u>	<u>\$ 412,447,749</u>

**Recycling Facility Debt Assumption** – As noted in Note 17, the City assumed the debt of the Alabama Regional Solid Waste Authority on October 1, 2015. This resulted in an increase in general obligation bonds in the amount of \$31,185,000 and an increase in unamortized issuance premiums of \$451,655. The net effect of the assumption is \$31,636,655 and is reported on the government-wide statement of activities as Special Item – Recycling facility debt assumption.

This resulted in an increase in general obligation bonds of \$31,636,655, and is included on the government-wide statement of activities as Recycling Facility Debt Assumption.

**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, 2016, the amount of outstanding debt applicable to this limit was equal to 12.23% of property assessments as of October 1, 2015.

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

**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2016

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

*General Obligation Bonds (Continued)*

**Prior Years' Debt Defeasance** – In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the City's government-wide financial statements. As of September 30, 2016, the amount of defeased debt outstanding amounted to \$32,930,000.

*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, 2017 and each six month period thereafter. A principal payment of \$125,000 is due on the first day of each six month period beginning March 1, 2017 until maturity on September 1, 2036. At September 30, 2016, there were no draws on the line of credit.

On February 10, 2017, the City drew down the entire \$5,000,000.

*Capital Leases*

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

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 29,538,250
Less accumulated depreciation	<u>(4,200,157)</u>
Total	<u>\$ 25,338,093</u>

**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2016

**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, 2016, were as follows:

	<b>Governmental Activities</b>
Year ending September 30:	
2017	\$ 5,924,559
2018	3,634,454
2019	2,631,295
2020	930,843
2021	930,843
Total minimum lease payments	14,051,994
Less amount representing interest	527,969
Present value of minimum lease payments	<u>\$ 13,524,025</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.

**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
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**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 \$7,263,738 as of September 30, 2016, which is based on 69% usage. It is estimated that an additional \$3,236,262 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 \$10,500,000 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, 2016. 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, 2021. The lease is for \$3,158 per month as adjusted for inflation and contains five five-year renewal options. The City exercised its second renewal option in 2016. The future minimum lease payments as of September 30, 2016, were as follows:

Year ending September 30:	
2017	\$ 37,896
2018	37,896
2019	37,896
2020	37,896
2021	<u>28,422</u>
Total	<u>\$ 180,006</u>

Total rental expense for the above operating lease is \$37,896 for the year ended September 30, 2016.

**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2016

**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, 2016:

Real estate - Union Station	\$ 2,410,365
Real estate - North Jackson Street	13,200
Less accumulated depreciation	<u>1,532,666</u>
Total	<u>\$ 890,899</u>

The minimum future rentals on noncancelable operating leases as of September 30, 2016 are:

Year ending September 30:	
2017	\$ 205,623
2018	108,612
2019	42,651
2020	13,900
2021	<u>13,825</u>
Total minimum future rentals	<u>\$ 384,611</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  
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**12. RISK MANAGEMENT (Continued)**

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$350,000 for employees' medical insurance and \$250,000 for the liabilities financed in the Internal Service Fund. An excess coverage insurance policy covers individual claims in excess of \$600,000 for workers' compensation. Settlements have not exceeded coverage for each of the past three fiscal years. It is anticipated that all claims outstanding as of September 30, 2016 will be paid during the next fiscal year.

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

<b>Employees' Medical Insurance</b>	<u>2016</u>	<u>2015</u>
Unpaid claims, beginning of fiscal year	\$ 1,492,000	\$ 2,016,300
Incurred claims (including IBNRs)	35,689,842	31,807,856
Claim payments	<u>(35,272,142)</u>	<u>(32,332,156)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,909,700</u>	<u>\$ 1,492,000</u>
 <b>Liability Insurance</b>	 <u>2016</u>	 <u>2015</u>
Unpaid claims, beginning of fiscal year	\$ 804,742	\$ 875,061
Incurred claims (including IBNRs)	1,641,478	1,449,867
Claim payments	<u>(1,319,320)</u>	<u>(1,520,186)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,126,900</u>	<u>\$ 804,742</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  
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**13. PENSION PLAN**

*Plan Administration*

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

The System is a pension trust fund included in the financial statements of the City of Montgomery, Alabama. The City is obligated for the payment of all retirement allowances of the System. Additionally, the System is fiscally dependent on the City by virtue of the legislative and executive controls exercised with respect to its operations and policies.

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, 2015:

Inactive plan members or beneficiaries currently receiving benefits:	
General (Group I)	1,047
Police and fire (Group II)	840
Total	<u>1,887</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)	1,473
Police and fire (Group II)	906
Total	<u>2,379</u>
Total plan members	<u><u>4,280</u></u>



**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2016

**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, 2016

**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 62<sup>nd</sup> 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, 2016 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, 2016 was \$14,650,781. For the System’s calendar year ended December 31, 2015, contributions by the City totaled \$13,665,653.

**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2016

**13. PENSION PLAN (Continued)**

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

At September 30, 2016, the City reported a liability of \$226,467,117 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, 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, 2015, the City's proportion was 98.788%.

For the year ended September 30, 2016, the City recognized pension expense of \$30,169,628. At September 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>
<b>Governmental activities:</b>	
Differences between expected and actual results	\$ 14,293,346
Changes of assumptions	6,625,975
Net difference between projected and actual earnings on Plan investments	30,869,568
City contributions subsequent to measurement date	<u>10,785,378</u>
Governmental activities deferred outflows related to pensions	<u>62,574,267</u>
<b>Business-type activities:</b>	
Differences between expected and actual results	171,993
Changes of assumptions	79,731
Net difference between projected and actual earnings on Plan investments	371,456
City contributions subsequent to measurement date	<u>130,338</u>
Business-type activities deferred outflows related to pensions	<u>753,518</u>
Total deferred outflows related to pensions	<u><u>\$ 63,327,785</u></u>

**CITY OF MONTGOMERY, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**13. PENSION PLAN (Continued)**

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

The \$10,785,378 and \$130,338 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	\$ 13,081,321	\$ 157,409
2017	13,081,321	157,409
2018	13,081,321	157,409
2019	12,544,926	150,953
	<u>\$ 51,788,889</u>	<u>\$ 623,180</u>

***Actuarial Assumptions***

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%		
Assumed payroll increase	2.25%		
Salary increases	Annual increases by age as follows:		
	<u>Age</u>	<u>Group 1</u>	<u>Group 2</u>
	<20	4.50%	5.00%
	20-24	4.00%	4.50%
	25-29	4.00%	4.50%
	30-34	3.50%	4.00%
	35-39	3.50%	4.00%
	40-44	3.00%	3.50%
	45-49	3.00%	3.50%
	50-54	3.00%	3.50%
	55-59	2.50%	3.00%
	60-64	2.50%	3.00%
	65+	2.50%	3.00%
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 2023 using Scale AA.

**CITY OF MONTGOMERY, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2016

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**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, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income:	
Domestic (short-term)	3.10%
Domestic (long-term)	4.40%
International	5.70%
Equities:	
Domestic	6.50%
International	7.40%
Cash	2.30%

*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, 2016

**13. PENSION PLAN (Continued)**

*Actuarial Assumptions (Continued)*

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

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net Pension Liability</u>
1% decrease	6.00%	\$ 291,483,603
Current discount rate	7.00%	226,467,135
1% increase	8.00%	172,500,511

Changes in the actuarial assumptions used in the December 31, 2015 calculation consisted of an update of the retirement rates and withdrawal rates to better reflect anticipated future experience as the result of an assumption study, and a change in the cash balance interest crediting rate from 3.04% to 3.03%.

**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, 2016, 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, 2016

**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 \$6,738,299 for active participants and \$3,602,356 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, 2016

**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	\$ 23,986,060
Interest on net OPEB obligation	5,707,408
Adjustment to ARC	<u>(6,864,383)</u>
Annual OPEB cost	22,829,085
Contributions made	<u>(11,492,075)</u>
Increase in net OPEB obligation	11,337,010
Net OPEB obligation - beginning of year	<u>118,699,137</u>
Net OPEB obligation - end of year	<u><u>\$ 130,036,147</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 2016 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>
9/30/2014	\$ 24,766,498	47.3%	\$ 107,302,072
9/30/2015	22,229,796	48.7%	118,699,137
9/30/2016	22,829,085	50.3%	130,036,147

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

*Funded Status and Funding Progress*

As of September 30, 2016, the actuarial accrued liability for benefits was \$304,687,687 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$107,546,847 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 283%.

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:

**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, 2016

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### 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, 2016

**16. CONSTRUCTION COMMITMENT**

As of September 30, 2016, the City had commitments on construction of capital projects as follows:

Gross commitments	\$ 9,712,573
Spent-to-date	<u>5,855,415</u>
Net commitments	<u>\$ 3,857,158</u>

As of March 3, 2017, the City's total net construction commitments were approximately \$4,094,000.

**17. RECYCLING FACILITY DEBT ASSUMPTION**

The City entered into an amended and restated support agreement with the Solid Waste Disposal Authority of the City of Montgomery (SWDA) to fulfill its solid waste delivery and tipping fee obligations to IREP-Montgomery MRF, LLC (IREP), a third party, under an Amended and Restated Municipal Solid Waste Feedstock Supply Agreement (Feedstock Supply Agreement) on June 4, 2013. IREP pledged the Feedstock Supply Agreement revenue to the Alabama Capital Region Solid Waste Authority (CRSWA) in order to obtain the Series 2013-A Tax Exempt Solid Waste Disposal Revenue Bonds and the 2013-B Taxable Solid Waste Disposal Revenue Bonds that were used to construct the Recycling Facility. SWDA was included as a blended component unit in the City's financial statements and the fees associated with Feedstock Supply Agreement were recorded as an exchange transaction.

Effective as of October 1, 2015, IREP ceased operating the Recycling Facility and accepting solid waste under the Feedstock Supply Agreement with SWDA. Bankruptcy proceedings began during fiscal year 2016 and the City commenced foreclosure proceedings in an effort to gain control of the facility. The City's fees under the agreement are now paid directly to a Bond Trustee of the CRSWA who, in turn, services the associated debt. Because no solid waste is or will be accepted, an exchange transaction is no longer occurring. CRSWA is now financially dependent upon the City for fees under the Feedstock Supply Agreement to fulfill its obligation to the bond holders and is now included as a blended component unit in the City's financial statements.

The assumption took place on October 1, 2015, and consisted of the following:

2013-A Tax Exempt Solid Waste Disposal Revenue Bonds	\$ 30,610,000
Unamortized Issuance Premium related to the 2013-A Tax Exempt Solid Waste Disposal Revenue Bonds	451,655
2013-B Taxable Solid Waste Disposal Revenue Bonds	<u>575,000</u>
Total	<u>\$ 31,636,655</u>

This resulted in an increase in general obligation bonds of \$31,636,655, and is included in the government-wide statement of activities as Special Item – Recycling Facility Debt Assumption.

Debt service payments made by the CRSWA during the fiscal year resulted in a reduction of principal in the amounts of \$160,000 and \$575,000, on the 2013-A Tax Exempt Solid Waste Disposal Revenue Bonds and the 2013-B Taxable Solid Waste Disposal Revenue Bonds, respectively.

**CITY OF MONTGOMERY, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

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**18. RELATED PARTY TRANSACTIONS**

The following related party transactions occurred during the year ended September 30, 2016:

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 \$3,282,059 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. 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.

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.

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

*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 80, Blending Requirements for Certain Component Units.* This Statement clarifies the display requirements in GASB 14 by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2016.

*GASB 81, Irrevocable Split-Interest Agreements.* This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2016.

*GASB 82, Pension Issues.* This Statement is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2016.

*GASB 83, Certain Asset Retirement Obligations.* This Statement establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2018.

*GASB 84, Fiduciary Activities.* This Statement establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2018.

**REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF MONTGOMERY, ALABAMA

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

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<u>Year Ended December 31</u>	<u>City's Proportion of the Collective Net Pension Liability</u>	<u>City's Proportionate Share of the Collective Net Pension Liability</u>	<u>City's Covered- Employee Payroll</u>	<u>City's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	98.788%	\$ 226,467,135	\$ 105,313,705	215.04%	58.38%
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 contains ten years of data.
2. The actuarial assumptions used for the schedule are detailed in Note 13 to the financial statements.



**CITY OF MONTGOMERY, ALABAMA**

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>Year Ended September 30</b>	<b>Actuarially Determined Employer Contributions</b>	<b>Actual Employer Contributions</b>	<b>Annual Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Actual Contributions as a % of Covered Employee Payroll</b>
2016	\$ 14,650,781	\$ 14,650,781	\$ -	\$ 105,313,705	13.91%
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 Healthy Mortality Table with mortality improvement projected to 2023 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**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets ( a )</b>	<b>Actuarial Accrued Liability (AAL) - Projected Unit Credit ( b )</b>	<b>Unfunded AAL (UAAL) ( b-a )</b>	<b>Funded Ratio ( a/b )</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll [( b-a )/c]</b>
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.

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, 2016**

	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
<b>ASSETS</b>							
Cash and cash equivalents	\$ 100,544	\$ 2,159,385	\$ -	\$ -	\$ 25	\$ 62,820	\$ 25,745
Receivables	283,705	263,752	-	62,145	-	72,801	12,101
Prepaid items	-	621	-	-	-	-	-
Mortgage receivable	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 384,249</b>	<b>\$ 2,423,758</b>	<b>\$ -</b>	<b>\$ 62,145</b>	<b>\$ 25</b>	<b>\$ 135,621</b>	<b>\$ 37,846</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable and accrued expenses	\$ 384,249	\$ 38,004	\$ 18,974	\$ 1,493	\$ -	\$ 1,193	\$ 4,140
Retainage payable	-	34,272	-	-	-	-	-
Due to other funds	-	-	25,689	60,654	-	-	-
Unearned revenue	-	-	-	-	-	145,015	-
Funds held in escrow	-	-	-	-	-	-	-
Advances from other funds	410,131	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>794,380</b>	<b>72,276</b>	<b>44,663</b>	<b>62,147</b>	<b>-</b>	<b>146,208</b>	<b>4,140</b>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable:							
Prepaid items	-	621	-	-	-	-	-
Restricted for:							
Capital projects	-	744,922	-	-	-	-	33,706
Emergency communications center	-	-	-	-	-	-	-
Intergovernmental	-	1,605,939	-	-	25	-	-
Municipal Court Corrections	-	-	-	-	-	-	-
Riverfront Stadium	-	-	-	-	-	-	-
Unassigned	(410,131)	-	(44,663)	(2)	-	(10,587)	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>(410,131)</b>	<b>2,351,482</b>	<b>(44,663)</b>	<b>(2)</b>	<b>25</b>	<b>(10,587)</b>	<b>33,706</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 384,249</b>	<b>\$ 2,423,758</b>	<b>\$ -</b>	<b>\$ 62,145</b>	<b>\$ 25</b>	<b>\$ 135,621</b>	<b>\$ 37,846</b>

(Continued)

**CITY OF MONTGOMERY, ALABAMA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**  
**SEPTEMBER 30, 2016**

Special Revenue Funds						
Housing and Urban Development Grant Fund	Municipal Court Corrections Fund	Riverfront Stadium Fund	Seizures and Forfeitures Fund	Municipal Court Judicial Administration Fund	Emergency Communications District	Total
\$ -	\$ 670,173	\$ 1,457,891	\$ 333,126	\$ 79,891	\$ 3,956,073	\$ 8,845,673
518,315	-	342,090	-	-	-	1,554,909
2,298	-	-	-	-	645	3,564
188,289	-	-	-	-	-	188,289
<u>\$ 708,902</u>	<u>\$ 670,173</u>	<u>\$ 1,799,981</u>	<u>\$ 333,126</u>	<u>\$ 79,891</u>	<u>\$ 3,956,718</u>	<u>\$ 10,592,435</u>
\$ 239,752	\$ 6,250	\$ -	\$ 3,303	\$ -	\$ 89,768	\$ 787,126
-	-	-	-	-	-	34,272
279,514	-	-	-	-	-	365,857
189,636	-	-	-	-	-	334,651
-	-	-	6,323	-	-	6,323
-	-	-	-	-	-	410,131
<u>708,902</u>	<u>6,250</u>	<u>-</u>	<u>9,626</u>	<u>-</u>	<u>89,768</u>	<u>1,938,360</u>
2,298	-	-	-	-	645	3,564
-	-	-	-	-	-	778,628
-	-	-	-	-	3,866,305	3,866,305
-	-	-	323,500	-	-	1,929,464
-	663,923	-	-	79,891	-	743,814
-	-	1,799,981	-	-	-	1,799,981
(2,298)	-	-	-	-	-	(467,681)
<u>-</u>	<u>663,923</u>	<u>1,799,981</u>	<u>323,500</u>	<u>79,891</u>	<u>3,866,950</u>	<u>8,654,075</u>
<u>\$ 708,902</u>	<u>\$ 670,173</u>	<u>\$ 1,799,981</u>	<u>\$ 333,126</u>	<u>\$ 79,891</u>	<u>\$ 3,956,718</u>	<u>\$ 10,592,435</u>

# CITY OF MONTGOMERY, ALABAMA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS SEPTEMBER 30, 2016

	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
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	108,257	-	-	-	-	-	-
Intergovernmental revenues	3,028,509	888,124	852,140	114,644	165,003	175,616	60,819
Fines and forfeitures	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Miscellaneous revenues	-	16,267	-	-	-	-	28,259
<b>Total revenues</b>	<b>3,136,766</b>	<b>904,391</b>	<b>852,140</b>	<b>114,644</b>	<b>165,003</b>	<b>175,616</b>	<b>89,078</b>
<b>EXPENDITURES</b>							
Current:							
General government	-	515,051	800,605	-	-	-	109,558
Public works	5,176,826	1,045,894	-	-	-	-	-
Public safety	-	-	75,650	114,644	-	169,959	-
Cultural and recreational	-	-	-	-	165,003	-	8,466
Capital outlay	-	65,841	18,974	-	-	5,657	9,915
<b>Total expenditures</b>	<b>5,176,826</b>	<b>1,626,786</b>	<b>895,229</b>	<b>114,644</b>	<b>165,003</b>	<b>175,616</b>	<b>127,939</b>
Excess of revenues over (under) expenditures	(2,040,060)	(722,395)	(43,089)	-	-	-	(38,861)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	2,452,980	947,277	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>2,452,980</b>	<b>947,277</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	412,920	224,882	(43,089)	-	-	-	(38,861)
<b>FUND BALANCES - BEGINNING</b>	<b>(823,051)</b>	<b>2,126,600</b>	<b>(1,574)</b>	<b>(2)</b>	<b>25</b>	<b>(10,587)</b>	<b>72,567</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ (410,131)</b>	<b>\$ 2,351,482</b>	<b>\$ (44,663)</b>	<b>\$ (2)</b>	<b>\$ 25</b>	<b>\$ (10,587)</b>	<b>\$ 33,706</b>

(Continued)

**CITY OF MONTGOMERY, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**  
**SEPTEMBER 30, 2016**

Special Revenue Funds						
Housing and Urban Development Grant Fund	Municipal Court Corrections Fund	Riverfront Stadium Fund	Seizures and Forfeitures Fund	Municipal Court Judicial Administration Fund	Emergency Communications District	Total
\$ -	\$ -	\$ 2,388,797	\$ -	\$ -	\$ -	\$ 2,388,797
-	-	-	-	-	-	108,257
3,568,247	-	-	-	-	5,869,104	14,722,206
-	1,169,479	-	-	348,268	-	1,517,747
-	-	-	-	-	10,788	10,788
272,865	-	509,103	9,099	-	-	835,593
<u>3,841,112</u>	<u>1,169,479</u>	<u>2,897,900</u>	<u>9,099</u>	<u>348,268</u>	<u>5,879,892</u>	<u>19,583,388</u>
3,366,515	79,570	-	-	1,507	-	4,872,806
649,120	-	-	-	-	-	6,871,840
-	-	-	91,185	-	4,026,451	4,477,889
-	-	104,980	-	-	-	278,449
90,000	-	73,064	40,929	-	1,106,675	1,411,055
<u>4,105,635</u>	<u>79,570</u>	<u>178,044</u>	<u>132,114</u>	<u>1,507</u>	<u>5,133,126</u>	<u>17,912,039</u>
(264,523)	1,089,909	2,719,856	(123,015)	346,761	746,766	1,671,349
263,000	-	-	-	-	50,187	3,713,444
-	(1,019,261)	(2,338,317)	(10,430)	(425,000)	(143,248)	(3,936,256)
<u>263,000</u>	<u>(1,019,261)</u>	<u>(2,338,317)</u>	<u>(10,430)</u>	<u>(425,000)</u>	<u>(93,061)</u>	<u>(222,812)</u>
(1,523)	70,648	381,539	(133,445)	(78,239)	653,705	1,448,537
1,523	593,275	1,418,442	456,945	158,130	3,213,245	7,205,538
<u>\$ -</u>	<u>\$ 663,923</u>	<u>\$ 1,799,981</u>	<u>\$ 323,500</u>	<u>\$ 79,891</u>	<u>\$ 3,866,950</u>	<u>\$ 8,654,075</u>



**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, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Licenses	\$ 93,345	\$ 93,345	\$ 108,257	\$ 14,912
Intergovernmental revenues	2,764,647	2,764,647	3,028,509	263,862
Total revenues	2,857,992	2,857,992	3,136,766	278,774
<b>EXPENDITURES</b>				
Public works:				
Maintenance	1,009,965	1,009,965	1,440,916	(430,951)
Traffic engineering	1,848,027	1,848,027	3,735,910	(1,887,883)
Total expenditures	2,857,992	2,857,992	5,176,826	(2,318,834)
Excess of expenditures over revenues	-	-	(2,040,060)	(2,040,060)
<b>OTHER FINANCING USES</b>				
Operating transfers in	-	-	2,452,980	2,452,980
Operating transfers out	-	-	-	-
Total other financing uses	-	-	2,452,980	2,452,980
Net change in fund balance	-	-	412,920	412,920
<b>FUND BALANCES - BEGINNING</b>	<b>(823,051)</b>	<b>(823,051)</b>	<b>(823,051)</b>	<b>-</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ (823,051)</b>	<b>\$ (823,051)</b>	<b>\$ (410,131)</b>	<b>\$ 412,920</b>

## **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, 2016**

	<u>Municipal Golf</u>	<u>Montgomery River Boat</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 225,351	\$ 2,590	\$ 227,941
Receivables	5,469	7,317	12,786
Inventories	38,194	8,214	46,408
Total current assets	<u>269,014</u>	<u>18,121</u>	<u>287,135</u>
<b>NONCURRENT ASSETS</b>			
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	786,600	1,183,956
Less accumulated depreciation	<u>(1,773,911)</u>	<u>(26,413)</u>	<u>(1,800,324)</u>
Total capital assets, net of accumulated depreciation	<u>1,067,641</u>	<u>760,187</u>	<u>1,827,828</u>
<b>TOTAL ASSETS</b>	<u>1,336,655</u>	<u>778,308</u>	<u>2,114,963</u>
<b>DEFERRED OUTFLOWS</b>			
Pension related items	-	34,258	34,258
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>-</u>	<u>34,258</u>	<u>34,258</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	90,755	40,159	130,914
Deferred revenue	7,577	5,436	13,013
Total current liabilities	<u>98,332</u>	<u>45,595</u>	<u>143,927</u>
<b>NONCURRENT LIABILITIES</b>			
Advances from other funds	-	212,788	212,788
Compensated absences	-	6,912	6,912
Net pension liability	-	23,551	23,551
Total noncurrent liabilities	<u>-</u>	<u>243,251</u>	<u>243,251</u>
<b>TOTAL LIABILITIES</b>	<u>98,332</u>	<u>288,846</u>	<u>387,178</u>
<b>NET POSITION</b>			
Investment in capital assets	1,067,641	760,187	1,827,828
Unrestricted	<u>170,682</u>	<u>(236,467)</u>	<u>(65,785)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,238,323</u>	<u>\$ 523,720</u>	<u>\$ 1,762,043</u>

**CITY OF MONTGOMERY, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Municipal Golf</u>	<u>Montgomery River Boat</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for goods and services	\$ 1,186,204	\$ 1,143,939	\$ 2,330,143
Total operating revenues	<u>1,186,204</u>	<u>1,143,939</u>	<u>2,330,143</u>
<b>OPERATING EXPENSES</b>			
Cost of sales and services	135,774	322,701	458,475
Administration	1,517,354	822,992	2,340,346
Depreciation	<u>50,040</u>	<u>26,413</u>	<u>76,453</u>
Total operating expenses	<u>1,703,168</u>	<u>1,172,106</u>	<u>2,875,274</u>
<b>OPERATING LOSS</b>	(516,964)	(28,167)	(545,131)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	<u>-</u>	<u>233</u>	<u>233</u>
Loss before contributions and transfers	(516,964)	(27,934)	(544,898)
Donated capital assets	-	775,000	775,000
Transfers in	<u>467,234</u>	<u>-</u>	<u>467,234</u>
Change in net position	<u>(49,730)</u>	<u>747,066</u>	<u>697,336</u>
<b>TOTAL NET POSITION - BEGINNING</b>	<u>1,288,053</u>	<u>(223,346)</u>	<u>1,064,707</u>
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 1,238,323</u>	<u>\$ 523,720</u>	<u>\$ 1,762,043</u>

**CITY OF MONTGOMERY, ALABAMA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Municipal Golf</u>	<u>Montgomery River Boat</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,189,342	\$ 1,124,770	\$ 2,314,112
Payments to suppliers	(905,821)	(1,028,411)	(1,934,232)
Payments to employees	(731,995)	(107,971)	(839,966)
Payments for interfund services used	-	(7,155)	(7,155)
Net cash used by operating activities	<u>(448,474)</u>	<u>(18,767)</u>	<u>(467,241)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	467,234	-	467,234
Net cash payments (to) from other funds	<u>(321,146)</u>	<u>30,134</u>	<u>(291,012)</u>
Net cash provided by noncapital financing activities	<u>146,088</u>	<u>30,134</u>	<u>176,222</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	<u>-</u>	<u>(11,600)</u>	<u>(11,600)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	<u>-</u>	<u>233</u>	<u>233</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(302,386)</b>	<b>-</b>	<b>(302,386)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>527,737</u>	<u>2,590</u>	<u>530,327</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 225,351</u>	<u>\$ 2,590</u>	<u>\$ 227,941</u>

(Continued)

**CITY OF MONTGOMERY, ALABAMA**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Municipal Golf</u>	<u>Montgomery River Boat</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>			
Operating loss	\$ (516,964)	\$ (28,167)	\$ (545,131)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation expense	50,040	26,413	76,453
(Increase) decrease in assets and deferred outflows:			
Receivables	2,388	(4,953)	(2,565)
Inventories	11,586	3,300	14,886
Deferred outflows	-	(31,084)	(31,084)
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable and accrued expenses	3,726	2,887	6,613
Deferred revenue	750	(14,216)	(13,466)
Compensated absences	-	3,502	3,502
Net pension liability	-	23,551	23,551
Total adjustments	<u>68,490</u>	<u>9,400</u>	<u>77,890</u>
Net cash used by operating activities	<u>\$ (448,474)</u>	<u>\$ (18,767)</u>	<u>\$ (467,241)</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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	99
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.	105
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	110
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	117
<b>Operating Information</b> These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	119

**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										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
<b>Governmental activities</b>											
Net investment in capital assets	\$ 225,355,184	\$ 214,327,085	\$ 220,930,653	\$ 253,437,449	\$ 205,973,790	\$ 217,212,528	\$ 204,191,726	\$ 201,285,470	\$ 193,379,215	\$ 197,752,975	
Restricted:											
Public works	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	2,557,209	
Public safety	1,365,804	1,821,728	1,144,593	769,875	991,204	875,641	758,012	2,597,966	3,227,187	3,520,102	
Cultural and recreational	4,880,585	7,314,572	4,280,263	4,260,063	4,622,557	3,566,997	3,126,119	1,590,318	1,029,012	1,994,217	
Capital projects	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	4,205,006	
Municipal Court Corrections	-	-	-	-	484,534	672,821	430,225	-	751,405	743,815	
Unrestricted	(108,673,323)	(138,059,890)	(130,543,360)	(236,206,455)	(208,261,996)	(224,173,096)	(240,122,438)	(253,193,405)	(408,662,806)	(452,725,979)	
Total governmental activities net position	\$ 221,050,464	\$ 178,877,670	\$ 129,360,940	\$ 96,009,605	\$ 37,723,943	\$ 11,537,218	\$ (20,563,243)	\$ (40,204,376)	\$ (190,368,393)	\$ (241,952,655)	
<b>Business-type activities</b>											
Net investment in capital assets	\$ 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	\$ 25,956,239	
Unrestricted	(4,128,744)	(3,178,277)	(7,181,180)	790,709	(1,430,759)	(2,301,948)	(3,234,555)	(2,532,885)	(3,952,620)	(3,929,704)	
Total business-type activities net position	\$ 12,182,933	\$ 10,597,648	\$ 7,494,696	\$ 15,142,164	\$ 32,976,827	\$ 30,489,719	\$ 25,556,394	\$ 24,690,562	\$ 22,519,266	\$ 22,026,535	
<b>Primary government</b>											
Net investment in capital assets	\$ 241,646,861	\$ 230,103,010	\$ 235,626,529	\$ 267,788,904	\$ 238,381,376	\$ 230,004,195	\$ 230,982,675	\$ 228,508,917	\$ 219,851,101	\$ 223,709,214	
Restricted	96,388,603	102,610,475	38,933,647	78,778,611	42,012,149	18,497,786	17,367,469	11,705,559	24,915,198	13,020,349	
Unrestricted	(104,802,067)	(143,238,167)	(157,724,540)	(235,415,745)	(209,692,755)	(226,475,044)	(243,356,995)	(255,728,290)	(412,615,426)	(456,655,683)	
Total primary government net position	\$ 233,233,397	\$ 189,475,318	\$ 136,835,636	\$ 111,151,769	\$ 70,700,770	\$ 42,026,957	\$ 4,999,151	\$ (15,513,814)	\$ (167,849,127)	\$ (219,926,120)	

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										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
<b>Governmental activities</b>											
Expenses											
Governmental activities:											
General government	\$ 64,197,483	\$ 72,775,403	\$ 92,913,247	\$ 86,120,124	\$ 75,547,042	\$ 76,833,428	\$ 90,962,630	\$ 81,766,281	\$ 72,981,992	\$ 81,389,604	
Public works	52,259,298	60,747,459	57,744,148	47,781,026	51,232,910	44,582,467	44,184,691	44,184,691	47,251,656	44,122,265	
Public safety	75,159,784	90,376,182	83,265,102	80,288,506	95,703,085	95,841,814	91,141,018	94,292,962	94,705,501	102,967,635	
Cultural and recreational	23,220,119	30,131,588	27,939,722	33,837,955	35,826,263	34,317,494	32,880,877	33,624,299	32,690,968	34,217,643	
Interest on long-term debt	11,467,071	11,822,784	11,452,425	10,561,682	14,459,954	12,795,380	11,571,588	13,215,304	12,394,618	13,452,451	
Total governmental activities expenses	226,303,755	263,851,396	273,314,644	267,589,273	270,769,254	264,370,583	270,740,804	267,574,130	260,024,735	276,149,598	
Program revenues											
Governmental activities:											
Charges for services:											
General government	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	15,685,140	
Public works	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	21,854,726	
Public safety	1,141,386	988,058	916,564	1,237,731	1,518,289	1,325,599	1,178,046	1,482,838	868,299	1,016,039	
Cultural and recreational	12,694,612	9,307,772	9,522,821	14,727,336	13,082,354	9,473,816	11,055,114	15,112,143	12,852,299	14,501,822	
Capital grants and contributions	9,551,999	5,859,738	10,074,229	21,969,518	11,386,411	9,390,530	6,179,104	12,311,447	5,634,815	8,061,992	
Total governmental activities program revenues	80,131,470	76,372,193	86,457,237	73,814,247	59,067,051	55,288,296	55,380,190	66,008,261	60,538,141	63,062,465	
Total primary government net expenses	(146,172,285)	(189,479,203)	(186,857,407)	(193,775,026)	(211,702,203)	(209,082,287)	(215,160,614)	(201,565,869)	(199,486,594)	(213,087,133)	
General revenues and other changes in net position											
Governmental activities:											
Taxes:											
Sales taxes	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	102,478,204	
Property taxes	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	29,621,888	
Business license taxes	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	5,632,958	
Motor fuel taxes	5,444,264	5,590,268	5,269,547	5,578,274	5,712,415	6,061,073	6,217,583	8,119,756	8,984,951	9,389,538	
Lodging taxes	1,761,227	1,619,508	1,764,595	3,285,663	3,337,930	3,298,583	3,395,139	3,558,689	4,311,055	4,687,049	
Rental taxes	248,883	227,511	254,164	1,438,763	1,451,072	1,426,532	1,495,410	1,494,478	1,779,831	1,588,275	
Alcoholic beverage taxes	158,378	141,631	186,693	199,092	206,561	374,097	114,298	187,221	181,837	233,702	
Grants and contributions not restricted to specific programs	6,875,303	3,862,641	425,825	50,449	124,557	64,461	24,626	10,179	43,169	117,610	
Investment earnings	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	7,965,410	
Miscellaneous revenue	41,743	323,158	3,900,000	146,640	159,766	301,805	-	-	976,092	-	
Gain on sale of assets	-	-	-	-	-	-	-	-	-	-	
Extraordinary item	(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)	(31,636,655)	
Transfers	150,518,112	145,906,409	138,040,677	160,423,691	153,416,541	182,895,562	185,667,556	181,924,736	189,112,500	161,502,961	
Total governmental activities general revenues and other changes in net position	4,345,827	(48,572,794)	(48,816,730)	(33,351,335)	(58,285,662)	(26,186,725)	(29,493,058)	(19,641,133)	(10,354,094)	(51,584,172)	
Total governmental activities changes in net position											

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Business-type activities</b>										
Expenses										
Montgomery Area Transit System	\$ 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	\$ 4,219,191
Montgomery Zoo	5,953,913	6,223,595	5,709,728	5,883,762	5,960,749	4,157,248	4,314,540	4,236,650	4,417,798	4,514,802
Municipal Golf	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	1,735,682
Montgomery River Boat	-	-	553,658	858,102	764,208	657,438	696,408	718,214	913,531	1,172,106
Municipal Parking Decks	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	10,964,060	11,974,568	12,720,092	11,402,441	12,914,682	11,921,776	11,165,449	9,427,506	9,633,772	11,641,781
Revenues										
Charges for services:										
Montgomery Area Transit System	605,931	750,752	800,896	761,053	746,779	892,983	1,043,162	1,169,748	899,258	792,009
Montgomery Zoo	2,931,547	3,284,339	2,553,288	2,719,497	3,144,888	2,157,345	2,647,074	2,532,954	2,814,323	3,000,320
Municipal Golf	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	1,186,204
Montgomery River Boat	-	-	564,180	691,978	739,255	804,468	723,314	842,319	989,788	1,143,939
Municipal Parking Decks	99,604	36,369	62,302	230,980	322,179	280,769	-	-	-	-
Food Services	-	-	-	-	-	1,311,857	832,747	-	-	-
Total business-type activities revenues	4,984,790	5,619,802	5,353,480	5,287,416	6,120,231	6,694,802	6,483,458	5,774,790	5,942,417	6,122,472
Total business-type activities net program expenses	(5,979,270)	(6,354,766)	(7,366,612)	(6,115,025)	(6,794,451)	(5,226,974)	(4,681,991)	(3,652,716)	(3,691,355)	(5,519,309)
Other changes in net position										
Investment earnings	16,432	15,679	3,329	391	372	411	-	533	521	652
Miscellaneous revenue	-	-	-	-	37,300	-	-	-	-	780,000
Capital contributions	-	-	11,085	-	-	-	-	-	-	-
Gain on sale of assets	4,812,966	4,753,802	4,249,246	13,762,102	24,591,442	2,703,014	(251,334)	2,786,351	3,176,087	33,466
Transfers	4,829,398	4,769,481	4,263,660	13,762,493	24,629,114	2,739,866	(231,334)	2,786,884	3,176,608	4,212,460
Total business-type activities change in net position	(1,149,872)	(1,585,285)	(3,102,952)	7,647,468	17,834,663	(2,487,108)	(4,933,325)	(865,832)	(514,747)	(492,731)
Total primary government change in net position	3,195,955	(45,158,079)	(51,919,682)	(25,703,867)	(40,450,999)	(28,673,833)	(34,426,383)	(20,506,965)	(10,868,841)	(52,076,903)

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

	Fiscal Year										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
General fund											
Reserved	\$ 2,536,789	\$ 2,538,295	\$ 3,006,134	\$ 4,180,402	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Unreserved, designated	4,852,300	4,852,300	12,480,127	5,580,127	-	-	-	-	-	-	
Unreserved	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	1,085,069	
Long-term receivables	-	-	-	-	6,016,006	9,048,715	8,171,171	4,697,483	2,542,258	1,639,902	
Prepaid items	-	-	-	-	156,915	107,386	36,048	10,731	29,968	48,392	
Assigned to other	-	-	-	-	3,110	-	-	-	-	-	
Unassigned	-	-	-	-	(2,147,624)	(4,685,090)	5,750,888	11,778,557	17,066,461	19,926,880	
Total general fund	\$ 56,114,834	\$ 43,504,690	\$ 33,808,345	\$ 9,389,957	\$ 5,244,682	\$ 5,753,355	\$ 15,130,330	\$ 17,673,543	\$ 20,467,563	\$ 22,700,243	

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

	Fiscal Year										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
<b>All other governmental funds</b>											
Reserved	\$ 8,184,796	\$ 12,773,443	\$ 5,912,466	\$ 13,248,404	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designated, reported in:											
Debt service funds	2,808,696	2,351,976	2,501,349	2,000,065	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-	-
Unreserved, undesignated, reported in:											
Capital projects funds	80,089,520	56,863,500	27,053,980	64,274,507	-	-	-	-	-	-	-
Special revenue funds	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	32,817	
Long-term receivables	-	-	-	-	1,126	1,126	201,126	404,020	-	-	
Prepaid items	-	-	-	-	87,132	50,278	16,048	2,316	9,882	4,494	
Restricted for:											
Capital projects	-	-	-	-	34,834,191	9,806,574	9,384,544	2,446,650	15,339,315	4,615,427	
Debt service	-	-	-	-	2,506,239	2,139,717	1,212,885	2,109,921	369,032	1,803,103	
Emergency communications center	-	-	-	-	-	-	-	-	-	-	
Inter-governmental	-	-	-	-	2,600,889	6,802,355	4,192,108	1,578,649	3,212,736	3,866,305	
Landfill	-	-	-	-	2,015,410	865,984	4,364,550	5,715,597	5,694,904	5,202,496	
Municipal Court Corrections	-	-	-	-	484,534	672,821	469,090	1,642,477	548,499	322,750	
Other	-	-	-	-	13,083	11,744	8,155	44,299	751,405	743,814	
Riverfront Stadium	-	-	-	-	4,506,503	3,047,947	2,842,834	70,320	42,690	1,799,981	
Roads	-	-	-	-	448,962	-	-	1,210,093	1,418,442	-	
Assigned to:											
Capital projects	-	-	-	-	678,527	-	108,715	-	-	-	
Other	-	-	-	-	99,205	253,295	-	-	-	-	
Unassigned	-	-	-	-	(4,140,529)	(1,657,915)	(1,668,547)	(1,325,010)	(835,214)	(467,681)	
<b>Total all other governmental funds</b>	<b>\$ 99,197,299</b>	<b>\$ 81,321,294</b>	<b>\$ 41,454,997</b>	<b>\$ 81,899,159</b>	<b>\$ 44,991,772</b>	<b>\$ 22,638,426</b>	<b>\$ 21,665,108</b>	<b>\$ 13,921,263</b>	<b>\$ 26,584,508</b>	<b>\$ 17,923,506</b>	

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											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		
<b>Revenues</b>												
Taxes	\$ 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	\$ 153,714,078		
Licenses and permits	35,066,083	37,956,968	37,874,584	38,269,290	38,943,003	40,233,482	40,745,775	41,974,540	45,199,450	43,590,108		
Intergovernmental revenues	20,493,406	22,382,785	22,849,318	31,409,043	25,003,498	21,364,126	22,877,080	31,816,898	27,602,041	27,884,939		
Charges and fees for services	11,599,115	11,560,885	13,457,972	14,599,111	15,311,202	15,585,598	18,120,872	18,284,417	20,630,699	21,178,385		
Fines and forfeitures	5,574,497	6,817,336	8,648,985	9,834,116	7,853,059	8,929,730	8,071,750	7,407,973	5,349,528	4,852,941		
Interest	6,766,329	3,862,641	425,830	50,446	12,531,111	64,461	24,626	10,179	43,169	109,063		
Miscellaneous	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	7,065,423		
Total revenues	229,311,511	224,518,365	221,864,655	238,827,189	232,407,983	237,990,505	240,057,541	249,802,017	252,664,443	238,374,937		
<b>Expenditures</b>												
Current:												
General government	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	55,366,370		
Public works	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	38,291,278		
Public safety	75,083,957	81,551,085	80,660,653	80,282,388	83,563,849	92,011,982	82,176,920	83,226,748	82,520,109	83,706,010		
Cultural and recreational	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	29,641,124		
Intergovernmental	3,083,263	3,870,401	25,666,518	14,394,405	4,214,102	2,649,743	13,176,451	5,731,528	2,045,603	6,648,198		
Capital outlay	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	10,865,899		
Debt service:												
Principal payments	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	22,573,320		
Interest	11,030,577	11,794,593	11,324,313	10,956,632	13,660,258	13,279,429	12,020,002	11,784,215	11,466,389	12,332,267		
Debt issuance costs	546,817	-	-	1,011,871	409,212	5,000	888,563	21,037	197,221	35,287		
Total expenditures	245,196,147	253,233,755	273,923,437	267,065,446	265,609,155	266,333,786	257,278,131	255,246,155	262,540,568	259,459,753		
Excess of revenue over (under) expenditures	(15,884,636)	(28,715,390)	(52,058,782)	(28,238,257)	(33,201,172)	(28,363,281)	(17,220,590)	(5,444,138)	(9,876,125)	(1,084,816)		
<b>Other financing sources (uses)</b>												
Proceeds from sale of assets	499,260	461,044	209,170	171,871	413,709	462,131	554,770	1,663,452	1,544,459	961,979		
Transfers in	52,478,773	36,134,376	53,833,006	46,527,332	39,962,038	29,721,790	41,971,370	41,383,047	50,158,502	46,135,425		
Transfers out	(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)	(57,405,625)		
Capital leases	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	4,964,715		
Issuance of bonds	44,400,000	-	5,000,000	64,905,000	-	511,480	29,583,757	6,042,599	9,190,000	-		
Issuance of refunding bonds	-	-	-	42,090,000	38,760,000	-	76,946,243	-	53,898,119	-		
Issuance of notes payable	-	-	-	-	-	-	952,351	778,019	(36,382,129)	-		
Payment to refunded bonds escrow agent	-	-	-	(39,108,572)	(40,886,025)	-	(76,946,243)	-	795,928	-		
Bond premium and discount, net	208,215	-	-	4,939,685	2,551,006	-	367,133	-	-	-		
Total other financing sources (uses)	41,767,610	(2,470,759)	2,504,890	44,264,031	(7,851,490)	6,538,608	25,604,247	243,507	25,333,990	(5,343,306)		
Net change in fund balance	\$ 25,882,974	\$ (31,186,149)	\$ (49,553,892)	\$ 16,025,774	\$ (41,052,662)	\$ (21,824,673)	\$ 8,383,637	\$ (3,200,631)	\$ 15,457,265	\$ (6,428,222)		
Debt service as a percentage of noncapital expenditures	10.52%	10.45%	11.98%	12.28%	10.89%	10.91%	11.04%	14.02%	19.26%	14.39%		

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

<b>Fiscal Year</b>	<b>City Sales Tax</b>	<b>Real and Personal Property Tax</b>	<b>Motor Fuel Tax</b>	<b>Lodging Tax</b>	<b>Alcoholic Beverage Tax</b>	<b>Tobacco Tax</b>	<b>Rental Tax</b>	<b>Total</b>
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
2016	102,478,204	29,621,888	5,632,958	9,389,538	316,166	1,588,275	4,687,049	153,714,078

**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										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
General merchandise	\$ 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	\$ 2,621,562,041	\$ 2,670,083,155	
Auto and agriculture	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	209,319,797	
Manufacturing machine	82,408,703	69,707,851	52,592,609	141,720,419	90,271,143	116,039,303	124,393,644	120,237,936	110,782,233	48,545,725	
<b>Totals</b>	<b>\$ 3,149,179,186</b>	<b>\$ 2,975,394,225</b>	<b>\$ 2,635,344,266</b>	<b>\$ 2,762,754,073</b>	<b>\$ 2,845,124,420</b>	<b>\$ 2,952,657,475</b>	<b>\$ 3,057,654,088</b>	<b>\$ 3,128,533,813</b>	<b>\$ 3,288,573,188</b>	<b>\$ 2,927,948,677</b>	
City direct sales tax rate	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	

Source: City Revenue Division of the Department of Finance.

**CITY OF MONTGOMERY, ALABAMA**  
**SCHEDULE 7**  
**SALES TAX REVENUE PAYERS BY CATEGORY**

	2007			2008			2009		
	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers
General merchandise	\$ 90,622,355	6,544	22.80%	\$ 87,322,631	6,327	21.87%	\$ 78,160,260	6,311	23.25%
Auto and agriculture	6,110,034	262	66.95%	5,256,837	251	67.53%	4,723,801	276	59.06%
Manufacturing machine	1,442,153	362	63.34%	1,219,888	360	51.55%	1,096,193	352	53.75%
Totals	<u>\$ 98,174,542</u>	<u>7,168</u>		<u>\$ 93,799,356</u>	<u>6,938</u>		<u>\$ 83,980,254</u>	<u>6,939</u>	
	2010			2011			2012		
	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers
General merchandise	\$ 79,189,817	6,082	24.33%	\$ 81,931,572	6,045	22.24%	\$ 83,489,402	6,198	22.85%
Auto and agriculture	4,480,843	216	62.29%	5,188,651	211	69.23%	5,639,050	228	30.81%
Manufacturing machine	2,480,107	348	54.80%	1,579,745	354	62.10%	2,030,688	350	72.62%
Totals	<u>\$ 86,150,767</u>	<u>6,646</u>		<u>\$ 88,699,968</u>	<u>6,610</u>		<u>\$ 91,159,140</u>	<u>6,776</u>	
	2013			2014			2015		
	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	\$ 85,253,282	6,183	22.72%	\$ 87,191,545	6,466	24.02%	\$ 91,747,671	6,376	23.66%
Auto and agriculture	6,218,155	228	56.91%	6,463,861	243	83.12%	6,955,361	237	65.32%
Manufacturing machine	2,176,889	376	81.00%	2,104,164	357	81.83%	1,938,690	327	75.69%
Totals	<u>\$ 93,648,326</u>	<u>6,787</u>		<u>\$ 95,759,570</u>	<u>7,066</u>		<u>\$ 100,641,722</u>	<u>6,940</u>	
	2016								
	Tax Remitted	Number of Taxpayers	Top Ten Taxpayers						
General merchandise	\$ 93,452,910	6,227	23.67%						
Auto and agriculture	7,326,194	255	75.34%						
Manufacturing machine	1,699,100	370	65.53%						
Totals	<u>\$ 102,478,204</u>	<u>6,852</u>							

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

Source: City Revenue Division of the Department of Finance.



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

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

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

**CITY OF MONTGOMERY, ALABAMA**  
**SCHEDULE 9**  
**PRINCIPAL SALES TAX REMITTERS**

<u>Tax Remitter</u>	<u>2007</u>		<u>2016</u>	
	<u>Rank</u>	<u>Percentage of Total Sales Tax Remitted</u>	<u>Rank</u>	<u>Percentage of Total Sales Tax Remitted</u>
Wal-Mart East, LP	1	6.88%	1	8.00%
Sams East	2	2.78%	4	2.32%
Winn Dixie of Montgomery	3	2.68%	5	1.76%
Publix Alabama, LLC	4	2.13%	2	2.94%
Brunos Super Markets	7	1.17%	-	-
Lowe's of Montgomery	6	1.31%	10	0.97%
Target Store	5	1.36%	8	1.02%
Home Depot USA, Inc.	9	0.91%	6	1.66%
Best Buy Stores, LP	8	0.95%	-	-
Parisian	10	0.87%	-	-
Dillard's	-	-	7	1.24%
Costco Wholesale	-	-	3	2.39%
Capitol Chevrolet/IMF, Inc.	-	-	-	-
Jack Ingram Motors, Co.	-	-	9	0.99%
<b>Totals</b>		<u>21.04%</u>		<u>23.29%</u>

**Source:** City Revenue Division of the Department of Finance.

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

Fiscal Year	Governmental Activities				Total Outstanding Debt	Percentage of Taxable Sales (b)	Percentage of Personal Income (c)	Liability Per Capita Population (c)
	General Obligation Bonds (a)	Revenue Warrants	Capital Leases	Notes Payable				
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
2016	307,215,172	-	13,524,025	-	320,739,197	10.95%	6.38%	1,558.77

**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**

<b>Fiscal Year</b>	<b>General Obligation Bonds (a)</b>	<b>Less: Amount Available in Debt Service Fund (b)</b>	<b>Total</b>	<b>Percentage of Net Taxable Sales (c)</b>	<b>Liability Per Capita Population (d)</b>
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
2016	307,215,172	2,793,745	304,421,427	10.40%	1,479.47

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

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

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b><u>2007</u></b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 250,054,356	100.00%	\$ 250,054,356
<b>Overlapping</b>			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>144,875,820</u>	85.02%	<u>123,179,018</u>
Total direct and overlapping debt	<u>\$ 394,930,176</u>		<u>\$ 373,233,374</u>
<b><u>2008</u></b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 243,604,900	100.00%	\$ 243,604,900
<b>Overlapping</b>			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>140,090,000</u>	79.48%	<u>111,336,779</u>
Total direct and overlapping debt	<u>\$ 383,694,900</u>		<u>\$ 354,941,679</u>
<b><u>2009</u></b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 234,395,387	100.00%	\$ 234,395,387
<b>Overlapping</b>			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>140,090,000</u>	79.48%	<u>111,336,779</u>
Total direct and overlapping debt	<u>\$ 374,485,387</u>		<u>\$ 345,732,166</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>
<b><u>2010</u></b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 295,189,353	100.00%	\$ 295,189,353
<b>Overlapping</b>			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>132,070,000</u>	86.81%	<u>114,648,161</u>
Total direct and overlapping debt	<u>\$ 427,259,353</u>		<u>\$ 409,837,514</u>
<b><u>2011</u></b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 288,829,635	100.00%	\$ 288,829,635
<b>Overlapping</b>			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>128,015,000</u>	87.46%	<u>111,966,226</u>
Total direct and overlapping debt	<u>\$ 416,844,635</u>		<u>\$ 400,795,861</u>
<b><u>2012</u></b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 291,947,980	100.00%	\$ 291,947,980
<b>Overlapping</b>			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>128,091,936</u>	86.87%	<u>111,269,059</u>
Total direct and overlapping debt	<u>\$ 420,039,916</u>		<u>\$ 403,217,039</u>
<b><u>2013</u></b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 323,979,067	100.00%	\$ 311,777,433
<b>Overlapping</b>			
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>\$ 445,214,067</u>		<u>\$ 418,955,688</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>
<b>2014</b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 312,991,976	100.00%	\$ 312,991,976
<b>Overlapping</b>			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>121,129,218</u>	86.68%	<u>104,999,970</u>
Total direct and overlapping debt	<u>\$ 434,121,194</u>		<u>\$ 417,991,946</u>
<b>2015</b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 307,330,777	100.00%	\$ 307,330,777
<b>Overlapping</b>			
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>\$ 440,172,842</u>		<u>\$ 422,469,697</u>
<b>2016</b>			
<b>Direct</b>			
City of Montgomery:			
General Obligation including			
Capital Leases	\$ 320,739,197	100.00%	\$ 320,739,197
<b>Overlapping</b>			
County of Montgomery:			
Montgomery County General and			
Limited Obligation Warrants	<u>126,874,223</u>	87.82%	<u>111,422,953</u>
Total direct and overlapping debt	<u>\$ 447,613,420</u>		<u>\$ 432,162,150</u>

**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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 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	\$ 426,159,672
Total net debt applicable to limit	189,594,143	183,430,776	178,602,164	224,288,072	220,390,601	237,372,574	249,669,288	254,388,183	243,181,650	260,624,103
Legal debt margin	\$ 264,378,397	\$ 364,352,376	\$ 386,411,616	\$ 335,152,559	\$ 330,921,255	\$ 286,728,458	\$ 281,413,266	\$ 283,783,105	\$ 195,079,962	\$ 165,535,569
Total net debt applicable to the limit as a percentage of debt limit	41.76%	33.73%	31.61%	40.09%	39.98%	45.29%	47.01%	47.27%	55.49%	61.16%

**Legal Debt Margin Calculation for Fiscal Year 2016**

Assessed property value	\$ 2,130,798,360
Debt limit (20% of assessed property value)	\$ 426,159,672
Debt applicable to limit:	\$ 320,739,197
General obligation debt including capital leases and notes payable	(60,115,094)
Less: Debt attributable to construction of school houses	260,624,103
Total net debt applicable to limit	\$ 165,535,569
Legal debt margin	



**CITY OF MONTGOMERY, ALABAMA**

## SCHEDULE 14

## PLEDGED-REVENUE COVERAGE

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Fiscal Year	Revenue Warrants			
	Lodging Tax Revenue	Debt Service		Coverage
		Principal	Interest	
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
2016	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**

<b>Calendar Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>School Enrollment</b>	<b>Montgomery County Unemployment Rate</b>
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%
2016	205,764	5,026,814,520	24,430	29,811	5.7%

**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>2007</u>		<u>2016</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	6.09%	12,280	5.97%
State of Alabama	9,500	4.71%	11,830	5.75%
Montgomery Public Schools	3,700	1.84%	4,524	2.20%
Baptist Health Systems	4,300	2.13%	4,300	2.09%
Hyundai Motor Manufacturing AL	3,300	1.64%	3,100	1.51%
ALFA Insurance Companies	2,568	1.27%	2,568	1.25%
City of Montgomery	2,500	1.24%	2,500	1.21%
MOBIS Alabama, LLC	-	0.00%	1,400	0.68%
Jackson Hospital & Clinic, Inc.	1,300	0.64%	1,300	0.63%
Rheem Water Heaters	1,050	0.52%	1,173	0.57%
754th Electronic Systems Group	1,943	0.96%	-	0.00%
Totals	<u>42,441</u>	<u>21.06%</u>	<u>44,975</u>	<u>21.86%</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General government:</b>										
Mayor	6	6	5	6	8	8	8	8	8	8
City Clerk	3	4	4	4	4	4	3	4	4	4
City Attorney	9	13	7	11	11	8	8	8	8	8
City Investigation	-	-	-	-	-	3	3	2	3	2
Development	-	-	-	-	-	2	2	2	5	5
Finance	55	59	54	55	57	54	51	50	50	49
Information Technology	19	24	14	20	21	19	29	31	28	28
Garage	80	75	78	74	63	61	64	56	54	54
Municipal Court	43	48	52	49	48	46	44	45	43	43
Municipal Parking Deck	3	4	5	5	6	6	13	13	15	15
Planning and Development	38	36	36	34	35	31	32	31	29	27
Risk Management	-	-	-	-	-	-	6	6	6	5
311 Call Center	-	-	-	-	-	-	5	7	6	4
<b>Public safety:</b>										
<b>Police:</b>										
Officers	485	512	507	500	528	523	523	506	491	492
Civilians	142	147	173	168	207	161	136	134	132	127
<b>Fire:</b>										
Officers	515	542	539	496	550	551	552	552	555	524
Civilians	7	8	9	8	9	9	8	8	7	7
City/County Emergency Management Agency	4	3	5	11	11	11	5	4	4	5
Communications	79	88	86	81	77	72	48	56	66	58
<b>Public works:</b>										
Engineering	89	87	26	25	26	23	21	21	20	19
Inspections	-	-	38	36	37	35	35	31	31	32
Landfill	-	-	20	21	21	19	18	16	16	14
Maintenance	313	326	276	201	207	195	193	183	183	174
Sanitation	336	311	316	281	289	262	246	258	260	238
Traffic Engineering	45	44	41	42	41	42	38	36	33	34
<b>Cultural and recreational:</b>										
Parks and Recreation	304	294	286	267	251	260	253	294	221	206
Downtown Redevelopment	9	9	8	8	9	-	-	-	9	9
Food Services	-	-	-	-	-	16	5	-	-	-
Harriott II Riverboat	-	-	-	-	-	-	-	-	3	3
Lagoon and Gateway Parks	41	42	31	28	24	14	11	11	-	-
Leisure Department - Building Maintenance	-	-	103	67	68	61	60	63	62	65
Library	67	67	65	63	63	61	62	60	61	62
Montgomery Zoo	92	87	92	89	75	51	45	46	45	45
Museum	37	40	36	34	37	37	37	35	34	32
Old Alabama Town	4	4	4	-	-	-	-	-	-	-
Public Information and External Affairs	-	-	4	4	4	4	4	6	6	6
<b>Total</b>	<b>2,825</b>	<b>2,880</b>	<b>2,920</b>	<b>2,688</b>	<b>2,787</b>	<b>2,649</b>	<b>2,568</b>	<b>2,583</b>	<b>2,498</b>	<b>2,404</b>

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General government:</b>										
Business licenses issued	17,811	16,909	16,922	15,353	14,975	14,826	14,741	14,793	15,116	16,089
Building permits issued	10,649	7,813	5,919	6,578	6,705	6,834	7,554	8,303	8,459	9,064
<b>Public safety:</b>										
<b>Police:</b>										
Physical arrests	10,104	6,981	10,436	11,493	11,003	15,982	13,973	11,583	10,673	9,436
Parking violations	68,667	73,006	57,674	51,744	51,744	31,754	37,022	31,505	31,414	28,246
Traffic violations	66,669	119,416	117,158	104,462	104,462	108,143	87,425	78,070	61,630	62,846
<b>Fire:</b>										
Emergency responses	30,032	30,211	28,578	25,510	26,043	26,972	24,155	27,299	26,538	32,734
Fires extinguished	5,236	5,666	5,006	5,339	4,959	4,786	4,930	7,042	5,320	4,933
Inspections	28,792	18,140	18,966	15,661	17,940	18,787	18,425	15,898	16,542	15,690
<b>Public works:</b>										
Refuse collected (tons per year)	130,537	132,645	123,504	112,889	114,310	111,049	112,676	68,341	64,119	107,849
Recyclables collected (tons per year)	2,185	2,690	2,775	1,275	578	581	559	39,772	44,734	-
Streets resurfaced (tons of paving material)	42,885	44,228	44,247	28,023	30,055	25,739	42,109	33,750	52,183	32,031
<b>Transit:</b>										
Passengers	1,086,762	1,328,459	1,336,936	1,361,928	1,202,482	1,036,087	958,023	941,920	867,901	785,069
<b>Cultural and recreational:</b>										
<b>Library:</b>										
Total circulation	445,882	458,072	450,285	448,993	446,657	416,320	390,571	367,149	444,671	667,157
<b>Parks and Recreation:</b>										
Golf rounds played	39,871	39,926	40,053	40,108	38,922	24,740	37,017	33,340	34,530	33,400
Youth baseball/softball games played	6,278	6,295	6,361	6,291	6,351	6,415	6,435	6,503	6,551	6,501
League and tournament games played	2,920	2,935	2,568	3,018	2,782	2,840	2,865	2,888	2,995	3,262
<b>Games played in athletic facilities:</b>										
Basketball	790	810	825	832	912	1,028	292	443	470	480
Volleyball	75	84	75	82	86	215	167	185	195	220
Football	385	395	408	415	421	450	41	43	44	47
Soccer	1,275	1,290	1,305	1,320	1,358	1,460	1,620	1,680	1,750	1,763
Kickball	-	-	-	-	-	-	75	80	80	266
Baseball	-	-	-	-	-	-	-	-	-	255

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

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Public safety:</b>										
<b>Police:</b>										
Stations	1	1	1	1	1	1	1	3	3	3
Patrol cars	224	224	248	216	223	235	240	252	257	256
Fire stations	15	15	15	15	15	15	15	16	16	16
<b>Public works:</b>										
Streets (miles)	1,085	1,099	1,107	1,203	1,110	1,115	1,118	1,107	1,068	1,070
Traffic signals	438	438	470	474	478	483	436	429	429	432
Street lights	28,011	28,230	29,013	29,057	28,981	29,000	29,012	29,032	29,033	29,033
Refuse collection trucks	130	128	125	130	125	127	129	120	122	118
<b>Transit:</b>										
Busses	43	50	50	45	55	48	48	45	49	44
<b>Cultural and recreational:</b>										
Acreage	1,722	1,822	1,827	1,836	1,836	1,836	1,857	1,857	1,857	1,857
Golf courses (acres)	610	610	610	610	610	610	610	610	610	610
Playgrounds	58	58	55	54	52	52	52	52	52	52
Baseball/softball fields	90	90	87	87	87	87	87	87	87	87
Tennis courts	42	42	46	46	46	46	46	46	46	46
Special facilities	6	6	6	6	6	7	7	7	7	7
Community centers	28	28	28	26	26	26	23	23	20	20

**Sources:** Various City departments.

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