

CITY OF MOUNTAIN BROOK, ALABAMA
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015

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**City of Mountain Brook, Alabama
City Officials**

SEPTEMBER 30, 2015

MAYOR

The Honorable Lawrence T. Oden

CITY COUNCIL

Ms. Virginia C. Smith, President

Mr. Jack D. Carl

Mr. Lloyd C. Shelton

Mr. William S. (Billy) Pritchard, III

Ms. Alice B. Womack

CITY MANAGER

Mr. Sam S. Gaston

DEPARTMENT SUPERVISORS

Building Inspections	Mr. Glen Merchant
Finance	Mr. Steven Boone
Fire Department	Mr. Robert W. (Zeke) Ezekiel
Planning, Building, and Sustainability	Ms. Dana Hazen
Police Department	Mr. Theodore J. (Ted) Cook
Streets and Sanitation	Mr. Ronald D. Vaughn
Parks and Recreation	Mr. Shanda Williams

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City of Mountain Brook, Alabama

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Independent Auditors' Report

Mayor and City Council
City of Mountain Brook
Mountain Brook, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Mountain Brook, Alabama (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mountain Brook Library Foundation (the Foundation), which represents the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Foundation, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 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.

Emphasis of Matter

As discussed in Note 6 and Note 12 to the basic financial statements, during 2015 the City adopted Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions and Governmental Accounting Standards Board Statements No. 71, Pension Transactions for Contributions Subsequent to the Measurement Date. As a result of the adoption, the City has restated its net position as of October 1, 2014 to comply with the pronouncements. Our opinion is not modified with respect to this matter.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2015, and the

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules listed in the table of contents as "required supplementary information" 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 accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information as listed in the table of contents is the responsibility of management and was 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, based on our audit, the procedures performed as described above, and the report of the other auditors, the accompanying supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Carly Riggs & Ingram, L.L.C.

Birmingham, Alabama
February 11, 2016



CITY OF MOUNTAIN BROOK, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the City's financial activities as of and for the year ended September 30, 2015, prepared by the management of the City, is presented to facilitate the users' understanding of the annual report and draw attention to items of interest.

FINANCIAL HIGHLIGHTS

- Assets of the City exceeded its liabilities at September 30, 2015, by \$87.1 million (Total Net Position). Of this amount, \$75.13 million represents the net book value of the City's capital assets including infrastructure net of outstanding long-term debt and \$1.23 million is restricted (\$411,000 for the Emergency Communication District and \$820,000 for road improvements from the State Shared Gasoline Tax special revenue funds). The remaining \$10.75 million is available for use by the City to fund future municipal services and to meet its obligations to employees and creditors.
- The Total Net Position increased by \$1.7 million in 2015 which includes the net cost of providing core City Services of \$26.8 million plus \$28.5 million in General Revenues.
- As of September 30, 2015, the City reported \$34.4 million in fund balances, an increase of \$4 million from 2014. Of the \$34.4 million fund balances, \$14.1 million (41%) is reported in the General Fund, \$15.1 million (44%) in the Capital Projects Fund, \$4 million (12%) in the Debt Service Fund, and \$1.2 million (3%) in the Other Governmental Funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements consist of the 1) government-wide financial statements, 2) fund financial statements, 3) notes to financial statements, and 4) certain required supplementary financial information. In addition, the City has included other supplementary information intended to further enhance the users' understanding of the City's financial position and results of operations.

Government-wide Financial Statements

The government-wide financial statements are intended to provide an indication of the City's finances in a manner similar to the private sector. Accordingly, the government-wide statements, comprised of the Statement of Net Position and Statement of Activities, have been prepared using the accrual basis of accounting.

CITY OF MOUNTAIN BROOK, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Net Position depicts all of the primary government's assets and liabilities with the difference between the two reported as Net Position. Over time, changes in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating.

The Statement of Activities illustrates how the City's net position changed during the year. Revenues and expenses reported in the Statement of Activities are recorded when the underlying event that gave rise to the change occurred as opposed to the timing of the related cash flow. The focus of the Statement of Activities is on the gross and net cost of the various governmental activities which are funded by the City's general tax and other revenues. The purpose of this statement is to simplify the analysis of the costs of various governmental services.

Fund Financial Statements

The fund financial statements have been prepared under the modified accrual basis of accounting and their presentation is largely consistent with historical presentations.

A fund is a grouping of related accounts designed to facilitate control over resources that have been segregated for a specific activity or objective. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds are governmental type funds (as opposed to business-type funds) whose primary resources are provided by taxes.

Governmental Funds

Governmental funds essentially measure and report the same activities and transactions as the governmental activities in the government-wide financial statements. However, unlike the accrual basis government-wide statements, the governmental funds focus on current, spendable resources and balances of such spendable resources available at the end of the year.

The City maintains eleven (11) governmental funds. The City considers the General Fund, Capital Projects Fund (which is comprised of three "sub-funds"), and Debt Service Fund to be major funds and their respective balance sheets and statements of revenues, expenditures, and changes in fund balance are separately reported. Information from the remaining funds (various Special Revenue funds) have been aggregated and reported in a single column titled "Other Governmental Funds". Additional information about these aggregated, non-major funds and the major funds is provided in the other supplementary information.

CITY OF MOUNTAIN BROOK, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Infrastructure Capital Assets

A major accounting and reporting change required by the GASB reporting model that was implemented in 2003 is the capitalization of infrastructure assets. The cost of infrastructure was estimated based on historical financial cost data maintained by the City and other estimation techniques (primarily involving non-depreciable land, easements, and rights-of-way). Depreciation of infrastructure was determined using the straight-line method from the year of acquisition using estimated useful lives ranging between 10 and 75 years depending on the class of asset. Infrastructure capitalized and the related depreciation reported in the accompanying government-wide financial statements is as follows:

	<u>Useful Life</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Accumulated Depreciation</u>
Land	N/A	\$ 16,525,671	N/A	N/A
Streets and alleys	20	17,386,195	\$ 492,284	\$ 13,378,691
Storm sewers	20	13,998,021	683,447	4,712,798
Sidewalks	15	13,020,997	523,941	8,231,358
Park facilities	20	8,857,645	239,547	5,392,400
Street lights and signs	15	1,359,090	57,664	990,371
Library reference materials	5	4,943,400	321,151	4,153,698
Totals		<u>\$ 76,091,019</u>	<u>\$ 2,318,034</u>	<u>\$ 36,859,316</u>

Government-wide Financial Analysis

Following is a condensed financial analysis of the government-wide net position of the City as of September 30:

	<u>2015</u>
Current assets	\$ 36,983,861
Other assets	2,169,932
Capital assets	78,809,510
Deferred outflows of resources	1,578,733
Total assets and deferred outflows of resources	<u>119,542,036</u>
Current and other liabilities	6,264,739
Long-term liabilities	2,862,744
Net pension liability (Note 6)	21,876,607
Deferred inflows of resources	1,421,266
Total liabilities and deferred inflows of resources	<u>32,425,356</u>
Net position:	
Net investment in capital assets	75,134,510
Restricted	1,231,193
Unrestricted	10,750,977
Total net position	<u>\$ 87,116,680</u>

CITY OF MOUNTAIN BROOK, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Following is a summary analysis of the government-wide revenues and expenses:

	<u>2015</u>
Revenues	
Program revenues	
Fees, fines and charges for services	\$ 6,305,743
Operating grants and contributions	1,062,515
Capital grants and contributions	752,315
General revenues	
Ad valorem taxes (real and personal property)	15,301,047
Sales and use taxes	10,501,039
Other taxes	305,783
Utility taxes	1,325,088
Franchise fees	638,586
Investment earnings	250,561
Gain (loss) on disposals of capital assets	2,222
Miscellaneous revenues	17,514
Transfers from component unit	<u>144,450</u>
Total revenues	<u>36,606,863</u>
Expenses	
General government	4,413,941
Public safety	16,079,366
Street and sanitation	9,204,630
Recreational	1,754,746
Library	<u>3,468,473</u>
Total expenses	<u>34,921,156</u>
Increase in net position	1,685,707
Net position, beginning of year	<u>85,430,973</u>
Net position, end of year	<u>\$ 87,116,680</u>

Analysis of the City's Operations

Revenues

The City's primary source of revenue is real estate ad valorem taxes which comprised 40% of total General Fund revenues in 2015. Real estate ad valorem taxes increased \$127,000 (.9%) during 2015.

The second largest source of revenue for the City is sales and use tax which totaled 29% of total General Fund revenues in 2015. Sales and use tax revenue increased by \$350,000 (3.6%) during 2015.

CITY OF MOUNTAIN BROOK, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Following is a comparative summary of the major General Fund revenues as reported in the Governmental Funds financial statements:

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Real estate ad valorem tax	\$ 13,994,315	\$ 13,867,794	\$ 126,521
Sales and use tax	10,158,557	9,808,223	350,334
Business licenses	2,679,512	2,531,307	148,205
Personal property ad valorem tax	1,306,732	1,217,199	89,533
Garbage service fees	33,890	34,086	(196)
Utility taxes	1,325,088	1,288,163	36,925
Investment earnings	150,668	69,522	81,146
All other General Fund revenues	<u>5,461,629</u>	<u>5,478,171</u>	<u>(16,542)</u>
Totals	<u>\$ 35,110,391</u>	<u>\$ 34,294,465</u>	<u>\$ 815,926</u>

Expenditures

Salaries and benefits increased \$1,112,000 (6%) in 2015 to \$20.3 million. Labor-related costs made up (59%) of the City's total General Fund expenditures (including intrafund transfers) in 2015. Following is a comparative summary of the major expenditure categories (all funds combined) of the City as reported in the Governmental Funds financial statements.

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Salaries and benefits	\$ 20,348,774	\$ 19,236,520	\$ 1,112,254
Garbage contract fees	2,788,698	2,751,075	37,623
Capital outlay	2,431,747	4,028,993	(1,597,246)
Intergovernmental services	828,082	803,704	24,378
Utilities and communication	824,631	820,566	4,065
Development agreement payments	29,537	0	29,537
Property and casualty insurance	233,902	330,267	(96,365)
Legal and accounting	293,410	283,156	10,254
Fuel and lubricants	273,259	365,902	(92,643)
Debt service	358,452	361,197	(2,745)
Birmingham Zoo, Inc. subsidy	50,000	75,000	(25,000)
All other	<u>4,353,333</u>	<u>4,589,702</u>	<u>(236,369)</u>
Totals	<u>\$ 32,813,825</u>	<u>\$ 33,646,082</u>	<u>\$ (832,257)</u>

General Budgetary Highlights (budgets are administered based on, and variances are stated in terms of, the Governmental Fund accounting model)

Following is a summary of the pertinent General Fund budget variances:

- Actual General Fund revenue exceeded the final budgeted revenue by \$1,091,000 (3.2%). The favorable (unfavorable) budget variance was comprised of the following:

CITY OF MOUNTAIN BROOK, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Real estate ad valorem tax	\$ 13,765,000	\$ 13,994,315	\$ 229,315
Sales and use tax	9,834,000	10,158,557	324,557
Other taxes	1,065,200	1,238,322	173,122
Utility taxes	1,288,200	1,325,088	36,888
Road and bridge tax	560,000	596,475	36,475
Construction permits	1,189,000	1,143,394	(45,606)
Fines and forfeitures	561,000	643,492	82,492
Charges for services	744,466	729,680	(14,786)
Fees for road repairs	70,800	49,223	(21,577)
Grants	11,166	53,653	42,487
Investment earnings	107,275	150,668	43,393
All other	<u>4,822,933</u>	<u>5,027,524</u>	<u>204,591</u>
Totals	<u>\$ 34,019,040</u>	<u>\$ 35,110,391</u>	<u>\$ 1,091,351</u>

- Total General Fund expenditures were \$322,000 (1.1%) less than the final budget. The favorable (unfavorable) budget variance was comprised largely of the following categories:

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Salaries and benefits	\$ 20,498,998	\$ 20,348,774	\$ 150,224
Garbage contract fees	2,779,000	2,788,698	(9,698)
Intergovernmental services	815,500	828,082	(12,582)
Utilities and communication	906,293	824,631	81,662
Development agreement payments	0	29,537	(29,537)
Appropriations to the Board of Education	4,800	4,400	400
Fuel and lubricants	321,800	273,259	48,541
Legal and accounting	327,200	293,410	33,790
Property and casualty insurance	278,350	233,902	44,448
Employee development and travel	297,285	231,635	65,650
Street striping	145,000	211,389	(66,389)
Street cut repairs	100,000	159,502	(59,502)
Park and recreation special projects	30,000	52,795	(22,795)
All other	<u>2,697,817</u>	<u>2,599,640</u>	<u>98,177</u>
Totals	<u>\$ 29,202,043</u>	<u>\$ 28,879,654</u>	<u>\$ 322,389</u>

- Total operating transfers out exceeded the amount budgeted by \$1,194,792. This variance resulted primarily from the Council's decision (after year-end) to transfer an additional \$1,238,749 million from the General Fund to Capital Projects Fund and a \$43,957 favorable budget variance involving the Corrections Fund.
- The total excess of General Fund revenues and other financing sources over expenditures in the amount of \$995,040 was \$344,433 more than budgeted.

CITY OF MOUNTAIN BROOK, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Other Matters of Interest

Pension Plan

As more fully described in Note 6 to Financial Statements, the City participates in an agency multi-employer, defined benefit pension plan which is administered by the Employees' Retirement System of Alabama (RSA). The most recent actuarial valuation data available is as of and for the year ended September 30, 2014.

As of September 30, 2014, the RSA reported the actuarial value of plan assets to be \$46.2 million and the actuarial accrued liability to be \$70 million resulting in an unfunded actuarial accrued liability of \$23.8 million. The actuarial value of assets was \$3 million less than the market value of assets as of September 30, 2014.

Due to concern about the unfunded actuarial accrued pension liability, the City Council has on occasion contributed more than the actuarially determined annual required contribution (ARC). During 2001, the City paid \$2 million more into the pension trust fund than the ARC. In 2007, the City paid an extra \$7 million from the Debt Service Fund to the pension trust fund in order to further reduce the unfunded actuarial accrued liability. In 2008, the City paid \$300,000 more than the actuarially determined ARC from its General Fund. Due in part to the investment performance of the pension trust fund, the City Council has remitted only the ARC to the pension trust since 2008.

Also out of concern about the unfunded actuarial accrued pension liability, the City Council has authorized the accumulation of cash reserves in the Debt Service Fund which is available to pay toward this obligation. As of September 30, 2015, the City had accumulated \$4 million in the Debt Service Fund for such purpose. As more fully explained in Note 13, in August the City Council authorized the early redemption (without penalty) of the Series 2007 General Obligation Warrants (Note 5). The warrants were redeemed in whole on October 1, 2015 in the principal amount of \$3,675,000 plus interest in the amount of \$71,641.

Cash and Temporary Investments

As of September 30, 2015, the City reported cash and temporary investments of \$34.8 million (excluding the cash and investments held by the Section 115 trust and discretely presented component unit) which consisted of unrestricted and donor-restricted cash and temporary investments of \$34.5 million and \$262,000, respectively. Following is a summary of the carrying value of the cash and investments by fund as of September 30, 2015.

CITY OF MOUNTAIN BROOK, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

	<u>Unrestricted</u>	<u>Restricted</u>
General Fund	\$ 14,088,691	\$ 261,680
Capital Projects Fund	15,228,260	0
Debt Service Fund	4,020,702	0
Other Governmental Funds (Special Revenue)	1,173,437	0
Section 115 irrevocable, retiree medical trust	0	1,900,232
Discretely presented component unit	<u>0</u>	<u>3,198,699</u>
Totals	<u>\$ 34,511,090</u>	<u>\$ 5,360,611</u>

The \$14.1 million General Fund cash and investment balance as of September 30, 2015, represents approximately 6 months of General Fund expenditures.

Capital Assets and Related Replacement Reserves

Regarding capital assets, the City Council has adopted a policy of (partially) funding its depreciation expense in order to accumulate monies for the eventual replacement of property, plant and equipment. As of September 30, 2015, the City had accumulated approximately \$15.1 million in the Capital Projects Fund for such purpose. Accumulated depreciation (considered by management to be the benchmark with respect to measuring the funding status of the property, plant and equipment replacement reserves) totaled \$60.5 million as of year-end. Following is a summary of the capital expenditures, depreciation expense and transfers to the Capital Projects Fund for the years ended September 30:

	<u>2015</u>	<u>2014</u>
Capital expenditures	\$ 2,431,747	\$ 4,028,993
Depreciation expense	\$ 4,968,077	\$ 4,826,928
Transfers to the Capital Projects Fund:		
Funded depreciation policy	\$ 1,973,116	\$ 2,060,211
Other transfers to fund current and future capital acquisitions	<u>3,040,220</u>	<u>2,722,741</u>
Totals	<u>\$ 5,013,336</u>	<u>\$ 4,782,952</u>

The City maintains approximately 200 miles of paved roadways and alleys. The state shared gasoline tax revenues, the City's allocation of the Alabama Trust Fund Earnings, and other monies transferred from the General Fund are used to fund the City's street maintenance program. Following is a summary of the revenues and expenditures as they pertain to the maintenance of the City's roadways:

CITY OF MOUNTAIN BROOK, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

	2015	2014
Revenues		
State shared gasoline tax revenues	\$ 386,600	\$ 374,880
Alabama Trust Fund Earnings	174,917	175,286
Transfers from the City's General Fund	200,000	100,000
Investment earnings	2,174	3,713
Total Revenues	763,691	653,879
Street paving expenditures	752,709	825,514
Excess of Revenues Over Expenditures	10,982	(171,635)
Fund balance, beginning of the year	809,201	980,836
Fund Balance, end of year	\$ 820,183	\$ 809,201

Residential Garbage Service Fee Elimination

In 2007, the City adopted an ordinance (No. 1732) lowering the residential garbage service fees by more than 70% effective January 1, 2007. In 2008, the City adopted another ordinance (No. 1769) eliminating the residential garbage service fee. In 2015 and 2014, the City realized \$33,890 and \$34,086, respectively, in garbage service fees collected from its commercial garbage service accounts.

Requests for Additional Information

The financial report is designed to provide the residents of the City, investors, creditors and other users with a general overview of the City's finances. Inquiries about this report or requests for additional information may be directed to the Director of Finance at the City of Mountain Brook, P. O. Box 130009, Mountain Brook, Alabama 35213-0009. Inquiries about The Emmet O'Neal Library Board and/or The Mountain Brook Library Foundation (the discretely presented component unit) may be directed to the Library Director at 50 Oak Street, Mountain Brook, Alabama 35213.

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City of Mountain Brook, Alabama
Government-wide Statement of Net Position
September 30, 2015

	Governmental Activities 2015	Component Unit Library Foundation 2015
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 34,511,090	\$ 0
Receivables	1,992,489	0
Notes receivable	55,650	0
Inventory and prepaid expenses	162,952	0
Cash and temporary investments - restricted	<u>261,680</u>	<u>3,198,699</u>
TOTAL CURRENT ASSETS	<u>36,983,861</u>	<u>3,198,699</u>
NONCURRENT ASSETS		
Net OPEB asset	2,169,932	0
Capital assets, net of accumulated depreciation	59,911,815	144,335
Land	18,698,005	552,611
Construction in progress	<u>199,690</u>	<u>0</u>
TOTAL NONCURRENT ASSETS	<u>80,979,442</u>	<u>696,946</u>
DEFERRED OUTFLOWS OF RESOURCES		
Employer contributions subsequent to the measurement date	<u>1,578,733</u>	<u>0</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,578,733</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>119,542,036</u>	<u>3,895,645</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,010,167	0
Accrued salaries and wages	794,505	0
Accrued interest payable	71,641	0
Due to related organization	66,843	0
Other current liabilities	646,583	0
Long-term debt	<u>3,675,000</u>	<u>0</u>
TOTAL CURRENT LIABILITIES	<u>6,264,739</u>	<u>0</u>
NONCURRENT LIABILITIES		
Compensated absences	<u>2,862,744</u>	<u>0</u>
TOTAL NONCURRENT LIABILITIES	<u>2,862,744</u>	<u>0</u>
NET PENSION LIABILITY (NOTE 6)	<u>21,876,607</u>	<u>0</u>
DEFERRED INFLOWS OF RESOURCES		
Net difference between projected and actual earnings on pension plan investments	<u>1,421,266</u>	<u>0</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,421,266</u>	<u>0</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>32,425,356</u>	<u>0</u>
NET POSITION		
Net investment in capital assets	75,134,510	696,946
Restricted	1,231,193	3,198,699
Unrestricted	<u>10,750,977</u>	<u>0</u>
TOTAL NET POSITION	<u>\$ 87,116,680</u>	<u>\$ 3,895,645</u>

See accompanying notes to basic financial statements.

City of Mountain Brook, Alabama
Government-wide Statement of Activities
For the Year Ended September 30, 2015

Program Activities	Program Revenues			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 4,413,941	\$ 3,193,204	\$ 955,483	\$ 0
Public safety	16,079,366	2,813,700	0	0
Street and sanitation	9,204,630	98,448	40,000	634,532
Recreational	1,754,746	129,177	53,379	44,088
Library	3,468,473	71,214	13,653	73,695
Total	\$ 34,921,156	\$ 6,305,743	\$ 1,062,515	\$ 752,315
Component unit:				
Library Foundation	\$ 19,579	\$ 0	\$ 206,817	\$ 0

General revenues:

Taxes:

 Ad Valorem (real and personal property)

 Sales and use

 Other taxes

Utility taxes

Franchise fees

Investment earnings (losses)

Gain on sale/disposal of capital assets

Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net position

Net assets at beginning of year (as originally reported)

Prior period adjustments

Net position at beginning of year, as restated

Net position at end of year

See accompanying notes to basic financial statements.

Total Net (Expense) Revenue and Changes in Net Position	Component Unit (Library Foundation)
\$ (265,254)	\$ 0
(13,265,666)	0
(8,431,650)	0
(1,528,102)	0
<u>(3,309,911)</u>	<u>0</u>

\$ (26,800,583)

\$ 187,238

15,301,047	0
10,501,039	0
305,783	0
1,325,088	0
638,586	0
250,561	(227,824)
2,222	0
17,514	2,957
<u>144,450</u>	<u>(144,450)</u>
<u>28,486,290</u>	<u>(369,317)</u>
<u>1,685,707</u>	<u>(182,079)</u>
117,727,880	4,077,724
<u>(32,296,907)</u>	<u>0</u>
<u>85,430,973</u>	<u>4,077,724</u>
<u>\$ 87,116,680</u>	<u>\$ 3,895,645</u>

City of Mountain Brook, Alabama
Balance Sheet
Governmental Funds
September 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and temporary investments	\$ 14,088,691	\$ 15,228,260	\$ 4,020,702	\$ 1,173,437	\$ 34,511,090
Cash and temporary investments - restricted	261,680	0	0	0	261,680
Receivables	1,900,871	21,400	0	70,218	1,992,489
Inventory and prepaid expenses	162,952	0	0	0	162,952
TOTAL ASSETS	\$ 16,414,194	\$ 15,249,660	\$ 4,020,702	\$ 1,243,655	\$ 36,928,211
LIABILITIES					
Accounts payable	\$ 811,533	\$ 186,172	\$ 0	\$ 12,462	\$ 1,010,167
Accrued salaries and wages	794,505	0	0	0	794,505
Due to related organizations	66,843	0	0	0	66,843
Other liabilities	646,583	0	0	0	646,583
TOTAL LIABILITIES	2,319,464	186,172	0	12,462	2,518,098
Pension obligation (see Note 6)					
FUND BALANCES					
Nonspendable	162,952	0	0	0	162,952
Restricted	0	0	0	1,231,193	1,231,193
Committed	54,151	15,063,488	0	0	15,117,639
Assigned	2,674,606	0	4,020,702	0	6,695,308
Unassigned	11,203,021	0	0	0	11,203,021
TOTAL FUND BALANCES	14,094,730	15,063,488	4,020,702	1,231,193	34,410,113
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,414,194	\$ 15,249,660	\$ 4,020,702	\$ 1,243,655	\$ 36,928,211

See accompanying notes to basic financial statements

City of Mountain Brook, Alabama
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
September 30, 2015

Fund balance - total governmental funds		\$ 34,410,113
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Note receivable charged to capital outlay in the fund financial statements less principal recoveries</p>		55,650
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet</p>		
<p style="padding-left: 40px;">Governmental capital assets</p>	\$ 139,331,897	
<p style="padding-left: 40px;">Less accumulated depreciation</p>	<u>(60,522,387)</u>	78,809,510
<p>Net OPEB assets are not current financial resources and therefore are not reported in the governmental funds balance sheet</p>		2,169,932
<p>Employer pension contributions subsequent to the measurement date</p>		1,578,733
<p>Net pension liability is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet</p>		(21,876,607)
<p>Net difference between projected and actual earnings on pension plan investments</p>		(1,421,266)
<p>Long-term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet</p>		
<p style="padding-left: 40px;">Governmental bonds payable</p>	(3,675,000)	
<p style="padding-left: 40px;">Compensated absences</p>	(2,862,744)	
<p style="padding-left: 40px;">Accrued interest payable</p>	<u>(71,641)</u>	<u>(6,609,385)</u>
Net position of governmental activities		<u>\$ 87,116,680</u>

See accompanying notes to basic financial statements.

City of Mountain Brook, Alabama
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2015

	<u>General</u>	<u>Capital Projects</u>
Revenues:		
Taxes	\$ 28,619,489	\$ 0
Licenses and permits	4,525,166	0
Intergovernmental	92,199	0
Charges for services	729,680	0
Fines and forfeitures	643,492	0
Grants	53,653	69,504
Other operating revenues	<u>446,712</u>	<u>63,096</u>
Total revenues	<u>35,110,391</u>	<u>132,600</u>
Expenditures:		
Current (operating):		
General government	4,332,076	77,090
Public safety	13,995,986	975,914
Street and sanitation	6,365,477	548,175
Recreational	1,171,023	369,727
Library	3,015,092	147,111
Debt service:		
Principal	0	0
Interest	<u>0</u>	<u>0</u>
Total expenditures	<u>28,879,654</u>	<u>2,118,017</u>
Excess (deficiency) of revenues over expenditures	<u>6,230,737</u>	<u>(1,985,417)</u>
Other financing sources (uses):		
Operating transfers in	0	5,013,336
Operating transfers (out)	(5,463,132)	(357,350)
Operating transfers in - component unit	144,450	0
Donations	<u>82,985</u>	<u>3,510</u>
Total other financing sources (uses)	<u>(5,235,697)</u>	<u>4,659,496</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>995,040</u>	<u>2,674,079</u>
Fund balances, beginning of year	<u>13,099,690</u>	<u>12,389,409</u>
FUND BALANCES, END OF YEAR	<u>\$ 14,094,730</u>	<u>\$ 15,063,488</u>

See accompanying notes to basic financial statements.

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 0	\$ 386,600	\$ 29,006,089
0	0	4,525,166
0	0	92,199
0	404,217	1,133,897
0	212,909	856,401
0	0	123,157
<u>32,812</u>	<u>178,286</u>	<u>720,906</u>
<u>32,812</u>	<u>1,182,012</u>	<u>36,457,815</u>
1,103	253,857	4,664,126
0	451,135	15,423,035
0	752,709	7,666,361
0	0	1,540,750
0	0	3,162,203
210,000	0	210,000
<u>147,350</u>	<u>0</u>	<u>147,350</u>
<u>358,453</u>	<u>1,457,701</u>	<u>32,813,825</u>
<u>(325,641)</u>	<u>(275,689)</u>	<u>3,643,990</u>
657,350	343,369	6,014,055
0	(193,573)	(6,014,055)
0	0	144,450
<u>0</u>	<u>0</u>	<u>86,495</u>
<u>657,350</u>	<u>149,796</u>	<u>230,945</u>
<u>331,709</u>	<u>(125,893)</u>	<u>3,874,935</u>
<u>3,688,993</u>	<u>1,357,086</u>	<u>30,535,178</u>
<u>\$ 4,020,702</u>	<u>\$ 1,231,193</u>	<u>\$ 34,410,113</u>

City of Mountain Brook, Alabama
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Funds to the Government-wide Statement of Activities
September 30, 2015

Net change in fund balances - total governmental funds		\$ 3,874,935
Amounts reported for governmental activities in the statement of activities are different because:		
Construction loan principal receipts charged to other operating revenues in the governmental funds and as a reduction in the note receivable in the statement of net position.		(80,745)
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Expenditures for capital assets	\$ 2,431,747	
Less current year depreciation	<u>(4,968,077)</u>	(2,536,330)
Net book value of assets disposed during the year.		(1,150)
The net effect of transactions involving net OPEB assets is to increase net position.		365,033
The effect of the net increase (decrease) in deferred outflows of resources		51,288
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		210,000
Some expenses reported in the government-wide statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in long-term compensated absences	(76,216)	
Change in accrued interest payable	<u>4,068</u>	(72,148)
The effect of the net (increase) decrease in the pension liability		1,296,090
The effect of the net (increase) decrease in the deferred inflows of resources		<u>(1,421,266)</u>
Change in net position of governmental activities		\$ <u>1,685,707</u>

See accompanying notes to basic financial statements.

**City of Mountain Brook, Alabama
Statement of Fiduciary Net Position
Other Post-Employment Benefits Trust Fund
September 30**

	<u>2015</u>
ASSETS	
Certificates of deposit, at fair value	<u>\$ 1,900,232</u>
TOTAL ASSETS	<u>1,900,232</u>
LIABILITIES	
Accounts payable and accrued liabilities	<u>0</u>
TOTAL LIABILITIES	<u>0</u>
NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS	<u>\$ 1,900,232</u>

See accompanying notes to basic financial statements.

City of Mountain Brook, Alabama
Statement of Changes in Fiduciary Net Position
Other Post-Employment Benefits Trust Fund
Year Ended September 30

	2015
ADDITIONS	
Contributions	
Employer	\$ 658,063
Plan members	128,682
Investment earnings	31,151
TOTAL ADDITIONS	817,896
DEDUCTIONS	
Benefits	475,010
Administrative expense	13,990
TOTAL DEDUCTIONS	489,000
NET INCREASE	328,896
Net position held in trust for other post-employment benefits, beginning of year	1,571,336
NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS, END OF YEAR	\$ 1,900,232

See accompanying notes to basic financial statements.

City of Mountain Brook, Alabama

Notes to Financial Statements

1. Summary of significant accounting policies

The City of Mountain Brook, Alabama (the City) was incorporated on March 24, 1942. The City operates under the Council-Manager form of government organized to comply with the provisions of Title 11, Chapter 43, Sections 20-22 of the Code of Alabama 1975, as amended. The City Council is composed of five officials all of whom are elected at-large. The members of the City Council and Mayor hold office for four year terms. The terms of office for the elected officials are staggered (beginning in October 2004) with Council places 1, 3, and 5 up for election in even years and Council places 2 and 4 and the Mayor's office up for election in odd years. The next election is scheduled for August 23, 2016. The City Manager is appointed by the City Council as the executive officer to serve at the will and pleasure of that body. The Mayor and members of the City Council receive no salary or other compensation for their service to the City.

A. Accounting and reporting

The City of Mountain Brook, Alabama complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The City has elected to present comparative information in the notes to financial statements to enhance the users' understanding of the City's financial position and operations.

B. Related organizations

The City is also responsible for appointing the Board of Trustees of the Mountain Brook Board of Education (the Board). However, the City has no control or influence in the presentation or adoption of the Board's annual operating budget; the City is not responsible for any budget deficits incurred by the Board; and the Board has the authority to issue debt securities which are neither secured by the City's revenues or obligations of the City. Accordingly, the financial statements of the Board are not presented in the accompanying financial statements because the City is not considered to be financially accountable for the Board.

During years ended September 30, 2015 and 2014, the City reported the following revenues from the Board:

	2015	2014
General Fund		
Community athletic fields shared maintenance	\$ 92,199	\$ 85,443
High school sewer treatment facility maintenance	0	7,200
Total	\$ 92,199	\$ 92,643

At September 30, 2015 and 2014, the City reported receivables from the Board in the amounts as follows (See Note 3):

	2015	2014
General Fund		
Community athletic fields shared maintenance	\$ 0	\$ 85,443
Total	\$ 0	\$ 85,443

The City receives 36.7 mills of the 99.0 mill property tax (Note 1.R.) from Jefferson County. From the 36.7 mills, the City transfers 10.6 mills to the Board. For financial reporting purposes, the City includes the net property tax of 26.1 mills in its General Fund revenues. At September 30, 2015 and 2014, the City owed the Board \$66,843 and \$63,797, respectively, for its share of property taxes which is included in other liabilities of the General Fund.

City of Mountain Brook, Alabama

Notes to Financial Statements

In 1998, the City agreed to serve as the fiscal agent for the third phase of the Board's improvements to the community athletic fields. The improvements totaling approximately \$1 million were financed through the issuance of Series 1998-A general obligation warrants. The athletic fields are maintained by the City's Parks and Recreation Department. The routine maintenance of the fields are shared by the City (1/3), the Board (1/3), two unaffiliated local athletic groups - Mountain Brook Athletics, Inc. (1/6), and Mountain Brook Soccer Club, Inc. (1/6).

In 2005, the City entered into a long-term lease agreement with the Mountain Brook Sports Park Foundation (MBSPF), a non-profit organization. Under the terms of the agreement, MBSPF was granted the right to use City land to be used primarily for community soccer fields. MBSPF paid for the construction of such fields from private donations and a \$500,000 loan from the City. The construction costs totaled \$1,952,936. In 2009, MBSPF constructed a restroom/concession stand at the complex which was financed from private donations, a contribution from the City in the amount of \$62,500, and a loan from the City in the amount of \$62,500. The outstanding loan balance of \$55,650 and \$136,395 has been presented as a note receivable in the statement of net position as of September 30, 2015 and 2014, respectively.

During the years ended September 30, 2015 and 2014, the City reported the following transactions in conjunction with the above joint ventures which are included in the General Fund in the accompanying financial statements:

	<u>2015</u>	<u>2014</u>
Revenues		
The Board of Education	\$ 44,089	\$ 41,207
Mountain Brook Athletics, Inc.	22,044	20,604
Mountain Brook Soccer Club, Inc.	22,044	20,604
Charges for services (MBSPF)	<u>84,732</u>	<u>84,732</u>
Total revenues	<u>172,909</u>	<u>167,147</u>
Expenditures		
Recreational (operating and maintenance)	133,669	121,471
Capital outlay (\$1,952,936 cumulative)	<u>0</u>	<u>0</u>
Total expenditures	<u>133,669</u>	<u>121,471</u>
Other financing sources (uses), net		
Transfers to City General Fund	<u>(40,643)</u>	<u>(43,525)</u>
Net other financing sources	<u>(40,643)</u>	<u>(43,525)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other assets	(1,403)	2,151
Fund balance (deficit) at the beginning of the year	<u>1,403</u>	<u>(748)</u>
Fund balance (deficit) at the end of the year	<u>\$ 0</u>	<u>\$ 1,403</u>

The City and School Board fulfilled their respective financial commitments in 2005. The general obligation warrants were repaid in 2008 with funds donated to the City for that purpose.

City of Mountain Brook, Alabama

Notes to Financial Statements

Another related organization is The Mountain Brook Library Foundation ("the Foundation"). The Foundation is a non-profit organization formed for the benefit of the Emmet O'Neal Library, a department of the City. Several of the Foundation's Board members are also members of The Emmet O'Neal Library Board. The Foundation has received contributions from individual, corporation, and private foundations that were utilized to construct, furnish, and equip the City's library facilities. These facilities were contributed to the City of Mountain Brook during 2001, and are included in the accompanying financial statements.

The financial position and results of operations of the Foundation are reported as a component unit of the City in the accompanying government-wide financial statements. A copy of the Foundation's audited financial statements may be obtained from The Emmet O'Neal Library Board, 50 Oak Street, Mountain Brook, Alabama 35213.

C. Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds and component units that are fiduciary in nature.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The statement of activities demonstrates the degree to which the direct expense 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 include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

D. Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for in a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary (the City had no proprietary funds at year end). An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least ten percent (10%) of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least five percent (5%) of the corresponding total for all governmental funds combined.

The City may also elect to present a fund as major if it does not meet the above criteria to emphasize the importance of a certain fund's activity.

The funds of the financial reporting entity are described below:

Governmental funds

A. General Fund

The General Fund is the principal fund of the City and is always classified as a major fund. It is used to account for all revenues and expenditures applicable to the general operations of city government which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to their use by outside sources are recorded in the General Fund.

City of Mountain Brook, Alabama

Notes to Financial Statements

B. Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes.

C. Debt Service Funds

The Debt Service Fund is used to account for financial resources related the City's debt service. In addition, the City is accumulating resources in the Debt Service Fund for the possible a) early redemption of its Series 2007 General Obligation Warrants (see Note 5) or b) future repayment of its unfunded pension obligation (see Note 6).

D. Capital Projects Funds

Capital Projects Funds are used to account for, and demonstrate compliance with, legal and contractual provisions and to compile data related to financial resources to be used for the acquisition or construction of major fixed assets other than those financed by special assessments.

Major and non-major funds

The General Fund, Capital Projects Funds, and Debt Service Fund are classified as major funds and are described above. The City has elected to present all Capital Projects Funds and the Debt Service Fund as major funds to reflect the importance of their activity separately from other non-major funds regardless of whether these funds meet the reporting criteria described above.

The Special Revenue Funds are classified as non-major and are described above.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of intrafund loans, if any.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party such as residents, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

City of Mountain Brook, Alabama

Notes to Financial Statements

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Capital Projects	Debt Service	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Prepaid expenses	\$ 125,448	\$ 0	\$ 0	\$ 0	\$ 125,448
Inventory	37,504	0	0	0	37,504
Total Nonspendable	162,952	0	0	0	162,952
<u>Restricted:</u>					
Emergency Communication District (E911)	0	0	0	411,010	411,010
State Shared Gasoline Taxes:					
5 Cent	0	0	0	17,856	17,856
7 Cent	0	0	0	561,385	561,385
4 Cent	0	0	0	232,081	232,081
2 Cent	0	0	0	8,861	8,861
Total Restricted	0	0	0	1,231,193	1,231,193
<u>Committed:</u>					
Capital Projects	0	15,063,488		0	15,063,488
Library Endowment	54,151	0	0	0	54,151
Total Committed	54,151	15,063,488	0	0	15,117,639
<u>Assigned:</u>					
Emergency Reserve Fund	2,475,000	0	0	0	2,475,000
Debt Service Fund	0	0	4,020,702	0	4,020,702
Asset Forfeitures	10,236	0	0	0	10,236
Library Book Fund	178,400	0	0	0	178,400
Community Fund	10,970	0	0	0	10,970
Total Assigned	2,674,606	0	4,020,702	0	6,695,308
<u>Unassigned</u>	11,203,021	0	0	0	11,203,021
Total Fund Balances	\$ 14,094,730	\$ 15,063,488	\$ 4,020,702	\$ 1,231,193	\$ 34,410,113

City of Mountain Brook, Alabama

Notes to Financial Statements

F. Measurement focus and basis of accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement focus

On the Government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of accounting

In the Government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or generally within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

G. Encumbrances

In the Fund Financial Statements, the City does not utilize encumbrance accounting techniques which means that fund balances are not committed or assigned upon the issuance of purchase orders. Expenditures are recorded at the time of a purchase or the incurrence of a liability.

H. Worker's compensation

The City provides workers' compensation coverage to its employees as required by law. In February 2013, the City implemented a high deductible insurance program for its workers' compensation program administered by the Municipal Workers' Compensation Fund (MWCF). The MWCF assumed the administration of open claims incurred prior to February 1, 2013 when the City was self-insured (with excess loss coverage). The City's exposure for workers' compensation claims since February 1, 2013 is as follows:

For claims incurred on or after:	Liability Limits	
	Specific	Aggregate
February 1, 2015	\$ 300,000	\$ 739,293
February 1, 2014	300,000	845,467
February 1, 2013	250,000	909,034

Prior to February 1, 2013, the City's excess loss coverage paid losses for specific claims over \$500,000 and (two-year) aggregate claims costs over \$1,500,983 (limited to \$2 million in coverage).

City of Mountain Brook, Alabama

Notes to Financial Statements

Pursuant to regulations promulgated by the State of Alabama Department of Industrial Relations with respect to self-insured workers' compensation programs, the City engages an actuary every three years to determine its discounted total estimated liability for outstanding workers' compensation claims. The actuarial valuation of the discounted total estimated liability for outstanding claims was \$256,404 as of September 30, 2014 and \$616,407 as of September 30, 2011. The accompanying financial statements include an estimated accrual of unpaid workers' compensation claims as of September 30, 2015 and 2014 in the amount of \$341,700 and \$330,600, respectively. Workers' compensation cost charged by the City during 2015 and 2014 was approximately \$333,000 and (\$149,000), respectively. The decrease in workers' compensation costs charged to operations in 2014 is the result of the City's change from a self-insured program to a high deductible program which in turn resulted in the reduction of the actuarially determined discounted estimated total liability for outstanding claims described above.

I. Cash and temporary investments

Cash resources of various funds are combined to form a cash and investment pool. Interest from this pool is allocated monthly to each fund based on their respective month-end cash and investment balances. Restricted cash and temporary investments of \$261,680 and \$204,853 as of September 30, 2015 and 2014, respectively, represent temporary and permanently restricted funds donated to the Emmet O'Neal Library, a department of the City.

J. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes and road and bridge taxes.

In the fund financial statements, material receivables in governmental funds include the receivables mentioned in the preceding paragraph and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned generally if paid within 60 days since they would be considered both measurable and available.

K. Equity classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted - Constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified in accordance with section E. of this note.

City of Mountain Brook, Alabama

Notes to Financial Statements

L. Long-term debt

The accounting treatment of long-term debt depends on whether the assets are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

M. Compensated absences

Full-time City employees earn sick leave at the rate of one day per month of service and can accumulate up to sixty days of sick leave. Vacation leave is earned at graduated rates based on length of service (one day per month of service initially, one and one-half days per month of service after twelve years, and two days per month of service after twenty-five years). Employees are allowed to accumulate up to forty days of vacation leave (sixty for sworn police officers and firefighters).

A full-time employee may retire after twenty-five years of creditable service or after attaining sixty years of age with at least ten years of creditable service. A retiring employee or separating employee in good standing receives termination pay equivalent to their unused vacation pay not to exceed forty days. In addition, a retiring employee or separating employee in good standing with five years of service receives termination pay based on 50% of their accrued sick leave limited to thirty days pay.

The Government-wide Statement of Net Position includes a noncurrent liability for compensated absences in the amount of \$2,862,744 as of September 30, 2015 and \$2,786,528 as of September 30, 2014. The City paid \$-0- and \$-0- after September 30, 2015 and 2014, respectively, representing all vested compensated absences to employees who retired or otherwise ended their employment with the City prior to year end. Such amounts have been reported as current liabilities in the Government-Wide Statement of Activities.

N. Longevity pay plan

The City has a longevity pay plan which covers all full-time employees that have completed a minimum of six years of service as of September 30. Longevity pay for a qualifying employee is the product of the percentage factor (which is based on the number of years of completed services) and their annual rate of pay. The percentage factor is 1.5% after six years and increases 0.5% per year to a maximum rate of 8.5% which is attained after twenty years of service. The plan also limits the City's maximum annual longevity pay to a total of \$440,000 in 2015 and 2014. The City has adopted the informal policy of liquidating the liability for longevity pay in November of each year. The liability for longevity pay as of September 30, 2015 and September 30, 2014 reported in the Government-Wide and Fund financial statements totaled \$422,014 and \$433,120, respectively.

O. Holiday pay

Holiday pay can be accumulated (principally police and fire personnel) up to 80 hours. Accumulations in excess of 80 hours are not permitted and such time is paid to employees as earned.

P. Pension plan

The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report. (Note 6).

City of Mountain Brook, Alabama

Notes to Financial Statements

Q. Intrafund transactions

During the course of normal operations, the City incurs numerous transactions between funds to provide services, construct or acquire assets, service debt, etc. These transactions are generally reported as operating transfers except in instances where the transfer represents the reimbursement to a fund for expenditures incurred for the benefit of another fund. Following is a summary of the operating transfers between funds during the year ended September 30, 2015:

	General	Capital Projects	Debt Service Fund	Other Governmental Funds
Operating transfers in (out):				
Capital transfers for the payment of current year asset acquisitions and the future replacement of capital assets	\$ (4,819,763)	\$ 5,013,336	\$ 0	\$ (193,573)
Corrections fund transfer to fund operations	(143,369)	0	0	143,369
Debt service transfer for the accumulation of funds for the future repayment of City obligations	(300,000)	0	300,000	0
Debt service fund transfer for the repayment of General Obligation principal and interest	0	(357,350)	357,350	0
Gasoline tax fund transfer to supplement the annual street resurfacing program	(200,000)	0	0	200,000
Operating transfers, net	\$ (5,463,132)	\$ 4,655,986	\$ 657,350	\$ 149,796

Following is a summary of the operating transfers between funds during the year ended September 30, 2014:

	General	Capital Projects	Debt Service Fund	Other Governmental Funds
Operating transfers in (out):				
Capital transfers for the payment of current year asset acquisitions and the future replacement of capital assets	\$ (4,773,108)	\$ 4,782,952	\$ 0	\$ (9,844)
Corrections fund transfer to fund operations	(173,707)	0	0	173,707
Debt service transfer for the accumulation of funds for the future repayment of City obligations	(300,000)	0	300,000	0
Debt service fund transfer for the repayment of General Obligation principal and interest	0	(360,391)	360,391	0
Gasoline tax fund transfer to supplement the annual street resurfacing program	(100,000)	0	0	100,000
Operating transfers, net	\$ (5,346,815)	\$ 4,422,561	\$ 660,391	\$ 263,863

Intrafund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. The purpose of the intrafund receivable balance, if any, to non-major governmental funds from the General fund is for the reimbursement of operating expenditures paid from non-major governmental funds on behalf of the General fund.

Permanent reallocations of resources between funds of the reporting entity are classified as intrafund transfers. For the purposes of the Statement of Activities, all intrafund transfers between individual governmental funds have been eliminated.

City of Mountain Brook, Alabama

Notes to Financial Statements

R. Property taxes

All ad valorem (real property) taxes levied by municipalities in Jefferson County, Alabama are assessed by the Jefferson County Tax Assessor and collected by the Jefferson County Tax Collector. The Jefferson County Tax Assessor attaches taxes as enforceable liens on property as of September 30 and taxes become due October 1 through December 31. Property taxes not paid by January 1 are considered delinquent. Personal property taxes are also collected by the Jefferson County Tax Collector and are due throughout the year. After collecting property taxes, the Jefferson County Tax Collector remits the City's portion by check monthly. Taxes collected by the Jefferson County Tax Collector before the fiscal year end but remitted to the City after September 30 are accrued in the General Fund.

For years beginning October 1, 1996, assessed values are calculated by multiplying the market value by the following percentages:

Residential owner occupant	10%
All other	20%

Millage distributions for real and personal property located within the City's corporate limits are as follows:

<u>Entity</u>	<u>Mills</u>	<u>Amount Per \$100 of Assessed Value</u>
State of Alabama	6.5	\$ 0.65
Jefferson County Commission	13.5	1.35
County-wide school tax	8.2	0.82
Mountain Brook Board of Education	44.7	4.47
City of Mountain Brook General Fund	26.1	2.61
	<u>99.0</u>	<u>\$ 9.90</u>

S. Major revenue sources and taxpayers

The City's primary sources of revenue include ad valorem taxes, sales utility taxes, and use taxes, and business licenses. Collectively, these taxes and licenses totaled approximately \$28.2 million (80%) and \$27.5 million (80%) of the total General Fund revenues during the years ended September 30, 2015 and 2014, respectively. Of the City's taxpayers, Macy's Department Store, Alabama Power Company, Western Supermarket, Publix (grocery store), Whole Foods, Energen Corporation (gas company), Diamonds Direct, Marcus Cable (doing business as Charter Communications), and Shoppes at River Run, LLC (grocery store), collectively, provided approximately \$6.5 million (18%) and \$6.5 million (19%) of the City's total General Fund revenues during the years ended September 30, 2015 and 2014, respectively.

T. Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for the governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character:	Current (further classified by function and includes Capital Outlay) Debt Service
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In the fund financial statements, governmental funds report expenditures of financial resources.

U. Inventory

Inventory items are valued at cost which approximates market. The cost of inventory is recorded as expenditures when consumed rather than when purchased.

City of Mountain Brook, Alabama

Notes to Financial Statements

V. Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are reported in the government-wide or fund financial statements. In the government-wide financial statements, fixed assets with initial individual costs of more than \$1,000 (amounts not rounded) and an estimated useful life in excess of one year are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Historical cost was used to value the majority of the assets.

Prior to October 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at historical cost or estimated historical costs.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings	20-50 years
- Improvements	10-50 years
- Machinery and Equipment	3-20 years
- Infrastructure	5-75 years

Fund financial statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as expenditures of the governmental function upon acquisition.

W. Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent liabilities and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

X. Subsequent events

The City has evaluated subsequent events through the date these financial statements were available to be issued (see also Note 13).

2. Deposits and investments, interest rate risk, credit risk, and custodial risk

At September 30, 2015, the City had the following cash and investments and maturities:

	<u>Investment Maturity in Years</u>			
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>From 1 Up To 3</u>	<u>From 3 Up To 5</u>
Cash on-hand	\$ 2,760	\$ 2,760	\$ 0	\$ 0
Bank deposits	16,621,951	16,621,951	0	0
Investments:				
Cash and money market accounts	261,407	261,407	0	0
Certificates of deposit	17,835,273	8,428,071	6,816,333	2,590,869
576 shares VMC common stock (donated)	51,379	0	0	51,379
Total portfolio	\$34,772,770	\$25,314,189	\$ 6,816,333	\$ 2,642,248

At September 30, 2015, the discretely presented component unit had the following cash and investments and maturities:

City of Mountain Brook, Alabama

Notes to Financial Statements

	Investment Maturity in Years			
	Fair Value	Less Than 1	1 - 2	3 - 5
Bank deposits	\$ 25,504	\$ 25,504	\$ 0	\$ 0
Money market	485,196	485,196	0	0
Mutual funds	2,687,999	2,687,999	0	0
Total portfolio	\$ 3,198,699	\$ 3,198,699	\$ 0	\$ 0

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy restricts General Fund investments to those with maturities of two years or less and Capital Project and Debt Service Fund investments to those with maturities of five years or less. Cash and investment maturities (excluding the discretely presented component unit) as of September 30, 2015, were as follows:

Maturity	Portion of Portfolio
Less than one year	72.80%
1 - 2 years	19.60%
3 - 5 years	7.60%
	<u>100.00%</u>

Credit Risk. Act No. 2000-748 of the Code of Alabama requires that all public deposits held in banks be secured by collateral pledged to the Security for Alabama Funds Enhancement (SAFE) collateral pool established in the Office of the State Treasurer. The City's policy is to deposit funds only in financial institutions that are qualified public depositories of the State of Alabama SAFE program or other federally insured financial institutions. All of the City's bank deposits are either insured by Federal Depository Insurance (FDIC) or collateralized in accordance with Act 2000-748.

The City's investment policy allows for up to 100% of the portfolio to be invested in direct obligations of the U.S. government or federal agencies thereof in accordance with §11-81-19 and §11-81-21 of the Code of Alabama. At September 30, 2015, the City had invested \$17.8 million in certificates of deposit. Of the City's \$17.8 million investment in certificates of deposit, the City had \$106,000 (par) invested with a financial institution located outside of the State of Alabama that was not insured under FDIC. Following is a summary of the City's top holdings in its cash and investment portfolio:

Description/Creditor	Fair Value	Portion of Portfolio
Iberia Bank (cash deposit accounts)	\$ 11,422,760	32.85%
Regions Bank (cash deposit accounts)	5,199,191	14.95%
Morgan Stanley (cash, deposits, money market funds)	261,407	0.75%
All other (cash on-hand and common stock)	54,139	0.16%
Various financial institutions - certificates of deposit	17,835,273	51.29%
	<u>\$ 34,772,770</u>	<u>100.00%</u>

The discretely presented component unit does not follow the investment policies of the City. Their policy allows for investments that may potentially produce the highest returns on capital. The following are the holdings in the discretely presented component unit's cash and investment portfolio:

City of Mountain Brook, Alabama

Notes to Financial Statements

Description	CUSIP	Fair Value	Portion of Portfolio
Bank demand deposit accounts		\$ 258,115	8.07%
Prime Money Market Fund		252,585	7.90%
Chase Growth Fund (42,703.591 shares)	CHASX	544,044	17.01%
Dodge & Cox International Stock (9,146.792 shares)	DODFX	338,614	10.59%
Loneleaf Partner Family Value Tr #133 (15,931.108 shares)	LLPFX	383,143	11.98%
PIMCO All Asset Fund Institutional Class (47,032.587 shares)	PAAIX	489,139	15.29%
PIMCO Low Duration Fund Institutional Class (33,549.858 shares)	PTLDX	331,137	10.35%
Vanguard Convert Securities (48,778.132 shares)	VCV SX	601,922	18.81%
		<u>\$ 3,198,699</u>	<u>100.00%</u>

Custodial Risk. For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments in certificates of deposit and U. S. Treasury Notes are held in trust by the City's custodians in the name of the custodian. The discretely presented component unit's investments are held in book entry form and in trust by its custodian in the name of the custodian. The discretely presented component unit had uninsured deposits in the amount of \$260,700 at September 30, 2015.

3. Receivables

Receivables at September 30, consisted of the following:

	2015				2014 Total
	General Fund	Capital Projects	Other Governmental Funds	Total	
Taxes	\$ 1,801,770	\$ 0	\$ 36,707	\$ 1,838,477	\$ 1,851,438
E-911 surcharge	0	0	33,511	33,511	41,203
Board of Education	0	0	0	0	85,443
Grants	0	21,400	0	21,400	62,956
Other	99,101	0	0	99,101	89,607
Totals	<u>\$ 1,900,871</u>	<u>\$ 21,400</u>	<u>\$ 70,218</u>	<u>\$ 1,992,489</u>	<u>\$ 2,130,647</u>

The City loaned the Mountain Brook Sports Park Foundation (MBSPPF), a nonprofit organization established to raise funds for the exclusive benefit of Mountain Brook Soccer Club, \$500,000 for their initial (2005) construction of athletic playing fields and \$62,500 for their (2009) construction of a concession/restroom facility at the fields (Note 1.B.). The terms of the loan were renegotiated in May 2011. The loan is to be repaid in sixty (60) monthly installments of \$7,061 including interest at 4% beginning in June 2011. The outstanding balance reported in the statement of net position at September 30, 2015 and 2014 totaled \$55,650 and \$136,395, respectively. The current portion reported at September 30, 2015 and 2014 was \$55,650 and \$80,746, respectively. The City collected interest totaling \$3,987 in 2015 and \$7,147 in 2014.

4. Capital assets

Following is a summary of the changes in the City's capital assets for the year ended September 30, 2015:

City of Mountain Brook, Alabama

Notes to Financial Statements

	<u>Balance at September 30, 2014</u>	<u>Additions</u>	<u>Disposals/ Retirements/ Completed</u>	<u>Balance at September 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 18,698,005	\$ 0	\$ 0	\$ 18,698,005
Construction in progress	854,074	311,995	(966,379)	199,690
Total capital assets, not being depreciated	<u>19,552,079</u>	<u>311,995</u>	<u>(966,379)</u>	<u>18,897,695</u>
Capital assets, being depreciated:				
Land improvements	3,039,881	33,178	0	3,073,059
Buildings and improvements	34,593,616	148,244	(52,434)	34,689,426
Machinery and equipment	21,811,028	1,369,429	(74,089)	23,106,368
Infrastructure	58,221,376	568,901	775,072	59,565,349
Total capital assets, being depreciated	<u>117,665,901</u>	<u>2,119,752</u>	<u>648,549</u>	<u>120,434,202</u>
Less accumulated depreciated for:				
Land improvements	405,386	27,448	0	432,834
Buildings and improvements	4,851,354	1,145,416	(52,434)	5,944,336
Machinery and equipment	15,881,661	1,477,179	(72,939)	17,285,901
Infrastructure	34,732,589	2,318,034	(191,307)	36,859,316
Total accumulated depreciation	<u>55,870,990</u>	<u>4,968,077</u>	<u>(316,680)</u>	<u>60,522,387</u>
Total capital assets, being depreciated, net	<u>61,794,911</u>	<u>(2,848,325)</u>	<u>965,229</u>	<u>59,911,815</u>
Governmental activities capital assets, net	<u>\$ 81,346,990</u>	<u>\$ (2,536,330)</u>	<u>\$ (1,150)</u>	<u>\$ 78,809,510</u>

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

	<u>2015</u>	<u>2014</u>
Governmental activities:		
General government	\$ 346,307	\$ 327,083
Public safety	1,446,969	1,457,824
Street and sanitation	2,031,103	1,822,094
Recreational	593,831	627,945
Library	549,867	591,982
Total depreciation expense	<u>\$ 4,968,077</u>	<u>\$ 4,826,928</u>

5. Long-term debt

Long-term debt outstanding as of September 30, 2015, consisted of the following:

City of Mountain Brook, Alabama

Notes to Financial Statements

	<u>Balance</u>
\$5,000,000 General Obligation Warrants, Series 2007 dated October 1, 2007 maturing annually on October 1 through the year 2027 plus interest payable on April 1 and October 1 at rate rates ranging from 3.875% to 4.0% (Note 9)	<u>\$ 3,675,000</u>
Total	<u>\$ 3,675,000</u>

The total interest paid by the City during the years ended September 30, 2015 and 2014 relative to general obligation warrants was \$147,350 and \$155,391, respectively. The current debt of the City supports the general government function and, as such, all interest expense has been charged to this function in the Government-wide Statement of Activities. The total amount of interest charged to expense of the general government function for the years ended September 30, 2015 and 2014 was \$143,281 and \$151,419, respectively.

Following is a summary of long-term debt principal transactions for the year ended September 30, 2015:

General obligation warrant balances at October 1, 2014	\$ 3,885,000
Principal payments:	
\$5,000,000 General Obligation Warrants, Series 2007	<u>(210,000)</u>
General obligation warrant balances at September 30, 2015	<u>\$ 3,675,000</u>

The scheduled principal and interest maturities on the general obligation warrants by fiscal year were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 220,000	\$ 139,019	\$ 359,019
2017	230,000	130,300	360,300
2018	240,000	121,194	361,194
2019	245,000	111,797	356,797
2020	255,000	102,109	357,109
Thereafter	<u>2,485,000</u>	<u>411,747</u>	<u>2,896,747</u>
Totals	<u>\$ 3,675,000</u>	<u>\$ 1,016,166</u>	<u>\$ 4,691,166</u>

As more fully explained in Note 13, the warrants were redeemed early in whole on October 1, 2015.

6. Pension plan

A. General information about the pension plan

Plan description. The Employees' Retirement System of Alabama (ERS), an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

City of Mountain Brook, Alabama

Notes to Financial Statements

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to Alabama Code §36-27-6.

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to but not yet receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active members	<u>55,883</u>
Total	<u>83,874</u>

City of Mountain Brook, Alabama

Notes to Financial Statements

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members. The City Council elected to increase the employee contribution rates as described above as provided in Act 2011-676 of the Regular Session of the 2011 Alabama Legislature effective October 1, 2011.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, the City's contractually required contribution rates for active employee (including pre-retirement death benefits of 0.14% and administrative expenses of 0.21%) expressed as a percentage of covered employee payroll was as follows:

Unit (Collectively, The City of Mountain Brook)	Tier 1	Tier 2
2460 City of Mountain Brook	12.39%	12.25%
4791 Mountain Brook Library Board	4.38%	4.24%
4792 Mountain Brook Park and Recreation Board	2.42%	2.28%

The weighted average contribution rate (excluding pre-retirement death benefits of 0.14% and administrative expenses of 0.21%) to fund the normal and accrued liability costs was 11.01%.

The required contribution rates above are based upon the actuarial valuation dated September 30, 2012, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan were \$2,742,677 (\$1,578,732 employer plus \$1,163,945 employee excluding pre-retirement death benefits of 0.14% and administrative expenses of 0.21%) for the year ended September 30, 2015.

B. Net pension liability

The City's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown below:

City of Mountain Brook, Alabama

Notes to Financial Statements

	Unit			
	City 2460 MTB	Library 4791 MBL	Park Board 4792 MBP	Combined
Total pension liability as of September 30, 2013 (a)	\$ 63,179,339	\$ 3,650,409	\$ 1,507,918	\$ 68,337,666
Entry age normal cost for the period				
October 1, 2013 through September 30, 2014 (b)	1,115,008	104,473	51,525	1,271,006
Actual benefit payments and refunds for the period				
October 1, 2013 through September 30, 2014 (c)	<u>(3,659,314)</u>	<u>(89,959)</u>	<u>(96,551)</u>	<u>(3,845,824)</u>
Total pension liability as of September 30, 2014	<u>\$ 65,543,008</u>	<u>\$ 3,953,357</u>	<u>\$ 1,579,663</u>	<u>\$ 71,076,028</u>
[(a) X (1.08)] + (b) - [(c) X (1.04)]				

Actuarial assumptions. The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%–7.25%
Investment rate of return*	8.00%

*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.50%.

City of Mountain Brook, Alabama

Notes to Financial Statements

Discount rate. The discount rate used to measure the total pension liability was the long term rate of return, 8%. 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 the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan 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.

C. Changes in net pension liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at September 30, 2013	\$68,337,666	\$45,164,969	\$23,172,697
Changes for the year:			
Service cost	1,271,006	0	1,271,006
Interest	5,313,180	0	5,313,180
Differences between expected and actual experience	0	0	0
Contribtuions—employer	0	1,527,445	(1,527,445)
Contribtuions—employee	0	1,140,706	(1,140,706)
Net investment income	0	5,337,652	(5,337,652)
Benefit payments, including refunds of employee contributions	(3,845,824)	(3,845,824)	0
Administrative expense	0	0	0
Transfers among employers	0	(125,527)	125,527
Net changes	<u>2,738,362</u>	<u>4,034,452</u>	<u>(1,296,090)</u>
Balances at September 30, 2014	<u>\$71,076,028</u>	<u>\$49,199,421</u>	<u>\$21,876,607</u>

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7%) or one percentage point higher (9%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
City's net pension liability	<u>\$30,029,265</u>	<u>\$21,876,607</u>	<u>\$14,961,113</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

D. Pension expense and deferred outflows of resources and deferred inflows of resources related to pension

For the year ended September 30, 2015, the City recognized pension expense of \$1,737,266. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

City of Mountain Brook, Alabama

Notes to Financial Statements

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 0
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	1,421,266
Employer contributions subsequent to the measurement date	<u>1,578,733</u>	<u>0</u>
Total	<u>\$ 1,578,733</u>	<u>\$ 1,421,266</u>

Amounts reported as deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended September 30:	<u>Deferred Inflows of Resources</u>
2016	\$ 355,316
2017	355,316
2018	355,316
2019	355,318
2020	0
Thereafter	0

E. Payable to the pension plan

At September 30, 2015, the City reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2015 (and accrued pension contributions in the amount of \$88,400 applicable to accrued [pensionable] salaries and wages as of September 30, 2015).

7. Post-employment benefits

Plan Description. The City of Mountain Brook's medical benefits are provided to employees upon actual retirement through participation in the Local Government Health Insurance Plan (LGHIP) administered by the State Employees' Insurance Board (SEIB).

The employer pays a portion of the medical coverage for the retirees and dependents for a maximum of thirteen years after retirement or, if earlier, until the attainment of Medicare eligibility. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called "Tier I members"). Employees hired on and after January 1, 2013 (called "Tier II" members) are eligible to retire only after attainment of age 62 (age 56 for police and firefighters) or later completion of 25 years of service.

Contribution Rates. Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy. Until 2006, the City of Mountain Brook recognized the cost of providing post-employment medical benefits (the City of Mountain Brook's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2015 and 2014, the City of Mountain Brook's portion of health care funding cost for retired employees totaled \$346,328 and \$359,756, respectively.

Effective October 1, 2006, the City of Mountain Brook implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

City of Mountain Brook, Alabama

Notes to Financial Statements

Annual Required Contribution. The City of Mountain Brook's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	<u>2015</u>	<u>2014</u>
Normal Cost	\$ 125,022	\$ 117,078
30-year UAL amortization amount	<u>124,091</u>	<u>149,101</u>
 Annual required contribution (ARC)	 <u>\$ 249,113</u>	 <u>\$ 266,179</u>

Net Post-employment Benefit Obligation (Asset). The table below shows the City of Mountain Brook's Net Other Post-employment Benefit (OPEB) Obligation for fiscal years ending September 30:

	<u>2015</u>	<u>2014</u>
Beginning Net OPEB Obligation (Asset)	\$ (1,804,899)	\$ (1,436,943)
Annual required contribution	249,113	266,179
Interest on Net OPEB Obligation (Asset)	(72,196)	(57,478)
ARC Adjustment	<u>104,378</u>	<u>83,099</u>
OPEB Cost	281,295	291,800
Contribution	(300,000)	(300,000)
Current year retiree premium	<u>(346,328)</u>	<u>(359,756)</u>
Change in Net OPEB Obligation	<u>(365,033)</u>	<u>(367,956)</u>
 Ending Net OPEB Obligation (Asset)	 <u>\$ (2,169,932)</u>	 <u>\$ (1,804,899)</u>

The following table shows the City of Mountain Brook's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability for last year and this year:

Fiscal Year	Annual OPEB	Percentage	NET OPEB
September	Cost	Annual Cost	Liability
		Contributed	(Asset)
2015	\$ 281,295	229.77%	\$ (2,169,932)
2014	291,800	200.00%	(1,804,899)

Funded Status and Funding Progress. In the fiscal year ending September 30, 2015 and 2014, the City of Mountain Brook contributed \$300,000 and \$300,000, respectively, to its post-employment benefits plan over and above the retiree premium costs. The plan with accrued interest and unrealized gains/losses, thus had assets of \$1,900,232 and \$1,571,336 as of September 30, 2015 and 2014, respectively. Based on the October 1, 2013 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year September 30, 2015 was \$3,865,805 which is defined as that portion, as determined by a particular actuarial cost method (the City of Mountain Brook uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

Actuarial Valuation Date September 30	Actuarial Value of Assets (a)	Actuarial Liability (AAL) -Entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Ratio of UAAL to Covered Payroll (b-a)/c)
2015	\$ 1,900,232	\$ 3,865,805	\$ 1,965,573	49.15%	\$14,871,241	13.22%
2014	1,571,336	3,992,253	2,420,917	39.36%	14,512,291	16.68%

City of Mountain Brook, Alabama

Notes to Financial Statements

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial Methods and Assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of Mountain Brook and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Mountain Brook and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of Mountain Brook and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method. The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turnover.

Actuarial Value of Plan Assets. Because of the nature of the investments in the trust, we have used actual market value as the actuarial value of assets. It is anticipated that in future valuations, should more volatile investments be used, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement 45 would be used.

Turnover Rate. An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 10%.

Post-employment Benefit Plan Eligibility Requirements. It has been assumed that entitlement to benefits will commence three years after the earliest eligibility for retirement. Because of the variations in eligibility described under "Plan Description" above, eligibility for retirement has been assumed to be the earlier of: (1), attainment of age 60 with at least fifteen (15) years of service, and (2), completion of thirty (30) years of service at any age. Entitlement to benefits ceases upon the earlier of thirteen years after retirement and the date the retiree becomes eligible for Medicare benefits (whether by age or disability). Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate). GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Since the ARC is currently being funded and invested with relatively conservative investments, we have performed this valuation using a 4% annual investment return assumption.

Health Care Cost Trend Rate. The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

City of Mountain Brook, Alabama

Notes to Financial Statements

Mortality Rate. The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

Method of Determining Value of Benefits. The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. We have used the "unblended" rates provided as required by GASB 45 for valuation purposes.

Inflation Rate. Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases. This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases. The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

Below is a summary of OPEB cost and contributions for the last three fiscal years.

	<u>2013</u>	<u>2014</u>	<u>2015</u>
OPEB Costs	\$ 269,327	\$ 291,800	\$ 281,295
Contributions	320,000	300,000	300,000
Retiree premium	<u>350,923</u>	<u>359,756</u>	<u>346,328</u>
Total contribution and premium	<u>670,923</u>	<u>659,756</u>	<u>646,328</u>
Change in net OPEB obligation	<u>\$ (401,596)</u>	<u>\$ (367,956)</u>	<u>\$ (365,033)</u>
Ratio of contributions to cost	<u>118.81%</u>	<u>102.81%</u>	<u>106.65%</u>
Ratio of contributions plus premium to cost	<u>249.11%</u>	<u>226.10%</u>	<u>229.77%</u>

8. Commitments and contingencies

The City is charged by the Jefferson County Commission for shared services. The assessments for shared services charged to the City during 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Property tax commissions	\$ 206,370	\$ 199,986
Maintenance of maps and appraisals	184,708	211,369
Jefferson County Health Department	117,160	112,850
Birmingham-Jefferson County Transit Authority	87,345	90,716
Personnel Board of Jefferson County	220,149	176,432
Birmingham Regional Planning Commission	12,350	12,350

With the exception of the Personnel Board and Planning Commission costs, the above expenses are deducted from the ad valorem property taxes remitted by the Jefferson County Tax collector (Note 1.R.) to the City of Mountain Brook. For financial reporting purposes, the City grosses-up the General Fund ad valorem tax revenues and general government expenditures by these amounts.

City of Mountain Brook, Alabama

Notes to Financial Statements

The City has arranged for an independent contractor, Waste Management Company, Inc., to provide for the collection and disposal of refuse and recyclable materials. The base rates for this service for the year ended September 30, 2015, were \$31.03 per month for single and multiple family residential units and \$38.58 per month for commercial units. The annual cost incurred under this agreement for the years ended September 30, 2015 and 2014, was approximately \$2,789,000 and \$2,751,000, respectively. Total garbage service fee revenues collected by the City from its commercial customers during the years ended September 30, 2015 and 2014 were \$33,890 and \$34,086, respectively.

During 1999, the City entered into an agreement whereby the City, along with the City of Homewood, and Jefferson County (collectively referred to as "the Consortium") purchased approximately 16.6 acres of land and the buildings thereon from the Jefferson County Board of Education at a total cost of \$4,884,000. The City's share of the total purchase price totaled approximately \$1,050,000. In conjunction with the purchase, the consortium adopted covenants that expire at the end of seventy-five (75) years restricting the use of the property for programs and activities to benefit the community including, but not limited to: 1) public parks, playgrounds, or zoo; 2) schools, daycare, churches, or philanthropic organizations; 3) government buildings, libraries, community centers, museums, or art galleries; or 4) headquarters for scouting organizations or youth facilities.

In connection with the Consortium's purchase of the property and adoption of restrictive covenants, the City of Birmingham (Birmingham) agreed to lease the adjoining zoo property to Birmingham Zoo, Inc. (BZI), a newly formed non-profit private corporation, for a period twenty-five (25) years with two, twenty-five year renewal options. In consideration of Birmingham's agreement to subsidize the operations of BZI and its commitment to leave the zoo at its present location, the Consortium agreed to pay Birmingham annual installments of \$300,000 commencing in fiscal year 1999 for a period of 9-1/2 years. The City fulfilled its financial commitment under the purchase agreement in 2008. In 2010, the City entered into a service agreement with Birmingham Zoo, Inc. that provides for annual consideration in the amount of \$75,000 through June 2014. In October 2014, the City Council authorized the extension of the agreement through June 2015 in consideration of \$50,000.

In August 2013, the City entered into another development agreement with a real estate developer constructing a 28-acre, \$120 million planned unit development. Under the terms of the development agreement, the City will reimburse the developer up \$4 million for its costs of constructing a new road and widening and improving existing roads upon completion of such improvements. In addition, the City has agreed to a \$10 million revenue sharing arrangement. To the extent that sales tax revenue generated from the new development exceeds the pre-development annual baseline of \$728,000 (to be indexed annually at the rate of 2%), the City shall pay the developer 90% of the excess. The City shall also pay the developer 90% of the new lodging tax revenue generated and the City's portion of real estate taxes in excess of the pre-development annual baseline of \$65,000 (to be indexed annually at the rate of 2%). The accompanying government-wide financial statements include accrued expenses in the amount of \$29,500 for its development agreement obligation as of September 30, 2015. The development agreement provides for payments to commence (late 2016) upon the achievement of defined development milestones.

Construction in progress (Note 4) at September 30 includes the following projects:

	<u>2015</u>	<u>2014</u>
Park improvements	\$ 0	\$ 391,981
Sidewalks	174,963	440,291
Drainage and pedestrian crossing	<u>24,727</u>	<u>21,802</u>
Total	<u>\$ 199,690</u>	<u>\$ 854,074</u>

The City has executed various contracts with the Alabama Department of Transportation (ALDOT) and engineering firms with respect to the Village Walkway System and Safe Routes to Schools sidewalk construction projects. The projects are being administered by ALDOT and federal awards have been granted ranging from 80% to 100% of construction costs. Following is a summary of the contracts underway as of September 30, 2015:

City of Mountain Brook, Alabama

Notes to Financial Statements

Project Description	Contract Commitment and Anticipated Overruns	Expended in Fiscal 2015 ⁽¹⁾	Federal Awards Reported in 2015	Estimated Cost to Complete	Anticipated Completion Date
Mountain Brook Village Walkway System, Phase 6 - CMAQ-9802(921)	\$ 2,689,868	\$ 0	\$ 0	\$ 0	Awaiting close-out
Safe Routes to Schools, Mountain Brook Elementary and Crestline Elementary Schools - SRTS-SR09 (903) and (904)	838,987	0	0	12,000	Awaiting close-out
Mountain Brook Village Walkway System, Phase 9 along Brookwood Road, Crosshill Road, and Oakdale Drive CMAQ-PE12() - Design only ⁽²⁾	196,849	65,718	51,650	41,400	Construction expected to begin in 2016
Village Trail System, Phase 7A - Memory Lane - STPTE-TE09(918)	276,574	2,317	17,854	2,300	Completed fall 2014
Jemson Trail/Shades Creek Parkway Phase 5B - STPBH-CN13(907)	68,000	3,987	0	0	In planning phase
Totals		<u>\$ 72,022</u>	<u>\$ 69,504</u>	<u>\$ 55,700</u>	

⁽¹⁾ The amounts expended in fiscal 2015 include project-related expenditures not eligible for federal reimbursement.

⁽²⁾ Project has been approved by ALDOT but not under [construction] contract as of September 30, 2015. Construction is estimated to be \$1.6 million pending approval to proceed by the City Council.

The costs incurred for the drainage and pedestrian crossing projects are for preliminary design and planning of the projects. Construction contracts are expected to be executed in 2015 once the projects are defined.

9. Constitutional debt limit

Section 225, as amended, of the Constitution of the State of Alabama limits for municipalities with populations of 6,000 or more to 20 percent of the assessed value of taxable property. Excluded from this limitation are bonds issued for the construction of schools, waterworks, sewers, and assessed improvements. Following are the constitution debt limit and legal debt margin:

	<u>2015</u>	<u>2014</u>
Assessed value of taxable real and personal property as provided by the Jefferson County Tax Assessor	<u>\$565,798,520</u>	<u>\$544,623,360</u>
Constitutional debt limit, 20 percent of assessed value	\$113,159,704	\$108,924,672
Outstanding long-term debt as of September 30	<u>3,675,000</u>	<u>3,885,000</u>
Legal Debt Margin	<u>\$109,484,704</u>	<u>\$105,039,672</u>

10. Litigation

Several claims, suits, and complaints, common to municipalities, have been filed or are pending against the City. In the opinion of management and the City's attorney, all such matters are without merit or involve such amounts as would not have a material adverse effect on the City's financial statements.

City of Mountain Brook, Alabama

Notes to Financial Statements

11. Future Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Fair value measurement and application;
- Amendments to accounting and financial reporting for pensions;
- Generally Accepted Accounting Principles (GAAP) hierarchy;
- Tax abatement disclosures; and
- Financial reporting and accounting related to other post-employment benefits.

The City is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

12. Change in accounting principle and restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment to GASB Statement No. 27), in the fiscal year ended September 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effect on net position of contributions made by the City during the measurement period (fiscal year ended September 30, 2014). As a result, beginning net position for the year ended September 30, 2015 increased (decreased) as follows:

Net pension asset written-off	\$ (10,651,655)
Deferred outflows of resources included	1,527,445
Net pension liability included	<u>(23,172,697)</u>
Decrease in the beginning net position for the year ended September 30, 2015	<u>\$ (32,296,907)</u>

13. Subsequent event

In August 2015, the City Council authorized the early redemption (without penalty) of the Series 2007 General Obligation Warrants (Note 5). The warrants were redeemed in whole on October 1, 2015 in the principal amount of \$3,675,000 plus interest in the amount of \$71,641. As a result, the warrants are classified as a current liability in the accompanying Government-wide Statement of Net Position as of September 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Mountain Brook, Alabama
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended September 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 27,730,300	\$ 27,730,300	\$ 28,619,489	\$ 889,189
Licenses and permits	4,473,300	4,473,300	4,525,166	51,866
Intergovernmental	96,333	96,333	92,199	(4,134)
Charges for services	744,466	744,466	729,680	(14,786)
Fines and forfeitures	561,000	561,000	643,492	82,492
Grants	11,166	11,166	53,653	42,487
Other operating revenues	<u>402,475</u>	<u>402,475</u>	<u>446,712</u>	<u>44,237</u>
Total revenues	<u>34,019,040</u>	<u>34,019,040</u>	<u>35,110,391</u>	<u>1,091,351</u>
Expenditures:				
Current (operating):				
General government	4,360,802	4,360,802	4,332,076	28,726
Public safety	14,300,769	14,300,769	13,995,986	304,783
Street and sanitation	6,300,877	6,300,877	6,365,477	(64,600)
Recreational	1,197,887	1,197,887	1,171,023	26,864
Library	<u>3,041,708</u>	<u>3,041,708</u>	<u>3,015,092</u>	<u>26,616</u>
Total expenditures	<u>29,202,043</u>	<u>29,202,043</u>	<u>28,879,654</u>	<u>322,389</u>
Excess of revenues over expenditures	<u>4,816,997</u>	<u>4,816,997</u>	<u>6,230,737</u>	<u>1,413,740</u>
Other financing sources (uses):				
Operating transfers (out)	(4,268,340)	(4,268,340)	(5,463,132)	(1,194,792)
Operating transfers in - component unit	25,000	25,000	144,450	119,450
Donations	<u>76,950</u>	<u>76,950</u>	<u>82,985</u>	<u>6,035</u>
Total other financing sources (uses)	<u>(4,166,390)</u>	<u>(4,166,390)</u>	<u>(5,235,697)</u>	<u>(1,069,307)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	650,607	650,607	995,040	344,433
Fund balances, beginning of year	<u>13,099,690</u>	<u>13,099,690</u>	<u>13,099,690</u>	<u>0</u>
FUND BALANCES, END OF YEAR	<u>\$ 13,750,297</u>	<u>\$ 13,750,297</u>	<u>\$ 14,094,730</u>	<u>\$ 344,433</u>

City of Mountain Brook, Alabama
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Year Ended September 30

	2014
Total pension liability	
Service costs	\$ 1,271,006
Interest	5,313,180
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes of assumptions	0
Benefit payments, including refunds of employee contributions	<u>(3,845,824)</u>
Net change in total pension liability	2,738,362
Total pension liability, beginning	<u>68,337,666</u>
Total pension liability, ending (a)	<u>\$ 71,076,028</u>
 Plan fiduciary net position	
Contributions - employer	\$ 1,527,445
Contributions - employee	1,140,706
Net investment income	5,337,652
Benefit payments, including refunds of employee contributions	<u>(3,845,824)</u>
Transfers among employers	<u>(125,527)</u>
Net change in plan fiduciary net	4,034,452
Plan net position, beginning	<u>45,164,969</u>
Plan net position, ending (b)	<u>\$ 49,199,421</u>
 Net pension liability (asset), ending	 \$ 21,876,607
 Plan fiduciary net position as a of the total pension liability	 69.22%
 Covered-employee payroll ⁽¹⁾	 \$ 14,336,815
 Net pension liability (asset) as a percentage of the covered-employee payroll	 152.59%

⁽¹⁾ Covered payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2014 the measurement period is October 1, 2013 – September 30, 2014.

**City of Mountain Brook, Alabama
Required Supplementary Information
Schedule of Employer Contributions
Year Ended September 30**

	2015
Actuarially determined contribution	\$ 1,578,733
Contributions in relation to the actuarially determined contribution	1,578,733
Contributions deficiency (excess)	\$ 0
Covered-employee payroll	\$ 14,871,241
Contributions as a percentage of covered-employee payroll	10.62%

Notes to Schedule

Valuation date

Actuarially determined contribution rates are calculated as of September 30, 2012, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumption used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	Five year smoothed market
Inflation	3%
Salary increases	3.75—7.25% including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including

City of Mountain Brook, Alabama

Notes to Required Supplementary Information

1. Summary of significant accounting policies

A. Budgets and budgetary accounting

The City has adopted and adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing October 1. The budget includes proposed expenditures and the means of financing those expenditures.
2. A public hearing is conducted to obtain taxpayers' comments.
3. The budget is legally enacted through the passage of a resolution.
4. The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund or transfer of funds between departments must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Capital Projects Funds.
6. At the end of the year, unencumbered appropriations automatically lapse.

Budget information presented in the financial statements is based on the budget as adopted by the City Council on September 22, 2014 (Ordinance No. 1915) and subsequently revised with administrative reclassifications that did not change the surplus.

**City of Mountain Brook, Alabama
Other Post-Employment Benefits
Funding Progress and Trend Information
Year Ended September 30, 2015**

2. Post-employment benefits (See also Note 7)

A. The following table shows the City of Mountain Brook's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability for last five years:

<u>Post Employment Benefit</u>	<u>Fiscal Year Ended September 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
Medical/Dental	2015	\$ 281,295	229.77%	\$ (2,169,932)
Medical/Dental	2014	291,800	226.10%	(1,804,899)
Medical/Dental	2013	269,327	249.11%	(1,436,943)
Medical/Dental	2012	286,884	228.26%	(1,035,347)
Medical/Dental	2011	262,390	214.95%	(667,403)
Medical/Dental	2010	287,773	182.03%	(365,777)

B. **Funded Status and Funding Progress.** In the fiscal year ending September 30, 2015 and 2014, the City of Mountain Brook contributed \$300,000 and \$300,000, respectively, to its post-employment benefits plan over and above the retiree premium costs. The plan with accrued interest and unrealized gains/losses, thus had assets of \$1,900,232 and \$1,571,336 as of September 30, 2015 and 2014, respectively. Based on the October 1, 2013 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year September 30, 2015 was \$3,865,805 which is defined as that portion, as determined by a particular actuarial cost method (the City of Mountain Brook uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

Following is the schedule of funding progress obtained from the actuarial valuations:

<u>Actuarial Valuation Date September 30</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Ratio of UAAL to Covered Payroll (b-a)/c</u>
2015	\$ 1,900,232	\$ 3,865,805	\$ 1,965,573	49.15%	\$14,871,241	13.22%
2014	1,571,336	3,992,253	2,420,917	39.36%	14,512,291	16.68%
2013	1,260,448	3,560,421	2,299,973	35.40%	13,750,308	16.73%
2012	925,335	3,155,271	2,229,936	29.33%	12,995,796	17.16%
2011	613,573	3,249,729	2,636,156	18.88%	13,591,314	19.40%
2010	403,024	3,473,472	3,070,448	11.60%	13,329,530	23.03%
2009	196,320	2,859,543	2,663,223	6.87%	13,285,976	20.05%

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SUPPLEMENTARY INFORMATION

City of Mountain Brook, Alabama

Combining Balance Sheet
Other Governmental Funds
September 30, 2015

	State Shared Gasoline Tax Funds			
	Seven Cent	Four Cent	Five Cent	Two Cent
ASSETS				
Cash and temporary investments	\$ 545,732	\$ 220,677	\$ 12,233	\$ 8,861
Receivables	<u>19,680</u>	<u>11,404</u>	<u>5,623</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 565,412</u>	<u>\$ 232,081</u>	<u>\$ 17,856</u>	<u>\$ 8,861</u>
LIABILITIES				
Accounts payable	\$ <u>4,027</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Total liabilities	<u>4,027</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND EQUITY				
Fund balance	<u>561,385</u>	<u>232,081</u>	<u>17,856</u>	<u>8,861</u>
Total fund equity	<u>561,385</u>	<u>232,081</u>	<u>17,856</u>	<u>8,861</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 565,412</u>	<u>\$ 232,081</u>	<u>\$ 17,856</u>	<u>\$ 8,861</u>

Emergency Communication District	Corrections Fund	Totals
\$ 379,844	\$ 6,090	\$ 1,173,437
<u>33,511</u>	<u>0</u>	<u>70,218</u>
\$ 413,355	\$ 6,090	\$ 1,243,655
\$ 2,345	\$ 6,090	\$ 12,462
<u>2,345</u>	<u>6,090</u>	<u>12,462</u>
411,010	0	1,231,193
<u>411,010</u>	<u>0</u>	<u>1,231,193</u>
\$ 413,355	\$ 6,090	\$ 1,243,655

City of Mountain Brook, Alabama

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances – Other Governmental Funds
Year Ended September 30, 2015**

	<u>State Shared Gasoline Tax Funds</u>			
	<u>Seven Cent</u>	<u>Four Cent</u>	<u>Five Cent</u>	<u>Two Cent</u>
Revenues:				
Taxes	\$ 197,701	\$ 123,796	\$ 60,338	\$ 4,765
Charges for services	0	0	0	0
Fines and forfeitures	0	0	0	0
Other operating revenues:				
Investment earnings	<u>176,655</u>	<u>353</u>	<u>57</u>	<u>26</u>
Total revenues	<u>374,356</u>	<u>124,149</u>	<u>60,395</u>	<u>4,791</u>
Expenditures:				
General government	0	0	0	0
Public safety	0	0	0	0
Street and sanitation	<u>613,606</u>	<u>22,327</u>	<u>89,451</u>	<u>27,325</u>
Total expenditures	<u>613,606</u>	<u>22,327</u>	<u>89,451</u>	<u>27,325</u>
Excess (deficiency) of revenues over expenditures	<u>(239,250)</u>	<u>101,822</u>	<u>(29,056)</u>	<u>(22,534)</u>
Other financing sources (uses):				
Operating transfers in	200,000	0	0	0
Operating transfers (out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources (uses)	<u>200,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(39,250)</u>	<u>101,822</u>	<u>(29,056)</u>	<u>(22,534)</u>
Fund balances, beginning of year	<u>600,635</u>	<u>130,259</u>	<u>46,912</u>	<u>31,395</u>
FUND BALANCES, END OF YEAR	<u>\$ 561,385</u>	<u>\$ 232,081</u>	<u>\$ 17,856</u>	<u>\$ 8,861</u>

<u>Emergency Communication District</u>	<u>Corrections Fund</u>	<u>Totals Fund</u>
\$ 0	\$ 0	\$ 386,600
404,217	0	404,217
2,097	210,812	212,909
<u>1,195</u>	<u>0</u>	<u>178,286</u>
<u>407,509</u>	<u>210,812</u>	<u>1,182,012</u>
0	253,857	253,857
350,811	100,324	451,135
<u>0</u>	<u>0</u>	<u>752,709</u>
<u>350,811</u>	<u>354,181</u>	<u>1,457,701</u>
<u>56,698</u>	<u>(143,369)</u>	<u>(275,689)</u>
0	143,369	343,369
<u>(193,573)</u>	<u>0</u>	<u>(193,573)</u>
<u>(193,573)</u>	<u>143,369</u>	<u>149,796</u>
(136,875)	0	(125,893)
<u>547,885</u>	<u>0</u>	<u>1,357,086</u>
<u>\$ 411,010</u>	<u>\$ 0</u>	<u>\$ 1,231,193</u>

City of Mountain Brook, Alabama
Combining Balance Sheet – Capital Projects Funds
September 30, 2015

	City Capital Projects	Village Improvement Projects	Village Trail System Projects	Totals
ASSETS				
Cash and temporary investments	\$ 8,693,037	\$ 5,937,222	\$ 598,001	\$ 15,228,260
Receivables	0	0	21,400	21,400
TOTAL ASSETS	\$ 8,693,037	\$ 5,937,222	\$ 619,401	\$ 15,249,660
 LIABILITIES				
Accounts payable	\$ 111,124	\$ 39,108	\$ 35,940	\$ 186,172
TOTAL LIABILITIES	111,124	39,108	35,940	186,172
 FUND BALANCE				
Fund balance	8,581,913	5,898,114	583,461	15,063,488
TOTAL FUND BALANCE	8,581,913	5,898,114	583,461	15,063,488
TOTAL LIABILITIES AND FUND BALANCE	\$ 8,693,037	\$ 5,937,222	\$ 619,401	\$ 15,249,660

City of Mountain Brook, Alabama

Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances – Capital Projects Funds
Year Ended September 30, 2015

	City Capital Projects	Infrastructure Improvement Projects	Trail System Projects	Totals
Revenues:				
Grants	\$ 0	\$ 17,854	\$ 51,650	\$ 69,504
Other operating revenues:				
Investment earnings	39,877	18,201	1,646	59,724
Miscellaneous	<u>3,372</u>	<u>0</u>	<u>0</u>	<u>3,372</u>
Total revenues	<u>43,249</u>	<u>36,055</u>	<u>53,296</u>	<u>132,600</u>
Expenditures:				
General government	77,090	0	0	77,090
Public safety	975,914	0	0	975,914
Street and sanitation	285,918	192,552	69,705	548,175
Recreational	20,542	349,185	0	369,727
Library	<u>147,111</u>	<u>0</u>	<u>0</u>	<u>147,111</u>
Total expenditures	<u>1,506,575</u>	<u>541,737</u>	<u>69,705</u>	<u>2,118,017</u>
Excess (deficiency) of revenues over expenditures	<u>(1,463,326)</u>	<u>(505,682)</u>	<u>(16,409)</u>	<u>(1,985,417)</u>
Other financing sources (uses):				
Operating transfers in	2,511,689	2,328,942	172,705	5,013,336
Operating transfers (out)	0	(357,350)	0	(357,350)
Donations	<u>0</u>	<u>3,510</u>	<u>0</u>	<u>3,510</u>
Total other financing sources (uses)	<u>2,511,689</u>	<u>1,975,102</u>	<u>172,705</u>	<u>4,659,496</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>1,048,363</u>	<u>1,469,420</u>	<u>156,296</u>	<u>2,674,079</u>
Fund balances, beginning of year	<u>7,533,550</u>	<u>4,428,694</u>	<u>427,165</u>	<u>12,389,409</u>
FUND BALANCES, END OF YEAR	<u>\$ 8,581,913</u>	<u>\$ 5,898,114</u>	<u>\$ 583,461</u>	<u>\$ 15,063,488</u>

City of Mountain Brook, Alabama

Schedule of General Fund Revenues by Source
For the Years Ended September 30, 2006 through 2015

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Taxes				
Real property	\$ 11,976,292	\$ 13,181,868	\$ 13,919,181	\$ 14,592,638
Sales and use	7,033,452	7,829,375	8,412,007	7,666,594
Occupational	248,283	1,475	0	0
Utility	1,088,234	1,266,253	1,336,420	1,413,759
Personal property (automobiles)	1,131,386	1,139,952	1,130,239	1,022,666
Road and bridge	497,326	543,682	572,272	596,000
Other	1,316,806	1,275,315	985,588	1,075,676
Total taxes	<u>23,291,779</u>	<u>25,237,920</u>	<u>26,355,707</u>	<u>26,367,333</u>
Licenses and permits				
Business	1,729,727	1,872,058	1,994,039	1,998,980
Construction permits	893,161	851,266	1,036,354	634,059
Cable TV franchise fees	282,379	300,204	323,082	328,641
Waterworks Board	137,964	161,961	167,341	157,794
Other	60,966	60,985	63,382	57,966
Total licenses and permits	<u>3,104,197</u>	<u>3,246,474</u>	<u>3,584,198</u>	<u>3,177,440</u>
Intergovernmental	50,517	40,544	149,710	84,723
Charges for services				
Garbage fees	1,604,281	462,747	71,252	39,094
Other	486,385	517,251	498,576	486,785
Total charges for services	<u>2,090,666</u>	<u>979,998</u>	<u>569,828</u>	<u>525,879</u>
Fines and forfeitures - court	623,579	597,961	470,020	443,400
Grants	73,278	51,434	37,355	50,799
Other operating revenue				
Investment earnings	235,866	653,609	428,304	271,788
Other	325,757	161,303	230,717	371,526
Total other operating revenue	<u>561,623</u>	<u>814,912</u>	<u>659,021</u>	<u>643,314</u>
TOTAL REVENUES	<u>\$ 29,795,639</u>	<u>\$ 30,969,243</u>	<u>\$ 31,825,839</u>	<u>\$ 31,292,888</u>

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 14,322,580	\$ 13,890,843	\$ 13,873,635	\$ 13,512,485	\$ 13,867,794	\$ 13,994,315
7,854,903	8,476,522	9,112,494	9,578,337	9,808,223	10,158,557
0	0	0	0	0	0
1,450,440	1,460,206	1,365,487	1,284,421	1,288,163	1,325,088
1,047,869	1,079,079	1,152,424	1,208,485	1,217,199	1,306,732
590,899	572,584	575,000	565,066	550,686	596,475
<u>1,016,068</u>	<u>903,688</u>	<u>1,030,680</u>	<u>1,038,515</u>	<u>1,127,178</u>	<u>1,238,322</u>
26,282,759	26,382,922	27,109,720	27,187,309	27,859,243	28,619,489
2,130,822	2,165,612	2,223,912	2,492,623	2,531,307	2,679,512
624,309	753,444	800,820	1,100,204	1,347,583	1,143,394
347,757	352,964	391,701	424,912	389,500	423,068
159,242	207,939	216,090	216,839	192,875	215,518
<u>64,720</u>	<u>60,310</u>	<u>61,928</u>	<u>62,115</u>	<u>65,154</u>	<u>63,674</u>
3,326,850	3,540,269	3,694,451	4,296,693	4,526,419	4,525,166
82,826	84,874	85,613	84,547	85,443	92,199
34,062	32,436	39,235	35,589	34,086	33,890
<u>591,636</u>	<u>619,716</u>	<u>714,561</u>	<u>693,408</u>	<u>730,347</u>	<u>695,790</u>
625,698	652,152	753,796	728,997	764,433	729,680
514,542	529,522	446,682	559,465	577,844	643,492
19,708	282,423	12,062	15,755	100,187	53,653
207,214	131,706	199,151	138,162	69,522	150,668
<u>254,173</u>	<u>300,657</u>	<u>278,880</u>	<u>439,492</u>	<u>311,374</u>	<u>296,044</u>
<u>461,387</u>	<u>432,363</u>	<u>478,031</u>	<u>577,654</u>	<u>380,896</u>	<u>446,712</u>
<u>\$ 31,313,770</u>	<u>\$ 31,904,525</u>	<u>\$ 32,580,355</u>	<u>\$ 33,450,420</u>	<u>\$ 34,294,465</u>	<u>\$ 35,110,391</u>

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City of Mountain Brook, Alabama

**Comparative Balance Sheet – General Fund
September 30**

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and temporary investments	\$ 14,088,691	\$ 12,445,515
Cash and temporary investments - restricted	261,680	204,853
Receivables	1,900,871	1,905,543
Due from related organizations	0	85,443
Inventory and prepaid expenses	<u>162,952</u>	<u>418,764</u>
TOTAL ASSETS	<u>\$ 16,414,194</u>	<u>\$ 15,060,118</u>
 LIABILITIES		
Accounts payable	\$ 811,533	\$ 509,800
Accrued salaries and wages	794,505	748,505
Due to related organizations	66,843	63,797
Other liabilities	<u>646,583</u>	<u>638,326</u>
TOTAL LIABILITIES	<u>2,319,464</u>	<u>1,960,428</u>
 Pension obligation (see Note 6)		
FUND BALANCES		
Nonspendable	162,952	418,764
Restricted	0	0
Committed	54,151	54,005
Assigned	2,674,606	2,574,925
Unassigned	<u>11,203,021</u>	<u>10,051,996</u>
FUND BALANCES	<u>14,094,730</u>	<u>13,099,690</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,414,194</u>	<u>\$ 15,060,118</u>

City of Mountain Brook, Alabama
Comparative Statement of Revenues, Expenditures, and
Changes in Fund Balances – General Fund
Years Ended September 30

	<u>2015</u>	<u>2014</u>
Revenues:		
Taxes	\$ 28,619,489	\$ 27,859,243
Licenses and permits	4,525,166	4,526,419
Intergovernmental	92,199	85,443
Charges for services	729,680	764,433
Fines and forfeitures	643,492	577,844
Grants	53,653	100,187
Other operating revenues	<u>446,712</u>	<u>380,896</u>
Total revenues	<u>35,110,391</u>	<u>34,294,465</u>
Expenditures:		
Current (operating):		
General government	4,332,076	4,856,992
Public safety	13,995,986	13,284,027
Street and sanitation	6,365,477	6,100,185
Recreational	1,171,023	1,043,408
Library	<u>3,015,092</u>	<u>2,711,384</u>
Total expenditures	<u>28,879,654</u>	<u>27,995,996</u>
Excess of revenues over expenditures	<u>6,230,737</u>	<u>6,298,469</u>
Other financing sources (uses):		
Operating transfers (out)	(5,463,132)	(5,346,815)
Operating transfers in - component unit	144,450	4,477
Donations	<u>82,985</u>	<u>82,290</u>
Total other financing sources (uses)	<u>(5,235,697)</u>	<u>(5,260,048)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	995,040	1,038,421
Fund balances, beginning of year	<u>13,099,690</u>	<u>12,061,269</u>
FUND BALANCES, END OF YEAR	<u>\$ 14,094,730</u>	<u>\$ 13,099,690</u>

City of Mountain Brook, Alabama

**Comparative Balance Sheet – Capital Projects Funds
September 30**

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and temporary investments	\$ 15,228,260	\$ 12,653,237
Receivables	<u>21,400</u>	<u>62,956</u>
TOTAL ASSETS	<u>\$ 15,249,660</u>	<u>\$ 12,716,193</u>
 LIABILITIES		
Accounts payable	<u>\$ 186,172</u>	<u>\$ 326,784</u>
TOTAL LIABILITIES	<u>186,172</u>	<u>326,784</u>
Pension obligation (see Note 6)		
 FUND BALANCES		
Committed	<u>15,063,488</u>	<u>12,389,409</u>
FUND BALANCES	<u>15,063,488</u>	<u>12,389,409</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,249,660</u>	<u>\$ 12,716,193</u>

City of Mountain Brook, Alabama
Comparative Statement of Revenues, Expenditures, and
Changes in Fund Balances – Capital Projects Funds
Years Ended September 30

	<u>2015</u>	<u>2014</u>
Revenues:		
Grants	\$ 69,504	\$ 857,939
Other operating revenues	<u>63,096</u>	<u>214,790</u>
Total revenues	<u>132,600</u>	<u>1,072,729</u>
Expenditures:		
Current (operating):		
General government	77,090	439,734
Public safety	975,914	1,019,576
Street and sanitation	548,175	1,680,544
Recreational	369,727	457,057
Library	<u>147,111</u>	<u>204,342</u>
Total expenditures	<u>2,118,017</u>	<u>3,801,253</u>
Excess (deficiency) of revenues over expenditures	<u>(1,985,417)</u>	<u>(2,728,524)</u>
Other financing sources (uses):		
Operating transfers in	5,013,336	4,782,952
Operating transfers (out)	(357,350)	(360,391)
Operating transfers in - component unit	0	0
Donations	<u>3,510</u>	<u>62,282</u>
Total other financing sources (uses)	<u>4,659,496</u>	<u>4,484,843</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>2,674,079</u>	<u>1,756,319</u>
Fund balances, beginning of year	<u>12,389,409</u>	<u>10,633,090</u>
FUND BALANCES, END OF YEAR	<u>\$ 15,063,488</u>	<u>\$ 12,389,409</u>

City of Mountain Brook, Alabama
Comparative Balance Sheet – Debt Service Fund
September 30

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and temporary investments	\$ <u>4,020,702</u>	\$ <u>3,688,993</u>
TOTAL ASSETS	<u>\$ 4,020,702</u>	<u>\$ 3,688,993</u>
 LIABILITIES	 <u>\$ 0</u>	 <u>\$ 0</u>
FUND BALANCES		
Assigned	<u>4,020,702</u>	<u>3,688,993</u>
FUND BALANCES	<u>4,020,702</u>	<u>3,688,993</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,020,702</u>	<u>\$ 3,688,993</u>

City of Mountain Brook, Alabama
Comparative Statement of Revenues, Expenditures, and
Changes in Fund Balance – Debt Service Fund
Years Ended September 30

	<u>2015</u>	<u>2014</u>
Revenues:		
Other operating revenues	\$ 32,812	\$ 14,503
Total revenues	<u>32,812</u>	<u>14,503</u>
Expenditures:		
Current (operating):		
General government	1,103	806
Debt service:		
Principal	210,000	205,000
Interest	<u>147,350</u>	<u>155,391</u>
Total expenditures	<u>358,453</u>	<u>361,197</u>
Excess (deficiency) of revenues		
over expenditures	<u>(325,641)</u>	<u>(346,694)</u>
Other financing sources (uses):		
Operating transfers in	657,350	660,391
Operating transfers (out)	<u>0</u>	<u>0</u>
Total other financing sources (uses)	<u>657,350</u>	<u>660,391</u>
Excess of revenues and other financing sources		
over expenditures and other financing uses	331,709	313,697
Fund balances, beginning of year	<u>3,688,993</u>	<u>3,375,296</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,020,702</u>	<u>\$ 3,688,993</u>

February 11, 2016

To the City Council
Mountain Brook, Alabama

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mountain Brook (the "City") for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 30, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 12 to the financial statements, the City changed accounting policies related to its accounting for pensions by adopting Statement of Governmental Accounting Standards (GASB Statement) No 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)* in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position and the Statement Revenues, Expenses and Changes in Fund Net Position. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of the liability to the Jefferson County Personnel Board is based on Jefferson County's estimate of actual amount due. We evaluated the key factors and assumptions used to develop the liability to the Jefferson County Personnel Board in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the Workers' Compensation Loss Reserves which is based on certain actuarial assumptions and the Accrued Compensated Absences Liability which is based on assumptions related to certain personnel and payroll matters. We evaluated the key factors and assumptions used to develop the Workers' Compensation Loss Reserves and the Accrued Compensated Absences Liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate over the residual value of capital assets based on the City's depreciation policy and management's approximation of the remaining useful lives of the assets. We evaluated the City's annual depreciation expense and other key factors used to develop the residual value of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of revenues, receivables and payables related to the City's cost reimbursement grants is based on information available by the state and the project engineer, and this information is subject to change. We evaluated the key factors and assumptions used to develop the grant revenue, receivables, and payables in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the City's pension plan and post-employment benefits other than pensions in Note 6 and Note 7, respectively, to the financial statements. These disclosures contain actuarial assumptions and valuations that may differ from actual results.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Managements

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 11, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of

the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison schedules, the Schedule of Changes in the Net Pension Liability and Related Ratios, the Schedule of Contributions, and the Schedule of Funding Progress and Trend Information for OPEB plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund statements and schedules, schedule of general fund revenues by source, and comparative statements for individual funds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, L.L.C.
Birmingham, Alabama

