

**CITY OF MOUNTAIN BROOK, ALABAMA**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2019**

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

**SEPTEMBER 30, 2019**

**MAYOR**

The Honorable Stewart H. Welch III

**CITY COUNCIL**

Ms. Virginia C. Smith, President

Mr. Philip E. Black

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. Chris Mullins
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

## Table of Contents

	<u>Page</u>
<b>Independent Auditors' Report</b>	5
<b>Management's Discussion and Analysis</b>	7
<b>Basic Financial Statements</b>	
Government-wide Statement of Net Position	19
Government-wide Statement of Activities	20
Fund Financial Statements:	
Balance Sheet — Governmental Funds	21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	22
Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-wide Statement of Activities	24
Statement of Fiduciary Net Position — OPEB Trust Fund	25
Statement of Changes in Fiduciary Net Position — OPEB Trust Fund	26
Notes to Financial Statements	27
<b>Required Supplementary Information</b>	53
Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual — General Fund	55
Notes to Required Supplementary Information	56
Schedule of Changes in the Net Pension Liability and Related Ratios	57
Schedule of Employer Contributions	58
Other Post-Employment Benefits (OPEB)	
Schedule of Changes in Net OPEB Liability and Related Ratios	60
Schedule of Employer Contributions	61
Schedule of Investment Returns	62
<b>Supplementary Information</b>	64
Combining Balance Sheet — Other Governmental Funds	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances — Other Governmental Funds	66
Combining Balance Sheet — Capital Projects Funds	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances — Capital Projects Funds	68
Schedule of General Fund Revenues by Source	69
Comparative Balance Sheet — General Fund	70

# City of Mountain Brook, Alabama

## Table of Contents

	<u>Page</u>
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund	71
Comparative Balance Sheet – Capital Projects Funds	72
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances – Capital Projects Funds	73
Comparative Balance Sheet – Debt Service Fund	74
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance – Debt Service Fund	75
<b>Report on Compliance and Internal Control</b>	<b>77</b>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	79
Schedule of Findings and Responses	81



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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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. The financial statements of the Mountain Brook Library Foundation, which represents the City's discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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

### Opinions

In our opinion, 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, 2019, 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.

Limited comparative information is included in the accompanying financial statement that are not covered in the scope of our audit.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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, 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 April 29, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Cary Riggs & Ingram, L.L.C.*

Birmingham, Alabama

April 29, 2020



## CITY OF MOUNTAIN BROOK, ALABAMA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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This narrative overview and analysis of the City's financial activities as of and for the year ended September 30, 2019, 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, 2019, by \$87 million (Total Net Position). Of this amount, \$79 million represents the net book value of the City's capital assets including infrastructure and \$672,000 is restricted (\$238,000 for the Emergency Communication District and \$434,000 for road improvements from the State Shared Gasoline Tax special revenue funds). The remaining \$7.7 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 \$2.9 million in 2019 which includes the net cost of providing core City Services of \$30.4 million plus \$33.3 million in General Revenues.
- As of September 30, 2019, the City reported \$36.8 million in fund balances, an increase of \$4.7 million from 2018. Of the \$36.8 million fund balances, \$17 million (46%) is reported in the General Fund, \$17.1 million (47%) in the Capital Projects Fund and \$2.7 million (7%) 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.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City is one of more than thirty suburbs of the City of Birmingham, Alabama. The City's land area is approximately 13 square miles of which approximately 98% is residential. The commercial districts are concentrated into five distinct retail villages and an office park complex. The population is stable at approximately 20,400.

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

The City's revenues are relatively stable and expected to increase modestly in the future with incremental gains attributable to regional economic growth and ongoing redevelopment of commercial and residential properties. The growth in General Fund revenues for the year ending September 30, 2019 was 6.2% greater than the actual realized for the year ended September 30, 2018.

The residents of the City have expressed high satisfaction in a recent survey with respect to the services and amenities offered by the City. Accordingly, programs and activities and the costs associated with governmental operations are stable. Budgeted General Fund expenditures for 2020 are estimated to increase 6.6% above the actual incurred for the year ended September 30, 2019.

***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.

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.

**CITY OF MOUNTAIN BROOK, ALABAMA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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 twelve (12) governmental funds. The City considers the General Fund and Capital Projects Fund (which is comprised of three "sub-funds") 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 and the Debt Service fund) 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.

**Infrastructure Capital Assets**

In 2003, the City capitalized its infrastructure assets 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 (easements)	N/A	\$ 16,525,671	N/A	N/A
Streets and alleys	20	21,192,889	\$ 591,785	\$ 15,417,459
Storm sewers	20	14,181,401	677,096	7,450,172
Sidewalks	15	17,092,690	735,602	10,834,059
Park facilities	20	9,459,441	291,480	6,494,499
Street lights and signs	15	1,617,629	60,858	1,247,965
Library reference materials	5	<u>5,592,241</u>	<u>341,703</u>	<u>4,716,530</u>
<b>Totals</b>		<u>\$ 85,661,962</u>	<u>\$ 2,698,524</u>	<u>\$ 46,160,684</u>

**Government-wide Financial Analysis**

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

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

	<u>2019</u>	<u>2018</u>
Current assets	\$ 39,521,669	\$ 34,994,228
Capital assets	79,033,394	81,197,015
Deferred outflows of resources	<u>9,052,333</u>	<u>8,508,212</u>
<b>Total assets and deferred outflows of resources</b>	<u>127,607,396</u>	<u>124,699,455</u>
Current and other liabilities	2,687,137	2,873,640
Long-term liabilities	3,254,195	3,136,531
Net pension liability (Note 5)	27,949,688	27,989,580
Net OPEB liability (Note 6)	2,904,202	2,938,159
Deferred inflows of resources	<u>3,414,122</u>	<u>3,271,421</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>40,209,344</u>	<u>40,209,331</u>
Net position:		
Net investment in capital assets	79,033,394	81,197,015
Restricted	671,512	887,717
Unrestricted	<u>7,693,146</u>	<u>2,405,392</u>
<b>Total net position</b>	<u>\$ 87,398,052</u>	<u>\$ 84,490,124</u>

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

	<u>2019</u>	<u>2018</u>
<b>Revenues</b>		
Program revenues		
Fees, fines and charges for services	\$ 7,497,857	\$ 7,136,261
Operating grants and contributions	1,272,935	1,095,238
Capital grants and contributions	1,598,685	1,635,237
General revenues		
Ad valorem taxes (real and personal property)	17,448,441	16,857,432
Sales and use taxes	11,890,474	11,256,511
Other taxes	503,486	469,161
Utility taxes	1,362,195	1,266,010
Franchise fees	630,040	615,833
Investment earnings	1,311,115	133,409
Gain (loss) on disposals of capital assets	85,921	162,973
Miscellaneous revenues	40,751	23,719
Transfers from component unit	<u>70,841</u>	<u>75,626</u>
<b>Total revenues</b>	<u>43,712,741</u>	<u>40,727,410</u>



**CITY OF MOUNTAIN BROOK, ALABAMA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The second largest source of revenue for the City is sales and use tax which totaled 27% of total General Fund revenues in 2019. Sales and use tax revenue increased by \$338,000 (3.2%) during 2019.

Construction permits increased by \$341,000 (29%) due to increased building activity throughout the City combined with a \$1 increase in the permit fee. (The permit fee was increased from \$9 to \$10 per \$1,000 of construction value or 11%.)

Investment earnings increased by \$392,000 (213%) due to interest rate reductions experienced in 2019 which increased the valuations of the City's fixed income securities effectively reversing unrealized losses experienced in previous years when interest rates rising.

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

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Real estate ad valorem tax	\$ 16,179,118	\$ 15,570,510	\$ 608,608
Sales and use tax	11,041,853	10,703,490	338,363
Business licenses	2,995,790	2,991,535	4,255
Personal property ad valorem tax	1,269,323	1,286,922	(17,599)
Construction permits	1,501,218	1,160,304	340,914
Utility taxes	1,362,195	1,266,010	96,185
Fine and forfeitures	461,595	514,978	(53,383)
Investment earnings	575,961	183,834	392,127
All other General Fund revenues	<u>5,306,253</u>	<u>4,638,846</u>	<u>667,407</u>
<b>Totals</b>	<u>\$ 40,693,306</u>	<u>\$ 38,316,429</u>	<u>\$ 2,376,877</u>

**CITY OF MOUNTAIN BROOK, ALABAMA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Expenditures**

Salaries and benefits increased \$1.03 million (5%) in 2019 to \$23.6 million. Labor-related costs made up (59%) of the City's total General Fund expenditures (including intrafund transfers) in 2019. 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>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Salaries and benefits	\$ 22,942,809	\$ 21,936,793	\$ 1,006,016
Excess pension contribution	638,000	610,000	28,000
Garbage contract fees	2,870,694	2,870,506	188
Capital outlay	3,498,940	7,382,669	(3,883,729)
Intergovernmental services	973,991	997,561	(23,570)
Utilities and communication	933,769	913,475	20,294
Development agreement payments	1,227,363	1,315,764	(88,401)
Property and casualty insurance	270,337	259,394	10,943
Legal and accounting	424,064	440,559	(16,495)
Fuel and lubricants	266,158	282,336	(16,178)
Birmingham Zoo, Inc. subsidy	10,000	20,000	(10,000)
All other	<u>4,942,672</u>	<u>4,894,555</u>	<u>48,117</u>
<b>Totals</b>	<u>\$ 38,998,797</u>	<u>\$ 41,923,612</u>	<u>\$ (2,924,815)</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 \$1.3 million (3.4%). 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 tax	\$ 15,927,000	\$ 16,179,118	\$ 252,118
Sales and use tax	11,023,000	11,041,853	18,853
Sales and use tax (county administered)	413,000	472,032	59,032
Sales and use tax (state on-line sales)	180,000	376,589	196,589
Lodging tax	540,000	694,827	154,827
Personal property taxes	1,376,957	1,269,323	(107,634)
Other taxes	1,021,300	1,072,066	50,766
Utility taxes	1,266,000	1,362,195	96,195
Road and bridge tax	647,000	671,896	24,896
Construction permits	1,197,000	1,501,218	304,218
Fines and forfeitures	534,700	461,595	(73,105)
Charges for services	759,947	767,403	7,456
Fees for road repairs	40,000	13,127	(26,873)
Grants	13,068	96,880	83,812
Investment earnings	145,880	575,961	430,081
All other	<u>4,282,470</u>	<u>4,137,223</u>	<u>(145,247)</u>
<b>Totals</b>	<b><u>\$ 39,367,322</u></b>	<b><u>\$ 40,693,306</u></b>	<b><u>\$ 1,325,984</u></b>

- Total General Fund expenditures were \$859,000 (2.5%) 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	\$ 24,150,982	\$ 23,580,809	\$ 570,173
Garbage contract fees	2,844,000	2,870,694	(26,694)
Intergovernmental services	1,004,500	973,991	30,509
Utilities and communication	925,808	933,769	(7,961)
Development agreement payments	1,408,750	1,227,363	181,387
Fuel and lubricants	316,700	266,158	50,542
Fleet and equipment maintenance	313,750	266,121	47,629
Legal and accounting (financial and revenue compliance)	266,000	424,064	(158,064)
Property and casualty insurance	266,550	270,337	(3,787)
Employee development and travel	381,150	304,710	76,440
Traffic studies	40,000	67,078	(27,078)
Street striping	225,000	179,002	45,998
Street cut repairs	100,000	126,321	(26,321)
All other	<u>2,567,968</u>	<u>2,461,600</u>	<u>106,368</u>
<b>Totals</b>	<b><u>\$ 34,811,158</u></b>	<b><u>\$ 33,952,017</u></b>	<b><u>\$ 859,141</u></b>

**CITY OF MOUNTAIN BROOK, ALABAMA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

- Total operating transfers out exceeded the amount budgeted by \$1,448,000. This variance resulted largely from the Council's decision (after year-end) to transfer an additional \$1 million from the General Fund to the Capital Projects Fund and \$268,000 from the General Fund to the Debt Service Fund.
- The total excess of General Fund revenues and other financing sources over expenditures in the amount of \$925,000 was \$708,000 more than budgeted.

***Other Matters of Interest***

***Pension Plan***

As more fully described in Note 5 to the Financial Statements, the City participates in an agent 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, 2018.

As of September 30, 2018, the RSA reported the actuarial value of plan assets to be \$58.7 million and the actuarial accrued liability to be \$89.6 million resulting in an unfunded actuarial accrued liability of \$30.9 million. The actuarial value of assets was \$1.9 million less than the market value of assets as of September 30, 2018.

To address concerns about the unfunded actuarial accrued pension liability, the City Council has often contributed more than the actuarially determined required contribution (ARC). Following are the City's deposits to the pension trust in excess of the ARC:

<u>Year</u>	<u>Amount</u>	<u>Percentage of Pensionable Wages</u>
2001	\$ 2,000,000	21.5%
2007	7,000,000	57.8%
2008	300,000	2.4%
2017	600,000	4.0%
2018	610,000	3.9%
2019	638,000	4.0%
2020 Budgeted	<u>640,000</u>	4.0%
<b>Total</b>		
	<b><u>\$ 11,788,000</u></b>	

Additionally, the City Council has authorized the accumulation of cash reserves in the Debt Service Fund which is available to pay toward this (or other) obligation(s). As of September 30, 2019, the City had accumulated \$2 million in the Debt Service Fund.

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

***Other Post-Employment Benefits***

As more fully described in Note 6 to the Financial Statements, the City provides continuing medical benefits to qualifying retirees. The City's funding policy is to fund the net cost of retiree medical benefits, related trust operating expenses and deposit additional funds into an irrevocable trust restricted for future benefits. For the year ended September 30, 2019, the net cost of retiree medical benefits and related trust expenses paid by the City totaled \$354,303. The City deposited an additional \$300,000 into the trust. As of September 30, 2019, the City reported an actuarial accrued liability of \$6.3 million and actuarial value of trust assets of \$3.4 million for an unfunded actuarial accrued liability of \$2.9 million (excluding deferred inflows and outflows).

***Cash and Temporary Investments***

As of September 30, 2019, the City reported cash and temporary investments of \$36.8 million (excluding the cash and investments held by the Other Post-Employment Benefits (OPEB) trust and discretely presented component unit) which consisted of unrestricted and donor-restricted cash and temporary investments of \$36.6 million and \$243,000, respectively. Following is a summary of the carrying value of the cash and investments by fund as of September 30, 2019, including the OPEB trust and discretely presented component unit.

	<b>Unrestricted</b>	<b>Restricted</b>
General Fund	\$ 16,812,126	\$ 243,148
Capital Projects Fund	17,119,513	0
Other Governmental Funds (Debt Service)	2,044,044	0
Other Governmental Funds (Special Revenue)	619,537	0
Section 115 irrevocable, retiree medical trust	0	3,352,445
Discretely presented component unit	0	4,797,097
 <b>Totals</b>	<b>\$ 36,595,220</b>	<b>\$ 8,392,690</b>

The \$16.8 million General Fund cash and investment balance as of September 30, 2019, represents approximately 6 months of General Fund expenditures (excluding intrafund transfers).

***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 reserve funds for the eventual replacement of property, plant and equipment. As of September 30, 2019, the City had accumulated approximately \$17.1 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 \$78.5 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:

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

	<b>2019</b>	<b>2018</b>
Capital expenditures	<u>\$ 3,498,940</u>	<u>\$ 7,382,669</u>
Depreciation expense	<u>\$ 5,662,561</u>	<u>\$ 5,447,702</u>
Transfers to the Capital Projects Fund:		
Funded depreciation policy	\$ 2,656,200	\$ 2,413,200
Other transfers to fund current and future capital acquisitions	<u>2,505,847</u>	<u>1,602,960</u>
<b>Totals</b>	<u><u>\$ 5,162,047</u></u>	<u><u>\$ 4,016,160</u></u>

The City maintains approximately 185 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:

	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
State shared gasoline tax revenues	\$ 413,015	\$ 406,099
Alabama Trust Fund Earnings	185,155	175,337
Transfers from the City's General Fund	125,000	150,000
Investment earnings	<u>13,191</u>	<u>1,571</u>
<b>Total Revenues</b>	736,361	733,007
Street paving expenditures	<u>960,456</u>	<u>424,427</u>
<b>Excess of Revenues Over Expenditures</b>	(224,095)	308,580
Fund balance, beginning of the year	<u>657,886</u>	<u>349,306</u>
<b>Fund Balance, end of year</b>	<u><u>\$ 433,791</u></u>	<u><u>\$ 657,886</u></u>

**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, 2019**

	Governmental Activities		Component Unit Library Foundation
	2019	2018	2019
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and temporary investments	\$ 36,595,220	\$ 32,162,558	\$ 0
Receivables	2,437,264	2,318,579	0
Due from related organization	4,144	0	0
Inventory and prepaid expenses	241,893	272,893	0
Cash and temporary investments - restricted	243,148	240,198	4,797,097
<b>TOTAL CURRENT ASSETS</b>	<u>39,521,669</u>	<u>34,994,228</u>	<u>4,797,097</u>
<b>NONCURRENT ASSETS</b>			
Capital assets, net of accumulated depreciation	57,197,479	60,239,226	83,563
Land	20,190,123	19,914,153	552,611
Construction in progress	1,645,792	1,043,636	0
<b>TOTAL NONCURRENT ASSETS</b>	<u>79,033,394</u>	<u>81,197,015</u>	<u>636,174</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Differences between expected and actual:			
OPEB trust investment earnings and experience	1,939,242	1,561,605	0
Pension plan investment earnings and experience	1,442,601	1,338,276	0
Change in pension plan assumptions	2,927,253	3,237,082	0
Employer pension contributions subsequent to the measurement date	2,743,237	2,371,249	0
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>9,052,333</u>	<u>8,508,212</u>	<u>0</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>127,607,396</u>	<u>124,699,455</u>	<u>5,433,271</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	858,740	1,129,192	0
Accrued salaries and wages	1,051,272	994,798	0
Due to related organization	60,150	61,134	0
Other current liabilities	716,975	688,516	0
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,687,137</u>	<u>2,873,640</u>	<u>0</u>
<b>NONCURRENT LIABILITIES</b>			
Compensated absences	3,254,195	3,136,531	0
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>3,254,195</u>	<u>3,136,531</u>	<u>0</u>
<b>NET PENSION LIABILITY (NOTE 5)</b>	27,949,688	27,989,580	0
<b>NET OPEB LIABILITY (NOTE 6)</b>	<u>2,904,202</u>	<u>2,938,159</u>	<u>0</u>
<b>NET PENSION AND OPEB LIABILITIES</b>	<u>30,853,890</u>	<u>30,927,739</u>	<u>0</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Change in OPEB assumptions	725,468	768,143	0
OPEB trust Investment gain and loss	47,877	0	0
Differences between projected and actual earnings on pension plan investments and experience	2,640,777	2,503,278	0
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>3,414,122</u>	<u>3,271,421</u>	<u>0</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>40,209,344</u>	<u>40,209,331</u>	<u>0</u>
<b>NET POSITION</b>			
Net investment in capital assets	79,033,394	81,197,015	636,174
Restricted	671,512	887,717	4,797,097
Unrestricted	7,693,146	2,405,392	0
<b>TOTAL NET POSITION</b>	<u>\$ 87,398,052</u>	<u>\$ 84,490,124</u>	<u>\$ 5,433,271</u>

See accompanying notes to basic financial statements.

**City of Mountain Brook, Alabama**  
**Government-wide Statement of Activities**  
**For the Year Ended September 30, 2019**

<b>Program Activities</b>	<b>Program Revenues</b>			
<b>Expenses</b>	<b>Fees, Fines and Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Governmental activities:				
General government	\$ 7,049,750	\$ 4,151,067	\$ 1,103,489	\$ 0
Public safety	18,091,141	3,006,146	0	0
Street and sanitation	10,155,540	65,896	73,647	1,459,063
Recreational	1,985,499	227,078	82,566	60,968
Library	3,522,883	47,670	13,233	78,654
<b>Total</b>	<b>\$ 40,804,813</b>	<b>\$ 7,497,857</b>	<b>\$ 1,272,935</b>	<b>\$ 1,598,685</b>
Component unit:				
Library Foundation	\$ 81,620	\$ 0	\$ 180,388	\$ 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 (2018)

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	2018		2018	
	Total Net (Expense) Revenue and Changes in Net Position	Component Unit (Library Foundation)	Total Net (Expense) Revenue and Changes in Net Position	Component Unit (Library Foundation)
\$ (1,795,194)	\$ (2,490,586)	\$ 0	\$ 0	
(15,084,995)	(15,625,158)	0	0	
(8,556,934)	(7,811,349)	0	0	
(1,614,887)	(1,346,933)	0	0	
<u>(3,383,326)</u>	<u>(3,023,632)</u>	<u>0</u>	<u>0</u>	

\$ (30,435,336)    \$ (30,297,658)

\$ 98,768    \$ 31,691

17,448,441	16,857,432	0	0
11,890,474	11,256,511	0	0
503,486	469,161	0	0
1,362,195	1,266,010	0	0
630,040	615,833	0	0
1,311,115	133,409	127,913	219,041
85,921	162,973	0	0
40,751	23,719	0	0
<u>70,841</u>	<u>75,626</u>	<u>(70,841)</u>	<u>(75,626)</u>
<u>33,343,264</u>	<u>30,860,674</u>	<u>57,072</u>	<u>143,415</u>
<u>2,907,928</u>	<u>563,016</u>	<u>155,840</u>	<u>175,106</u>
84,490,124	89,333,847	5,277,431	5,102,325
<u>0</u>	<u>(5,406,739)</u>	<u>0</u>	<u>0</u>
<u>84,490,124</u>	<u>83,927,108</u>	<u>5,277,431</u>	<u>5,102,325</u>
<u>\$ 87,398,052</u>	<u>\$ 84,490,124</u>	<u>\$ 5,433,271</u>	<u>\$ 5,277,431</u>

**City of Mountain Brook, Alabama**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2019**

	<b>General</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and temporary investments	\$ 16,812,126	\$ 17,119,513	\$ 2,663,581	\$ 36,595,220
Cash and temporary investments - restricted	243,148	0	0	243,148
Receivables	2,194,813	172,671	69,780	2,437,264
Due from related organizations	4,144	0	0	4,144
Inventory and prepaid expenses	213,555	28,338	0	241,893
<b>TOTAL ASSETS</b>	<b>\$ 19,467,786</b>	<b>\$ 17,320,522</b>	<b>\$ 2,733,361</b>	<b>\$ 39,521,669</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 670,075	\$ 170,850	\$ 17,815	\$ 858,740
Accrued salaries and wages	1,051,272	0	0	1,051,272
Due to related organizations	60,150	0	0	60,150
Other liabilities	716,975	0	0	716,975
<b>TOTAL LIABILITIES</b>	<b>2,498,472</b>	<b>170,850</b>	<b>17,815</b>	<b>2,687,137</b>
<b>PENSION OBLIGATION (NOTE 5)</b>				
<b>OPEB OBLIGATION (NOTE 6)</b>				
<b>FUND BALANCES</b>				
Nonspendable	213,555	28,338	0	241,893
Restricted	0	0	671,512	671,512
Committed	51,930	17,121,334	0	17,173,264
Assigned	170,764	0	2,044,044	2,214,808
Unassigned	16,533,065	0	(10)	16,533,055
<b>TOTAL FUND BALANCES</b>	<b>16,969,314</b>	<b>17,149,672</b>	<b>2,715,546</b>	<b>36,834,532</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 19,467,786</b>	<b>\$ 17,320,522</b>	<b>\$ 2,733,361</b>	<b>\$ 39,521,669</b>

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, 2019**

Fund balance - total governmental funds		\$ 36,834,532
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet		
Governmental capital assets	\$ 157,520,049	
Less accumulated depreciation	<u>(78,486,655)</u>	79,033,394
Deferred outflows of resources:		
Differences between expected and actual earnings on OPEB trust investments and experience	1,939,242	
Differences between expected and actual earnings on pension plan experience	1,442,601	
Change in pension plan assumptions	2,927,253	
Employer pension contributions subsequent to the measurement date	<u>2,743,237</u>	9,052,333
Net pension liability is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet		
		(27,949,688)
Net OPEB liability is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet		
		(2,904,202)
Deferred inflows of resources:		
Change in OPEB assumptions	(725,468)	
OPEB trust Investment gain and loss	(47,877)	
Net difference between projected and actual earnings on pension plan investments	(1,975,591)	
Difference between pension plan expected and actual experience	<u>(665,186)</u>	(3,414,122)
Long-term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet		
Compensated absences		<u>(3,254,195)</u>
<b>Net position of governmental activities</b>		<b><u>\$ 87,398,052</u></b>

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, 2019**

	<u>General</u>	<u>Capital Projects</u>
<b>Revenues:</b>		
Taxes	\$ 33,139,900	\$ 0
Licenses and permits	5,196,898	0
Intergovernmental	160,291	0
Charges for services	767,403	0
Fines and forfeitures	461,595	0
Grants	96,880	307,701
Other operating revenues	<u>870,339</u>	<u>674,129</u>
<b>Total revenues</b>	<u>40,693,306</u>	<u>981,830</u>
<b>Expenditures:</b>		
<b>Current (operating):</b>		
General government	6,722,502	379,779
Public safety	15,870,133	950,324
Street and sanitation	6,741,476	1,252,928
Recreational	1,347,910	558,997
Library	<u>3,269,996</u>	<u>96,695</u>
<b>Total expenditures</b>	<u>33,952,017</u>	<u>3,238,723</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>6,741,289</u>	<u>(2,256,893)</u>
<b>Other financing sources (uses):</b>		
Operating transfers in	0	5,162,047
Operating transfers (out)	(5,997,275)	0
Operating transfers in - component unit	70,841	0
Proceeds from the sale of assets	0	85,921
Donations	<u>110,251</u>	<u>553,193</u>
<b>Total other financing sources (uses)</b>	<u>(5,816,183)</u>	<u>5,801,161</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	925,106	3,544,268
<b>Fund balances, beginning of year</b>	<u>16,044,208</u>	<u>13,605,404</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 16,969,314</u>	<u>\$ 17,149,672</u>

See accompanying notes to basic financial statements.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 413,015	\$ 33,552,915
0	5,196,898
0	160,291
431,935	1,199,338
126,269	587,864
0	404,581
<u>246,180</u>	<u>1,790,648</u>
 <u>1,217,399</u>	 <u>42,892,535</u>
 345,777	 7,448,058
501,824	17,322,281
960,456	8,954,860
0	1,906,907
<u>0</u>	<u>3,366,691</u>
 <u>1,808,057</u>	 <u>38,998,797</u>
 <u>(590,658)</u>	 <u>3,893,738</u>
 835,228	 5,997,275
0	(5,997,275)
0	70,841
0	85,921
<u>0</u>	<u>663,444</u>
 <u>835,228</u>	 <u>820,206</u>
 244,570	 4,713,944
<u>2,470,976</u>	<u>32,120,588</u>
 <u>\$ 2,715,546</u>	 <u>\$ 36,834,532</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, 2019**

Net change in fund balances - total governmental funds \$ 4,713,944

Amounts reported for governmental activities in the statement of activities are different because:

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	\$ 3,498,940	
Less current year depreciation	<u>(5,662,561)</u>	(2,163,621)

The effect of the net increase (decrease) in deferred outflows of resources

Differences between expected and actual earnings on OPEB trust investment earnings and experience	377,637	
Differences between expected and actual earnings on pension plan investments and experience	104,325	
Change in assumptions	(309,829)	
Employer contributions subsequent to the measurement date	<u>371,988</u>	544,121
Change in long-term compensated absences		(117,664)

The effect of the net (increase) decrease in the pension liability		39,892
--	--	--------

The effect of the net (increase) decrease in the OPEB liability		33,957
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The effect of the net (increase) decrease in the deferred inflows of resources

Change in OPEB assumptions	(42,675)	
OPEB Trust investment gain and loss	47,877	
Differences between projected and actual earnings on pension plan investments and experience	<u>137,499</u>	<u>(142,701)</u>

<b>Change in net position of governmental activities</b>		<b><u>\$ 2,907,928</u></b>
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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>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Certificates of deposit, at fair value	\$ 3,352,445	\$ 2,886,328
<b>TOTAL ASSETS</b>	<u>3,352,445</u>	<u>2,886,328</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>0</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>0</u>
<b>NET POSITION RESTRICTED FOR OTHER POST-EMPLOYMENT BENEFITS</b>	<u>\$ 3,352,445</u>	<u>\$ 2,886,328</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**

	<u>2019</u>	<u>2018</u>
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 654,303	\$ 648,392
Plan members	132,677	127,956
Investment earnings	<u>166,117</u>	<u>(12,392)</u>
<b>TOTAL ADDITIONS</b>	953,097	763,956
<b>DEDUCTIONS</b>		
Benefits	483,980	471,348
Administrative expense	<u>3,000</u>	<u>5,000</u>
<b>TOTAL DEDUCTIONS</b>	<u>486,980</u>	<u>476,348</u>
<b>NET INCREASE IN NET POSITION</b>	466,117	287,608
Net position restricted for other post-employment benefits, beginning of year	<u>2,886,328</u>	<u>2,598,720</u>
<b>NET POSITION RESTRICTED FOR OTHER POST-EMPLOYMENT BENEFITS, END OF YEAR</b>	<u>\$ 3,352,445</u>	<u>\$ 2,886,328</u>

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 25, 2020. 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.

For the years ended September 30, 2019 and 2018, the City reported revenue from the Board in the amount of \$160,291 and \$185,943, respectively, representing the Board's share of community athletic fields maintenance provided by the City and the Board's reimbursement in 2017 of field improvement costs paid by the City in the amount of \$93,744. The outstanding receivables from the Board as of September 30, 2019 and 2018 were \$4,144 and -0-, respectively.

The City receives 36.7 mills of the 99.0 mill property tax (Note 1.S.) 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, 2019 and 2018, the City owed the Board \$60,150 and \$61,134, respectively, for its share of property taxes which is included in other liabilities of the General Fund.

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 2016, the City renegotiated the three (3) fields and facilities use and maintenance agreements between the City and Mountain Brook Athletics, Mountain Brook Soccer and Mountain Brook Lacrosse. Under the terms of the new agreements, Mountain Brook Athletics, Mountain Brook Soccer and Mountain Brook Lacrosse shall pay the City \$60,261, \$45,141, and \$6,955, respectively, annually through December 31, 2021. The agreements shall renew automatically for one year terms not to exceed the expiration of master lease term between the City and Mountain Brook Board of Education. The above fees shall be increased by 10% every five years.

City of Mountain Brook, Alabama

Notes to Financial Statements

In 2017, the City agreed to advance the Mountain Brook Board of Education the costs associated with its improvements to the junior high practice field and the high school baseball field. The total cost of the two projects is \$962,434. The Board entered into an agreement to reimburse the City in the amount of \$275,000 payable in installments of \$75,000 on or before December 1, 2017 and \$40,000 annually thereafter due on or before December 1 of 2018 through 2022. The City also received commitments from Mountain Brook Athletics and Mountain Brook Lacrosse to reimburse the City in the aggregate amount of \$266,234 payable in annual installments of varying amounts through 2022. As of September 30, 2018, the City had satisfied the two field improvement contracts. The City collected and reported as revenue \$112,434 and \$142,100 during the years ended September 30, 2019 and 2018, respectively, related to these agreements. The receivables related to these agreements totaled \$13,516 and \$9,372 as of September 30, 2019 and 2018, respectively.

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, corporate, 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 in 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 and enterprise 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:

City of Mountain Brook, Alabama

Notes to Financial Statements

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.

**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 future repayment (excess funding) of its unfunded pension obligation (see Note 5).

**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 and Capital Projects Funds are classified as major funds and are described above. The City has elected to present all Capital Projects Funds 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 and the Debt Service Fund 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 interfund 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 City has established a stabilization (emergency reserve) fund within its General Fund. The emergency reserve fund is intended to be used in the event of a natural disaster that jeopardizes public safety and that results in unusual expenditures necessary to provide public safety services that may or may not be reimbursable under federal or state disaster assistance or relief grant award. The stabilization fund is included in the unassigned fund balance.

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

<b>Fund Balances</b>	<b>General</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b><u>Nonspendable:</u></b>				
Prepaid expenses	\$ 164,029	\$ 28,338	\$ 0	\$ 192,367
Inventory	49,526	0	0	49,526
<b>Total Nonspendable</b>	<b>213,555</b>	<b>28,338</b>	<b>0</b>	<b>241,893</b>
<b><u>Restricted:</u></b>				
Emergency Communication				
District (E911)	0	0	237,711	237,711
State Shared Gasoline Taxes:				
5 Cent	0	0	173,047	173,047
7 Cent	0	0	63,683	63,683
4 Cent	0	0	183,180	183,180
2 Cent	0	0	13,891	13,891
<b>Total Restricted</b>	<b>0</b>	<b>0</b>	<b>671,512</b>	<b>671,512</b>
<b><u>Committed:</u></b>				
Capital Projects	0	17,121,334	0	17,121,334
Library Endowment	51,930	0	0	51,930
<b>Total Committed</b>	<b>51,930</b>	<b>17,121,334</b>	<b>0</b>	<b>17,173,264</b>
<b><u>Assigned:</u></b>				
Debt Service Fund	0	0	2,044,044	2,044,044
Asset Forfeitures	9,201	0	0	9,201
Library Book Fund	150,593	0	0	150,593
Community Fund	10,970	0	0	10,970
<b>Total Assigned</b>	<b>170,764</b>	<b>0</b>	<b>2,044,044</b>	<b>2,214,808</b>

City of Mountain Brook, Alabama

Notes to Financial Statements

Unassigned

All other unassigned	13,775,447	0	(10)	13,775,437
Emergency Reserve (stabilization) Fund	<u>2,757,618</u>	<u>0</u>	<u>0</u>	<u>2,757,618</u>
<b>Total Unassigned</b>	<u>16,533,065</u>	<u>0</u>	<u>(10)</u>	<u>16,533,055</u>
<b>Total Fund Balances</b>	<u>\$ 16,969,314</u>	<u>\$ 17,149,672</u>	<u>\$ 2,715,546</u>	<u>\$ 36,834,532</u>

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 2017, the City implemented an insured plan administered by Municipal Workers' Compensation Fund (MWCF) that requires a \$300,000 deductible per claim per year. Effective February 1, 2013, the City implemented a high deductible insurance program for its workers' compensation program administered by 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 and related administrative fees since February 1, 2013 is as follows:

City of Mountain Brook, Alabama

Notes to Financial Statements

	Liability Limits	
	Specific	Aggregate
For claims incurred on or after:		
February 1, 2019 Deductible	\$ 300,000	None
February 1, 2018 Deductible	300,000	None
February 1, 2017 Deductible	300,000	None
February 1, 2016	300,000	859,553
February 1, 2015	300,000	854,824
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).

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 \$414,257 as of September 30, 2017 and \$256,404 as of September 30, 2014. The accompanying financial statements include an estimated accrual of unpaid workers' compensation claims as of September 30, 2019 and 2018 in the amount of \$404,000 and \$392,000, respectively. Workers' compensation cost charged by the City during 2019 and 2018 was approximately \$204,000 and \$325,000, respectively.

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 \$243,148 and \$240,198 as of September 30, 2019 and 2018, 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 "net investment in capital assets".

City of Mountain Brook, Alabama

Notes to Financial Statements

Fund Statements

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

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 may be accumulated and carried forward from year to year with no maximum amount. 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.

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 \$3,254,195 as of September 30, 2019 and \$3,136,531 as of September 30, 2018. The City paid nothing after September 30, 2019 and 2018, with respect to vested compensated absences to employees who retired or otherwise ended their employment with the City prior to year end. Consequently there are no current liabilities attributable to compensated absences reported 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 2019 and 2018. 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, 2019 and September 30, 2018 reported in the Government-Wide and Fund financial statements totaled \$434,233 and \$431,599, 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 5).

City of Mountain Brook, Alabama

Notes to Financial Statements

**Q. Other post-employment benefits (OPEB) plan**

The fiduciary net position of the City of Mountain Brook Section 115 Trust Agreement (the OPEB Plan) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflow of resources and deferred inflow of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the OPEB Plan's fiduciary net position. Benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. (Note 6).

**R. Interfund 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, 2019:

	General	Capital Projects	Other Governmental Funds
<b>Operating transfers in (out):</b>			
Capital transfers for the payment of current year asset acquisitions and the future replacement of capital assets	\$ (5,162,047)	\$ 5,162,047	\$ 0
Corrections fund transfer to fund operations	(293,908)	0	293,908
Debt service transfer for the accumulation of funds for the future repayment of City obligations	(416,320)	0	416,320
Gasoline tax fund transfer to supplement the annual street resurfacing program	<u>(125,000)</u>	<u>0</u>	<u>125,000</u>
<b>Operating transfers, net</b>	<b><u>\$ (5,997,275)</u></b>	<b><u>\$ 5,162,047</u></b>	<b><u>\$ 835,228</u></b>

Following is a summary of the operating transfers between funds during the year ended September 30, 2018:

	General	Capital Projects	Other Governmental Funds
<b>Operating transfers in (out):</b>			
Capital transfers for the payment of current year asset acquisitions and the future replacement of capital assets	\$ (3,710,206)	\$ 4,016,160	\$ (305,954)
Corrections fund transfer to fund operations	(159,806)	0	159,806
Debt service transfer for the accumulation of funds for the future repayment of City obligations	(239,139)	0	239,139
Gasoline tax fund transfer to supplement the annual street resurfacing program	<u>(150,000)</u>	<u>0</u>	<u>150,000</u>
<b>Operating transfers, net</b>	<b><u>\$ (4,259,151)</u></b>	<b><u>\$ 4,016,160</u></b>	<b><u>\$ 242,991</u></b>

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. The purpose of the interfund 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.

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

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

**S. 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	<u>26.1</u>	<u>2.61</u>
	<u>99.0</u>	<u>\$ 9.90</u>

**T. Major revenue sources and taxpayers**

The City's primary sources of revenue include ad valorem, sales and use, and utilities taxes and business licenses. Collectively, these taxes and licenses totaled approximately \$31.6 million (78%) and \$30.5 million (80%) of the total General Fund revenues during the years ended September 30, 2019 and 2018, respectively. Of the City's taxpayers, Macy's Department Store, Alabama Power Company, Western Supermarket, Publix, Piggly Wiggly, Whole Foods, Greenwise, Energen Corporation (gas company), Diamonds Direct, Marcus Cable (doing business as Charter Communications), Grand Bohemian Inn, and Shoppes at River Run, LLC (grocery store), collectively, provided approximately \$7.3 million (18%) and \$6.47 million (17%) of the City's total General Fund revenues during the years ended September 30, 2019 and 2018, respectively.

**U. 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)
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In the fund financial statements, governmental funds report expenditures of financial resources.

City of Mountain Brook, Alabama

Notes to Financial Statements

V. Inventory

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

W. Comparative Data

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations. Certain reclassifications have been made to previous year's presentation to conform with the current year presentation. Such reclassifications have had no net effect on the statements previously reported.

X. 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.

Y. 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.

Z. Subsequent events

The City has evaluated subsequent events through the date these financial statements were available to be issued.

2. **Deposits and investments, interest rate risk, credit risk, custodial risk and fair value reporting**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical asset; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

City of Mountain Brook, Alabama

Notes to Financial Statements

The City, component unit and OPEB Trust have the following recurring fair value measurements as of September 30, 2019:

- The City's certificates of deposit totaling \$24.2 million (Level 2 inputs) and U. S. government securities totaling \$915,000 (Level 1 inputs) are valued using current market prices
- The City's common stock of \$87,114 is valued using quoted market prices obtained from the New York Stock Exchange (Level 1 input)
- Mutual funds in the amount of \$3.45 million and U. S. Treasury Notes totaling \$433,265 held by the component unit are valued using quoted market prices (Level 1 inputs)
- Municipal bonds totaling \$211,247 (of which \$39,924 are Level 1 and \$171,322 are Level 2 inputs) and corporate bonds totaling \$432,206 (of which \$406,666 are Level 1 and \$25,540 are Level 2 inputs) held by the component unit in are valued using quoted market prices (Level 2 inputs)
- The OPEB Trust's cash deposits and certificates of deposit held in a brokerage account totaling \$3.35 million are valued used current market prices (Level 2 inputs)

At September 30, 2019, the City had the following cash and investments and maturities:

	Investment Maturity in Years			
	Fair Value	Less Than 1	From 1 Up To 3	From 3 Up To 5
Cash on-hand	\$ 2,760	\$ 2,760	\$ 0	\$ 0
Bank deposits				
Demand deposit accounts	6,574,643	6,574,643	0	0
Institutional Governmental Money Market Funds	1,677,461	1,677,461	0	0
U. S. Treasury securities	3,351,004	3,351,004	0	0
Investments:				
Cash and money market accounts	29,837	29,837	0	0
Certificates of deposit	24,200,886	10,952,702	8,927,067	4,321,117
U. S. Treasury securities	914,663	914,663	0	0
576 shares VMC common stock (donated)	87,114	0	0	87,114
<b>Total portfolio</b>	<b>\$ 36,838,368</b>	<b>\$ 23,503,070</b>	<b>\$ 8,927,067</b>	<b>\$ 4,408,231</b>

At September 30, 2019, the discretely presented component unit had the following cash and investments and maturities:

	Investment Maturity in Years				
	Fair Value	Less Than 1	From 1 Up To 3	From 3 Up To 5	Greater Than 5
Bank deposits	\$ 217,028	\$ 217,028	\$ 0	\$ 0	\$ 0
Deposits held in brokerage accounts	48,801	48,801	0	0	0
U. S. Treasury Notes	433,264	0	165,631	246,974	20,659
Corporate bonds	432,206	10,044	220,523	201,639	0
Municipal bonds	211,247	85,018	111,213	15,016	0
Mutual funds	3,454,551	3,454,551	0	0	0
<b>Total portfolio</b>	<b>\$ 4,797,097</b>	<b>\$ 3,815,442</b>	<b>\$ 497,367</b>	<b>\$ 463,629</b>	<b>\$ 20,659</b>

At September 30, 2019, the OPEB Trust 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	From 1 Up To 3	From 3 Up To 5
Deposits held in brokerage accounts	\$ 461	\$ 461	\$ 0	\$ 0
U. S. Treasury money market fund	1,307	\$ 1,307	\$ 0	\$ 0
Certificates of deposit	3,350,677	645,164	1,681,526	1,023,987
<b>Totals</b>	<b>\$ 3,352,445</b>	<b>\$ 646,932</b>	<b>\$ 1,681,526</b>	<b>\$ 1,023,987</b>

**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 as of September 30, 2019, were as follows:

Maturity	Portion of Respective Portfolio		
	City	Component Unit	OPEB Trust
Less than one year	63.80%	79.54%	19.30%
1 - 2 years	24.23%	10.37%	50.16%
3 - 5 years	11.97%	9.66%	30.54%
Greater than five years	0%	0.43%	0%
	<u>100.00%</u>	<u>100.00%</u>	<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 Corporation (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, 2019, the City had invested \$24.2 million in certificates of deposit and \$3.5 million in U. S. Treasury obligations. All of the City's \$24.2 million investment in certificates of deposit were insured by the FDIC. Following is a summary of the City's top holdings in its cash and investment portfolio:

	Fair Value	Portion of Portfolio
Iberia Bank (demand deposit accounts)	\$ 5,765,756	15.65%
Iberia Bank (short-term U. S. Treasury securities)	5,028,465	13.65%
Regions Bank (demand deposit accounts)	808,887	2.20%
Morgan Stanley (cash, deposits, money market funds)	29,837	0.08%
All other (cash on-hand and common stock)	89,874	0.24%
U. S. Treasury obligations	914,663	2.48%
Various financial institutions - certificates of deposit	24,200,886	65.70%
	<u>\$ 36,838,368</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 discretely presented component unit had no uninsured bank deposits at September 30, 2019 or September 30, 2018. Following is a summary of the holdings in the discretely presented component unit's cash and investment portfolio:

City of Mountain Brook, Alabama

Notes to Financial Statements

Description/Creditor	Par	Cost	Fair Value	Portion of Portfolio
Bank deposits		\$ 63,276	\$ 63,276	1.32%
Deposits held in brokerage accounts		48,801	48,801	1.02%
Money market		153,752	153,752	3.21%
U. S. Treasury Notes	\$ 425,000	422,833	433,264	9.03%
Corporate bonds	421,000	428,693	432,206	9.01%
Municipal bonds	210,000	214,039	211,247	4.40%
Mutual funds		2,947,079	3,454,551	72.01%
		<u>\$ 4,278,473</u>	<u>\$ 4,797,097</u>	<u>100.00%</u>

The OPEB Trust follows the investment policies of the City. Accordingly, the OPEB Trust generally invests in fixed income securities with maturities of five years or less. At September 30, 2019, the OPEB Trust had invested \$3.35 million in certificates of deposit. The OPEB Trust held no certificates of deposit (including accrued interest) that exceeded the \$250,000 FDIC limit.

**Custodial Risk.** For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the investor 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 and OPEB Trust's investments in certificates of deposit are held in separate trusts by the City's and OPEB Trust's custodians in the name of the respective 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.

3. Receivables

Receivables at September 30, consisted of the following:

	2019				2018 Total
	General Fund	Capital Projects	Other Governmental Funds	Total	
Taxes	\$ 2,131,109	\$ 0	\$ 0	\$ 2,131,109	\$ 1,986,976
E-911 surcharge	0	0	31,791	31,791	58,043
Board of Education (Note 1.B.)	4,144	0	0	4,144	0
Grants	0	167,423	0	167,423	74,787
Other	63,704	5,248	37,989	106,941	198,773
<b>Totals</b>	<u>\$ 2,198,957</u>	<u>\$ 172,671</u>	<u>\$ 69,780</u>	<u>\$ 2,441,408</u>	<u>\$ 2,318,579</u>

4. Capital assets

Following is a summary of the changes in the City's capital assets for the year ended September 30, 2019:

	Balance at September 30, 2018	Additions	Disposals/ Retirements/ Completed	Balance at September 30, 2019
<b>Capital assets, not being depreciated:</b>				
Land	\$ 19,914,153	\$ 275,970	\$ 0	\$ 20,190,123
Construction in progress	1,043,636	1,419,287	(817,131)	1,645,792
<b>Total capital assets, not being depreciated</b>	<u>20,957,789</u>	<u>1,695,257</u>	<u>(817,131)</u>	<u>21,835,915</u>

City of Mountain Brook, Alabama

Notes to Financial Statements

**Capital assets,  
being depreciated:**

Land improvements	3,123,579	0	0	3,123,579
Buildings and improvements	36,325,000	104,206	0	36,429,206
Machinery and equipment	26,436,180	1,241,858	(682,980)	26,995,058
Infrastructure	68,061,506	457,619	617,166	69,136,291

**Total capital assets, being depreciated** 133,946,265 1,803,683 (65,814) 135,684,134

**Less accumulated  
depreciated for:**

Land improvements	528,958	26,012	0	554,970
Buildings and improvements	9,404,358	1,228,966	0	10,633,324
Machinery and equipment	20,111,598	1,709,059	(682,980)	21,137,677
Infrastructure	43,662,125	2,698,524	(199,965)	46,160,684

**Total accumulated depreciation** 73,707,039 5,662,561 (882,945) 78,486,655

**Total capital assets, being depreciated, net** 60,239,226 (3,858,878) 817,131 57,197,479

**Governmental activities capital assets, net** \$ 81,197,015 \$ (2,163,621) \$ 0 \$ 79,033,394

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

	<u>2019</u>	<u>2018</u>
Governmental activities:		
General government	\$ 379,935	\$ 372,307
Public safety	1,661,812	1,624,558
Street and sanitation	2,410,085	2,291,902
Recreational	584,894	618,740
Library	625,835	540,195
<b>Total depreciation expense</b>	<u>\$ 5,662,561</u>	<u>\$ 5,447,702</u>

**5. Pension plan**

**A. General information about the pension plan**

**Plan description.** The Employees' Retirement System of Alabama (ERS), an agent 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](http://www.rsa-al.gov).

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.

City of Mountain Brook, Alabama

Notes to Financial Statements

- 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 874 local participating employers. These participating employers include 297 cities, 65 counties, and 511 other public entities. As of September 30, 2017, membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,021
Terminated employees entitled to but not yet receiving benefits	8,557
Active members	<u>56,109</u>
Total	<u>88,687</u>

**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.

City of Mountain Brook, Alabama

Notes to Financial Statements

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, 2019, the City's active employee contribution rates were 7.50% (Tier 1) and 6% (Tier 2) for civilian employees and 8.5% (Tier 1) and 7% (Tier 2) for sworn police officers and firefighters. For the year ended September 30, 2019, the City's actuarially determined contribution rates for active employee (including pre-retirement death benefits of 0.02% and administrative expenses of 0.35%) 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	15.47%	14.56%
4791 Mountain Brook Library Board	2.18%	1.61%
4792 Mountain Brook Park and Recreation Board	2.55%	1.42%

The weighted average contribution rate (including pre-retirement death benefits of 0.02% and administrative expenses of 0.35%) to fund the normal and accrued liability costs was 14.41%.

The required contribution rates above are based upon the actuarial valuation dated September 30, 2016, 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 contributions to the pension plan were \$3,991,667 (\$2,105,237 employer actuarially determined amount, excess employer contributions of \$638,000, and \$1,248,430 employee excluding pre-retirement death benefits of 0.02% and administrative expenses of 0.35%) for the year ended September 30, 2019.

**B. Net pension liability**

The City's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 rolled forward to September 30, 2018, using standard roll-forward techniques as shown below:

	Unit			
	City 2460 MTB	Library 4791 MBL	Park Board 4792 MBP	Combined
Total pension liability as of September 30, 2017 (a)	\$ 78,168,678	\$ 4,727,503	\$ 2,296,687	\$ 85,192,868
Changes of assumptions	409,531	29,564	11,232	450,327
Interest	5,869,383	357,295	174,851	6,401,529
Difference between expected and actual experience	237,672	226,168	14,181	478,021
Transfers among employers	(160,783)	0	0	(160,783)
Entry age normal cost for the period				
October 1, 2017 through September 30, 2018 (b)	1,230,854	117,709	49,561	1,398,124
Actual benefit payments and refunds for the period				
October 1, 2017 through September 30, 2018 (c)	(4,869,410)	(234,484)	(81,087)	(5,184,981)
Total pension liability as of September 30, 2018				
[(a) x (1.0775)] + (b) - [(c) x (1.03875)]	<u>\$ 80,885,925</u>	<u>\$ 5,223,755</u>	<u>\$ 2,465,425</u>	<u>\$ 88,575,105</u>

City of Mountain Brook, Alabama

Notes to Financial Statements

**Actuarial assumptions.**

The total pension liability as of September 30, 2018, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25%—5.00%
Investment rate of return*	7.70%

\*Net of pension plan investment expense

Mortality rates for ERS were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2017, 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, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.51%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	<u>3.00%</u>	1.50%
Total	<u>100.00%</u>	

\*Includes assumed rate of inflation of 2.75%.

**Discount rate.** The discount rate used to measure the total pension liability was the long term rate of return, 7.70%. 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.

City of Mountain Brook, Alabama

Notes to Financial Statements

C. Changes in net pension liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2017	\$ 85,192,868	\$ 57,203,288	\$27,989,580
Changes for the year:			
Service cost	1,398,124	0	1,398,124
Interest	6,401,529	0	6,401,529
Changes of assumptions	450,327	0	450,327
Differences between expected and actual experience	478,021	0	478,021
Contributions—employer	0	2,350,438	(2,350,438)
Contributions—employee	0	1,210,003	(1,210,003)
Net investment income	0	5,207,452	(5,207,452)
Benefit payments, including refunds of employee contributions	(5,184,981)	(5,184,981)	0
Administrative expense	0	0	0
Transfers among employers	(160,783)	(160,783)	0
Net changes	<u>3,382,237</u>	<u>3,422,129</u>	<u>(39,892)</u>
Balances at September 30, 2018	<u>\$ 88,575,105</u>	<u>\$ 60,625,417</u>	<u>\$27,949,688</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 7.70%, 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 (6.70%) or one percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
City's net pension liability	<u>\$ 37,918,388</u>	<u>\$ 27,949,688</u>	<u>\$19,494,677</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, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated January 15, 2019, 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](http://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, 2019, the City recognized pension expense of \$2,653,549. At September 30, 2019, 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	\$ 1,442,601	\$ 665,186
Changes of assumptions	2,927,253	0
Net difference between projected and actual earnings on pension plan investments	0	1,975,591
Employer contributions subsequent to the measurement date	<u>2,743,237</u>	<u>0</u>
<b>Total</b>	<b><u>\$ 7,113,091</u></b>	<b><u>\$ 2,640,777</u></b>

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

Year ended September 30:	<u>Deferred Outflows/ Inflows Resources</u>
2020	\$ 783,287
2021	121,578
2022	254,901
2023	406,854
2024	126,398
Thereafter	36,059

**E. Payable to the pension plan**

The City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2019 (and accrued pension contributions in the amount of \$143,687 applicable to accrued [pensionable] salaries and wages as of September 30, 2019).

**F. Membership as of the Measurement Date September 30, 2018**

	<u>City 2460 MTB</u>	<u>Library 4791 MBL</u>	<u>Park Board 4792 MBP</u>	<u>Combined</u>
Retired members or their beneficiaries currently receiving benefits	119	9	4	132
Vested inactive members	2	1	0	3
Non-vested inactive members	1	1	0	2
Active members	<u>193</u>	<u>26</u>	<u>17</u>	<u>236</u>
Total	<u>315</u>	<u>37</u>	<u>21</u>	<u>373</u>

**6. Post-employment benefits**

**Plan Description.** The City of Mountain Brook provides medical benefits to eligible retirees through participation in the Local Government Health Insurance Plan (LGHIP) administered by the State of Alabama's Local Government Health Insurance Board (LGHIB).

Article VII of the Trust stipulates that the City Council had the authority to establish the Trust and Article V, Sec. 5.4 assigns authority to manage the plan and amend the benefit provisions to the City Council (or Board of Trustees), which consists of the five members elected at-large. Because these members of the City Council are elected to office, the members of the Plan's Board of Trustees vary from time-to-time. Additionally, the Board of Trustees may designate certain City officials as signatories on the Trust's investment account.

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

**Plan Membership.** At September 30, 2018, the Plan's membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	28
Active plan members	<u>222</u>
<b>Total</b>	<b><u>250</u></b>

**Benefits Provided.** The City 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 sworn police officers and firefighters) or later and completion of 10 years of service.

**Contributions.** The City Council of the City of Mountain Brook has the authority to establish and amend the contribution requirements of plan members. Employees do not contribute to their post-employment benefit costs until they become retirees and begin receiving benefits. The plan provisions are contained in the official plan documents.

**Investment policy.** The Plan's policy regarding the allocation of invested assets is established and may be amended by the Board of Trustees. The following was the asset allocation policy as of September 30, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Certificates of deposit	100%

**Concentrations.** All plan assets are held in book entry form in a brokerage account. The investments in certificates of deposit are protected by Federal Depository Insurance (FDIC).

**Rate of Return.** For the year ended September 30, 2019, the annual money-weighted rate of return (loss) on investments, net of investment expense, was 5.73%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net OPEB Liability**

The City's net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of October 1, 2018, rolled forward to September 30, 2019, using standard roll-forward techniques as shown below:

City of Mountain Brook, Alabama

Notes to Financial Statements

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at September 30, 2018	\$ 5,824,487	\$ 2,886,328	\$ 2,938,159
Service cost	74,389	0	74,389
Interest cost at 3.50%	197,709	0	197,709
Differences between expected and actual experience	511,365	0	511,365
Contributions-employer	0	521,626	(521,626)
Contributions-retirees	0	132,677	(132,677)
Net investment income	0	166,117	(166,117)
Direct benefit payments	(351,303)	(351,303)	0
Direct administrative expense	0	(3,000)	3,000
Net changes	<u>432,160</u>	<u>466,117</u>	<u>(33,957)</u>
Balances at September 30, 2019	<u>\$ 6,256,647</u>	<u>\$ 3,352,445</u>	<u>\$ 2,904,202</u>

Plan fiduciary net position as a percentage of the total OPEB liability:

September 30, 2019	53.58%
September 30, 2018	49.56%

**Actuarial Assumptions.** The total OPEB liability was determined by an actuarial valuation as of October 1, 2018, using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.0% including inflation
Discount rate	3.5% annually (Beginning of Year to Determine ADC*)
	3.5% annually (As of End of Year Measurement Date)
Healthcare cost trend rate	5.5% annually

\* Actuarially Determined Contribution

The RP-2000 Table without projection with 50%/50% unisex blend has been used. Projected future mortality improvement has not been used since it is our opinion that this table contains a substantial conservative margin for the population involved in this valuation.

The actuarial assumptions used in the October 1, 2018, valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2006 to September 30, 2019 in addition to the Office of Group Benefits (OGB) assumptions.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of September 30, 2019, are summarized in the following table:

City of Mountain Brook, Alabama

Notes to Financial Statements

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	6.0%
Corporate Bonds	5.0%
Certificates of Deposit	1.0%
Cash	0.0%

**Discount Rate.** The discount rate used to measure the total OPEB liability was 3.5%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the net OPEB liability to changes in the discount rate.** The following represents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.5%) or one percentage point higher (4.5%) than the current discount rate:

	1% Decrease (2.5%)	Current Rate (3.5%)	1% Increase (4.5%)
City's net OPEB liability	\$ 3,584,064	\$ 2,904,202	\$ 2,313,402

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.** The following represents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.5%) or one percentage point higher (6.5%) than the current healthcare trend rates:

	1% Decrease (4.5%)	Current Rate (5.5%)	1% Increase (6.5%)
City's net OPEB liability	\$ 2,282,049	\$ 2,904,202	\$ 3,619,194

**7. 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 2019 and 2018 were as follows:

	2019	2018
Property tax commissions	\$ 225,406	\$ 220,451
Maintenance of maps and appraisals	260,838	238,057
Jefferson County Health Department	126,765	124,045
Birmingham-Jefferson County Transit Authority	121,987	121,451
Personnel Board of Jefferson County	226,644	281,206
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.S.) 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, 2019, were \$31.89 per month for single and multiple family residential units and \$39.12 per month for commercial units. The annual cost incurred under this agreement for each the years ended September 30, 2019 and 2018, was approximately \$2,871,000. Total garbage service fee revenues collected by the City from its commercial customers during the years ended September 30, 2019 and 2018 were \$32,395 and \$29,948, respectively.

In August 2013, the City entered into a 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 \$4 million for its infrastructure 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 financial statements include infrastructure incentive expense of \$-0- and \$2,568,118 for the years ended September 30, 2019 and 2018, respectively, and revenue sharing development incentive expense of \$876,644 and \$1,033,144 for the years ended September 30, 2019 and 2018, respectively. The \$156,500 reduction in the incentive payments in 2019 compared to 2018 resulted from the sale of a grocery store during the year which resulted in a 4-month closure of the store while the acquiring grocer rebranded the space. The outstanding development incentive commitment balance at September 30 was as follows:

	Original Commitment	2019	2018	Change
Infrastructure	\$ 4,000,000	\$ 500,000	\$ 500,000	\$ 0
Revenue sharing	10,000,000	6,771,721	7,648,365	(876,644)
Totals	<u>\$ 14,000,000</u>	<u>\$ 7,271,721</u>	<u>\$ 8,148,365</u>	<u>\$ (876,644)</u>

In 2014, the City entered into a development agreement for the construction of a new grocery store. Under the terms of the development agreement, the City will pay the developer monthly amounts equal to 75% of the sales tax derived from the store for five years and 50% of the sales tax derived from the store thereafter up to \$4 million in the aggregate or twenty years (whichever occurs first). Additionally, the City shall pay the developer an amount equal to the City's 26.1 mil share of the 99 mil ad valorem tax in any year that taxable sales exceed defined targets increased annually based on pre-construction projections. The incentive payments commenced in 2016 upon the opening of the store. The accompanying financial statements include revenue sharing incentive expense of \$345,719 and \$282,620 for the years ended September 30, 2019 and 2018, respectively. The outstanding development incentive commitment balance was \$3,030,015 and \$3,375,734 as of September 30, 2019 and 2018, respectively.

In 2016, the City renewed two, 5-year leases of real property used for public parking. Both leases expire on September 30, 2021. The leases are payable in monthly installments. Lease payments remitted for the years ended September 30, 2019 and 2018 totaled \$63,956 and \$63,803, respectively. Annual lease payments for the fiscal years ending September 30, 2020 and 2021 will be \$64,109, and \$64,262, respectively.

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

City of Mountain Brook, Alabama

Notes to Financial Statements

	<u>2019</u>	<u>2018</u>
Streets and bridge	\$ 1,025,950	\$ 598,111
Public building improvements	157,858	0
Drainage projects	45,178	0
Sidewalks and pedestrian bridge	<u>416,806</u>	<u>445,525</u>
<b>Total</b>	<b><u>\$ 1,645,792</u></b>	<b><u>\$ 1,043,636</u></b>

The City has entered into various contracts with the Alabama Department of Transportation (ALDOT) and engineering firms with respect to the Village Walkway System (sidewalks) and U. S. Highway 280 intersection improvements construction projects. The projects are being administered by ALDOT and federal awards have been granted that generally provide up to 80% of allowable construction and related costs. Following is a summary of the sidewalk and intersection improvement contracts underway as of September 30, 2019:

<u>Project Description</u>	<u>Contract Commitment and Anticipated Overruns</u>	<u>Expended in Fiscal 2019 <sup>(1)</sup></u>	<u>Federal Awards Reported in 2019</u>	<u>Estimated Cost to Complete</u>	<u>Anticipated Completion Date</u>
Intersection improvements Cahaba Road/ US 280/Culver Road/Lane Park Road CMAQ-3715(266)	\$ 608,456	\$ 211,434	\$ 169,120	\$ 77,000	2021
Sidewalk Improvements along Pine Ridge Road - CMAQ-3718(251)	236,339	78,230	62,584	174,000	2020
Sidewalk Along Dunbarton Drive from North Woodridge Road to Locksley Drive - TAPBH-TA18(931)	99,900	70,938	0	29,000	2021
Sidewalk Improvements along Hagood Street - TAPBH-TA-19(930)	120,000	38,112	0	82,000	2020
Mountain Brook Village Walkway System Phase 9, Brookwood and Crosshill Roads and Oakdale Drive CMAQ-NR13(908)	1,763,584	<u>42,628</u>	<u>34,922</u>	<u>0</u>	Pending ALDOT Close-out
<b>Totals</b>		<b><u>\$ 441,342</u></b>	<b><u>\$ 266,626</u></b>	<b><u>\$ 362,000</u></b>	

<sup>(1)</sup> The amounts expended in fiscal 2019 include project-related expenditures not eligible for federal reimbursement.

**8. 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:

City of Mountain Brook, Alabama

Notes to Financial Statements

	<u>2019</u>	<u>2018</u>
Assessed value of taxable real and personal property as provided by the Jefferson County Tax Assessor	<u>\$668,268,080</u>	<u>\$626,621,340</u>
Constitutional debt limit, 20 percent of assessed value	\$133,653,616	\$125,324,268
Outstanding long-term debt as of September 30	<u>0</u>	<u>0</u>
Legal Debt Margin	<u>\$133,653,616</u>	<u>\$125,324,268</u>

9. Tax Abatements (Revenue Sharing Agreements)

The City has entered into various tax abatement (revenue sharing agreements) with property owners, businesses and real estate developers for the purpose of a) annexing commercial/recreational properties, b) recruiting new business development and c) promoting the redevelopment of commercial parcels within the City. The agreements have limited terms and are entered into by the City as they are expected to benefit the City or increase revenue. These incentive agreements require approval by the City Council and are authorized by Amendment 772 to the Constitution of Alabama (1901) (Article 94.01 of the Recompiled Constitution of Alabama). The incentive agreements generally expire upon the earlier of a specified term of years or the satisfaction of the agreed upon incentive amount. Following is a summary of such agreements:

Nature of Incentive	Type of Tax	Percentage of City Taxes Abated	Abatement Amount	Expiration of Incentive	Maximum Incentive Amount
Grocer annexation/development	Ad valorem	100%	\$ 12,699	2020	Not applicable
Public parking	Ad valorem	100%	<u>2,241</u>	2021	Not applicable
<b>Offset against related ad valorem tax revenue</b>			14,940		
Redevelopment of commercial and multi-family parcels					
Revenue sharing				2035 <sup>(2)</sup>	\$ 10,000,000
	Ad valorem	100% <sup>(1)</sup>	509,642		
	Lodging and Sales Tax <sup>(1)</sup>	90%	367,002		
Redevelopment of parcels for commercial use	Sales Tax	75% 2016–2020, 50% thereafter	<u>345,719</u>	2034 <sup>(2)</sup>	\$ 4,000,000
<b>General government expense</b>			<u>1,222,363</u>		
<b>Total incentive</b>			<u>\$ 1,237,303</u>		

(1) The development incentive is equal to 100% of ad valorem and 90% of sales taxes collected in excess of the pre-development baseline collections plus 90% of lodging tax collections. The pre-development ad valorem and sales tax baseline(s) are increased annually at the rate of 1-1/2%.

(2) The defined expiration of the incentive agreement based on the expressed term in years. The City is confident that the incentive agreement will be satisfied earlier based on the performance of the retailer and collections realized.

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:

- Fiduciary activities
- Leases
- Certain disclosures related to debt, including direct borrowings and direct placements
- Accounting for interest cost incurred before the end of a construction period
- Majority equity interests
- Conduit debt obligations

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

**12. Subsequent event**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. Uncertainties have arisen that may have a significant negative impact on the City because of disruptions in revenues and operations. While the disruptions are expected to be temporary, there is uncertainty as to the duration. As a result, the negative impact on the City's revenues and operations cannot be reasonably estimated at this time. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on business activity and travel, (iv) the effects on financial markets, and (v) the effects on the economy overall, all of which are uncertain.

**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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Taxes	\$ 32,394,257	\$ 32,394,257	\$ 33,139,900	\$ 745,643
Licenses and permits	5,018,680	5,018,680	5,196,898	178,218
Intergovernmental	199,790	199,790	160,291	(39,499)
Charges for services	755,947	759,947	767,403	7,456
Fines and forfeitures	534,700	534,700	461,595	(73,105)
Grants	13,068	13,068	96,880	83,812
Other operating revenues	446,880	446,880	870,339	423,459
<b>Total revenues</b>	<u>39,363,322</u>	<u>39,367,322</u>	<u>40,693,306</u>	<u>1,325,984</u>
<b>Expenditures:</b>				
<b>Current (operating):</b>				
General government	6,850,501	6,850,501	6,722,502	127,999
Public safety	16,248,266	16,252,266	15,870,133	382,133
Street and sanitation	6,915,412	6,915,412	6,741,476	173,936
Recreational	1,378,981	1,378,981	1,347,910	31,071
Library	3,413,998	3,413,998	3,269,996	144,002
<b>Total expenditures</b>	<u>34,807,158</u>	<u>34,811,158</u>	<u>33,952,017</u>	<u>859,141</u>
<b>Excess of revenues over expenditures</b>	<u>4,556,164</u>	<u>4,556,164</u>	<u>6,741,289</u>	<u>2,185,125</u>
<b>Other financing sources (uses):</b>				
Operating transfers (out)	(4,548,849)	(4,548,849)	(5,997,275)	(1,448,426)
Operating transfers in - component unit	139,000	139,000	70,841	(68,159)
Donations	70,610	70,610	110,251	39,641
<b>Total other financing sources (uses)</b>	<u>(4,339,239)</u>	<u>(4,339,239)</u>	<u>(5,816,183)</u>	<u>(1,476,944)</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	216,925	216,925	925,106	708,181
<b>Fund balances, beginning of year</b>	<u>16,044,208</u>	<u>16,044,208</u>	<u>16,044,208</u>	<u>0</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 16,261,133</u>	<u>\$ 16,261,133</u>	<u>\$ 16,969,314</u>	<u>\$ 708,181</u>

**City of Mountain Brook, Alabama**

**Notes to Required Supplementary Information**

**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 an ordinance.
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 24, 2018 (Ordinance No. 2029) and subsequently revised by way of administrative adjustments that did not change the budgeted surplus.

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

	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service costs	\$ 1,398,124	\$ 1,387,510	\$ 1,336,195	\$ 1,300,723	\$ 1,271,006
Interest	6,401,529	6,201,215	5,796,789	5,523,394	5,313,180
Change in assumptions	450,327	0	4,619,194	0	0
Differences between expected and actual experience	478,021	(179,827)	429,303	809,623	0
Benefit payments, including refunds of employee contributions	(5,184,981)	(4,806,405)	(4,365,372)	(4,067,215)	(3,845,824)
Transfers among employers	(160,783)	171,493	(39,780)	0	0
Net change in total pension liability	3,382,237	2,773,986	7,776,329	3,566,525	2,738,362
Total pension liability, beginning	<u>85,192,868</u>	<u>82,418,882</u>	<u>74,642,553</u>	<u>71,076,028</u>	<u>68,337,666</u>
Total pension liability, ending (a)	<u>\$ 88,575,105</u>	<u>\$ 85,192,868</u>	<u>\$ 82,418,882</u>	<u>\$ 74,642,553</u>	<u>\$ 71,076,028</u>
<b>Plan fiduciary net position</b>					
Contributions - employer <sup>(2)</sup>	\$ 2,350,438	\$ 2,330,683	\$ 1,619,070	\$ 1,578,733	\$ 1,527,445
Contributions - employee	1,210,003	1,221,711	1,178,166	1,163,946	1,140,706
Net investment income	5,207,452	6,544,602	4,856,657	576,080	5,337,652
Benefit payments, including refunds of employee contributions	(5,184,981)	(4,806,405)	(4,365,372)	(4,067,215)	(3,845,824)
Transfers among employers	(160,783)	171,493	(39,780)	41,498	(125,527)
Net change in plan fiduciary net position	3,422,129	5,462,084	3,248,741	(706,958)	4,034,452
Plan net position, beginning	<u>57,203,288</u>	<u>51,741,204</u>	<u>48,492,463</u>	<u>49,199,421</u>	<u>45,164,969</u>
Plan net position, ending (b)	<u>\$ 60,625,417</u>	<u>\$ 57,203,288</u>	<u>\$ 51,741,204</u>	<u>\$ 48,492,463</u>	<u>\$ 49,199,421</u>
Net pension liability (asset), ending	\$ 27,949,688	\$ 27,989,580	\$ 30,677,678	\$ 26,150,090	\$ 21,876,607
Plan fiduciary net position as a percentage of the total pension liability	68.45%	67.15%	62.78%	64.97%	69.22%
Covered-employee payroll <sup>(1)</sup>	\$ 15,514,540	\$ 15,189,454	\$ 14,888,056	\$ 14,580,566	\$ 14,200,725
Net pension liability (asset) as a percentage of the covered-employee payroll	180.15%	184.27%	206.06%	179.35%	154.05%

<sup>(1)</sup> Covered payroll during the measurement period is the total payroll on which contributions to the pension plan are based. For fiscal year 2018, the measurement period is October 1, 2017 – September 30, 2018.

<sup>(2)</sup> Employer contributed more than the actuarially determined required contribution in the amount of \$ 610,000 \$ 600,000 \$ 0 \$ 0 \$ 0

This schedule is intended to show information for 10 years. Additional years will be displayed as information becomes available

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,105,237	\$ 1,761,249	\$ 1,733,175	\$ 1,617,545	\$ 1,578,733
Contributions in relation to the actuarially determined contribution	<u>2,743,237</u>	<u>2,371,249</u>	<u>2,333,175</u>	<u>1,617,545</u>	<u>1,578,733</u>
Contributions deficiency (excess)	\$ (638,000)	\$ (610,000)	\$ (600,000)	\$ 0	\$ 0
Covered-employee payroll	<u>\$ 16,180,854</u>	<u>\$ 15,514,540</u>	<u>\$ 15,189,454</u>	<u>\$ 14,888,056</u>	<u>\$ 14,580,566</u>
Contributions as a percentage of covered-employee payroll	<u>16.95%</u>	<u>15.28%</u>	<u>15.36%</u>	<u>10.86%</u>	<u>10.83%</u>

**Notes to Schedule**

**Valuation date.** Actuarially determined contribution rates are calculated as of September 30, 2016, three years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates for the period October 1, 2018 to September 30, 2019:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period (years)	28.4
Asset valuation method	Five year smoothed market
Investment rate of return (discount rate)	7.700%      Net of plan investment expense, including inflation
Salary increases**	3.25–5.00%
** Includes inflation at	2.750%

This schedule is intended to show information for 10 years. Additional years will be displayed as information becomes available

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**City of Mountain Brook, Alabama**  
**Other Post-Employment Benefits (OPEB)**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**Years Ended September 30,**

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 74,389	\$ 73,276
Interest	197,709	175,070
Differences between expected and actual experience	511,365	1,556,656
Changes of assumptions	0	(810,818)
Benefit payments	<u>(351,303)</u>	<u>(343,392)</u>
<b>Net change in total OPEB liability</b>	432,160	650,792
<b>Total OPEB liability, beginning of year</b>	<u>\$ 5,824,487</u>	<u>5,173,695</u>
<b>Total OPEB liability, end of year (a)</b>	<u>\$ 6,256,647</u>	<u>\$ 5,824,487</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 521,626	\$ 520,436
Contributions - member	132,677	127,956
Net investment income (loss)	166,117	(12,392)
Benefit payments	(351,303)	(343,392)
Administrative expense	<u>(3,000)</u>	<u>(5,000)</u>
<b>Net change in plan fiduciary net position</b>	466,117	287,608
<b>Plan fiduciary net position, beginning of year</b>	<u>\$ 2,886,328</u>	<u>2,598,720</u>
<b>Plan fiduciary net position, end of year (b)</b>	<u>\$ 3,352,445</u>	<u>\$ 2,886,328</u>
<b>Net OPEB liability, end of year (a) - (b)</b>	<u>\$ 2,904,202</u>	<u>\$ 2,938,159</u>
Plan fiduciary net position as a percentage of the total OPEB liability	53.58%	49.56%
Covered-employee payroll	16,180,854	\$ 15,514,540
Net OPEB liability as a percentage of covered-employee payroll	17.95%	18.94%

**Notes to Schedule:**

*Benefit Changes.* There were no changes of benefit terms for the year ended September 30, 2019.

*Changes of Assumptions.* There were no changes of assumptions for the year ended September 30, 2019.

This schedule is intended to show information for 10 years. Additional years will be displayed as information becomes available.

**City of Mountain Brook, Alabama**  
**Other Post-Employment Benefits (OPEB)**  
**Schedule of Employer Contributions**  
**Years Ended September 30,**

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 234,141	\$ 213,281
Contributions in relation to the actuarially determined contribution:		
Employer contributions to trust	300,000	300,000
Employer-paid retiree premiums	351,303	343,392
Employer-paid expenses	<u>3,000</u>	<u>5,000</u>
	<u>654,303</u>	<u>648,392</u>
Contribution deficiency (excess)	<u>\$ (420,162)</u>	<u>\$ (435,111)</u>
Covered annual payroll	\$ 16,180,854	\$ 15,514,540
Contributions as a percentage of covered employee payroll	4.04%	4.18%

**Notes to Schedule:**

Valuation date	10/1/2018 Actuarilly determined contributions are calculated as of the last day of the fiscal year in which contributions are reported
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level dollar, open
Amortization period	30 years
Asset valuation method	Market value
Inflation	2.5% annually
Health care trend	5.5% annually
Salary increases	3.0% annually
Discount rate	3.5% annually (Beginning of Year to Determine the Actuarially Determined Contributions (ADC)) 3.5% annually (As of End of Year Measurement Date)
Retirement age	Three (3) years after the earliest of 1) 30 years of service or 2) attainment of age 60 and 15 years of service with the City. Eligibility for benefits ceases upon the earlier of 13 years after retirement and/or Medicare eligibility. Employees hired on or after January 1, 2013, are not eligible to retire before age 62 for civilians and 57 for sworn police officers and firefighters.
Mortality	RP-2000 without projections, 50% unisex blend
Turnover	Age specific table with an average of 7.5% when applied to the active census

This schedule is intended to show information for 10 years. Additional years will be displayed as information becomes available

**City of Mountain Brook, Alabama**  
**Other Post-Employment Benefits (OPEB)**  
**Schedule of Investment Returns**  
**Ten (10) Years Ended September 30, 2010 through 2019**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Annual money-weighted rate of return, net of investment expense	5.73%	-0.46%	-0.10%	5.15%
Interest income (accrual basis) (A)	\$ 67,677	\$ 56,837	\$ 47,463	\$ 42,790
Beginning market value	\$ 2,886,328	\$ 2,598,720	\$ 2,301,227	\$ 1,900,232
Investment	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Date of deposit	9/16/2019	6/18/2018	6/13/2017	7/22/2016
Ending marking value	\$ 3,352,445	\$ 2,886,328	\$ 2,598,720	\$ 2,301,227
Weighted average market value (B)	\$ 2,904,206	\$ 2,680,668	\$ 2,390,067	\$ 1,976,925
Yield (A)/(B)	2.33%	2.12%	1.99%	2.16%

2015	2014	2013	2012	2011	2010
1.75%	0.75%	1.69%	1.78%	2.51%	3.02%
\$ 22,583	\$ 18,161	\$ 16,425	\$ 11,762	\$ 10,550	\$ 6,704
\$ 1,571,336	\$ 1,261,499	\$ 925,335	\$ 613,573	\$ 403,024	\$ 196,320
\$ 300,000	\$ 300,000	\$ 320,000	\$ 300,000	\$ 200,000	\$ 200,000
6/29/2015	8/4/2014	8/27/2013	8/3/2012	8/29/2011	8/13/2010
\$ 1,900,232	\$ 1,571,336	\$ 1,261,499	\$ 925,335	\$ 613,573	\$ 403,024
\$ 1,655,137	\$ 1,309,884	\$ 956,649	\$ 662,978	\$ 421,483	\$ 223,503
1.36%	1.39%	1.72%	1.77%	2.50%	3.00%

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**SUPPLEMENTARY INFORMATION**

City of Mountain Brook, Alabama

Combining Balance Sheet  
Other Governmental Funds  
September 30, 2019

<u>State Shared Gasoline Tax Funds</u>					
	<u>Seven Cent</u>	<u>Four Cent</u>	<u>Five Cent</u>	<u>Two Cent</u>	<u>Ten Cent</u>
<b>ASSETS</b>					
Cash and temporary investments	\$ 43,319	\$ 171,373	\$ 167,229	\$ 13,891	\$ 0
Receivables	<u>20,364</u>	<u>11,807</u>	<u>5,818</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 63,683</u></b>	<b><u>\$ 183,180</u></b>	<b><u>\$ 173,047</u></b>	<b><u>\$ 13,891</u></b>	<b><u>\$ 0</u></b>
<b>LIABILITIES</b>					
Accounts payable	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10</u>
<b>TOTAL LIABILITIES</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>10</u></b>
<b>FUND BALANCES</b>					
Restricted	63,683	183,180	173,047	13,891	0
Assigned	0	0	0	0	0
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(10)</u>
<b>TOTAL FUND BALANCES</b>	<b><u>63,683</u></b>	<b><u>183,180</u></b>	<b><u>173,047</u></b>	<b><u>13,891</u></b>	<b><u>(10)</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 63,683</u></b>	<b><u>\$ 183,180</u></b>	<b><u>\$ 173,047</u></b>	<b><u>\$ 13,891</u></b>	<b><u>\$ 0</u></b>

<u>Emergency Communication District</u>	<u>Corrections Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
\$ 208,240	\$ 15,485	\$ 2,044,044	\$ 2,663,581
<u>31,791</u>	<u>0</u>	<u>0</u>	<u>69,780</u>
<u>\$ 240,031</u>	<u>\$ 15,485</u>	<u>\$ 2,044,044</u>	<u>\$ 2,733,361</u>
\$ 2,320	\$ 15,485	\$ 0	\$ 17,815
<u>2,320</u>	<u>15,485</u>	<u>0</u>	<u>17,815</u>
237,711	0	0	671,512
0	0	2,044,044	2,044,044
<u>0</u>	<u>0</u>	<u>0</u>	<u>(10)</u>
<u>237,711</u>	<u>0</u>	<u>2,044,044</u>	<u>2,715,546</u>
<u>\$ 240,031</u>	<u>\$ 15,485</u>	<u>\$ 2,044,044</u>	<u>\$ 2,733,361</u>

City of Mountain Brook, Alabama

Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances – Other Governmental Funds  
Year Ended September 30, 2019

	State Shared Gasoline Tax Funds				
	Seven Cent	Four Cent	Five Cent	Two Cent	Ten Cent
<b>Revenues:</b>					
Taxes	\$ 211,637	\$ 132,124	\$ 64,320	\$ 4,934	\$ 0
Charges for services	0	0	0	0	0
Fines and forfeitures	0	0	0	0	0
Other operating revenues:					
Investment earnings	<u>192,478</u>	<u>2,999</u>	<u>2,653</u>	<u>216</u>	<u>0</u>
<b>Total revenues</b>	<u>404,115</u>	<u>135,123</u>	<u>66,973</u>	<u>5,150</u>	<u>0</u>
<b>Expenditures:</b>					
General government	0	0	0	0	0
Public safety	0	0	0	0	0
Street and sanitation	<u>751,229</u>	<u>145,152</u>	<u>59,678</u>	<u>4,387</u>	<u>10</u>
<b>Total expenditures</b>	<u>751,229</u>	<u>145,152</u>	<u>59,678</u>	<u>4,387</u>	<u>10</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(347,114)</u>	<u>(10,029)</u>	<u>7,295</u>	<u>763</u>	<u>(10)</u>
<b>Other financing sources (uses):</b>					
Operating transfers in	125,000	0	0	0	0
Operating transfers (out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total other financing sources (uses)</b>	<u>125,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	(222,114)	(10,029)	7,295	763	(10)
<b>Fund balances, beginning of year</b>	<u>285,797</u>	<u>193,209</u>	<u>165,752</u>	<u>13,128</u>	<u>0</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 63,683</u>	<u>\$ 183,180</u>	<u>\$ 173,047</u>	<u>\$ 13,891</u>	<u>\$ (10)</u>

<u>Emergency Communication District</u>	<u>Corrections Fund</u>	<u>Debt Service Fund</u>	<u>Totals Fund</u>
\$ 0	\$ 0	\$ 0	\$ 413,015
385,135	46,800	0	431,935
0	126,269	0	126,269
<u>2,721</u>	<u>379</u>	<u>44,734</u>	<u>246,180</u>
<u>387,856</u>	<u>173,448</u>	<u>44,734</u>	<u>1,217,399</u>
0	345,508	269	345,777
379,976	121,848	0	501,824
<u>0</u>	<u>0</u>	<u>0</u>	<u>960,456</u>
<u>379,976</u>	<u>467,356</u>	<u>269</u>	<u>1,808,057</u>
<u>7,880</u>	<u>(293,908)</u>	<u>44,465</u>	<u>(590,658)</u>
0	293,908	416,320	835,228
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>293,908</u>	<u>416,320</u>	<u>835,228</u>
7,880	0	460,785	244,570
<u>229,831</u>	<u>0</u>	<u>1,583,259</u>	<u>2,470,976</u>
<u>\$ 237,711</u>	<u>\$ 0</u>	<u>\$ 2,044,044</u>	<u>\$ 2,715,546</u>

**City of Mountain Brook, Alabama**

**Combining Balance Sheet – Capital Projects Funds  
September 30, 2019**

	<u>City Capital Projects</u>	<u>Infrastructure Improvement Projects</u>	<u>Village Trail System Projects</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and temporary investments	\$ 12,808,905	\$ 3,508,182	\$ 802,426	\$ 17,119,513
Receivables	5,248	0	167,423	172,671
Inventory and prepaid expenses	<u>0</u>	<u>0</u>	<u>28,338</u>	<u>28,338</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 12,814,153</b></u>	<u><b>\$ 3,508,182</b></u>	<u><b>\$ 998,187</b></u>	<u><b>\$ 17,320,522</b></u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 56,712</u>	<u>\$ 56,671</u>	<u>\$ 57,467</u>	<u>\$ 170,850</u>
<b>TOTAL LIABILITIES</b>	<u>56,712</u>	<u>56,671</u>	<u>57,467</u>	<u>170,850</u>
<b>FUND BALANCES</b>				
Nonspendable	0	0	28,338	28,338
Committed	<u>12,757,441</u>	<u>3,451,511</u>	<u>912,382</u>	<u>17,121,334</u>
<b>TOTAL FUND BALANCES</b>	<u>12,757,441</u>	<u>3,451,511</u>	<u>940,720</u>	<u>17,149,672</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <u><b>\$ 12,814,153</b></u>	 <u><b>\$ 3,508,182</b></u>	 <u><b>\$ 998,187</b></u>	 <u><b>\$ 17,320,522</b></u>

**City of Mountain Brook, Alabama**

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances – Capital Projects Funds  
Year Ended September 30, 2019**

	<u>City Capital Projects</u>	<u>Infrastructure Improvement Projects</u>	<u>Village Trail System Projects</u>	<u>Totals</u>
<b>Revenues:</b>				
Grants	\$ 0	\$ 11,200	\$ 296,501	\$ 307,701
Other operating revenues:				
Investment earnings (losses)	<u>630,733</u>	<u>34,842</u>	<u>8,554</u>	<u>674,129</u>
<b>Total revenues</b>	<u>630,733</u>	<u>46,042</u>	<u>305,055</u>	<u>981,830</u>
<b>Expenditures:</b>				
General government	103,809	275,970	0	379,779
Public safety	950,324	0	0	950,324
Street and sanitation	154,154	457,431	641,343	1,252,928
Recreational	47,021	511,976	0	558,997
Library	<u>96,695</u>	<u>0</u>	<u>0</u>	<u>96,695</u>
<b>Total expenditures</b>	<u>1,352,003</u>	<u>1,245,377</u>	<u>641,343</u>	<u>3,238,723</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(721,270)</u>	<u>(1,199,335)</u>	<u>(336,288)</u>	<u>(2,256,893)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	2,894,510	1,873,737	393,800	5,162,047
Operating transfers (out)	0	0	0	0
Proceeds from the sale of assets	85,921	0	0	85,921
Donations	<u>0</u>	<u>553,193</u>	<u>0</u>	<u>553,193</u>
<b>Total other financing sources (uses)</b>	<u>2,980,431</u>	<u>2,426,930</u>	<u>393,800</u>	<u>5,801,161</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	<u>2,259,161</u>	<u>1,227,595</u>	<u>57,512</u>	<u>3,544,268</u>
<b>Fund balances, beginning of year</b>	<u>10,498,280</u>	<u>2,223,916</u>	<u>883,208</u>	<u>13,605,404</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 12,757,441</u>	<u>\$ 3,451,511</u>	<u>\$ 940,720</u>	<u>\$ 17,149,672</u>

**City of Mountain Brook, Alabama**

**Schedule of General Fund Revenues by Source  
For the Years Ended September 30, 2010 through 2019**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Taxes</b>				
Real property	\$ 14,322,580	\$ 13,890,843	\$ 13,873,635	\$ 13,512,485
Sales and use	7,854,903	8,476,522	9,112,494	9,578,337
Utility	1,450,440	1,460,206	1,365,487	1,284,421
Personal property (automobiles)	1,047,869	1,079,079	1,152,424	1,208,485
Road and bridge	590,899	572,584	575,000	565,066
Other	<u>1,016,068</u>	<u>903,688</u>	<u>1,030,680</u>	<u>1,038,515</u>
<b>Total taxes</b>	26,282,759	26,382,922	27,109,720	27,187,309
<b>Licenses and permits</b>				
Business	2,130,822	2,165,612	2,223,912	2,492,623
Construction permits	624,309	753,444	800,820	1,100,204
Cable TV franchise fees	347,757	352,964	391,701	424,912
Waterworks Board	159,242	207,939	216,090	216,839
Other	<u>64,720</u>	<u>60,310</u>	<u>61,928</u>	<u>62,115</u>
<b>Total licenses and permits</b>	3,326,850	3,540,269	3,694,451	4,296,693
<b>Intergovernmental</b>	82,826	84,874	85,613	84,547
<b>Charges for services</b>				
Garbage fees	34,062	32,436	39,235	35,589
Other	<u>591,636</u>	<u>619,716</u>	<u>714,561</u>	<u>693,408</u>
<b>Total charges for services</b>	625,698	652,152	753,796	728,997
<b>Fines and forfeitures - court</b>	514,542	529,522	446,682	559,465
<b>Grants</b>	19,708	282,423	12,062	15,755
<b>Other operating revenue</b>				
Investment earnings	207,214	131,706	199,151	138,162
Other	<u>254,173</u>	<u>300,657</u>	<u>278,880</u>	<u>439,492</u>
<b>Total other operating revenue</b>	461,387	432,363	478,031	577,654
<b>TOTAL REVENUES</b>	<u>\$ 31,313,770</u>	<u>\$ 31,904,525</u>	<u>\$ 32,580,355</u>	<u>\$ 33,450,420</u>

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 13,867,794	\$ 13,994,315	\$ 14,443,548	\$ 15,155,623	\$ 15,570,510	\$ 16,179,118
9,808,223	10,158,557	10,285,530	10,656,090	10,703,490	11,041,853
1,288,163	1,325,088	1,283,444	1,253,385	1,266,010	1,362,195
1,217,199	1,306,732	1,392,583	1,382,497	1,286,922	1,269,323
550,686	596,475	604,774	627,182	646,115	671,896
<u>1,127,178</u>	<u>1,238,322</u>	<u>1,506,051</u>	<u>1,810,442</u>	<u>2,069,420</u>	<u>2,615,515</u>
27,859,243	28,619,489	29,515,930	30,885,219	31,542,467	33,139,900
2,531,307	2,679,512	2,815,615	3,046,371	2,991,535	2,995,790
1,347,583	1,143,394	1,119,259	1,076,879	1,160,304	1,501,218
389,500	423,068	432,600	412,824	396,782	392,537
192,875	215,518	208,099	254,138	219,051	237,503
<u>65,154</u>	<u>63,674</u>	<u>65,373</u>	<u>65,909</u>	<u>66,127</u>	<u>69,850</u>
4,526,419	4,525,166	4,640,946	4,856,121	4,833,799	5,196,898
85,443	92,199	92,199	185,943	189,926	160,291
34,086	33,890	29,175	30,977	29,948	32,395
<u>730,347</u>	<u>695,790</u>	<u>688,534</u>	<u>678,795</u>	<u>628,736</u>	<u>735,008</u>
764,433	729,680	717,709	709,772	658,684	767,403
577,844	643,492	575,406	586,293	514,978	461,595
100,187	53,653	18,438	111,680	29,486	96,880
69,522	150,668	170,543	109,327	183,834	575,961
<u>311,374</u>	<u>296,044</u>	<u>316,717</u>	<u>269,692</u>	<u>363,255</u>	<u>294,378</u>
<u>380,896</u>	<u>446,712</u>	<u>487,260</u>	<u>379,019</u>	<u>547,089</u>	<u>870,339</u>
<u>\$ 34,294,465</u>	<u>\$ 35,110,391</u>	<u>\$ 36,047,888</u>	<u>\$ 37,714,047</u>	<u>\$ 38,316,429</u>	<u>\$ 40,693,306</u>

**City of Mountain Brook, Alabama**

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

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and temporary investments	\$ 16,812,126	\$ 15,969,944
Cash and temporary investments - restricted	243,148	240,198
Receivables	2,194,813	2,064,090
Due from related organizations	4,144	0
Inventory and prepaid expenses	<u>213,555</u>	<u>238,731</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 19,467,786</u></b>	<b><u>\$ 18,512,963</u></b>
 <b>LIABILITIES</b>		
Accounts payable	\$ 670,075	\$ 724,307
Accrued salaries and wages	1,051,272	994,798
Due to related organizations	60,150	61,134
Other liabilities	<u>716,975</u>	<u>688,516</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,498,472</u></b>	<b><u>2,468,755</u></b>
 <b>PENSION OBLIGATION (NOTE 5)</b>		
<b>OPEB OBLIGATION (NOTE 6)</b>		
 <b>FUND BALANCES</b>		
Nonspendable	213,555	238,731
Restricted	0	0
Committed	51,930	51,930
Assigned	170,764	188,792
Unassigned	<u>16,533,065</u>	<u>15,564,755</u>
<b>FUND BALANCES</b>	<b><u>16,969,314</u></b>	<b><u>16,044,208</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 19,467,786</u></b>	<b><u>\$ 18,512,963</u></b>

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

	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>		
Taxes	\$ 33,139,900	\$ 31,542,467
Licenses and permits	5,196,898	4,833,799
Intergovernmental	160,291	189,926
Charges for services	767,403	658,684
Fines and forfeitures	461,595	514,978
Grants	96,880	29,486
Other operating revenues	<u>870,339</u>	<u>547,089</u>
<b>Total revenues</b>	<u>40,693,306</u>	<u>38,316,429</u>
<b>Expenditures:</b>		
<b>Current (operating):</b>		
General government	6,722,502	7,505,247
Public safety	15,870,133	15,065,849
Street and sanitation	6,741,476	6,463,645
Recreational	1,347,910	1,310,401
Library	<u>3,269,996</u>	<u>3,239,382</u>
<b>Total expenditures</b>	<u>33,952,017</u>	<u>33,584,524</u>
<b>Excess of revenues over expenditures</b>	<u>6,741,289</u>	<u>4,731,905</u>
<b>Other financing sources (uses):</b>		
Operating transfers (out)	(5,997,275)	(4,259,151)
Operating transfers in - component unit	70,841	75,626
Donations	<u>110,251</u>	<u>34,126</u>
<b>Total other financing sources (uses)</b>	<u>(5,816,183)</u>	<u>(4,149,399)</u>
<b>Excess of revenues and other financing sources     over expenditures and other financing uses</b>	925,106	582,506
<b>Fund balances, beginning of year</b>	<u>16,044,208</u>	<u>15,461,702</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 16,969,314</u>	<u>\$ 16,044,208</u>

**City of Mountain Brook, Alabama**

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

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and temporary investments	\$ 17,119,513	\$ 13,627,486
Receivables	172,671	159,639
Inventory and prepaid expenses	<u>28,338</u>	<u>34,162</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 17,320,522</u></b>	<b><u>\$ 13,821,287</u></b>
 <b>LIABILITIES</b>		
Accounts payable	<u>\$ 170,850</u>	<u>\$ 215,883</u>
<b>TOTAL LIABILITIES</b>	<u>170,850</u>	<u>215,883</u>
 <b>PENSION OBLIGATION (NOTE 5)</b>		
<b>OPEB OBLIGATION (NOTE 6)</b>		
 <b>FUND BALANCES</b>		
Nonspendable	28,338	34,162
Restricted	0	0
Committed	<u>17,121,334</u>	<u>13,571,242</u>
<b>FUND BALANCES</b>	<u>17,149,672</u>	<u>13,605,404</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 17,320,522</u></b>	<b><u>\$ 13,821,287</u></b>

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

	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>		
Grants	\$ 307,701	\$ 946,436
Other operating revenues	<u>674,129</u>	<u>112,915</u>
<b>Total revenues</b>	<u>981,830</u>	<u>1,059,351</u>
<b>Expenditures:</b>		
<b>Current (operating):</b>		
General government	379,779	128,829
Public safety	950,324	1,337,681
Street and sanitation	1,252,928	4,606,228
Recreational	558,997	329,005
Library	<u>96,695</u>	<u>752,484</u>
<b>Total expenditures</b>	<u>3,238,723</u>	<u>7,154,227</u>
<b>Excess (deficiency) of revenues</b>		
<b>over expenditures</b>	<u>(2,256,893)</u>	<u>(6,094,876)</u>
<b>Other financing sources (uses):</b>		
Operating transfers in	5,162,047	4,016,160
Operating transfers (out)	0	0
Operating transfers in - component unit	0	0
Proceeds from the sale of assets	85,921	0
Donations	<u>553,193</u>	<u>32,836</u>
<b>Total other financing sources (uses)</b>	<u>5,801,161</u>	<u>4,048,996</u>
<b>Excess (deficiency) of revenues and other financing</b>		
<b>sources over expenditures and other financing uses</b>	<u>3,544,268</u>	<u>(2,045,880)</u>
<b>Fund balances, beginning of year</b>	<u>13,605,404</u>	<u>15,651,284</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 17,149,672</u>	<u>\$ 13,605,404</u>

City of Mountain Brook, Alabama

Comparative Balance Sheet – Debt Service Fund  
September 30

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and temporary investments	\$ 2,044,044	\$ 1,583,259
<b>TOTAL ASSETS</b>	<u>\$ 2,044,044</u>	<u>\$ 1,583,259</u>
<b>LIABILITIES</b>	\$ 0	\$ 0
<b>FUND BALANCES</b>		
Assigned	<u>2,044,044</u>	<u>1,583,259</u>
<b>FUND BALANCES</b>	<u>2,044,044</u>	<u>1,583,259</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,044,044</u>	<u>\$ 1,583,259</u>

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

	<b>2019</b>	<b>2018</b>
<b>Revenues:</b>		
Other operating revenues	\$ 44,734	\$ 1,105
<b>Total revenues</b>	<b>44,734</b>	<b>1,105</b>
<b>Expenditures:</b>		
<b>Current (operating):</b>		
General government	269	0
Debt service:		
Principal	0	0
Interest	0	0
<b>Total expenditures</b>	<b>269</b>	<b>0</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>44,465</b>	<b>1,105</b>
<b>Other financing sources (uses):</b>		
Operating transfers in	416,320	239,139
<b>Total other financing sources (uses)</b>	<b>416,320</b>	<b>239,139</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>460,785</b>	<b>240,244</b>
<b>Fund balances, beginning of year</b>	<b>1,583,259</b>	<b>1,343,015</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 2,044,044</b>	<b>\$ 1,583,259</b>

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**REPORT ON COMPLIANCE AND INTERNAL CONTROL**

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**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mountain Brook, Alabama (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 29, 2020. The financial statements of the Mountain Brook Library Foundation (the Foundation), which represents the City's discretely presented component unit, were not audited in accordance with *Governmental Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We

did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Response to Findings**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Car, Riggs & Ingram, L.L.C.*

Birmingham, Alabama

April 29, 2020

**City of Mountain Brook  
Schedule of Findings and Responses  
For the Year Ended September 30, 2019**

**2019-001: Segregation of Duties**

- Criteria:** Management is responsible for 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.
- Condition:** The City's employees perform numerous functions that result in a lack of segregation of duties. This is a repeat finding.
- Cause:** Due to the limited number of people working in the finance department, certain critical duties are combined and assigned to available employees.
- Effect:** Lack of segregation of duties may result in the misstatement of financial information.

**Recommendation:**

To the extent possible, duties should be segregated to serve as a check and balance on employees' integrity and to maintain the best control system possible. We suggest that the segregation of duties be reviewed and adjusted where possible to strengthen the system of internal control.

**Management's response:**

The City agrees with this finding. The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation.