

**CITY OF MOUNTAIN BROOK, ALABAMA**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2021**

This page is blank intentionally.

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

**SEPTEMBER 30, 2021**

**MAYOR**

The Honorable Stewart H. Welch III

**CITY COUNCIL**

Ms. Virginia C. Smith, President

Mr. Gerald A. Garner

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. James A. Loggins
Streets and Sanitation . . . . .	Mr. Ronald D. Vaughn
Parks and Recreation . . . . .	Ms. Shanda Williams

This page is blank intentionally.

# 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	17
Government-wide Statement of Activities	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-wide Statement of Activities	22
Statement of Fiduciary Net Position	23
Statement of Changes in Fiduciary Net Position	24
Notes to Financial Statements	25
<b>Required Supplementary Information</b>	51
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	53
Notes to Required Supplementary Information	54
Schedule of Changes in the Net Pension Liability and Related Ratios	56
Schedule of Employer Contributions	57
Other Post-Employment Benefits (OPEB)	
Schedule of Changes in Net OPEB Liability and Related Ratios	58
Schedule of Employer Contributions	59
Schedule of Investment Returns	60
<b>Supplementary Information</b>	62
Combining Balance Sheet – Other Governmental Funds	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds	64
Schedule of General Fund Revenues by Source	65
Comparative Balance Sheet – General Fund	66
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund	67
Comparative Balance Sheet – Capital Projects Fund	68
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances – Capital Projects Fund	69
Comparative Balance Sheet – Debt Service Fund	70
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance – Debt Service Fund	71

# City of Mountain Brook, Alabama

## Table of Contents

	<u>Page</u>
<b>Report on Compliance and Internal Control</b>	73
<b>Single Audit Reports</b>	
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 <i>Government Auditing Standards</i>	75
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	77
Schedule of Expenditures of Federal Awards	79
Notes to Schedule of Expenditures of Federal Awards	80
Schedule of Findings and Questioned Costs	81



**Carr, Riggs & Ingram, LLC**

3700 Colonnade Parkway

Suite 300

Birmingham, AL 35243

(205) 933-7822

(205) 933-7944 (fax)

[www.cricpa.com](http://www.cricpa.com)

## 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, 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, 2021, 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.

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, each major fund, and the aggregate remaining fund information of the City as of September 30, 2021, 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 is 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, the general fund budget and actual schedule, the schedule of changes in the net pension liability and related ratios, the schedule of employer contributions for pension, the schedule of changes in net other post-employment benefits (OPEB)

liability and related ratios, the schedule of employer contributions for OPEB, and the schedule of investment returns for OPEB 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 combining statements, the schedule of general fund revenues by source, the comparative statements, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, the schedule of general fund revenues by source, the comparative statements, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### *Prior-Year Comparative Information*

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended September 30, 2020, from which such partial information was derived.

#### **Other Reporting Required by Government Auditing Standards**

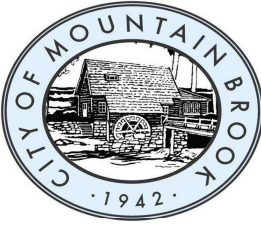
In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other 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.

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

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama  
April 29, 2022





## CITY OF MOUNTAIN BROOK, ALABAMA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

---

This narrative overview and analysis of the City's financial activities as of and for the year ended September 30, 2021, 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, 2021, by \$95.2 million (Total Net Position). Of this amount, \$78.8 million represents the net book value of the City's capital assets including infrastructure and \$855,000 is restricted (\$355,000 for the Emergency Communication District and \$500,000 for road improvements from the State Shared Gasoline Tax special revenue funds). The remaining \$15.5 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 \$5.2 million in 2021 which includes the net cost of providing core City Services of \$33.3 million plus \$38.5 million in General Revenues.
- As of September 30, 2021, the City reported \$48.6 million in fund balances, an increase of \$9.2 million from 2020. Of the \$48.6 million fund balances, \$18.3 million (37%) is reported in the General Fund, \$26.5 million (55%) in the Capital Projects Fund and \$3.7 million (8%) 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 City's commercial districts are concentrated into five distinct retail villages and an office park complex. The population is stable at approximately 22,500.

## 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, 2021 was 10.1% greater than the actual realized for the year ended September 30, 2020.

The residents of the City have consistently expressed high satisfaction in recent surveys with respect to the services and amenities offered by the City. Accordingly, programs and activities and the costs associated with governmental operations are generally stable. General Fund expenditures for 2021 were 2% less budgeted.

#### ***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.

#### ***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.

**CITY OF MOUNTAIN BROOK, ALABAMA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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	21,228,513	\$ 523,346	\$ 16,498,469
Storm sewers	20	14,787,033	678,952	8,796,856
Sidewalks	15	18,408,676	712,564	12,220,613
Park facilities	20	9,858,069	321,116	7,122,817
Street lights and signs	15	1,836,497	62,053	1,371,735
Library reference materials	5	<u>5,847,075</u>	<u>358,294</u>	<u>4,926,939</u>
<b>Totals</b>		<u>\$ 88,491,534</u>	<u>\$ 2,656,325</u>	<u>\$ 50,937,429</u>

**Government-wide Financial Analysis**

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

	<u>2021</u>	<u>2020</u>
Current assets	\$ 52,896,150	\$ 43,346,869
Capital assets	80,221,283	79,516,798
Deferred outflows of resources	<u>13,004,432</u>	<u>11,222,648</u>
<b>Total assets and deferred outflows of resources</b>	<u>146,121,865</u>	<u>134,086,315</u>
Current and other liabilities	5,710,963	5,530,649
Long-term liabilities	5,908,188	1,678,645
Net pension liability (Note 5)	34,772,978	31,594,859
Net OPEB liability (Note 6)	1,974,599	2,650,562
Deferred inflows of resources	<u>2,564,278</u>	<u>2,631,989</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>50,931,006</u>	<u>44,086,704</u>

**CITY OF MOUNTAIN BROOK, ALABAMA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net position:

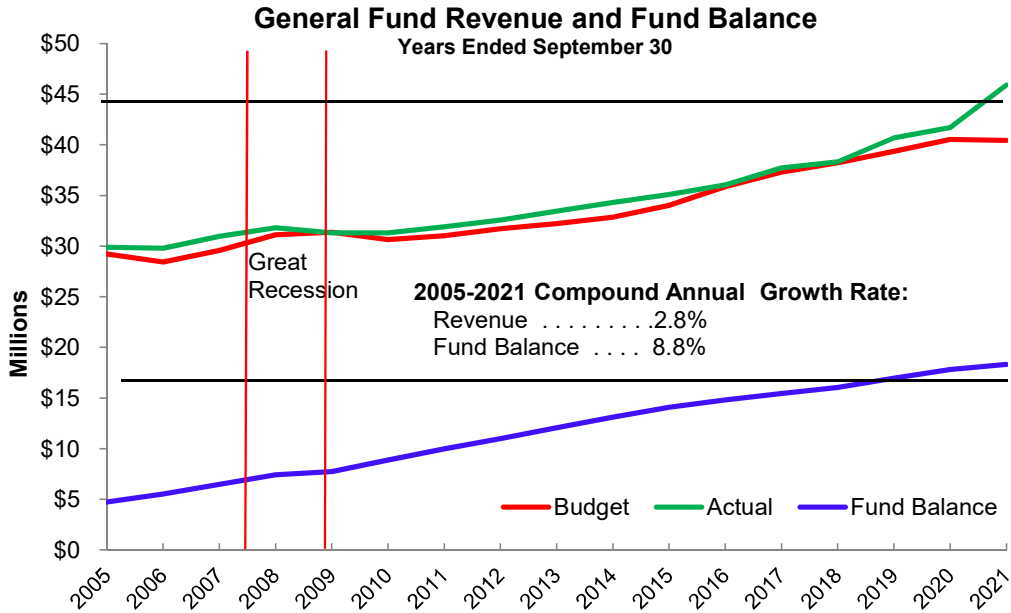
Net investment in capital assets	78,789,502	79,516,798
Restricted	855,182	808,064
Unrestricted	<u>15,546,175</u>	<u>9,674,749</u>
<b>Total net position</b>	<b><u>\$ 95,190,859</u></b>	<b><u>\$ 89,999,611</u></b>

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

	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Program revenues		
Fees, fines and charges for services	\$ 6,934,382	\$ 6,227,191
Operating grants and contributions	1,841,289	1,037,296
Capital grants and contributions	1,893,188	1,337,904
General revenues		
Ad valorem taxes (real and personal property)	19,042,745	18,106,420
Sales and use taxes	14,155,576	11,967,624
Road and bridge	738,707	700,189
Lease	545,782	533,530
Lodging	593,052	494,328
State gasoline	571,395	477,567
Wine, beer and alcohol	222,358	192,954
State bank excise	185,140	224,134
Other taxes	335,449	272,419
Utility taxes	1,268,828	1,410,584
Franchise fees	568,964	617,119
Investment earnings	35,773	823,585
Gain (loss) on disposals of capital assets	87,202	28,362
Miscellaneous revenues	18,372	30,124
Donations from Mountain Brook Library Foundation	<u>104,434</u>	<u>69,602</u>
<b>Total revenues</b>	<b><u>49,142,636</u></b>	<b><u>44,550,932</u></b>
<b>Expenses</b>		
General government	8,261,092	7,406,389
Public safety	19,913,391	18,678,909
Street and sanitation	10,274,048	10,331,582
Recreational	1,943,950	1,933,917
Library	3,549,727	3,598,576
Interest	<u>9,180</u>	<u>0</u>
<b>Total expenses</b>	<b><u>43,951,388</u></b>	<b><u>41,949,373</u></b>
<b>Increase in net position</b>	<b>5,191,248</b>	<b>2,601,559</b>
Net position, beginning of year	<u>89,999,611</u>	<u>87,398,052</u>
<b>Net position, end of year</b>	<b><u>\$ 95,190,859</u></b>	<b><u>\$ 89,999,611</u></b>

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

The chart below depicts the historical trends of the City's General Fund revenue and Fund Balance:



**Analysis of the City's Operations**

**Revenues**

The City's primary source of revenue is real estate taxes which comprised 38% of total General Fund revenues in 2021. Real estate taxes increased \$833,000 (5%) during 2021 largely due to annual property revaluations conducted by the Jefferson County Commission.

The second largest source of revenue for the City is sales and use tax which totaled 27% of total General Fund revenues in 2021. Sales and use tax revenue increased by \$1,816,000 (17.1%) during 2021 due largely to increased economic activity experienced across the state following a year of repressed demand caused by the pandemic.

In 2015, the State of Alabama simplified the reporting and remittance of sales taxes attributable to online sales. As a result, collections of sales taxes from online transactions have increased steadily each year since. In 2021, online sales tax collections increased by \$175,500 (18.6%) for the year.

Business license fees (generally based on prior year gross sales) decreased 1.7% attributed to repressed sales in the preceding year caused by the pandemic.

Construction permits increased by \$533,000 (46%) due to increased building activity attributed to the fast growing economy in contrast to the previous year.

The 24% increase in fines is attributed to increased ticket volume as vehicular traffic increased following the pandemic and the end of the State's Safer at Home order imposed in the prior year.

Grant revenues increased by \$813,000 due to increases in State and Local Fiscal Recovery funds received in 2021 over the Coronavirus Aid Relief and Economic Security Act (CARES Act) funds received in 2020.

**CITY OF MOUNTAIN BROOK, ALABAMA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Investment earnings decreased by \$370,000 (92%) in spite of increased (9%) General Fund cash and investment balances due to rising interest rate environment and its impact on debt security valuations.

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

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Real estate ad valorem tax	\$ 17,609,603	\$ 16,776,932	\$ 832,671
Sales and use tax	12,427,680	10,612,050	1,815,630
Streamlined sellers' use tax (SSUT)			
from online sales	1,118,250	942,715	175,535
Business licenses	2,809,295	2,859,211	(49,916)
Personal property ad valorem tax	1,433,142	1,329,488	103,654
Construction permits	1,695,728	1,162,500	533,228
Utility taxes	1,268,828	1,410,584	(141,756)
Grants	1,733,006	919,162	813,844
Fine and forfeitures	432,980	348,811	84,169
Investment earnings	32,813	402,465	(369,652)
All other General Fund revenues	<u>5,353,222</u>	<u>4,929,871</u>	<u>423,351</u>
<b>Totals</b>	<u>\$ 45,914,547</u>	<u>\$ 41,693,789</u>	<u>\$ 4,220,758</u>

**Expenditures**

Salaries and benefits increased \$641,551 (3%) in 2021 to \$24.9 million. Labor-related costs made up (53%) of the City's total General Fund expenditures (including interfund transfers) in 2021. 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>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Salaries and benefits	\$ 23,454,101	\$ 23,004,500	\$ 449,601
Excess pension contribution	685,000	678,000	7,000
OPEB (retiree medical) trust deposit	300,000	200,000	100,000
Retiree medical premiums, net	492,658	407,708	84,950
Garbage contract fees	2,847,373	2,897,901	(50,528)
Capital outlay	6,341,328	6,029,393	311,935
Intergovernmental services	933,275	1,001,787	(68,512)
Utilities and communication	906,350	926,756	(20,406)
Development agreement payments	1,451,502	1,262,760	188,742
Property and casualty insurance	287,389	292,229	(4,840)
Legal and accounting	518,294	375,277	143,017
Library collection	392,235	358,829	33,406
Fuel and lubricants	249,219	216,515	32,704
Software licenses and maintenance	287,920	208,386	79,534
Hydrant and parking lot rents	203,705	210,110	(6,405)
Chamber of Commerce	153,235	153,235	0
Birmingham Zoo, Inc. subsidy	10,000	10,000	0
All other	<u>4,210,085</u>	<u>3,785,857</u>	<u>424,228</u>
<b>Totals</b>	<u>\$ 43,723,669</u>	<u>\$ 42,019,243</u>	<u>\$ 1,704,426</u>

**CITY OF MOUNTAIN BROOK, ALABAMA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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 \$5,496,000. (13.6%).  
Following is a summary of the favorable (unfavorable) budget variances:

	<b>Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>
Real estate tax	\$ 17,129,000	\$ 17,609,603	\$ 480,603
Sales and use tax	10,545,000	12,427,680	1,882,680
Sales and use tax (county administered)	401,000	609,646	208,646
Online sellers' use taxes	776,000	1,118,250	342,250
Lodging tax	585,000	593,052	8,052
Personal property taxes	1,299,000	1,433,142	134,142
Other taxes	1,054,300	1,193,601	139,301
Utility taxes	1,432,000	1,268,828	(163,172)
Road and bridge tax	697,000	738,707	41,707
Construction permits	906,000	1,695,728	789,728
Fines and forfeitures	423,000	432,980	9,980
Charges for services	1,048,785	1,065,504	16,719
Fees for road repairs	30,000	36,113	6,113
Grants	16,692	1,733,006	1,716,314
Investment earnings	208,700	32,813	(175,887)
All other	3,867,565	3,925,894	58,329
<b>Totals</b>	<b>\$ 40,419,042</b>	<b>\$ 45,914,547</b>	<b>\$ 5,495,505</b>

- Total General Fund expenditures were \$643,000 (1.8%) less than the final budget. The favorable (unfavorable) budget variances are summarized below:

	<b>Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>
Salaries and benefits	\$ 25,032,512	\$ 24,931,759	\$ 100,753
Garbage contract fees	2,924,000	2,847,373	76,627
Intergovernmental services	992,500	933,275	59,225
Utilities and communication	859,570	906,350	(46,780)
Development agreement payments	1,476,000	1,451,502	24,498
Fuel and lubricants	308,023	249,219	58,804
Fleet and equipment maintenance	303,337	250,978	52,359
Legal and accounting (financial and revenue compliance)	328,000	518,294	(190,294)
Property and casualty insurance	304,625	287,389	17,236
Employee development and travel	288,424	259,723	28,701
Traffic studies	40,000	36,780	3,220
Street striping	175,000	146,924	28,076
Street cut repairs	100,000	176,048	(76,048)
Park and recreation special projects	0	3,518	(3,518)
Capital outlay	393,335	401,846	(8,511)
All other	2,208,958	1,690,437	518,521
<b>Totals</b>	<b>\$ 35,734,284</b>	<b>\$ 35,091,415</b>	<b>\$ 642,869</b>

**CITY OF MOUNTAIN BROOK, ALABAMA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

- The favorable salaries and benefits budget variance occurs routinely due largely to the City's practice of under-estimating (for budget purposes) position vacancies that occurs through normal employee turnover.
- The favorable employee development and travel budget variance occurred partially as a result of reduced travel in lieu of remote learning and conservative budget practices.
- Total operating transfers out exceeded the amount budgeted by \$5,531,000. This variance resulted largely from the Council's decision (after year-end) to transfer \$3 million more than budgeted from the General Fund to the Capital Projects Fund. Additionally, the Council allocated 100% of the Public Safety Dispatcher labor costs attributable to the Emergency Communications District to the Other Governmental Funds that resulted in a \$756,000 increase in the General Fund transfer to said fund to offset the resulting deficit. Also, the General Fund transfers to the Debt Service fund exceeded the amount budgeted by \$200,000 for debt service payments on debt issued during the year.
- The total excess of General Fund revenues and other financing sources over expenditures in the amount of \$503,000 was \$629,000 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, 2020.

As of September 30, 2020, the RSA reported the actuarial value of plan assets to be \$64.5 million and the actuarial accrued liability to be \$96.6 million resulting in an unfunded actuarial accrued liability of \$32.1 million. The actuarial value of assets was \$2 million less than the market value of assets as of September 30, 2020. These actuarial valuations are not the same as the accounting basis presented in the government-wide financial statements.

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	678,000	4.0%
2021	685,000	4.0%
2022 Budgeted	<u>700,000</u>	4.0%
<b>Total</b>	<b>\$ <u>13,211,000</u></b>	



**CITY OF MOUNTAIN BROOK, ALABAMA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2021, the City had accumulated \$2.8 million in the Debt Service Fund.

***Other Post-Employment Benefits (OPEB)***

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, 2021, the net cost of retiree medical benefits and related trust expenses paid by the City totaled \$489,658. The City deposited an additional \$300,000 into the trust. As of September 30, 2021, the City reported a total OPEB liability of \$6.5 million and actuarial value of trust assets of \$4.5 million for an net OPEB liability of \$2 million (excluding deferred inflows and outflows).

***Cash and Temporary Investments***

As of September 30, 2021, the City reported cash and temporary investments of \$47.5 million (excluding the cash and investments held by the Other Post-Employment Benefits (OPEB) trust. Following is a summary of the carrying value of the cash and investments by fund as of September 30, 2021, including the OPEB trust.

	<b>Unrestricted</b>	<b>Restricted</b>
General Fund	\$ 17,860,249	\$ 296,445
Capital Projects Fund	25,774,604	0
Other Governmental Funds (Debt Service)	2,836,843	0
Other Governmental Funds (Special Revenue)	740,714	0
Section 115 irrevocable, retiree medical trust	0	4,536,720
<b>Totals</b>	<b>\$ 47,212,410</b>	<b>\$ 4,833,165</b>

The \$17.9 million General Fund cash and investment balance as of September 30, 2021, 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, 2021, the City had accumulated approximately \$25.8 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 \$88.7 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**

	<u>2021</u>	<u>2020</u>
Capital expenditures	\$ 6,341,328	\$ 6,029,393
Depreciation expense	\$ 5,636,843	\$ 5,545,989
Transfers to the Capital Projects Fund:		
Funded depreciation policy	\$ 2,936,100	\$ 2,813,700
Other transfers to fund current and future capital acquisitions	<u>6,119,262</u>	<u>2,652,073</u>
<b>Totals</b>	<u>\$ 9,055,362</u>	<u>\$ 5,465,773</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:

	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
State shared gasoline tax revenues	\$ 571,395	\$ 477,566
Alabama Trust Fund Earnings	209,083	198,690
Transfers from the City's General Fund	0	50,000
Investment earnings	<u>131</u>	<u>3,125</u>
<b>Total Revenues</b>	780,609	729,381
Street paving expenditures	<u>789,140</u>	<u>654,563</u>
<b>Excess of Revenues Over Expenditures</b>	(8,531)	74,818
Fund balance, beginning of the year	<u>508,609</u>	<u>433,791</u>
<b>Fund Balance, end of year</b>	<u>\$ 500,078</u>	<u>\$ 508,609</u>

**Long-Term Debt**

In 2021, the City issued \$4 million in general obligation warrants. The proceeds of the debt issue were to finance improvements at various athletic facilities within the City. The warrants mature annually on October 1 through 2040 plus interest payable on April 1 and October 1 at 1.62%.

**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.

**City of Mountain Brook, Alabama**  
**Government-wide Statement of Net Position**  
**September 30, 2021**

	<b>Governmental Activities</b>	
	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and temporary investments	\$ 47,212,410	\$ 39,064,250
Receivables	3,127,618	3,407,237
Due from related organization	472,001	201,085
Inventory and prepaid expenses	1,787,676	396,434
Cash and temporary investments - restricted	<u>296,445</u>	<u>277,863</u>
<b>TOTAL CURRENT ASSETS</b>	<u>52,896,150</u>	<u>43,346,869</u>
<b>NONCURRENT ASSETS</b>		
Capital assets, net of accumulated depreciation	52,961,739	55,164,427
Land	21,094,705	20,190,123
Construction in progress	<u>6,164,839</u>	<u>4,162,248</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>80,221,283</u>	<u>79,516,798</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Differences between expected and actual:		
OPEB trust investment earnings and experience	3,214,228	3,323,675
Pension plan investment earnings and experience	5,458,992	2,871,973
Change in pension plan assumptions	1,406,941	2,167,097
Employer pension contributions subsequent to the measurement date	<u>2,924,271</u>	<u>2,859,903</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>13,004,432</u>	<u>11,222,648</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>146,121,865</u>	<u>134,086,315</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	2,065,433	2,119,874
Accrued salaries and wages	594,923	1,212,345
Compensated absences	1,600,000	1,550,000
Unearned revenue	846,527	0
Other current liabilities	<u>604,080</u>	<u>648,430</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>5,710,963</u>	<u>5,530,649</u>
<b>NONCURRENT LIABILITIES</b>		
Compensated absences	2,108,188	1,678,645
Long-term debt	<u>3,800,000</u>	<u>0</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>5,908,188</u>	<u>1,678,645</u>
<b>NET PENSION LIABILITY (NOTE 5)</b>	34,772,978	31,594,859
<b>NET OPEB LIABILITY (NOTE 6)</b>	<u>1,974,599</u>	<u>2,650,562</u>
<b>NET PENSION AND OPEB LIABILITIES</b>	<u>36,747,577</u>	<u>34,245,421</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Change in OPEB assumptions	1,812,536	2,050,614
OPEB trust investment gain and loss	326,478	36,150
Differences between projected and actual earnings on pension plan investments and experience	<u>425,264</u>	<u>545,225</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,564,278</u>	<u>2,631,989</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>50,931,006</u>	<u>44,086,704</u>
<b>NET POSITION</b>		
Net investment in capital assets	78,789,502	79,516,798
Restricted	855,182	808,064
Unrestricted	<u>15,546,175</u>	<u>9,674,749</u>
<b>TOTAL NET POSITION</b>	<u>\$ 95,190,859</u>	<u>\$ 89,999,611</u>

See accompanying notes to basic financial statements.

**City of Mountain Brook, Alabama**  
**Government-wide Statement of Activities**  
**For the Year Ended September 30, 2021**

<b>Program Activities</b>	<b>Expenses</b>	<b>Program Revenues</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	\$ 8,261,092	\$ 3,104,437	\$ 58,754	\$ 0
Public safety	19,913,391	3,536,512	1,717,615	30,698
Street and sanitation	10,274,048	89,928	0	1,288,315
Recreational	1,943,950	188,329	49,500	548,545
Library	3,549,727	15,176	15,420	25,630
Interest	9,180	0	0	0
<b>Total</b>	<b>\$ 43,951,388</b>	<b>\$ 6,934,382</b>	<b>\$ 1,841,289</b>	<b>\$ 1,893,188</b>

**General revenues:**

Taxes:

- Ad valorem (real and personal property)
- Sales and use
- Road and bridge
- Lease
- Lodging
- State gasoline
- Wine, beer and alcohol
- State bank excise
- Other taxes

Utility taxes

Franchise fees

Investment earnings (losses)

Gain on sale/disposal of capital assets

Miscellaneous revenues

Donations

**Total general revenues and transfers**

**Change in net position**

Net position at beginning of year

**Net position at end of year**

See accompanying notes to basic financial statements.

<b>Total Net (Expense) Revenue and Changes in Net Position</b>	<b>2020 Total Net (Expense) Revenue and Changes in Net Position</b>
\$ (5,097,901)	\$ (4,239,577)
(14,628,566)	(15,843,330)
(8,895,805)	(8,148,132)
(1,157,576)	(1,626,200)
(3,493,501)	(3,489,743)
(9,180)	0
<u>\$ (33,282,529)</u>	<u>\$ (33,346,982)</u>

19,042,745	18,106,420
14,155,576	11,967,624
738,707	700,189
545,782	533,530
593,052	494,328
571,395	477,567
222,358	192,954
185,140	224,134
335,449	272,419
1,268,828	1,410,584
568,964	617,119
35,773	823,585
87,202	28,362
18,372	30,124
104,434	69,602
<u>38,473,777</u>	<u>35,948,541</u>
<u>5,191,248</u>	<u>2,601,559</u>
<u>89,999,611</u>	<u>87,398,052</u>
<u>\$ 95,190,859</u>	<u>\$ 89,999,611</u>

**City of Mountain Brook, Alabama**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2021**

	<b>General</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and temporary investments	\$ 17,860,249	\$ 25,774,604	\$ 3,577,557	\$ 47,212,410
Cash and temporary investments - restricted	296,445	0	0	296,445
Receivables	2,608,982	174,270	344,366	3,127,618
Due from related organizations	188,771	283,230	0	472,001
Inventory and prepaid expenses	237,204	1,550,472	0	1,787,676
<b>TOTAL ASSETS</b>	<b>\$ 21,191,651</b>	<b>\$ 27,782,576</b>	<b>\$ 3,921,923</b>	<b>\$ 52,896,150</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 816,033	\$ 1,234,502	\$ 14,898	\$ 2,065,433
Accrued salaries and wages	594,923	0	0	594,923
Other liabilities	604,080	0	0	604,080
Unearned revenue	846,527	0	0	846,527
<b>TOTAL LIABILITIES</b>	2,861,563	1,234,502	14,898	4,110,963
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Revenue to be recognized in future period	0	0	215,000	215,000
<b>DEFERRED INFLOWS OF RESOURCES</b>	0	0	215,000	215,000
<b>PENSION OBLIGATION (NOTE 5)</b>				
<b>OPEB OBLIGATION (NOTE 6)</b>				
<b>FUND BALANCES</b>				
Nonspendable	237,204	1,550,472	0	1,787,676
Restricted	0	0	855,182	855,182
Committed	52,188	24,997,602	0	25,049,790
Assigned	226,714	0	2,836,843	3,063,557
Unassigned	17,813,982	0	0	17,813,982
<b>TOTAL FUND BALANCES</b>	18,330,088	26,548,074	3,692,025	48,570,187
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 21,191,651</b>	<b>\$ 27,782,576</b>	<b>\$ 3,921,923</b>	<b>\$ 52,896,150</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, 2021**

Fund balance - total governmental funds		\$ 48,570,187
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 in the governmental funds balance sheet		
Governmental capital assets	\$ 168,908,750	
Less accumulated depreciation	<u>(88,687,467)</u>	80,221,283
Deferred outflows of resources:		
Differences between expected and actual earnings on OPEB trust investments and experience	3,214,228	
Differences between expected and actual earnings on pension plan investment earnings and experience	5,458,992	
Change in pension plan assumptions	1,406,941	
Employer pension contributions subsequent to the measurement date	<u>2,924,271</u>	13,004,432
Unearned revenue reported in the fund financial statements		215,000
Net pension liability is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet		(34,772,978)
Net OPEB liability is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet		(1,974,599)
Deferred inflows of resources:		
Change in OPEB assumptions	(1,812,536)	
OPEB trust investment gain and loss	(326,478)	
Net difference between projected and actual earnings on pension plan investments	<u>(425,264)</u>	(2,564,278)
Long-term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet		
General obligation warrants payable	(3,800,000)	
Compensated absences	<u>(3,708,188)</u>	<u>(7,508,188)</u>
<b>Net position of governmental activities</b>		<b><u>\$ 95,190,859</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, 2021**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ 37,087,637	\$ 0	\$ 571,395
Licenses and permits	5,139,061	0	0
Intergovernmental	468,604	452,091	0
Charges for services	706,619	0	457,081
Fines and forfeitures	432,980	0	160,235
Grants	1,733,006	903,751	0
Other operating revenues	<u>346,640</u>	<u>1,835</u>	<u>210,209</u>
<b>Total revenues</b>	<u>45,914,547</u>	<u>1,357,677</u>	<u>1,398,920</u>
<b>Expenditures:</b>			
<b>Current (operating):</b>			
General government	7,692,136	33,030	367,665
Public safety	15,889,394	125	1,216,022
Street and sanitation	6,919,896	74,580	789,140
Recreational	1,312,346	3,030	0
Library	2,875,797	0	0
Capital outlay	401,846	5,939,482	0
Debt service:			
Principal	0	0	200,000
Interest	<u>0</u>	<u>0</u>	<u>9,180</u>
<b>Total expenditures</b>	<u>35,091,415</u>	<u>6,050,247</u>	<u>2,582,007</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>10,823,132</u>	<u>(4,692,570)</u>	<u>(1,183,087)</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	0	9,055,362	1,605,037
Operating transfers (out)	(10,451,219)	(209,180)	0
Proceeds from the issuance of debt	0	4,000,000	0
Proceeds from the sale of assets	0	87,202	0
Donations-Mountain Brook Library Foundation	104,434	0	0
Donations-Other	<u>26,177</u>	<u>38,679</u>	<u>0</u>
<b>Total other financing sources (uses)</b>	<u>(10,320,608)</u>	<u>12,972,063</u>	<u>1,605,037</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	502,524	8,279,493	421,950
<b>Fund balances, beginning of year</b>	<u>17,827,564</u>	<u>18,268,581</u>	<u>3,270,075</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 18,330,088</u>	<u>\$ 26,548,074</u>	<u>\$ 3,692,025</u>

See accompanying notes to basic financial statements.



**Total  
Governmental  
Funds**

---

\$ 37,659,032  
5,139,061  
920,695  
1,163,700  
593,215  
2,636,757  
558,684

48,671,144

8,092,831  
17,105,541  
7,783,616  
1,315,376  
2,875,797  
6,341,328

200,000  
9,180

43,723,669

4,947,475

10,660,399  
(10,660,399)  
4,000,000  
87,202  
104,434  
64,856

4,256,492

9,203,967

39,366,220

\$ 48,570,187

**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, 2021**

Net change in fund balances - total governmental funds		\$ 9,203,967
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	\$ 6,341,328	
Less current year depreciation	<u>(5,636,843)</u>	704,485
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	(109,447)	
Differences between expected and actual earnings on pension plan investments and experience	2,587,019	
Change in pension plan assumptions	(760,156)	
Employer pension contributions subsequent to the measurement date	<u>64,368</u>	1,781,784
Unearned revenue reported in the fund financial statements		215,000
Net changes in long-term obligations		
Long-term debt	(3,800,000)	
Compensated absences	<u>(479,543)</u>	(4,279,543)
The effect of the net (increase) decrease in the pension liability		(3,178,119)
The effect of the net (increase) decrease in the OPEB liability		675,963
The effect of the net (increase) decrease in the deferred inflows of resources		
Change in OPEB assumptions	238,078	
OPEB Trust investment gain and loss	(290,328)	
Differences between projected and actual earnings on pension plan investments and experience	<u>119,961</u>	<u>67,711</u>
<b>Change in net position of governmental activities</b>		<b><u>\$ 5,191,248</u></b>

See accompanying notes to basic financial statements.

**City of Mountain Brook, Alabama**  
**Statement of Fiduciary Net Position**  
**September 30**

	<b>Other Post- Employment Benefit Trust Fund 2021</b>	<b>Custodial Fund 2021</b>	<b>Other Post- Employment Benefit Trust Fund 2020</b>	<b>Custodial Fund 2020</b>
<b>ASSETS</b>				
Cash and investments	\$ 4,536,720	\$ 0	\$ 3,671,202	\$ 0
Receivables (Taxes for related organization)	<u>0</u>	<u>132,704</u>	<u>0</u>	<u>65,435</u>
<b>TOTAL ASSETS</b>	<u>4,536,720</u>	<u>132,704</u>	<u>3,671,202</u>	<u>65,435</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	0	0	0	0
Due to related organization	<u>0</u>	<u>132,704</u>	<u>0</u>	<u>65,435</u>
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>132,704</u>	<u>0</u>	<u>65,435</u>
<b>NET POSITION RESTRICTED FOR OTHER POST-EMPLOYMENT BENEFITS</b>	<u>\$ 4,536,720</u>	<u>\$ 0</u>	<u>\$ 3,671,202</u>	<u>\$ 0</u>

See accompanying notes to basic financial statements.

**City of Mountain Brook, Alabama**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended September 30**

	<b>Other Post- Employment Benefit Trust Fund 2021</b>	<b>Custodial Fund 2021</b>	<b>Other Post- Employment Benefit Trust Fund 2020</b>	<b>Custodial Fund 2020</b>
<b>ADDITIONS</b>				
Contributions				
Employer	\$ 792,658	\$ 0	\$ 607,708	\$ 0
Plan members	188,303	0	155,253	0
Property taxes for related organization	0	14,615,078	0	7,178,556
Investment income:				
Net increase in fair value of investments	438,658	0	35,714	0
Interest and dividends	148,850	0	85,384	0
Less investment expense	<u>(21,990)</u>	<u>0</u>	<u>(2,341)</u>	<u>0</u>
Net investment income	<u>565,518</u>	<u>0</u>	<u>118,757</u>	<u>0</u>
<b>TOTAL ADDITIONS</b>	<u>1,546,479</u>	<u>14,615,078</u>	<u>881,718</u>	<u>7,178,556</u>
<b>DEDUCTIONS</b>				
Benefits	677,961	0	559,051	0
Administrative expense	3,000	0	3,910	0
Payment of property taxes to related organization	<u>0</u>	<u>14,615,078</u>	<u>0</u>	<u>7,178,556</u>
<b>TOTAL DEDUCTIONS</b>	<u>680,961</u>	<u>14,615,078</u>	<u>562,961</u>	<u>7,178,556</u>
<b>NET INCREASE IN NET POSITION</b>	865,518	0	318,757	0
Net position restricted for other post-employment benefits, beginning of year	<u>3,671,202</u>	<u>0</u>	<u>3,352,445</u>	<u>0</u>
<b>NET POSITION RESTRICTED FOR OTHER POST-EMPLOYMENT BENEFITS, END OF YEAR</b>	<u>\$ 4,536,720</u>	<u>\$ 0</u>	<u>\$ 3,671,202</u>	<u>\$ 0</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 27, 2022. 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 financial statements and related notes include certain comparative information. The comparative formation does not include all information required to constitute a presentation in accordance with GAAP. The City has elected to present this comparative information to enhance the user's understanding of the City's financial position and results of 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 year ended September 30, 2021, the City reported the following revenue from the Board:

	<u>2021</u>
School Resource Officers (one-half)	\$ 358,885
Recreational field maintenance	101,419
Reimbursement of school athletic facility improvements	<u>460,391</u>
<b>Total</b>	<b>\$ <u>920,695</u></b>

Outstanding receivables from the Board as of September 30, 2021 \$472,001.

Of the 109 total millage rate assessed to real and personal property located in the City in 2021, the City receives ad valorem taxes from the Jefferson County Tax Collector equivalent to 46.7 mills. For 2020, the total millage rate was 99 of which the City received 36.7 mills. Of the 46.7 and 36.7 mills received in 2021 and 2020, respectively, 26.1 mills was kept by the City to fund general government operations and the balance of 20.6 mills for 2021 and 10.6 mills for 2020 was remitted by the City to the Board. During the years ended September 30, 2021 and 2020, the total ad valorem taxes remitted to the Board totaled approximately \$14.6 million and \$7.2 million, respectively. As of September 30, 2021 and 2020, the City owed the Board for its share ad valorem taxes revenues accrued in the amounts of \$132,704 and \$65,435, respectively. Because of the custodial nature of these transactions that pass through the City from Jefferson County to the Board, the City accounts for this activity in a fiduciary fund in accordance with GASB Statement No. 84.

Another related organization is The Mountain Brook Library Foundation ("the Foundation"). The Foundation is a non-profit organization formed for the benefit of the O'Neal Library, a department of the City. Several of the Foundation's Board members are also members of The 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.

City of Mountain Brook, Alabama

Notes to Financial Statements

C. Government-wide Financial Statements

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

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

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

D. Fund Financial Statements

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

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

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

The funds of the financial reporting entity are described below:

Governmental funds

**A. General Fund**

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

**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 Fund**

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 Fund**

Capital Projects Fund is 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.

**E. Fiduciary Funds**

Fiduciary Funds are used to report assets held in a trustee or custodial capacity for others that cannot be used to support the government's own programs. Related collections and payments are also reported in fiduciary funds.

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

The City has two fiduciary funds: 1) Other Post-Employment Benefits Trust Fund and 2) Custodial Fund used to account for ad valorem taxes collected on behalf of and passed-through to the Mountain Brook Board of Education (BOE). Through various state and local statutes, the BOE is entitled to a share of the real and personal property ad valorem taxes collected by Jefferson County, Alabama. Because of the tax payment/remittance mechanisms used by the County, a portion of these property taxes are remitted to the City and subsequently disbursed to the BOE from the City. The City collection and disbursement method related to these advalorem taxes causes the City to hold assets of the BOE and remit collections to the BOE. This activity is reflected in a custodial fiduciary fund activity of the City.

Major and non-major funds

The General Fund and Capital Projects Fund are classified as major funds and are described above. The City has elected to present the Capital Project Fund as a major funds to reflect the importance of its activity separately from other non-major funds regardless of whether this fund 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 intrafund loans, if any.

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

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

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

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.

City of Mountain Brook, Alabama

Notes to Financial Statements

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 balance 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>
<u>Nonspendable:</u>				
Prepaid expenses	\$ 173,446	\$ 1,550,472	\$ 0	\$ 1,723,918
Inventory	63,758	0	0	63,758
<b>Total Nonspendable</b>	<u>237,204</u>	<u>1,550,472</u>	<u>0</u>	<u>1,787,676</u>
<u>Restricted:</u>				
Emergency Communication District (E911)	0	0	355,104	355,104
State Shared Gasoline Taxes:				
5 Cent	0	0	47,583	47,583
7 Cent	0	0	185,192	185,192
4 Cent	0	0	119,183	119,183
2 Cent	0	0	18,098	18,098
10 Cent	0	0	130,022	130,022
<b>Total Restricted</b>	<u>0</u>	<u>0</u>	<u>855,182</u>	<u>855,182</u>
<u>Committed:</u>				
Capital Projects	0	24,997,602	0	24,997,602
Library Endowment	52,188	0	0	52,188
<b>Total Committed</b>	<u>52,188</u>	<u>24,997,602</u>	<u>0</u>	<u>25,049,790</u>
<u>Assigned:</u>				
Debt Service Fund	0	0	2,836,843	2,836,843
Asset Forfeitures	29,107	0	0	29,107
Library Book Fund	186,637	0	0	186,637
Community Fund	10,970	0	0	10,970
<b>Total Assigned</b>	<u>226,714</u>	<u>0</u>	<u>2,836,843</u>	<u>3,063,557</u>
<u>Unassigned</u>				
All other unassigned	15,233,420	0	0	15,233,420
Emergency Reserve (stabilization) Fund	2,580,562	0	0	2,580,562
<b>Total Unassigned</b>	<u>17,813,982</u>	<u>0</u>	<u>0</u>	<u>17,813,982</u>
<b>Total Fund Balances</b>	<u>\$ 18,330,088</u>	<u>\$ 26,548,074</u>	<u>\$ 3,692,025</u>	<u>\$ 48,570,187</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.



**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

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:

For claims incurred on or after:	Liability Limits	
	Specific	Aggregate
February 1, 2021 Deductible	\$ 300,000	None
February 1, 2020 Deductible	300,000	None
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).

City of Mountain Brook, Alabama

Notes to Financial Statements

Pursuant to regulations promulgated by the State of Alabama Department of Industrial Relations with respect to self-insured workers' compensation programs, the City engages an actuary every three years to determine its discounted total estimated liability for outstanding workers' compensation claims. The actuarial valuation of the discounted total estimated liability for outstanding claims was \$297,504 as of September 30, 2020 and \$414,257 as of September 30, 2017. The accompanying financial statements include an estimated accrual of unpaid workers' compensation claims as of September 30, 2021 in the amount of \$304,000. Workers' compensation expense for the year ended September 30, 2021, was approximately \$181,000.

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 \$296,445 as of September 30, 2021, represents temporary and permanently restricted funds donated to the O'Neal Library, a department of the City.

J. Receivables

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

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

K. Equity classifications

Government-wide Statements

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

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

Fund Statements

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

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 warrants 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.

City of Mountain Brook, Alabama

Notes to Financial Statements

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

The Government-wide Statement of Net Position includes current and noncurrent liabilities for compensated absences in the amounts of \$1,600,000 and \$2,108,188, respectively, as of September 30, 2021. The City paid nothing after September 30, 2021, with respect to vested compensated absences to employees who retired or otherwise ended their employment with the City on or before year end.

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 2021. 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, 2021, reported in the Government-Wide and Fund financial statements totaled \$435,399.

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 Annual Comprehensive Financial Report. (Note 5).

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, 2021:

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>
<b>Operating transfers in (out):</b>			
Capital transfers for the payment of current year asset acquisitions and the future replacement of capital assets	\$ (9,055,362)	\$ 9,055,362	\$ 0
Emergency Communications District (E911)	(756,695)		756,695
Corrections fund transfer to fund operations	(264,162)	0	264,162
Debt service fund transfer for the accumulation of funds for the future obligations	(375,000)	0	375,000
Debt service fund transfer for the repayment of General Obligation principal and interest	<u>0</u>	<u>(209,180)</u>	<u>209,180</u>
<b>Operating transfers, net</b>	<u><b>\$ (10,451,219)</b></u>	<u><b>\$ 8,846,182</b></u>	<u><b>\$ 1,605,037</b></u>

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.

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	54.7	5.47
City of Mountain Brook General Fund	<u>26.1</u>	<u>2.61</u>
	<u>109.0</u>	<u>\$ 10.90</u>

The millage rate increased to 109.0 mills for real property effective October 1, 2020, and for personal property effective January 1, 2021.

City of Mountain Brook, Alabama

Notes to Financial Statements

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 \$34.1 million (74%) and \$31.7 million (76%) of the total General Fund revenues during the years ended September 30, 2021 and 2020, respectively. Of the City's taxpayers, Macy's Department Store, Alabama Power Company, 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 \$7.0 million (15%) and \$7.1 million (17%) of the City's total General Fund revenues during the years ended September 30, 2021 and 2020, 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)
------------------------------------	--

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

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. 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 the acquisition 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.

X. 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.

Y. Subsequent events

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

City of Mountain Brook, Alabama

Notes to Financial Statements

Z. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City reports deferred outflows and inflows related to pensions (see note 5) and postemployment benefits other than pensions (see note 6). The City also reports a deferred inflow of \$215,000 for the City's share of earnings from the Alabama Trust Fund for the fiscal year ended September 30, 2021. The City's allocation of these earnings are expected to be collected in Spring 2022. This collection will be outside of the period of availability for revenue recognition in the fund financial statements. Therefore, the City reported this expected collection as a deferred inflow of resources in the fund financial statements and revenue in the government-wide financial statements.

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.

The City and OPEB Trust have the following recurring fair value measurements as of September 30, 2021:

- The City's certificates of deposit totaling \$9.5 million (Level 2 inputs) and U. S. government securities totaling \$7.1 million (Level 1 inputs) are valued using current market prices
- The City's common stock of \$97,436 is valued using quoted market prices obtained from the New York Stock Exchange (Level 1 input)
- The OPEB Trust's cash deposits held in a brokerage account totaling \$72,000 are valued using current market prices, U. S. government securities totaling \$315,000, domestic equity securities totaling \$2.96 million, U. S. corporate bonds totaling \$707,000, and international equity securities totaling \$169,000 are all valued using quoted market prices (Level 1 inputs) and U. S. government agency mortgage-backed securities totaling \$309,000 are valued at quoted market prices (Level 2 inputs).

At September 30, 2021, the City had the following cash and investments and maturities:

	<b>Investment Maturity in Years</b>			
	<b>Fair Value</b>	<b>Less Than 1</b>	<b>From 1 Up To 3</b>	<b>From 3 Up To 5</b>
Cash on-hand	\$ 2,760	\$ 2,760	\$ 0	\$ 0
Bank deposits				
Demand deposit accounts	16,615,723	16,615,723	0	0
U. S. Treasury securities	5,071,280	5,071,280	0	0
Investments:				
Cash and money market accounts	14,257,329	14,257,329	0	0
U. S. Treasury securities	1,994,011	0	1,994,011	0
Certificates of deposit	9,470,316	4,291,487	2,897,312	2,281,517
576 shares VMC common stock (donated)	97,436	97,436	0	0
<b>Total portfolio</b>	<b>\$ 47,508,855</b>	<b>\$ 40,336,015</b>	<b>\$ 4,891,323</b>	<b>\$ 2,281,517</b>

At September 30, 2021, 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	Greater Than 5
Deposits held in brokerage accounts	\$ 71,964	\$ 71,964	\$ 0	\$ 0	\$ 0
Equity, domestic large cap	2,473,765	2,473,765	0	0	0
Equity, small-mid cap	491,074	491,074	0	0	0
Equity, international	168,874	168,874	0	0	0
U. S. government securities	315,404	0	76,728	238,676	0
U. S. government agency mortgage-backed securities	308,763	0	0	308,763	0
U. S. corporate bonds	706,876	51,403	309,271	0	346,202
<b>Totals</b>	<b>\$ 4,536,720</b>	<b>\$ 3,257,080</b>	<b>\$ 385,999</b>	<b>\$ 547,439</b>	<b>\$ 346,202</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, 2021, were as follows:

Maturity	Portion of Respective Portfolio	
	City	OPEB Trust
Less than one year	84.90%	71.79%
1 - 2 years	10.30%	8.51%
3 - 5 years	4.80%	12.07%
Greater than five years	0%	7.63%
	<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 demand deposits and certificates of deposit were either collateralized by SAFE pledges or by the Federal Depository Insurance Corporation (FDIC).

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, 2021, the City had invested \$9.5 million in certificates of deposit and \$7.1 million in U. S. Treasury obligations. All of the City's \$9.5 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)	\$ 12,403,705	26.11%
Iberia Bank (short-term U. S. Treasury securities)	5,071,280	10.67%
Regions Bank (demand deposit accounts)	609,297	1.28%
SouthState Bank	3,602,721	7.58%
Truist Bank (cash, deposits, money market funds)	14,257,329	30.01%
Truist Bank (U. S. Treasury obligations)	1,994,011	4.20%
All other (cash on-hand and common stock)	100,196	0.21%
Various financial institutions - certificates of deposit	9,470,316	19.94%
	<u>\$ 47,508,855</u>	<u>100.00%</u>

City of Mountain Brook, Alabama

Notes to Financial Statements

**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 are held in separate trusts by the City's and OPEB Trust's custodians in the name of the respective custodian.

**3. Receivables**

Receivables at September 30, consisted of the following:

	<b>2021</b>			
	<b>General Fund</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Taxes	\$ 2,479,232	\$ 0	\$ 0	\$ 2,479,232
E-911 surcharge	0	0	31,790	31,790
Board of Education (Note 1.B.)	188,771	283,230	0	472,001
Grants	0	174,270	0	174,270
Other	129,750	0	312,576	442,326
<b>Totals</b>	<b>\$ 2,797,753</b>	<b>\$ 457,500</b>	<b>\$ 344,366</b>	<b>\$ 3,599,619</b>

**4. Capital assets**

Following is a summary of the changes in the City's capital assets for the year ended September 30, 2021:

	<b>Balance at September 30, 2020</b>	<b>Additions</b>	<b>Disposals/ Retirements/ Completed</b>	<b>Balance at September 30, 2021</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 20,190,123	\$ 904,582	\$ 0	\$ 21,094,705
Construction in progress	4,162,248	2,117,180	(114,589)	6,164,839
<b>Total capital assets, not being depreciated</b>	<b>24,352,371</b>	<b>3,021,762</b>	<b>(114,589)</b>	<b>27,259,544</b>
<b>Capital assets, being depreciated:</b>				
Land improvements	3,123,579	0	0	3,123,579
Buildings and improvements	36,543,448	188,939	114,589	36,846,976
Machinery and equipment	28,402,351	1,558,906	(248,470)	29,712,787
Infrastructure	70,626,584	1,571,721	(232,441)	71,965,864
<b>Total capital assets, being depreciated</b>	<b>138,695,962</b>	<b>3,319,566</b>	<b>(366,322)</b>	<b>141,649,206</b>
<b>Less accumulated depreciated for:</b>				
Land improvements	577,055	11,629	0	588,684
Buildings and improvements	11,859,933	1,229,675	0	13,089,608
Machinery and equipment	22,581,002	1,739,214	(248,470)	24,071,746
Infrastructure	48,513,545	2,656,325	(232,441)	50,937,429
<b>Total accumulated depreciation</b>	<b>83,531,535</b>	<b>5,636,843</b>	<b>(480,911)</b>	<b>88,687,467</b>
<b>Total capital assets, being depreciated, net</b>	<b>55,164,427</b>	<b>(2,317,277)</b>	<b>114,589</b>	<b>52,961,739</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 79,516,798</b>	<b>\$ 704,485</b>	<b>\$ 0</b>	<b>\$ 80,221,283</b>



City of Mountain Brook, Alabama

Notes to Financial Statements

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

	<u>2021</u>
Governmental activities:	
General government	\$ 426,943
Public safety	1,678,742
Street and sanitation	2,385,823
Recreational	535,097
Library	<u>610,238</u>
<b>Total depreciation expense</b>	<b><u>\$ 5,636,843</u></b>

**5. Long-term liabilities**

Changes in long-term liabilities:

<u>Description</u>	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Portion Due in One Year</u>
General Obligation Warrants-direct placement.					
\$4 million General Obligation Warrants, Series 2021 dated August 10, 2021, maturing annually on October 1 through year 2040 plus interest payable on April 1 and October 1 at 1.62%	\$ 0	\$ 4,000,000	\$ 200,000	\$ 3,800,000	\$ 0
Compensated absences	3,294,800	3,238,738	2,825,350	3,708,188	1,600,000
Net OPEB Liability	2,650,562	679,213	1,355,176	1,974,599	0
Net Pension Liability	31,594,859	10,703,337	7,525,218	34,772,978	0

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 0	\$ 30,780	\$ 30,780
2023	200,000	59,940	259,940
2024	200,000	56,700	256,700
2025	200,000	53,460	253,460
2026	200,000	50,220	250,220
2027-2031	1,000,000	202,500	1,202,500
2032-2036	1,000,000	121,500	1,121,500
2037-2041	<u>1,000,000</u>	<u>40,500</u>	<u>1,040,500</u>
<b>Totals</b>	<b><u>\$ 3,800,000</u></b>	<b><u>\$ 615,600</u></b>	<b><u>\$ 4,415,600</u></b>

The debt service payments related to the General Obligation warrants were paid from the Debt Service Fund by way of a transfer of funds from the Capital Projects Fund in 2021. Such payments are expected to be made in a similar manner in the future. The other long-term liabilities are liquidated from the General Fund.

**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).

City of Mountain Brook, Alabama

Notes to Financial Statements

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

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

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

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

Tier 1 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.

Act 132 of the Alabama Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to its Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for civilian employees and 8.5% for firefightes and law enforcement officers. A total of 590 employers adopted Act 2019-132. The City adopted Act 2019-132 effective October 1, 2021.

The ERS serves approximately 853 local participating employers. These participating employers include 293 cities, 65 counties, and 494 other public entities. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	25,969
Terminated employees entitled to but not yet receiving benefits	12,796
Active members	<u>55,320</u>
Total	<u>94,085</u>

City of Mountain Brook, Alabama

Notes to Financial Statements

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2021, 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, 2021, 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	16.02%	14.66%
4791 Mountain Brook Library Board	2.91%	2.30%
4792 Mountain Brook Park and Recreation Board	4.67%	2.90%

The 2021 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 14.59%. The Library Board and Park and Recreation Board are departments of the City that were established as separate agencies by the ERS upon the City's entry into the system in 1995.

The required contribution rates above are based upon the actuarial valuation dated September 30, 2018, 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 \$4,236,861 (\$2,924,272 employer actuarially determined amount, excess employer contributions of \$685,000, and \$1,312,589 employee excluding pre-retirement death benefits of 0.02% and administrative expenses of 0.35%) for the year ended September 30, 2021.

**B. Net pension liability**

The City's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019 rolled forward to September 30, 2020 using standard roll-forward techniques as shown below:

City of Mountain Brook, Alabama

Notes to Financial Statements

	Unit			
	City 2460 MTB	Library 4791 MBL	Park Board 4792 MBP	Combined
(a) Total pension liability as of September 30, 2019	\$ 84,269,809	\$ 5,537,457	\$ 2,618,139	\$ 92,425,405
(b) Discount rate	7.70%	7.70%	7.70%	7.70%
(c) Entry age normal cost for the period October 1, 2019 through September 30, 2020	1,314,502	127,352	60,145	1,501,999
(d) Transfers among employers	(78,922)	(35,774)	0	(114,696)
(e) Differences between expected and actual experience for the period October 1, 2019 through September 30, 2021	2,050,009	226,250	28,645	2,304,904
(f) Actual benefits payments and refunds for the period October 1, 2019 through September 30, 2020	<u>(5,361,633)</u>	<u>(250,249)</u>	<u>(110,778)</u>	<u>(5,722,660)</u>
(g) Total pension liability as of September 30, 2020 =[(a) x (1 + (b))] + (c) + (d) + (e) + [(f) x (1 + 0.5 x (b))]	<u>\$ 88,476,117</u>	<u>\$ 6,021,786</u>	<u>\$ 2,793,483</u>	<u>\$ 97,291,386</u>

**Actuarial assumptions.**

The total pension liability as of September 30, 2020, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2019. The key actuarial assumptions are summarized below:

Inflation	2.750%
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, 2018, 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%	9.50%
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 2.50%.

City of Mountain Brook, Alabama

Notes to Financial Statements

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

**C. Changes in net pension liability**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at September 30, 2019	\$ 92,425,405	\$ 60,830,546	\$ 31,594,859
Changes for the year:			
Service cost	1,501,999	0	1,501,999
Interest	6,896,434	0	6,896,434
Changes of assumptions	0	0	0
Differences between expected and actual experience	2,304,904	0	2,304,904
Contributions—employer	0	2,841,741	(2,841,741)
Contributions—employee	0	1,263,597	(1,263,597)
Net investment income	0	3,419,880	(3,419,880)
Benefit payments, including refunds of employee contributions	(5,722,660)	(5,722,660)	0
Administrative expense	0	0	0
Transfers among employers	(114,696)	(114,696)	0
Net changes	<u>4,865,981</u>	<u>1,687,862</u>	<u>3,178,119</u>
Balances at September 30, 2020	<u>\$ 97,291,386</u>	<u>\$ 62,518,408</u>	<u>\$ 34,772,978</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:

	<u>1% Decrease (6.70%)</u>	<u>Current Rate (7.70%)</u>	<u>1% Increase (8.70%)</u>
City's net pension liability	<u>\$ 45,514,839</u>	<u>\$ 34,772,978</u>	<u>\$ 25,655,580</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, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020. The auditor's report dated January 15, 2021, 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, 2021, the City recognized pension expense of \$4,073,039. At September 30, 2021, 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**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,506,885	\$ 425,264
Changes of assumptions	1,406,941	0
Net difference between projected and actual earnings on pension plan investments	1,952,107	0
Employer contributions subsequent to the measurement date	<u>2,924,271</u>	<u>0</u>
<b>Total</b>	<b><u>\$ 9,790,204</u></b>	<b><u>\$ 425,264</u></b>

Deferred outflows in the amount of \$2,924,271 resulting from City pension contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2022. 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:	<b>Deferred Outflows/ Inflows Resources</b>
2022	<u>\$ 1,688,792</u>
2023	1,840,744
2024	1,560,289
2025	821,729
2026	469,819
Thereafter	59,296

**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, 2021 (and accrued pension contributions in the amount of \$86,986 applicable to accrued [pensionable] salaries and wages as of September 30, 2021).

**F. Membership as of the Measurement Date September 30, 2020**

	<b>City 2460 MTB</b>	<b>Library 4791 MBL</b>	<b>Park Board 4792 MBP</b>	<b>Combined</b>
Retired members or their beneficiaries currently receiving benefits	126	10	6	142
Vested inactive members	2	1	1	4
Non-vested inactive members	12	4	2	18
Active members	<u>191</u>	<u>24</u>	<u>15</u>	<u>230</u>
Total	<u><u>331</u></u>	<u><u>39</u></u>	<u><u>24</u></u>	<u><u>394</u></u>

**G. Changes to Benefit Terms**

Effective October 1, 2021, the City Council elected to grant Tier 2 members the same benefits provided to its Tier 1 members pursuant to Alabama Act 2019-132.

**H. Changes of Assumptions**

In December 2018, the Board of Control reduced the discount rate to 7.70% for ERS member agencies.

In 2016, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increases were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older.

In 2010 and later, the expectation of retired life mortality was changed to RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

**6. Post-employment benefits**

**Plan Description.** The City of Mountain Brook maintains a single-employer defined medical benefit plan 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).

Management of the Plan is vested in the Plan's Board of Trustees, which consists of the five members of the Mountain Brook City Council, who may vary from time to time and who may designate certain City officials as signatories on the Trust's investment account.

**Plan Membership.** At September 30, 2021, the Plan's membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	40
Active plan members	<u>217</u>
<b>Total</b>	<u><u>257</u></u>

**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 ("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 contribution rates for retiree medical premiums as of September 30, 2021 were as follows:

Type of Coverage	City	Plan Members	Total
Individual (without Medicare coverage)	\$ 893	\$ 185	\$ 1,078
Family (without Medicare coverage)	1,396	590	1,986
Family (spouse without Medicare coverage)	686	590	1,276

**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, 2021:

Asset Class	Target Allocation
Equity	69%
U. S. credit	15%
U. S. government	7%
Agency bond	7%
Cash	2%

**Concentrations.** There were no investments with 5% or greater concentrations as of September 30, 2021.

**Rate of Return.** For the year ended September 30, 2021, the annual money-weighted rate of return (loss) on investments, net of investment expense, was 15.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net OPEB Liability**

The components of the net OPEB liability of the City of Mountain Brook at September 30, 2021, were as follows:

Total OPEB liability	\$ 6,511,319
Plan fiduciary net position	<u>4,536,720</u>
 Net OPEB liability	 <u><u>\$ 1,974,599</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 <u><u>69.67%</u></u>

City of Mountain Brook, Alabama

Notes to Financial Statements

**Actuarial Assumptions.** The total OPEB liability was determined by an actuarial valuation as of October 1, 2020, 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	5.5% annually (Beginning of Year to Determine ADC*) 5.5% annually (As of End of Year Measurement Date)
Healthcare cost trend rate	5.5% annually for ten years, 4.5% thereafter
Mortality	SOA RP-2000 combined without projection

The actuarial assumptions used in the October 1, 2020, valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2006 to September 30, 2021 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, 2021, are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
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 5.5%. 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.

**Changes in the Net OPEB Liability**

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (c)</b>
Balances at September 30, 2020	\$ 6,321,764	\$ 3,671,202	\$ 2,650,562
Service cost	63,628	0	63,628
Interest cost at 5.5%	334,231	0	334,231
Differences between expected and actual experience	281,354	0	281,354
Contributions-employer	0	604,355	(604,355)
Contributions-members	0	188,303	(188,303)
Net investment income	0	587,508	(587,508)
Change of assumptions	0	0	0
Direct benefit payments	(489,658)	(489,658)	0
Direct administrative expense	0	(24,990)	24,990
Net change	<u>189,555</u>	<u>865,518</u>	<u>(675,963)</u>
Balances at September 30, 2021	<u>\$ 6,511,319</u>	<u>\$ 4,536,720</u>	<u>\$ 1,974,599</u>



**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

At September 30, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net investment income (gain) loss	\$ 21,721	\$ 326,478
Economic/demographic (gain) loss	3,192,507	
Change of assumptions (gain) loss	<u>0</u>	<u>1,812,536</u>
	<u>\$ 3,214,228</u>	<u>\$ 2,139,014</u>

The net amounts of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2022	\$ 65,106
2023	43,384
2024	55,356
2025	55,415
2026	131,004
Thereafter	724,949

For the year ended September 30, 2021, the City recognized OPEB expense of \$278,392.

**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 (4.5%) or one percentage point higher (6.5%) than the current discount rate:

	<u>1% Decrease (4.5%)</u>	<u>Current Rate (5.5%)</u>	<u>1% Increase (6.5%)</u>
City's net OPEB liability	<u>\$ 3,124,627</u>	<u>\$ 1,974,599</u>	<u>\$ 1,014,751</u>

**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:

	<u>1% Decrease (4.5%)</u>	<u>Current Rate (5.5%)</u>	<u>1% Increase (6.5%)</u>
City's net OPEB liability	<u>\$ 992,175</u>	<u>\$ 1,974,599</u>	<u>\$ 3,145,756</u>

**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 2021 were as follows:

	<u>2021</u>
Property tax commissions	\$ 248,208
Maintenance of maps and appraisals	225,741
Jefferson County Health Department	147,288
Birmingham-Jefferson County Transit Authority	98,322
Personnel Board of Jefferson County	201,366
Birmingham Regional Planning Commission	12,350

With the exception of the Personnel Board of Jefferson County, Birmingham-Jefferson County Transit Authority and Birmingham Regional 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 withheld.

**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, 2021, were \$32.56 per month for single and multiple family residential units and \$39.94 per month for commercial units. The annual cost incurred under this agreement for each the years ended September 30, 2021, was approximately \$2,847,000. Total garbage service fee revenues collected by the City from its commercial customers during the years ended September 30, 2021, was \$31,190.

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 revenue sharing development incentive expense of \$1,061,548 for the year ended September 30, 2021. The outstanding development incentive commitment balance at September 30 was as follows:

	<u>Original Commitment</u>	<u>2021</u>	<u>2020</u>	<u>Change</u>
Infrastructure	\$ 4,000,000	\$ 500,000	\$ 500,000	\$ 0
Revenue sharing	10,000,000	4,900,862	5,962,410	(1,061,548)
Totals	<u>\$ 14,000,000</u>	<u>\$ 5,400,862</u>	<u>\$ 6,462,410</u>	<u>\$ (1,061,548)</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 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 \$384,954 for the year ended September 30, 2021. The outstanding development incentive commitment balance was \$2,196,612 as of September 30, 2021.

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 year ended September 30, 2021 totaled \$64,262. In October 2021, the City approved 6-month extensions of the two leases. The lease payments for the 6-month renewal period ending March 31, 2022, will be \$32,208.

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

	<u>2021</u>
Streets and bridges	\$ 1,516,490
Parks and athletic facilities	3,881,700
Public building improvements	0
Drainage projects	0
Sidewalks and pedestrian bridge	<u>766,649</u>
<b>Total</b>	<u><b>\$ 6,164,839</b></u>

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), U. S. Highway 280 intersection improvements and two bridge 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. The City is also constructing other municipal improvements not covered by federal awards: Following is a summary of the sidewalk and intersection improvement contracts and other municipal construction projects underway as of September 30, 2021:

City of Mountain Brook, Alabama

Notes to Financial Statements

<b>Project Description</b>	<b>Contract Commitment and Anticipated Overruns</b>	<b>Expended in Fiscal 2021 <sup>(1)</sup></b>	<b>Federal Awards Reported in 2021</b>	<b>Estimated Cost to Complete</b>	<b>Anticipated Completion Date</b>
Intersection improvements Cahaba Road/ US 280/Culver Road/Lane Park Road CMAQ-3715(266)	\$ 3,600,000	\$ 93,274	\$ 31,970	\$ 28,000	2022
Sidewalk Improvements along Pine Ridge Road - CMAQ-3718(251)	436,000	36,544	29,235	1,000	2022
Sidewalk Along Dunbarton Drive from North Woodridge Road to Locksley Drive - TAPBH-TA18(931)	800,000	8,514	6,811	0	Close-out Pending
Sidewalk Improvements along Hagood Street - TAPBH-TA-19(930)	882,000	189,190	136,321	655,000	2021
Jemison Trail/Shades Creek Greenway Connection - STPBH-CN13(907)		0	14,504	14,504	Close-out Pending
Old Brook Trail Over Little Shades Creek Bridge Replacement and Canterbury Road Over Watkins Creek Bridge Rehabilitation (design) - STPBH-3716(256)	2,500,000	16,897	13,518	60,000	2022
Mountain Brook Village Walkway System Phase 9, Brookwood and Crosshill Roads and Oakdale Drive CMAQ-NR13(908)	1,800,000	706,427	567,158	0	Close-out Pending
Caldwell Mill Road Bridge Replacement over Little Shades Creek (design)	392,000	8,020	Not applicable	0	2022
Athletic Complex Phase I	1,827,000	53,337	Not applicable	0	Close-out Pending
Athletic Complex Phase II	3,079,000	647,738	Not applicable	2,450,000	Summer 2022
Baseball Field 1 improvements	2,435,000	250,519	Not applicable	2,110,000	Winter 2022
Cherokee Bend Elementary field improvements	859,000	708,669	Not applicable	100,000	Winter 2022
<b>Totals</b>		<b>\$ 2,719,129</b>	<b>\$ 799,517</b>	<b>\$ 5,418,504</b>	

<sup>(1)</sup> The amounts expended in fiscal 2021 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>2021</u>
Assessed value of taxable real and personal property as provided by the Jefferson County Tax Assessor	<u>\$694,310,000</u>
Constitutional debt limit, 20 percent of assessed value	\$138,862,000
Outstanding long-term debt as of September 30	<u>3,800,000</u>
Legal Debt Margin	<u>\$135,062,000</u>

**9. Tax Abatements (Revenue Sharing Agreements)**

The City has entered into various tax abatements (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:

<u>Nature of Incentive</u>	<u>Type of Tax</u>	<u>Percentage of City Taxes Abated</u>	<u>Abatement Amount</u>	<u>Expiration of Incentive</u>	<u>Maximum Incentive Amount</u>
Grocer annexation/development	Ad valorem	100%	\$ 15,762	2021	Not applicable
Grocer annexation/development	Ad valorem	100% <sup>(3)</sup>	27,250	2031	Not applicable
Public parking	Ad valorem	100%	<u>0</u>	2021	Not applicable
<b>Offset against related ad valorem tax revenue</b>			43,012		
Redevelopment of commercial and multi-family parcels					
Revenue sharing				2035 <sup>(2)</sup>	\$ 10,000,000
	Ad valorem	100% <sup>(1)</sup>	618,241		
	Lodging and Sales Tax <sup>(1)</sup>	90%	443,307		
Redevelopment of parcels for commercial use	Sales Tax				
		75% 2016–2020, 50% thereafter	<u>384,954</u>	2034 <sup>(2)</sup>	\$ 4,000,000
<b>General government expense</b>			<u>1,446,502</u>		
<b>Total incentive</b>			<u>\$ 1,489,514</u>		

<sup>(1)</sup> 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%.

<sup>(2)</sup> 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.

<sup>(3)</sup> The municipal portion of ad valorem taxes shall be abated in years where the actual sales tax generated from the development exceeds contractual thresholds.

**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:

- Leases
- Accounting for interest cost incurred before the end of a construction period
- Conduit debt obligations
- Replacement of interbank offered rates
- Public/public and Public/Private partnerships
- Subscription-based information technology arrangements
- Certain component unit criteria

**12. Implementation of New GASB Statements**

The City has implemented GASB Statement No. 84, Fiduciary Activities. The implementation of this statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. The City has evaluated these criteria and determined that activities related to its collection and distribution of ad valorem taxes by the City to the Board of Education should be reported as a Fiduciary Fund in accordance with GASB Statement No. 84. This statement was applied retroactively to all comparative information presented. Prior year balances have been restated for the implementation of GASB Statement No. 84. As a result, a \$65,435 receivable and payable previously presented in the General Fund for the year ended September 30, 2020 are now presented in the accompanying Fiduciary custodial fund. The implementation of GASB Statement No. 84 had no impact on prior period fund balance in the General Fund or fiduciary net position in the Fiduciary custodial fund.

This page is blank intentionally.

**REQUIRED SUPPLEMENTARY INFORMATION**

This page is blank intentionally.



**City of Mountain Brook, Alabama**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**Year Ended September 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Taxes	\$ 33,918,300	\$ 33,918,300	\$ 37,087,637	\$ 3,169,337
Licenses and permits	4,332,990	4,332,990	5,139,061	806,071
Intergovernmental	527,075	527,075	468,604	(58,471)
Charges for services	710,785	710,785	706,619	(4,166)
Fines and forfeitures	423,000	423,000	432,980	9,980
Grants	16,692	16,692	1,733,006	1,716,314
Other operating revenues	490,200	490,200	346,640	(143,560)
<b>Total revenues</b>	<u>40,419,042</u>	<u>40,419,042</u>	<u>45,914,547</u>	<u>5,495,505</u>
<b>Expenditures:</b>				
<b>Current (operating):</b>				
General government	6,777,516	6,786,801	7,692,136	(905,335)
Public safety	16,910,336	17,137,203	15,889,394	1,247,809
Street and sanitation	6,885,444	6,928,378	6,919,896	8,482
Recreational	1,377,913	1,395,141	1,312,346	82,795
Library	3,056,189	3,088,161	2,875,797	212,364
Capital outlay	398,600	398,600	401,846	(3,246)
<b>Total expenditures</b>	<u>35,405,998</u>	<u>35,734,284</u>	<u>35,091,415</u>	<u>642,869</u>
<b>Excess of revenues over expenditures</b>	<u>5,013,044</u>	<u>4,684,758</u>	<u>10,823,132</u>	<u>6,138,374</u>
<b>Other financing sources (uses):</b>				
Operating transfers (out)	(4,917,344)	(4,920,654)	(10,451,219)	(5,530,565)
Donations-Mountain Brook Library Foundation	69,000	69,000	104,434	35,434
Donations-other	40,400	40,400	26,177	(14,223)
<b>Total other financing sources (uses)</b>	<u>(4,807,944)</u>	<u>(4,811,254)</u>	<u>(10,320,608)</u>	<u>(5,509,354)</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	205,100	(126,496)	502,524	629,020
<b>Fund balances, beginning of year</b>	<u>17,827,564</u>	<u>17,827,564</u>	<u>17,827,564</u>	<u>0</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 18,032,664</u>	<u>\$ 17,701,068</u>	<u>\$ 18,330,088</u>	<u>\$ 629,020</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 amended by the City Council on January 25, 2021 (Ordinance No. 2097) and subsequently revised by way of administrative adjustments that did not change the budgeted surplus.

This page is blank intentionally.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total pension liability</b>				
Service costs	\$ 1,501,999	\$ 1,413,007	\$ 1,398,124	\$ 1,387,510
Interest	6,896,434	6,613,711	6,401,529	6,201,215
Change in assumptions	0	0	450,327	0
Differences between expected and actual experience	2,304,904	1,289,105	478,021	(179,827)
Benefit payments, including refunds of employee contributions	(5,722,660)	(5,365,521)	(5,184,981)	(4,806,405)
Transfers among employers	(114,696)	(100,002)	(160,783)	171,493
Net change in total pension liability	4,865,981	3,850,300	3,382,237	2,773,986
Total pension liability, beginning	<u>92,425,405</u>	<u>88,575,105</u>	<u>85,192,868</u>	<u>82,418,882</u>
Total pension liability, ending	<u>\$ 97,291,386</u>	<u>\$ 92,425,405</u>	<u>\$ 88,575,105</u>	<u>\$ 85,192,868</u>
<b>Plan fiduciary net position</b>				
Contributions - employer <sup>(2)</sup>	\$ 2,841,741	\$ 2,806,271	\$ 2,350,438	\$ 2,330,683
Contributions - employee	1,263,597	1,325,685	1,210,003	1,221,711
Net investment income	3,419,880	1,538,696	5,207,452	6,544,602
Benefit payments, including refunds of employee contributions	(5,722,660)	(5,365,521)	(5,184,981)	(4,806,405)
Transfers among employers	(114,696)	(100,002)	(160,783)	171,493
Net change in plan fiduciary net position	1,687,862	205,129	3,422,129	5,462,084
Plan net position, beginning	<u>60,830,546</u>	<u>60,625,417</u>	<u>57,203,288</u>	<u>51,741,204</u>
Plan net position, ending	<u>\$ 62,518,408</u>	<u>\$ 60,830,546</u>	<u>\$ 60,625,417</u>	<u>\$ 57,203,288</u>
Net pension liability (asset), ending	\$ 34,772,978	\$ 31,594,859	\$ 27,949,688	\$ 27,989,580
Plan fiduciary net position as a percentage of the total pension liability	64.26%	65.82%	68.45%	67.15%
Covered payroll <sup>(1)</sup>	\$ 16,550,950	\$ 16,180,854	\$ 15,514,540	\$ 15,189,454
Net pension liability (asset) as a percentage of the covered payroll	210.10%	195.26%	180.15%	184.27%

<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 2021, the measurement period is October 1, 2019 – September 30, 2020.

<sup>(2)</sup> Employer contributed more than the actuarially determined required contribution in \$ 678,000 \$ 638,000 \$ 610,000 \$ 600,000

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

2016	2015	2014
\$ 1,336,195	\$ 1,300,723	\$ 1,271,006
5,796,789	5,523,394	5,313,180
4,619,194	0	0
429,303	809,623	0
(4,365,372)	(4,067,215)	(3,845,824)
<u>(39,780)</u>	<u>0</u>	<u>0</u>
7,776,329	3,566,525	2,738,362
<u>74,642,553</u>	<u>71,076,028</u>	<u>68,337,666</u>
<u>\$ 82,418,882</u>	<u>\$ 74,642,553</u>	<u>\$ 71,076,028</u>

\$ 1,619,070	\$ 1,578,733	\$ 1,527,445
1,178,166	1,163,946	1,140,706
4,856,657	576,080	5,337,652
(4,365,372)	(4,067,215)	(3,845,824)
<u>(39,780)</u>	<u>41,498</u>	<u>(125,527)</u>
3,248,741	(706,958)	4,034,452
<u>48,492,463</u>	<u>49,199,421</u>	<u>45,164,969</u>
<u>\$ 51,741,204</u>	<u>\$ 48,492,463</u>	<u>\$ 49,199,421</u>

\$ 30,677,678    \$ 26,150,090    \$ 21,876,607

62.78%            64.97%            69.22%

\$ 14,888,056    \$ 14,580,566    \$ 14,200,725

206.06%            179.35%            154.05%

\$            0    \$            0    \$            0

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 2,239,271	\$ 2,181,903	\$ 2,105,237	\$ 1,761,249
Contributions in relation to the actuarially determined contribution	<u>2,924,271</u>	<u>2,859,903</u>	<u>2,743,237</u>	<u>2,371,249</u>
Contributions deficiency (excess)	<u>\$ (685,000)</u>	<u>\$ (678,000)</u>	<u>\$ (638,000)</u>	<u>\$ (610,000)</u>
Covered payroll	<u>\$ 16,558,180</u>	<u>\$ 16,550,950</u>	<u>\$ 16,180,854</u>	<u>\$ 15,514,540</u>
Contributions as a percentage of covered payroll	<u>17.66%</u>	<u>17.28%</u>	<u>16.95%</u>	<u>15.28%</u>

**Notes to Schedule**

**Valuation date.** Actuarially determined contribution rates are calculated as of September 30, 2018, 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, 2020 to September 30, 2021:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period (years)	27.8 years for City, 22.4 years for Park Board and 13.1 years for Library Board
Asset valuation method	Five year smoothed market
Investment rate of return (discount rate)	7.70% Net of plan investment expense, including inflation
Inflation	2.75%
Salary increases 3.25%-5.00%, including inflation	

<b>2017</b>	<b>2016</b>	<b>2015</b>
<u>\$ 1,733,175</u>	<u>\$ 1,617,545</u>	<u>\$ 1,578,733</u>
<u>2,333,175</u>	<u>1,617,545</u>	<u>1,578,733</u>
<u>\$ (600,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$ 15,189,454</u>	<u>\$ 14,888,056</u>	<u>\$ 14,580,566</u>
<u>15.36%</u>	<u>10.86%</u>	<u>10.83%</u>

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

	2021	2020	2019	2018
<b>Total OPEB Liability</b>				
Service cost	\$ 63,628	\$ 85,182	\$ 74,389	\$ 73,276
Interest	334,231	211,916	197,709	175,070
Differences between expected and actual experience	281,354	1,735,041	511,365	1,556,656
Changes of assumptions	0	(1,563,224)	0	(810,818)
Benefit payments	<u>(489,658)</u>	<u>(403,798)</u>	<u>(351,303)</u>	<u>(343,392)</u>
<b>Net change in total OPEB liability</b>	189,555	65,117	432,160	650,792
<b>Total OPEB liability, beginning of year</b>	<u>6,321,764</u>	<u>6,256,647</u>	<u>5,824,487</u>	<u>5,173,695</u>
<b>Total OPEB liability, end of year (a)</b>	<u>\$ 6,511,319</u>	<u>\$ 6,321,764</u>	<u>\$ 6,256,647</u>	<u>\$ 5,824,487</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 604,355	\$ 452,455	\$ 521,626	\$ 520,436
Contributions - member	188,303	155,253	132,677	127,956
Net investment income (loss)	587,508	121,098	166,117	(12,392)
Benefit payments	(489,658)	(403,798)	(351,303)	(343,392)
Administrative expense	<u>(24,990)</u>	<u>(6,251)</u>	<u>(3,000)</u>	<u>(5,000)</u>
<b>Net change in plan fiduciary net position</b>	865,518	318,757	466,117	287,608
<b>Plan fiduciary net position, beginning of year</b>	<u>3,671,202</u>	<u>3,352,445</u>	<u>2,886,328</u>	<u>2,598,720</u>
<b>Plan fiduciary net position, end of year (b)</b>	<u>\$ 4,536,720</u>	<u>\$ 3,671,202</u>	<u>\$ 3,352,445</u>	<u>\$ 2,886,328</u>
<b>Net OPEB liability, end of year (a) - (b)</b>	<u>\$ 1,974,599</u>	<u>\$ 2,650,562</u>	<u>\$ 2,904,202</u>	<u>\$ 2,938,159</u>
Plan fiduciary net position as a percentage of the total OPEB liability	69.67%	58.07%	53.58%	49.56%
Covered-employee payroll	16,558,180	16,550,950	16,180,854	\$ 15,514,540
Net OPEB liability as a percentage of covered- employee payroll	11.93%	16.01%	17.95%	18.94%
<b>Notes to Schedule:</b>				
Benefit Changes	None	None	None	None
Changes of Assumptions:				
Discount rate	5.50%	5.50%	3.50%	3.50%

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 246,001	\$ 243,087	\$ 234,141	\$ 213,281
Contributions in relation to the actuarially determined contribution:				
Employer contributions to trust	300,000	200,000	300,000	300,000
Employer-paid retiree premiums	489,658	401,457	351,303	343,392
Employer-paid expenses	<u>3,000</u>	<u>6,251</u>	<u>3,000</u>	<u>5,000</u>
	<u>792,658</u>	<u>607,708</u>	<u>654,303</u>	<u>648,392</u>
Contribution deficiency (excess)	<u>\$ (546,657)</u>	<u>\$ (364,621)</u>	<u>\$ (420,162)</u>	<u>\$ (435,111)</u>
Covered-employee payroll	16,558,180	\$ 16,550,950	\$ 16,180,854	\$ 15,514,540
Contributions as a percentage of covered-employee payroll	4.79%	3.67%	4.04%	4.18%

**Notes to Schedule:**

Valuation date	10/1/2020 Actuarially 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 for ten years, 4.5% thereafter
Salary increases	3.0% annually
Discount rate	5.5% annually (Beginning of Year to Determine the Actuarially Determined Contributions (ADC))  5.5% 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 56 for sworn police officers and firefighters.
Mortality	RP-2000 without projections
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, 2012 through 2021**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Annual money-weighted rate of return net of investment expense	15.24%	3.53%	5.73%	-0.46%	-0.10%
Interest income (accrual basis) (A)	\$ 148,850	\$ 85,384	\$ 67,677	\$ 56,837	\$ 47,463
Beginning market value	\$ 3,671,202	\$ 3,352,445	\$ 2,886,328	\$ 2,598,720	\$ 2,301,227
Investment	\$ 100,000	\$ 200,000	\$ 300,000	\$ 300,000	\$ 300,000
Date of deposit	7/7/2021	9/25/2020	9/16/2019	6/18/2018	6/13/2017
Investment	\$ 100,000				
Date of deposit	8/13/2021				
Investment	\$ 100,000				
Date of deposit	9/8/2021				
Ending marking value	\$ 4,536,720	\$ 3,671,202	\$ 3,352,445	\$ 2,886,328	\$ 2,598,720
Weighted average value (B)	\$ 3,713,668	\$ 3,356,800	\$ 2,904,206	\$ 2,680,668	\$ 2,390,067
Yield (A)/(B), excluding market valuation changes	4.01%	2.54%	2.33%	2.12%	1.99%

<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
5.15%	1.75%	0.75%	1.69%	1.78%
\$ 42,790	\$ 22,583	\$ 18,161	\$ 16,425	\$ 11,762
\$ 1,900,232	\$ 1,571,336	\$ 1,261,499	\$ 925,335	\$ 613,573
\$ 300,000 7/22/2016	\$ 300,000 6/29/2015	\$ 300,000 8/4/2014	\$ 320,000 8/27/2013	\$ 300,000 8/3/2012

\$ 2,301,227	\$ 1,900,232	\$ 1,571,336	\$ 1,261,499	\$ 925,335
\$ 1,976,925	\$ 1,655,137	\$ 1,309,884	\$ 956,649	\$ 662,978
2.16%	1.36%	1.39%	1.72%	1.77%

This page is blank intentionally.

## **SUPPLEMENTARY INFORMATION**

City of Mountain Brook, Alabama

Combining Balance Sheet  
Other Governmental Funds  
September 30, 2021

	<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	\$ 145,132	\$ 95,738	\$ 36,137	\$ 17,696	\$ 107,800
Receivables	<u>255,060</u>	<u>23,445</u>	<u>11,446</u>	<u>402</u>	<u>22,222</u>
<b>TOTAL ASSETS</b>	<u>\$ 400,192</u>	<u>\$ 119,183</u>	<u>\$ 47,583</u>	<u>\$ 18,098</u>	<u>\$ 130,022</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Revenue to be recognized in future period	<u>215,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<u>215,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>					
Restricted	185,192	119,183	47,583	18,098	130,022
Assigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUND BALANCES</b>	<u>185,192</u>	<u>119,183</u>	<u>47,583</u>	<u>18,098</u>	<u>130,022</u>
<b>TOTAL LIABILITIES, DEFERRED OUTFLOW OF RESOURCES AND FUND BALANCES</b>	<u>\$ 400,192</u>	<u>\$ 119,183</u>	<u>\$ 47,583</u>	<u>\$ 18,098</u>	<u>\$ 130,022</u>

<u>Emergency Communication District</u>	<u>Corrections Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
\$ 331,428	\$ 6,783	\$ 2,836,843	\$ 3,577,557
<u>31,791</u>	<u>0</u>	<u>0</u>	<u>344,366</u>
<u>\$ 363,219</u>	<u>\$ 6,783</u>	<u>\$ 2,836,843</u>	<u>\$ 3,921,923</u>
\$ 8,115	\$ 6,783	\$ 0	\$ 14,898
<u>8,115</u>	<u>6,783</u>	<u>0</u>	<u>14,898</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>215,000</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>215,000</u>
355,104	0	0	855,182
<u>0</u>	<u>0</u>	<u>2,836,843</u>	<u>2,836,843</u>
<u>355,104</u>	<u>0</u>	<u>2,836,843</u>	<u>3,692,025</u>
<u>\$ 363,219</u>	<u>\$ 6,783</u>	<u>\$ 2,836,843</u>	<u>\$ 3,921,923</u>

**City of Mountain Brook, Alabama**

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances – Other Governmental Funds  
Year Ended September 30, 2021**

	<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>Revenues:</b>					
Taxes	\$ 223,472	\$ 139,084	\$ 67,703	\$ 5,166	\$ 135,970
Charges for services	0	0	0	0	0
Fines and forfeitures	0	0	0	0	0
Other operating revenues:					
Alabama Trust Fund Earnings	209,083	0	0	0	0
Investment earnings	14	16	15	2	84
<b>Total revenues</b>	<u>432,569</u>	<u>139,100</u>	<u>67,718</u>	<u>5,168</u>	<u>136,054</u>
<b>Expenditures:</b>					
General government	0	0	0	0	0
Public safety	0	0	0	0	0
Street and sanitation	319,041	200,344	193,041	340	76,374
Debt service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
<b>Total expenditures</b>	<u>319,041</u>	<u>200,344</u>	<u>193,041</u>	<u>340</u>	<u>76,374</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>113,528</u>	<u>(61,244)</u>	<u>(125,323)</u>	<u>4,828</u>	<u>59,680</u>
<b>Other financing sources (uses):</b>					
Operating transfers in	0	0	0	0	0
Operating transfers (out)	0	0	0	0	0
<b>Total other financing sources (uses)</b>	<u>0</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>	113,528	(61,244)	(125,323)	4,828	59,680
<b>Fund balances, beginning of year</b>	<u>71,664</u>	<u>180,427</u>	<u>172,906</u>	<u>13,270</u>	<u>70,342</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 185,192</u>	<u>\$ 119,183</u>	<u>\$ 47,583</u>	<u>\$ 18,098</u>	<u>\$ 130,022</u>



<u>Emergency Communication District</u>	<u>Corrections Fund</u>	<u>Debt Service Fund</u>	<u>Totals Fund</u>
\$ 0	\$ 0	\$ 0	\$ 571,395
391,811	65,270	0	457,081
1,557	158,678	0	160,235
0	0	0	209,083
25	20	950	1,126
<u>393,393</u>	<u>223,968</u>	<u>950</u>	<u>1,398,920</u>
0	366,547	1,118	367,665
1,094,439	121,583	0	1,216,022
0	0	0	789,140
0	0	200,000	200,000
0	0	9,180	9,180
<u>1,094,439</u>	<u>488,130</u>	<u>210,298</u>	<u>2,582,007</u>
<u>(701,046)</u>	<u>(264,162)</u>	<u>(209,348)</u>	<u>(1,183,087)</u>
756,695	264,162	584,180	1,605,037
0	0	0	0
<u>756,695</u>	<u>264,162</u>	<u>584,180</u>	<u>1,605,037</u>
55,649	0	374,832	421,950
<u>299,455</u>	<u>0</u>	<u>2,462,011</u>	<u>3,270,075</u>
<u>\$ 355,104</u>	<u>\$ 0</u>	<u>\$ 2,836,843</u>	<u>\$ 3,692,025</u>

**City of Mountain Brook, Alabama**

**Schedule of General Fund Revenues by Source  
For the Years Ended September 30, 2012 through 2021**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Taxes</b>				
Real property	\$ 13,873,635	\$ 13,512,485	\$ 13,867,794	\$ 13,994,315
Sales and use	9,112,494	9,578,337	9,808,223	10,158,557
Utility	1,365,487	1,284,421	1,288,163	1,325,088
Personal property (automobiles)	1,152,424	1,208,485	1,217,199	1,306,732
Road and bridge	575,000	565,066	550,686	596,475
Other	<u>1,030,680</u>	<u>1,038,515</u>	<u>1,127,178</u>	<u>1,238,322</u>
<b>Total taxes</b>	27,109,720	27,187,309	27,859,243	28,619,489
<b>Licenses and permits</b>				
Business	2,223,912	2,492,623	2,531,307	2,679,512
Construction permits	800,820	1,100,204	1,347,583	1,143,394
Cable TV franchise fees	391,701	424,912	389,500	423,068
Waterworks Board	216,090	216,839	192,875	215,518
Other	<u>61,928</u>	<u>62,115</u>	<u>65,154</u>	<u>63,674</u>
<b>Total licenses and permits</b>	3,694,451	4,296,693	4,526,419	4,525,166
<b>Intergovernmental</b>	85,613	84,547	85,443	92,199
<b>Charges for services</b>				
Garbage fees	39,235	35,589	34,086	33,890
Other	<u>714,561</u>	<u>693,408</u>	<u>730,347</u>	<u>695,790</u>
<b>Total charges for services</b>	753,796	728,997	764,433	729,680
<b>Fines and forfeitures</b>	446,682	559,465	577,844	643,492
<b>Grants</b>	12,062	15,755	100,187	53,653
<b>Other operating revenue</b>				
Investment earnings	199,151	138,162	69,522	150,668
Other	<u>278,880</u>	<u>439,492</u>	<u>311,374</u>	<u>296,044</u>
<b>Total other operating revenue</b>	478,031	577,654	380,896	446,712
<b>TOTAL REVENUES</b>	<u>\$ 32,580,355</u>	<u>\$ 33,450,420</u>	<u>\$ 34,294,465</u>	<u>\$ 35,110,391</u>

<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 14,443,548	\$ 15,155,623	\$ 15,570,510	\$ 16,179,118	\$ 16,776,932	\$ 17,609,603
10,285,530	10,656,090	10,703,490	11,041,853	10,612,050	12,427,680
1,283,444	1,253,385	1,266,010	1,362,195	1,410,584	1,268,828
1,392,583	1,382,497	1,286,922	1,269,323	1,329,488	1,433,142
604,774	627,182	646,115	671,896	700,189	738,707
<u>1,506,051</u>	<u>1,810,442</u>	<u>2,069,420</u>	<u>2,615,515</u>	<u>3,072,937</u>	<u>3,609,677</u>
29,515,930	30,885,219	31,542,467	33,139,900	33,902,180	37,087,637
2,815,615	3,046,371	2,991,535	2,995,790	2,859,211	2,809,295
1,119,259	1,076,879	1,160,304	1,501,218	1,162,500	1,695,728
432,600	412,824	396,782	392,537	357,263	311,696
208,099	254,138	219,051	237,503	259,856	257,268
<u>65,373</u>	<u>65,909</u>	<u>66,127</u>	<u>69,850</u>	<u>62,457</u>	<u>65,074</u>
4,640,946	4,856,121	4,833,799	5,196,898	4,701,287	5,139,061
92,199	185,943	189,926	160,291	478,275	468,604
29,175	30,977	29,948	32,395	28,883	31,190
<u>688,534</u>	<u>678,795</u>	<u>628,736</u>	<u>735,008</u>	<u>633,726</u>	<u>675,429</u>
717,709	709,772	658,684	767,403	662,609	706,619
575,406	586,293	514,978	461,595	348,811	432,980
18,438	111,680	29,486	96,880	919,162	1,733,006
170,543	109,327	183,834	575,961	402,465	32,813
<u>316,717</u>	<u>269,692</u>	<u>363,255</u>	<u>294,378</u>	<u>279,000</u>	<u>313,827</u>
<u>487,260</u>	<u>379,019</u>	<u>547,089</u>	<u>870,339</u>	<u>681,465</u>	<u>346,640</u>
<u>\$ 36,047,888</u>	<u>\$ 37,714,047</u>	<u>\$ 38,316,429</u>	<u>\$ 40,693,306</u>	<u>\$ 41,693,789</u>	<u>\$ 45,914,547</u>

**City of Mountain Brook, Alabama**  
**Comparative Balance Sheet – General Fund**  
**September 30**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and temporary investments	\$ 17,860,249	\$ 16,332,671
Cash and temporary investments - restricted	296,445	212,428
Receivables	2,608,982	3,297,984
Due from related organizations	188,771	201,085
Inventory and prepaid expenses	237,204	368,335
<b>TOTAL ASSETS</b>	<b>\$ 21,191,651</b>	<b>\$ 20,412,503</b>
 <b>LIABILITIES</b>		
Accounts payable	\$ 816,033	\$ 724,164
Accrued salaries and wages	594,923	1,212,345
Other liabilities	604,080	648,430
Unearned revenue	846,527	0
<b>TOTAL LIABILITIES</b>	<b>2,861,563</b>	<b>2,584,939</b>
 <b>PENSION OBLIGATION (NOTE 5)</b>		
<b>OPEB OBLIGATION (NOTE 6)</b>		
 <b>FUND BALANCES</b>		
Nonspendable	237,204	368,335
Restricted	0	0
Committed	52,188	52,188
Assigned	226,714	212,300
Unassigned	17,813,982	17,194,741
<b>FUND BALANCES</b>	<b>18,330,088</b>	<b>17,827,564</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 21,191,651</b>	<b>\$ 20,412,503</b>

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

	<u>2021</u>	<u>2020</u>
<b>Revenues:</b>		
Taxes	\$ 37,087,637	\$ 33,902,180
Licenses and permits	5,139,061	4,701,287
Intergovernmental	468,604	478,275
Charges for services	706,619	662,609
Fines and forfeitures	432,980	348,811
Grants	1,733,006	919,162
Other operating revenues	<u>346,640</u>	<u>681,465</u>
<b>Total revenues</b>	<u>45,914,547</u>	<u>41,693,789</u>
<b>Expenditures:</b>		
<b>Current (operating):</b>		
General government	7,692,136	6,899,140
Public safety	15,889,394	16,137,902
Street and sanitation	6,919,896	7,049,530
Recreational	1,312,346	1,293,274
Library	2,875,797	2,954,100
Capital outlay	<u>401,846</u>	<u>409,525</u>
<b>Total expenditures</b>	<u>35,091,415</u>	<u>34,743,471</u>
<b>Excess of revenues over expenditures</b>	<u>10,823,132</u>	<u>6,950,318</u>
<b>Other financing sources (uses):</b>		
Operating transfers (out)	(10,451,219)	(6,246,028)
Donations-Mountain Brook Library Foundation	104,434	69,602
Donations-Other	<u>26,177</u>	<u>84,358</u>
<b>Total other financing sources (uses)</b>	<u>(10,320,608)</u>	<u>(6,092,068)</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	502,524	858,250
<b>Fund balances, beginning of year</b>	<u>17,827,564</u>	<u>16,969,314</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 18,330,088</u>	<u>\$ 17,827,564</u>

**City of Mountain Brook, Alabama**  
**Comparative Balance Sheet – Capital Projects Fund**  
**September 30**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and temporary investments	\$ 25,774,604	\$ 19,538,490
Receivables	174,270	80,870
Due from related organizations	283,230	0
Inventory and prepaid expenses	1,550,472	28,099
<b>TOTAL ASSETS</b>	<b>\$ 27,782,576</b>	<b>\$ 19,647,459</b>
 <b>LIABILITIES</b>		
Accounts payable	\$ 1,234,502	\$ 1,378,878
<b>TOTAL LIABILITIES</b>	1,234,502	1,378,878
 <b>PENSION OBLIGATION (NOTE 5)</b>		
<b>OPEB OBLIGATION (NOTE 6)</b>		
 <b>FUND BALANCES</b>		
Nonspendable	1,550,472	28,099
Restricted	0	0
Committed	24,997,602	18,240,482
<b>FUND BALANCES</b>	26,548,074	18,268,581
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 27,782,576</b>	<b>\$ 19,647,459</b>

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

	<u>2021</u>	<u>2020</u>
<b>Revenues:</b>		
Intergovernmental	\$ 452,091	\$ 0
Grants	903,751	965,840
Other operating revenues	<u>1,835</u>	<u>381,609</u>
<b>Total revenues</b>	<u>1,357,677</u>	<u>1,347,449</u>
<b>Expenditures:</b>		
<b>Current (operating):</b>		
General government	33,030	821
Public safety	125	0
Street and sanitation	74,580	74,678
Recreational	3,030	79,264
Library	0	344
Capital outlay	<u>5,939,482</u>	<u>5,619,868</u>
<b>Total expenditures</b>	<u>6,050,247</u>	<u>5,774,975</u>
<b>Excess (deficiency) of revenues</b>		
<b>over expenditures</b>	<u>(4,692,570)</u>	<u>(4,427,526)</u>
<b>Other financing sources (uses):</b>		
Operating transfers in	9,055,362	5,465,773
Operating transfers (out)	(209,180)	0
Proceeds from the issuance of debt	4,000,000	0
Proceeds from the sale of assets	87,202	28,362
Donations	<u>38,679</u>	<u>52,300</u>
<b>Total other financing sources (uses)</b>	<u>12,972,063</u>	<u>5,546,435</u>
<b>Excess of revenues and other financing sources</b>		
<b>over expenditures and other financing uses</b>	<u>8,279,493</u>	<u>1,118,909</u>
<b>Fund balances, beginning of year</b>	<u>18,268,581</u>	<u>17,149,672</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 26,548,074</u>	<u>\$ 18,268,581</u>

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

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and temporary investments	\$ 2,836,843	\$ 2,462,020
<b>TOTAL ASSETS</b>	<u>\$ 2,836,843</u>	<u>\$ 2,462,020</u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 0	\$ 9
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>9</u>
 <b>FUND BALANCES</b>		
Assigned	<u>2,836,843</u>	<u>2,462,011</u>
<b>FUND BALANCES</b>	<u>2,836,843</u>	<u>2,462,011</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,836,843</u>	<u>\$ 2,462,020</u>



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

	<b>2021</b>	<b>2020</b>
<b>Revenues:</b>		
Other operating revenues	\$ 950	\$ 34,883
<b>Total revenues</b>	950	34,883
<b>Expenditures:</b>		
<b>Current (operating):</b>		
General government	1,118	1,264
Debt service:		
Principal	200,000	0
Interest	9,180	0
<b>Total expenditures</b>	210,298	1,264
<b>Excess (deficiency) of revenues over expenditures</b>	(209,348)	33,619
<b>Other financing sources (uses):</b>		
Operating transfers in	584,180	384,348
<b>Total other financing sources (uses)</b>	584,180	384,348
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	374,832	417,967
<b>Fund balances, beginning of year</b>	2,462,011	2,044,044
<b>FUND BALANCES, END OF YEAR</b>	\$ 2,836,843	\$ 2,462,011

This page is blank intentionally.

## **REPORT ON COMPLIANCE AND INTERNAL CONTROL**

This page is blank intentionally.



Carr, Riggs & Ingram, LLC  
3700 Colonnade Parkway  
Suite 300  
Birmingham, AL 35243  
  
(205) 933-7822  
(205) 933-7944 (fax)  
www.cricpa.com

**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, 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, 2021, 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, 2022.

**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) as a basis for designing 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 questioned costs as item 2021-001 that we consider to be a significant deficiency.

**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,

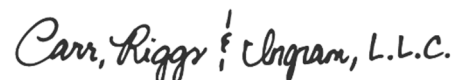
regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The 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.



CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama

April 29, 2022



Carr, Riggs & Ingram, LLC  
3700 Colonnade Parkway  
Suite 300  
Birmingham, AL 35243  
  
(205) 933-7822  
(205) 933-7944 (fax)  
www.cricpa.com

**Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Mountain Brook, Alabama's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama  
April 29, 2022



CITY OF MOUNTAIN BROOK, ALABAMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Description	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Total Grant Award	Revenue Recognized	Expenditures	Funds Provided to Subrecipients
<b><u>U.S. Department of Transportation</u></b>						
<b><u>Highway Planning and Construction Cluster</u></b>						
Passed through Alabama Department of Transportation						
Old Brook Trail over Little Shades Creek Bridge						
Replacement and Canterbury Road over Watkins Creek Bridge Rehabilitation						
	20.205	STPBH-3716(256)	\$ 1,240,000	\$ 13,518	\$ 13,518	\$ 0
Sidewalk along Dunbarton Drive from North Woodridge Road to Locksley Drive						
	20.205	TAPBH-TA18(931)	548,992	6,811	6,811	0
Intersection Improvements Cahaba Road/US-280/ Culver Road/Lane Park Road-Mountain Brook Preliminary engineering						
	20.205	CMAQ-3715(266)	412,000	31,970	31,970	0
Sidewalk Improvements along Pine Ridge Road						
	20.205	CMAQ-3718(251)	160,000	29,235	29,235	0
Sidewalk Improvements along Hagood Street						
	20.205	TAPBH-TA19(930)	800,000	136,321	136,321	0
Jemison Trail/Shades Creek Greenway Connector (Phase 5B)						
	20.205	STPBH-CN13(907)	725,600	14,504	14,504	0
Mountain Brook Village Walkway System Phase 9 Brookwood Road, Crosshill Road, and Oakdale Drive						
	20.205	CMAQ-NR13(908)	<u>1,763,584</u>	<u>567,158</u>	<u>567,158</u>	<u>0</u>
<b>Total U.S. Department of Transportation Highway Planning and Construction Cluster</b>			<b>5,650,176</b>	<b>799,517</b>	<b>799,517</b>	<b>0</b>
<b><u>U.S. Department of Transportation</u></b>						
<b><u>State and Community Highway Safety Cluster</u></b>						
Passed through the Alabama Department of Transportation, East Central Regional Highway Safety Office, 2020-FA STEP						
	20.600	20-FP-PT-001	52,500	106,532	106,532	0
<b><u>U. S. Department of Homeland Security, Federal Emergency Management Agency Covid-19</u></b>						
Public Assistance Program						
	97.036	4503DR-AL/073-51696-00	39,023	39,023	39,023	0
<b><u>U. S. Department of Treasury Covid-19 Coronavirus Relief Fund</u></b>						
Passed through the Jefferson County Commission						
	21.019		897,771	30,698	30,698	0
<b><u>U. S. Department of Treasury Covid-19 Coronavirus State and Local Fiscal Recovery Funds</u></b>						
Direct program						
	21.027		<u>4,820,175</u>	<u>1,563,560</u>	<u>1,563,560</u>	<u>0</u>
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 11,459,645</b>	<b>\$ 2,539,330</b>	<b>\$ 2,539,330</b>	<b>\$ 0</b>

## City of Mountain Brook, Alabama

### Notes to Schedule of Expenditures and Federal Awards

**1. General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Mountain Brook, Alabama. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other state and local government agencies, is included in the schedule.

**2. Basis of accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's financial statements.

**3. Indirect cost**

The City does not utilize the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**4. Federally funded insurance and federally funded loans**

The City has no federally funded insurance and no federally funded loans or loan guarantees for the fiscal year ended September 30, 2021.

**5. Non-cash awards**

During the year ended September 30, 2021, the City did not receive any non-cash federal assistance.

**CITY OF MOUNTAIN BROOK, ALABAMA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>          </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>  X  </u> yes	<u>          </u> none reported

Noncompliance material to financial statements noted?

<u>          </u> yes	<u>  X  </u> no
-----------------------	-----------------

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	<u>          </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>          </u> yes	<u>  X  </u> none reported

Type of auditors' report issued on Compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)

<u>          </u> yes	<u>  X  </u> no
-----------------------	-----------------

Identification of major programs:

**Federal Assistance**

**Listing Number**

20.205  
21.027

**Name of Federal Program or Cluster**

Highway Planning and Construction Cluster  
Coronavirus (Covid-19) Fiscal Recover Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee            yes   X   no

**Section II - Financial Statement Findings**

The following significant deficiency was disclosed in the audit of the financial statements of the City of Mountain Brook:

**CITY OF MOUNTAIN BROOK, ALABAMA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**2021-001 Significant Deficiency: Segregation of Duties**

Criteria: Management is responsible for the design, implementation, and maintenance of internal controls 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.

**Section III - Federal Awards Findings and Questioned Costs**

There were no matters to be reported.