

CITY OF MOUNTAIN BROOK, ALABAMA

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2022**

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

SEPTEMBER 30, 2022

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
Public Works	Mr. Ronald D. Vaughn
Parks and Recreation	Ms. Shanda Williams

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City of Mountain Brook, Alabama

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter: Change in Accounting Principle

As described in Note 15 to the financial statements, in 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always

detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenues, expenditures, and changes in fund balances – budget and actual – general fund, 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 on pages 9–18 and 59–66 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

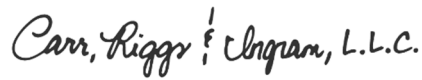
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining statements, schedule of general fund revenues by source, comparative statements, and schedule of expenditures of federal 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, schedule of general fund revenues by source, 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, 2021, 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 26, 2023, 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 City's internal control over financial reporting and compliance.



CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama
April 26, 2023

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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, 2022, 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, 2022, by \$102.7 million (Total Net Position). Of this amount, \$80.4 million represents the net book value of the City's capital assets including infrastructure and \$1,056,000 is restricted (\$383,000 for the Emergency Communication District and \$673,000 for road improvements from the State Shared Gasoline Tax Other Governmental Funds). The remaining \$21.3 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 \$7.3 million in 2022 which includes the net cost of providing core City Services of \$34.0 million plus \$41.4 million in General Revenues.
- As of September 30, 2022, the City reported \$54.5 million in fund balances, an increase of \$5.7 million from 2021. Of the \$54.5 million fund balances, \$19.7 million (36%) is reported in the General Fund, \$30.5 million (56%) in the Capital Projects Fund and \$4.3 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 (excluding federal awards) for the years ended September 30, 2022 and 2021 was 7.1% and 8.8%, respectively. Revenue growth for both 2022 and 2021 exceeded historical growth rates which appears to be attributable to stronger economic activity in the region following the economic downturn caused by the pandemic in 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 2022 were \$151,000 (0.4%) less than the final budgeted amount.

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	21,728,513	\$ 495,394	\$ 16,993,863
Storm sewers	20	15,059,265	672,736	9,469,592
Sidewalks	15	18,478,846	707,297	12,927,911
Park facilities	20	15,875,331	269,166	7,391,983
Street lights and signs	15	1,854,476	60,865	1,432,600
Library reference materials	5	6,252,665	368,415	5,295,353
Totals		<u>\$ 95,774,767</u>	<u>\$ 2,573,873</u>	<u>\$ 53,511,302</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>2022</u>	<u>2021 Restated</u>
Current assets	\$ 58,831,932	\$ 52,961,113
Other assets	6,076,653	6,076,653
Capital assets	88,457,039	80,245,288
Deferred outflows of resources	13,702,614	13,004,432
Total assets and deferred outflows of resources	<u>167,068,238</u>	<u>152,287,486</u>
Current and other liabilities	7,302,699	6,243,949
Long-term liabilities	11,105,487	5,408,188
Net pension liability (Note 8)	28,800,723	34,772,978
Net OPEB liability (Note 9)	2,519,617	1,974,599
Deferred inflows of resources	14,660,494	8,512,629
Total liabilities and deferred inflows of resources	<u>64,389,020</u>	<u>56,912,343</u>

CITY OF MOUNTAIN BROOK, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

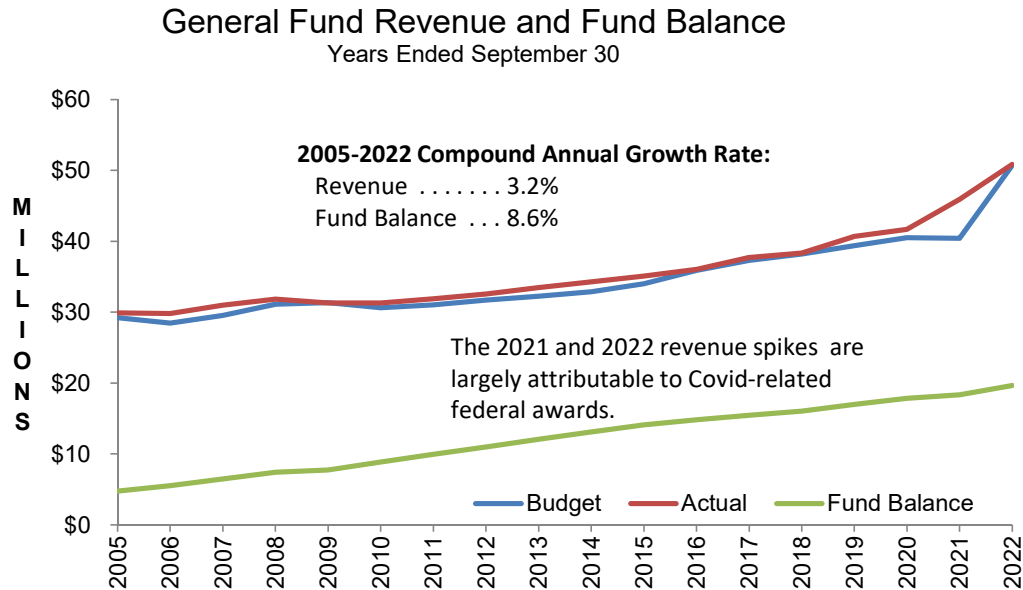
Net position:		
Net investment in capital assets	80,350,207	78,780,521
Restricted	1,056,413	855,182
Unrestricted	<u>21,272,598</u>	<u>15,739,440</u>
Total net position	<u>\$ 102,679,218</u>	<u>\$ 95,375,143</u>

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

	<u>2022</u>	<u>2021 Restated</u>
Revenues		
Program revenues		
Fees, fines and charges for services	\$ 7,393,689	\$ 6,887,674
Operating grants and contributions	3,468,035	1,841,289
Capital grants and contributions	2,489,425	1,893,188
General revenues		
Ad valorem taxes (real and personal property)	19,495,067	19,042,745
Sales and use taxes	15,966,124	14,155,576
Road and bridge	753,159	738,707
Lease	559,292	545,782
Lodging	862,989	593,052
State gasoline	559,415	571,395
Wine, beer and alcohol	297,815	222,358
State bank excise	327,483	185,140
Other taxes	345,895	335,449
Utility taxes	1,344,625	1,268,828
Franchise fees	544,090	568,964
Investment earnings	22,743	275,746
Gain (loss) on disposals of capital assets	120,268	87,202
Miscellaneous revenues	56,145	18,372
Donations from Mountain Brook Library Foundation	<u>95,323</u>	<u>104,434</u>
Total revenues	<u>54,701,582</u>	<u>49,335,901</u>
Expenses		
General government	9,957,564	8,261,092
Public safety	20,261,768	19,913,391
Street and sanitation	11,366,689	10,267,397
Recreational	1,985,829	1,943,950
Library	3,691,814	3,549,727
Interest	<u>133,843</u>	<u>11,842</u>
Total expenses	<u>47,397,507</u>	<u>43,947,399</u>
Increase in net position	7,304,075	5,388,502
Net position, beginning of year (2021 restated-Note 15)	<u>95,375,143</u>	<u>89,986,641</u>
Net position, end of year	<u>\$ 102,679,218</u>	<u>\$ 95,375,143</u>

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 35% of total General Fund revenues in 2022. Real estate taxes increased \$248,000 (1.4%) during 2022.

The second largest source of revenue for the City is sales and use tax which totaled 27% of total General Fund revenues in 2022. Sales and use tax revenue increased by \$1,356,000 (10.9%) during 2022 attributed to the significant increase in inflation combined with ongoing increased economic activity experienced across the state from repressed demand caused by the pandemic.

In 2015, the State of Alabama simplified the reporting and remittance of sellers' use taxes attributable to online sales. As a result, collections of sellers' use taxes from online transactions have increased steadily each year since. In 2022, online sellers' use tax collections grew to \$1.4 million representing an increase of \$288,000 (25.6%) for the year.

Business license fees (generally based on prior year gross sales) increased 17% attributed increased economic activity experienced in the prior year across the state following repressed demand in 2020 caused by the pandemic.

Construction permits increased by \$85,000 (5%) markedly lower than the 46% increase experienced in 2021.

The 28% decrease in fines appears to be due to the 1) redirection of law enforcement efforts toward community policing and relations following 2021 (which increased by 24%) where there appeared to be spike following the pandemic and 2) the elimination of late return fines for library reference materials.

Grant revenues increased by \$1.6 million due largely to the City's receipt and recognition of the second (and final) tranche of the American Rescue Plan Act federal award.

CITY OF MOUNTAIN BROOK, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lodging taxes increased by \$270,000 (46%) to \$863,000 attributed to the increase in inflation combined with increased business and other travel following two years of repressed demand due to the pandemic.

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

	<u>2022</u>	<u>2021 Restated</u>	<u>Increase (Decrease)</u>
Real estate ad valorem tax	\$ 17,857,438	\$ 17,609,603	\$ 247,835
Sales and use tax	13,783,850	12,427,680	1,356,170
Streamlined sellers' use tax (SSUT)			
from online sales	1,406,108	1,118,250	287,858
Business licenses	3,288,548	2,809,295	479,253
Personal property ad valorem tax	1,637,627	1,433,142	204,485
Construction permits	1,780,315	1,695,728	84,587
Utility taxes	1,344,625	1,268,828	75,797
Grants	3,332,816	1,733,006	1,599,810
Fine and forfeitures	311,187	432,980	(121,793)
Investment earnings	13,650	32,813	(19,163)
All other General Fund revenues	<u>6,086,336</u>	<u>5,546,487</u>	<u>539,849</u>
Totals	<u>\$ 50,842,500</u>	<u>\$ 46,107,812</u>	<u>\$ 4,734,688</u>

Expenditures

Salaries and benefits increased \$951,018 (4%) in 2022 to \$25.9 million. Labor-related costs made up (52%) of the City's total General Fund expenditures (including interfund transfers) in 2022. 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>2022</u>	<u>2021 Restated</u>	<u>Increase (Decrease)</u>
Salaries and benefits	\$ 24,329,747	\$ 23,454,101	\$ 875,646
Excess pension contribution	720,000	685,000	35,000
OPEB (retiree medical) trust deposit	300,000	300,000	0
Retiree medical premiums, net	533,030	492,658	40,372
Garbage contract fees	3,048,217	2,847,373	200,844
Capital outlay	14,932,506	6,341,328	8,591,178
Intergovernmental services	1,120,832	933,275	187,557
Utilities and communication	971,480	906,350	65,130
Development agreement payments	1,592,597	1,451,502	141,095
Property and casualty insurance	357,396	287,389	70,007
Legal and accounting	399,599	518,294	(118,695)
Library collection	405,591	392,235	13,356
Fuel and lubricants	415,132	249,219	165,913
Software licenses and maintenance	266,258	287,920	(21,662)
Hydrant and parking lot rents	187,190	203,705	(16,515)
Chamber of Commerce	153,235	153,235	0
Birmingham Zoo, Inc. contract fees	10,000	10,000	0
All other	<u>6,435,904</u>	<u>4,210,085</u>	<u>2,225,819</u>
Totals	<u>\$ 56,178,714</u>	<u>\$ 43,723,669</u>	<u>\$ 12,455,045</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 \$194,000 (0.4%).

Following is a summary of the budget variances:

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Real estate tax	\$ 18,150,000	\$ 17,857,438	\$ (292,562)
Sales and use tax	13,697,763	13,783,850	86,087
Sales and use tax (county administered)	607,000	776,166	169,166
Streamlined sellers' use tax (SSUT)			
from online sales	1,198,905	1,406,108	207,203
Lodging tax	1,383,000	862,989	(520,011)
Personal property taxes	1,434,000	1,637,627	203,627
Other taxes	1,197,700	1,423,921	226,221
Utility taxes	1,287,900	1,344,625	56,725
Road and bridge tax	720,000	753,159	33,159
Construction permits	1,570,000	1,780,315	210,315
Fines and forfeitures	392,000	311,187	(80,813)
Charges for services	1,078,647	1,052,871	(25,776)
Fees for road repairs	36,000	20,094	(15,906)
Grants	3,405,692	3,332,816	(72,876)
All other	<u>4,490,307</u>	<u>4,499,334</u>	<u>9,027</u>
Totals	<u>\$ 50,648,914</u>	<u>\$ 50,842,500</u>	<u>\$ 193,586</u>

- Total General Fund expenditures were -\$151,000 (-0.4%) more than the final budget. The budget variances are summarized below:

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Salaries and benefits	\$ 26,492,878	\$ 25,882,777	\$ 610,101
Garbage contract fees	3,053,000	3,048,217	4,783
Intergovernmental services	1,067,500	1,120,832	(53,332)
Utilities and communication	879,375	971,480	(92,105)
Development agreement payments	1,472,000	1,592,597	(120,597)
Fuel and lubricants	303,516	415,132	(111,616)
Fleet and equipment maintenance	309,080	282,300	26,780
Legal and accounting (financial and revenue compliance)	370,000	399,599	(29,599)
Property and casualty insurance	305,339	357,396	(52,057)
Employee development and travel	376,963	382,106	(5,143)
Traffic studies	40,000	30,205	9,795
Street striping	175,000	117,898	57,102
Street cut repairs	200,000	290,543	(90,543)
Capital outlay	465,100	408,934	56,166
Interest income, net of investment losses	295,500	176,294	119,206
All other	<u>2,271,381</u>	<u>2,449,424</u>	<u>(178,043)</u>
Totals	<u>\$ 38,076,632</u>	<u>\$ 37,925,734</u>	<u>\$ 150,898</u>

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 occur through normal employee turnover.
- The unfavorable development agreement payments occurred due to businesses located within the developments realizing more revenue than projected which in turn is attributable to the increase in inflation combined with increased economic activity experienced across the state following repressed demand caused by the pandemic.
- Total operating transfers out were less than the amount budgeted by \$603,000. This variance resulted largely from the over-estimation of local matches for federally-fund sidewalk projects.
- The total excess of General Fund revenues and other financing sources over expenditures in the amount of \$1,141,000 was \$932,000 more than budgeted.

Other Matters of Interest

Pension Plan

As more fully described in Note 8 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, 2021.

As of September 30, 2021, the RSA reported the actuarial value of plan assets to be \$69.2 million and the actuarial accrued liability to be \$104.3 million resulting in an unfunded actuarial accrued liability of \$35.1 million. The actuarial value of assets was \$5.4 million less than the market value of assets as of September 30, 2021. 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	720,000	4.0%
2023 Budgeted	<u>777,000</u>	4.0%
Total	\$ <u>14,008,000</u>	

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) obligations. As of September 30, 2022, the City had accumulated \$3.2 million in the Debt Service Fund.

Other Post-Employment Benefits (OPEB)

As more fully described in Note 9 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, 2022, the net cost of retiree medical benefits and related trust expenses paid by the City totaled \$558,000. The City deposited an additional \$300,000 into the trust. As of September 30, 2022, the City reported a total OPEB liability of \$7.1 million and actuarial value of trust assets of \$4.6 million for an net OPEB liability of \$2.5 million (excluding deferred inflows and outflows).

Cash and Temporary Investments

As of September 30, 2022, the City reported cash and temporary investments of \$52.9 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, 2022, including the OPEB trust.

	<u>Unrestricted</u>	<u>Restricted</u>
General Fund	\$ 18,610,745	\$ 304,672
Capital Projects Fund	29,134,264	0
Other Governmental Funds (Debt Service)	3,272,852	0
Other Governmental Funds (Special Revenue)	1,563,760	0
Section 115 irrevocable, retiree medical trust	<u>0</u>	<u>4,604,603</u>
Totals	<u>\$ 52,581,621</u>	<u>\$ 4,909,275</u>

The \$18.6 million General Fund cash and investment balance as of September 30, 2022, represents approximately 6 months of General Fund expenditures (excluding interfund 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, 2022, the City had accumulated approximately \$29.1 million in the Capital Projects Fund for such purpose. Accumulated depreciation (considered by management to be the benchmark with respect to measuring the funded status of the property, plant and equipment replacement reserves) totaled \$93.5 million as of year-end. Following is a summary of the capital expenditures, depreciation expense and transfers to the Capital Projects Fund for the years ended September 30:

CITY OF MOUNTAIN BROOK, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

	2022	2021
Capital expenditures	\$ 14,932,506	Restated \$ 6,341,328
Depreciation expense	\$ 5,816,173	\$ 5,636,843
Transfers to the Capital Projects Fund:		
Funded depreciation policy	\$ 3,330,900	\$ 2,936,100
Other transfers to fund current and future capital acquisitions	6,954,483	6,119,262
Totals	\$ 10,285,383	\$ 9,055,362

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:

	2022	2021
Revenues		Restated
State shared gasoline tax revenues	\$ 559,418	\$ 571,395
Alabama Trust Fund Earnings	206,959	209,083
Transfers from the City's General Fund	100,000	0
Investment earnings	1,608	131
Total Revenues	867,985	780,609
Street paving expenditures	695,083	789,140
Excess of Revenues Over Expenditures	172,902	(8,531)
Fund balance, beginning of the year	500,078	508,609
Fund Balance, end of year	\$ 672,980	\$ 500,078

Long-Term Debt (Note 6)

In 2022, the City issued \$6 million in general obligation warrants. The proceeds of the debt issue were to finance the construction of a new (replacement) fire station, complete improvements at various athletic facilities within the City and drainage infrastructure projects. The warrants mature annually on April 1 through 2042 plus interest payable on April 1 and October 1 at 2.78%.

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, 2022

	Governmental Activities	
	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 52,581,621	\$ 47,212,410
Receivables	3,329,351	3,127,618
Leases receivable	0	64,963
Due from related organization	864,946	472,001
Inventory and prepaid expenses	1,751,342	1,787,676
Cash and temporary investments - restricted	304,672	296,445
TOTAL CURRENT ASSETS	58,831,932	52,961,113
NONCURRENT ASSETS		
Leases receivable	6,076,653	6,076,653
Capital assets, net of accumulated depreciation	58,660,947	52,985,744
Land	22,696,568	21,094,705
Construction in progress	7,099,524	6,164,839
TOTAL NONCURRENT ASSETS	94,533,692	86,321,941
DEFERRED OUTFLOWS OF RESOURCES		
Differences between expected and actual:		
OPEB trust investment earnings and experience	3,829,833	3,214,228
Pension plan investment earnings and experience	2,709,221	5,458,992
Change in pension plan assumptions	3,965,021	1,406,941
Employer pension contributions subsequent to the measurement date	3,198,539	2,924,271
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,702,614	13,004,432
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	167,068,238	152,287,486
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	3,054,032	2,065,433
Accrued salaries and wages	637,871	594,923
Accrued interest payable	99,353	0
Due to related organization	18,698	0
Compensated absences	2,190,000	2,100,000
Unearned revenue	0	846,527
Other current liabilities	744,538	604,080
Long-term debt	558,207	32,986
TOTAL CURRENT LIABILITIES	7,302,699	6,243,949
NONCURRENT LIABILITIES		
Compensated absences	1,588,707	1,608,188
Long-term debt	9,516,780	3,800,000
TOTAL NONCURRENT LIABILITIES	11,105,487	5,408,188
NET PENSION LIABILITY (NOTE 8)	28,800,723	34,772,978
NET OPEB LIABILITY (NOTE 9)	2,519,617	1,974,599
NET PENSION AND OPEB LIABILITIES	31,320,340	36,747,577
DEFERRED INFLOWS OF RESOURCES		
Leases	5,743,372	5,948,351
Change in OPEB assumptions	1,574,458	1,812,536
OPEB trust investment gain and loss	238,859	326,478
Differences between projected and actual:		
Pension plan experience	5,370,614	0
Pension plan investments	1,733,191	425,264
TOTAL DEFERRED INFLOWS OF RESOURCES	14,660,494	8,512,629
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	64,389,020	56,912,343
NET POSITION		
Net investment in capital assets	80,350,207	78,780,521
Restricted	1,056,413	855,182
Unrestricted	21,272,598	15,739,440
TOTAL NET POSITION	\$ 102,679,218	\$ 95,375,143

See accompanying notes to basic financial statements.

City of Mountain Brook, Alabama
Government-wide Statement of Activities
For the Year Ended September 30, 2022

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 9,957,564	\$ 3,539,239	\$ 63,287	\$ 0
Public safety	20,261,768	3,484,198	3,323,115	2,197
Street and sanitation	11,366,689	66,339	0	816,208
Recreational	1,985,829	282,887	61,613	1,605,700
Library	3,691,814	21,026	20,020	65,320
Interest	133,843	0	0	0
Total	\$ 47,397,507	\$ 7,393,689	\$ 3,468,035	\$ 2,489,425

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

Change in net position

Net assets at beginning of year, as previously reported

Prior period adjustments (Note 15)

Net position at beginning of year

Net position at end of year

See accompanying notes to basic financial statements.

Total Net (Expense) Revenue and Changes in Net Position	2021 Total Net (Expense) Revenue and Changes in Net Position
\$ (6,355,038)	\$ (5,144,609)
(13,452,258)	(14,628,566)
(10,484,142)	(8,889,154)
(35,629)	(1,157,576)
(3,585,448)	(3,493,501)
<u>(133,843)</u>	<u>(11,842)</u>

\$ (34,046,358) \$ (33,325,248)

19,495,067	19,042,745
15,966,124	14,155,576
753,159	738,707
559,292	545,782
862,989	593,052
559,415	571,395
297,815	222,358
327,483	185,140
345,895	335,449
1,344,625	1,268,828
544,090	568,964
22,743	275,746
120,268	87,202
56,145	18,372
<u>95,323</u>	<u>104,434</u>
<u>41,350,433</u>	<u>38,713,750</u>
<u>7,304,075</u>	<u>5,388,502</u>
95,375,143	89,999,611
<u>0</u>	<u>(12,970)</u>
<u>95,375,143</u>	<u>89,986,641</u>
<u>\$ 102,679,218</u>	<u>\$ 95,375,143</u>

City of Mountain Brook, Alabama
Balance Sheet
Governmental Funds
September 30, 2022

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and temporary investments	\$ 18,610,745	\$ 29,134,264	\$ 4,836,612	\$ 52,581,621
Cash and temporary investments - restricted	304,672	0	0	304,672
Receivables	2,850,072	106,077	373,202	3,329,351
Leases receivable	6,076,653	0	0	6,076,653
Due from related organizations	266,741	598,205	0	864,946
Inventory and prepaid expenses	200,870	1,550,472	0	1,751,342
TOTAL ASSETS	\$ 28,309,753	\$ 31,389,018	\$ 5,209,814	\$ 64,908,585
LIABILITIES				
Accounts payable	\$ 1,501,062	\$ 885,421	\$ 667,549	\$ 3,054,032
Accrued salaries and wages	637,871	0	0	637,871
Due to related organizations	18,698	0	0	18,698
Other liabilities	744,538	0	0	744,538
TOTAL LIABILITIES	2,902,169	885,421	667,549	4,455,139
DEFERRED INFLOWS OF RESOURCES				
Leases	5,743,372	0	0	5,743,372
Revenue to be recognized in future period	0	0	213,000	213,000
DEFERRED INFLOWS OF RESOURCES	5,743,372	0	213,000	5,956,372
PENSION OBLIGATION (NOTE 8)				
OPEB OBLIGATION (NOTE 9)				
FUND BALANCES				
Nonspendable	200,870	1,550,472	0	1,751,342
Restricted	0	0	1,056,413	1,056,413
Committed	52,188	28,953,125	0	29,005,313
Assigned	248,184	0	3,272,852	3,521,036
Unassigned	19,162,970	0	0	19,162,970
TOTAL FUND BALANCES	19,664,212	30,503,597	4,329,265	54,497,074
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 28,309,753	\$ 31,389,018	\$ 5,209,814	\$ 64,908,585

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, 2022

Fund balance - total governmental funds		\$ 54,497,074
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	\$ 181,959,605	
Less accumulated depreciation/amortization	<u>(93,502,566)</u>	88,457,039
Deferred outflows of resources:		
Differences between expected and actual earnings on OPEB trust investments and experience	3,829,833	
Differences between expected and actual earnings on pension plan investment earnings and experience	2,709,221	
Change in pension plan assumptions	3,965,021	
Employer pension contributions subsequent to the measurement date	<u>3,198,539</u>	13,702,614
Unavailable revenue reported as deferred inflows in the fund statements		213,000
Net pension liability is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet		(28,800,723)
Net OPEB liability is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet		(2,519,617)
Deferred inflows of resources:		
Change in OPEB assumptions	(1,574,458)	
OPEB trust investment gain and loss	(238,859)	
Net difference between projected and actual:		
Pension plan experience	(5,370,614)	
Earnings on pension plan investments	<u>(1,733,191)</u>	(8,917,122)
Long-term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet		
General obligation warrants payable/leases payable	(10,074,987)	
Compensated absences	(3,778,707)	
Accrued interest payable	<u>(99,353)</u>	<u>(13,953,047)</u>
Net position of governmental activities		<u>\$ 102,679,218</u>

See accompanying notes to basic financial statements.

City of Mountain Brook, Alabama
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2022

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>
Revenues:			
Taxes	\$ 39,954,694	\$ 0	\$ 559,418
Licenses and permits	5,683,605	0	0
Intergovernmental	565,845	1,514,502	0
Charges for services	701,699	0	510,176
Fines and forfeitures	311,187	0	111,642
Grants	3,332,816	633,446	10,320
Other operating revenues	<u>292,654</u>	<u>6,849</u>	<u>209,203</u>
Total revenues	<u>50,842,500</u>	<u>2,154,797</u>	<u>1,400,759</u>
Expenditures:			
Current (operating):			
General government	8,355,965	980,241	371,772
Public safety	16,957,104	0	1,324,575
Street and sanitation	7,680,681	309,448	695,083
Recreational	1,398,782	17,231	0
Library	3,124,268	287	0
Capital outlay	408,934	14,523,572	0
Debt service:			
Principal	0	0	0
Interest	<u>0</u>	<u>0</u>	<u>30,771</u>
Total expenditures	<u>37,925,734</u>	<u>15,830,779</u>	<u>2,422,201</u>
Excess (deficiency) of revenues over expenditures	<u>12,916,766</u>	<u>(13,675,982)</u>	<u>(1,021,442)</u>
Other financing sources (uses):			
Operating transfers in	0	10,285,383	1,658,682
Operating transfers (out)	(11,944,065)	0	0
Proceeds from the issuance of debt and leases	0	6,304,172	0
Proceeds from the sale of assets	0	1,024,850	0
Donations-Mountain Brook Library Foundation	95,323	0	0
Donations-Other	<u>72,835</u>	<u>17,100</u>	<u>0</u>
Total other financing sources (uses)	<u>(11,775,907)</u>	<u>17,631,505</u>	<u>1,658,682</u>
Excess of revenues and other financing sources over expenditures and other financing uses	1,140,859	3,955,523	637,240
Fund balances, beginning of year as originally reported	18,330,088	26,548,074	3,692,025
Prior period adjustments	<u>193,265</u>	<u>0</u>	<u>0</u>
Fund balances, beginning of year as restated	<u>18,523,353</u>	<u>26,548,074</u>	<u>3,692,025</u>
FUND BALANCES, END OF YEAR	<u>\$ 19,664,212</u>	<u>\$ 30,503,597</u>	<u>\$ 4,329,265</u>

See accompanying notes to basic financial statements.

**Total
Governmental
Funds**

\$ 40,514,112
5,683,605
2,080,347
1,211,875
422,829
3,976,582
508,706
54,398,056

9,707,978
18,281,679
8,685,212
1,416,013
3,124,555
14,932,506

0
30,771
56,178,714

(1,780,658)

11,944,065
(11,944,065)
6,304,172
1,024,850
95,323
89,935
7,514,280

5,733,622

48,570,187
193,265
48,763,452

\$ 54,497,074

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, 2022

Net change in fund balances - total governmental funds		\$ 5,733,622
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	14,932,506	
Less current year depreciation	<u>(5,816,173)</u>	9,116,333
Net book value of assets disposed during the year.		(904,582)
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	615,605	
Differences between expected and actual earnings on pension plan investments and experience	(2,749,771)	
Change in pension plan assumptions	2,558,080	
Employer pension contributions subsequent to the measurement date	<u>274,268</u>	698,182
Net increase (decrease) in revenue to be recognized in future period		(2,000)
Net changes in long-term obligations		
Long-term debt	(6,242,001)	
Compensated absences	(70,519)	
Accrued interest payable	<u>(99,353)</u>	(6,411,873)
The effect of the net (increase) decrease in the pension liability		5,972,255
The effect of the net (increase) decrease in the OPEB liability		(545,018)
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	87,619	
Differences between projected and actual earnings		
Pension plan experience	(5,370,614)	
Pension plan investments and experience	<u>(1,307,927)</u>	<u>(6,352,844)</u>
Change in net position of governmental activities		<u>\$ 7,304,075</u>

See accompanying notes to basic financial statements.

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

	Other Post- Employment Benefit Trust Fund 2022	Custodial Fund 2022	Other Post- Employment Benefit Trust Fund 2021	Custodial Fund 2021
ASSETS				
Cash and investments	\$ 4,604,603	\$ 0	\$ 4,536,720	\$ 0
Receivables (Taxes for related organization)	<u>0</u>	<u>152,032</u>	<u>0</u>	<u>132,704</u>
TOTAL ASSETS	<u>4,604,603</u>	<u>152,032</u>	<u>4,536,720</u>	<u>132,704</u>
LIABILITIES				
Accounts payable and accrued liabilities	0	0	0	0
Due to related organization	<u>0</u>	<u>152,032</u>	<u>0</u>	<u>132,704</u>
TOTAL LIABILITIES	<u>0</u>	<u>152,032</u>	<u>0</u>	<u>132,704</u>
NET POSITION RESTRICTED FOR OTHER POST-EMPLOYMENT BENEFITS	<u>\$ 4,604,603</u>	<u>\$ 0</u>	<u>\$ 4,536,720</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

	Other Post- Employment Benefit Trust Fund 2022	Custodial Fund 2022	Other Post- Employment Benefit Trust Fund 2021	Custodial Fund 2021
ADDITIONS				
Contributions				
Employer	\$ 833,030	\$ 0	\$ 792,658	\$ 0
Plan members	185,615	0	188,303	0
Property taxes for related organization	0	14,968,224	0	14,615,078
Investment income:				
Net increase/(decrease) in fair value of investments	(336,278)	0	438,658	0
Interest and dividends	128,999	0	148,850	0
Less investment expense	(24,838)	0	(21,990)	0
Net investment income	(232,117)	0	565,518	0
TOTAL ADDITIONS	786,528	14,968,224	1,546,479	14,615,078
DEDUCTIONS				
Benefits	715,645	0	677,961	0
Administrative expense	3,000	0	3,000	0
Payment of property taxes to related organization	0	14,968,224	0	14,615,078
TOTAL DEDUCTIONS	718,645	14,968,224	680,961	14,615,078
NET INCREASE IN NET POSITION	67,883	0	865,518	0
Net position restricted for other post-employment benefits, beginning of year	4,536,720	0	3,671,202	0
NET POSITION RESTRICTED FOR OTHER POST-EMPLOYMENT BENEFITS, END OF YEAR	\$ 4,604,603	\$ 0	\$ 4,536,720	\$ 0

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 generally hold office for four year terms (except for the current terms which are five years required due to the change from an even year election cycle to odd year elections starting in 2025). The terms of office for the elected officials are staggered (beginning in October 2004) with Council places 1, 3, and 5 recently elected in August 2022 with terms to expire on the first Monday in November 2027 and Council places 2 and 4 and the Mayor's office up for election next on August 26, 2025. 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 years ended September 30, the City reported the following revenue from the Board:

	<u>2022</u>	<u>2021</u>
School Resource Officers (one-half)	\$ 351,172	\$ 358,885
Recreational field maintenance	101,419	101,419
Reimbursement of school athletic facility improvements	<u>1,627,756</u>	<u>460,391</u>
Total	<u>\$ 2,080,347</u>	<u>\$ 920,695</u>

Outstanding receivables from the Board as of September 30, 2022 and 2021 were \$864,946 and \$472,001,

Of the 109 total millage rate assessed to real and personal property located in the City, the City receives ad valorem taxes from the Jefferson County Tax Collector equivalent to 46.7 mills. Of the 46.7 mills received in 2022 and 2021, 26.1 mills was levied for the benefit of the City to fund general governmental operations and the balance of 20.6 mills was remitted by the City to the Board. During the years ended September 30, 2022 and 2021, the total ad valorem taxes remitted to the Board totaled approximately \$15.2 million and \$14.6 million, respectively. As of September 30, 2022 and 2021, the City owed the Board for its share ad valorem taxes revenues accrued in the amounts of \$152,032 and \$132,704, 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

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 individuals, 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.

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.

City of Mountain Brook, Alabama

Notes to Financial Statements

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 expenditures/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 6).

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 ad valorem 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 interfund loans, if any.

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

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

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

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

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

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

City of Mountain Brook, Alabama

Notes to Financial Statements

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:

Fund Balances	General	Capital Projects	Other Governmental Funds	Total
<u>Nonspendable:</u>				
Prepaid expenses	\$ 109,004	\$ 1,550,472	\$ 0	\$ 1,659,476
Inventory	91,866	0	0	91,866
Total Nonspendable	<u>200,870</u>	<u>1,550,472</u>	<u>0</u>	<u>1,751,342</u>
<u>Restricted:</u>				
Emergency Communication District (E911)	0	0	383,433	383,433
State Shared Gasoline Taxes:				
5 Cent	0	0	45,273	45,273
7 Cent	0	0	435,366	435,366
4 Cent	0	0	168,016	168,016
2 Cent	0	0	23,219	23,219
10 Cent	0	0	1,106	1,106
Total Restricted	<u>0</u>	<u>0</u>	<u>1,056,413</u>	<u>1,056,413</u>
<u>Committed:</u>				
Capital Projects	0	28,953,125	0	28,953,125
Library Endowment	52,188	0	0	52,188
Total Committed	<u>52,188</u>	<u>28,953,125</u>	<u>0</u>	<u>29,005,313</u>
<u>Assigned:</u>				
Debt Service Fund	0	0	3,272,852	3,272,852
Asset Forfeitures	35,651	0	0	35,651
Library Book Fund	201,563	0	0	201,563
Community Fund	10,970	0	0	10,970
Total Assigned	<u>248,184</u>	<u>0</u>	<u>3,272,852</u>	<u>3,521,036</u>
<u>Unassigned</u>				
All other unassigned	16,596,315	0	0	16,596,315
Emergency Reserve (stabilization) Fund	2,566,655	0	0	2,566,655
Total Unassigned	<u>19,162,970</u>	<u>0</u>	<u>0</u>	<u>19,162,970</u>
Total Fund Balances	<u>\$ 19,664,212</u>	<u>\$ 30,503,597</u>	<u>\$ 4,329,265</u>	<u>\$ 54,497,074</u>

F. Measurement focus and basis of accounting

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

Measurement focus

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

City of Mountain Brook, Alabama

Notes to Financial Statements

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, 2022 Deductible	\$ 300,000	None
February 1, 2017 through 2021 (for each of the five years) - Deductible	300,000	None
February 1, 2016	300,000	859,553
February 1, 2015	300,000	854,824
February 1, 2014	300,000	845,467
February 1, 2013	250,000	909,034

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

Pursuant to regulations promulgated by the State of Alabama Department of Industrial Relations with respect to self-insured workers' compensation programs, the City engages an actuary every three years to determine its discounted total estimated liability for outstanding workers' compensation claims. The actuarial valuation of the discounted total estimated liability for outstanding claims was \$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, 2022 and 2021 in the amounts of \$305,000 and 304,000, respectively. Workers' compensation expense for the years ended September 30, 2022 and 2021, was approximately \$194,000 and \$187,000, respectively.

I. Cash and temporary investments

Cash resources of various funds are combined to form a cash and investment pool. Interest from this pool is allocated monthly to each fund based on their respective month-end cash and investment balances. Restricted cash and temporary investments of \$304,672 and \$296,445 as of September 30, 2022 and 2021, respectively, represents temporary and permanently restricted funds donated to the O'Neal Library, a department of the City.

City of Mountain Brook, Alabama

Notes to Financial Statements

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 and lease obligations payable and accrued compensated absences.

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

M. Compensated absences

Full-time City employees earn sick leave at the rate of one day per month of service and may be accumulated and carried forward from year to year with no maximum amount. Vacation leave is earned at graduated rates based on length of service (one day per month of service initially, one and one-half days per month of service after twelve years, and two days per month of service after twenty-five years). Employees are allowed to accumulate up to forty days of vacation leave.

A 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 is eligible to receive termination pay of 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 \$2,190,000 and \$1,588,707, respectively, as of September 30, 2022 and \$2,100,000 and \$1,608,188, respectively, as of September 30, 2022 and 2021. The City paid nothing after either September 30, 2022 or 2021, with respect to vested compensated absences to employees who retired or otherwise ended their employment with the City on or before year end.

City of Mountain Brook, Alabama

Notes to Financial Statements

N. Longevity pay plan

The City has a longevity pay plan which covers all full-time employees hired before January 1, 2021, 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 service) 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 2022 and 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, 2022 and 2021, reported in the Government-Wide and Fund financial statements totaled \$420,633 and \$435,399, respectively.

O. Holiday pay

Holiday pay can be accumulated (principally police and fire personnel) up to 80 hours (or 104 for fire personnel assigned to 24-hour shifts). Accumulations in excess of the expressed limits 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 8).

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 9).

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, 2022:

	General	Capital Projects	Other Governmental Funds
Operating transfers in (out):			
Capital transfers for the payment of current year asset acquisitions and the future replacement of capital assets	\$ (10,285,383)	\$ 10,285,383	\$ 0
Emergency Communications District (E911)	(745,329)		745,329
Corrections fund transfer to fund operations	(302,032)	0	302,032
Debt service fund transfer for the accumulation of funds for the future obligations	(511,321)	0	511,321
Operating transfers, net	\$ (11,944,065)	\$ 10,285,383	\$ 1,658,682

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

City of Mountain Brook, Alabama

Notes to Financial Statements

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

S. Property taxes

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

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

Residential owner occupant	10%
All other	20%

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

<u>Entity</u>	<u>Mills</u>	<u>Amount Per \$100 of Assessed Value</u>
State of Alabama	6.5	\$ 0.65
Jefferson County Commission	13.5	1.35
County-wide school tax	8.2	0.82
Mountain Brook Board of Education	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.

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 \$36.3 million (71%) and \$34.1 million (74%) of the total General Fund revenues during the years ended September 30, 2022 and 2021, respectively. Of the City's taxpayers, Macy's Department Store, Alabama Power Company, Publix, Piggly Wiggly, Whole Foods, Greenwise, Alagasco/Spire (gas company), Diamonds Direct, Bromberg's, Marcus Cable (doing business as Charter Communications), Grand Bohemian Inn, and Shoppes at River Run, LLC (grocery store), collectively, provided approximately \$7.1 million (14%) and \$7.1 million (15%) of the City's total General Fund revenues during the years ended September 30, 2022 and 2021, respectively.

U. Expenditures/Expenses

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

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

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

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.

City of Mountain Brook, Alabama

Notes to Financial Statements

W. Capital assets, net

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.

A lease liability and a right to use asset is recognized for leased parking lots. As the City enters into a lease, the right to use asset and associated liability are recorded at the net present value. The right to use asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

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. Land and construction in progress are not depreciated. 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.

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 8) and postemployment benefits other than pensions (see note 9). The City also reports a deferred inflow of \$213,000 for the City's share of earnings from the Alabama Trust Fund for the fiscal year ended September 30, 2022. The City's allocation of these earnings are expected to be collected in Spring 2023. 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. The City also reported deferred inflows attributable to leases receivable in both the statement of financial position and fund balance sheet.

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, 2022:

City of Mountain Brook, Alabama

Notes to Financial Statements

- The City's certificates of deposit totaling \$7.2 million (Level 2 inputs) and U. S. government securities totaling \$23.4 million (Level 1 inputs) are valued using current market prices
- The City's common stock of \$90,841 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 \$389,000 are valued using current market prices, U. S. government securities totaling \$354,000, domestic equity securities totaling \$2.56 million, U. S. corporate bonds totaling \$705,000, and international equity securities totaling \$180,000 are all valued using quoted market prices (Level 1 inputs) and U. S. government agency mortgage-backed securities totaling \$415,000 are valued at quoted market prices (Level 2 inputs).

At September 30, 2022, the City had the following cash and investments and maturities:

	Investment Maturity in Years			
	Fair Value	Less Than 1	From 1 Up To 3	From 3 Up To 5
Cash on-hand	\$ 2,760	\$ 2,760	\$ 0	\$ 0
Bank deposits				
Demand deposit accounts	21,438,902	21,438,902	0	0
U. S. Treasury securities	5,087,378	5,087,378	0	0
Investments:				
Cash and money market accounts	749,268	749,268	0	0
U. S. Treasury securities	18,343,393	1,922,851	12,126,429	4,294,113
Certificates of deposit	7,173,751	767,222	4,428,891	1,977,638
576 shares VMC common stock (donated)	90,841	0	0	90,841
Total portfolio	<u>\$ 52,886,293</u>	<u>\$ 29,968,381</u>	<u>\$ 16,555,320</u>	<u>\$ 6,362,592</u>

At September 30, 2022, the OPEB Trust had the following cash and investments and maturities:

	Investment Maturity in Years				
	Fair Value	Less Than 1	From 1 Up To 3	From 3 Up To 5	Greater Than 5
Deposits held in brokerage accounts	\$ 388,613	\$ 388,613	\$ 0	\$ 0	\$ 0
Equity, domestic large cap	2,562,601	2,562,601	0	0	0
Equity, small-mid cap	0	0	0	0	0
Equity, international	179,676	125,613	54,063	0	0
U. S. government securities	353,868	0	100,610	0	253,258
U. S. government agency mortgage-backed securities	415,314	0	0	0	415,314
U. S. corporate bonds	704,531	0	175,942	232,954	295,635
Totals	<u>\$ 4,604,603</u>	<u>\$ 3,076,827</u>	<u>\$ 330,615</u>	<u>\$ 232,954</u>	<u>\$ 964,207</u>

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, 2022, were as follows:

Maturity	Portion of Respective Portfolio	
	City	OPEB Trust
Less than one year	56.67%	66.82%
1 - 2 years	31.30%	7.18%
3 - 5 years	12.03%	5.06%
Greater than five years	0%	20.94%
	<u>100.00%</u>	<u>100.00%</u>

City of Mountain Brook, Alabama

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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, 2022, the City had invested \$7.2 million in certificates of deposit and \$23.4 million in U. S. Treasury obligations. All of the City's \$7.2 million investment in certificates of deposit were insured by the FDIC. Following is a summary of the City's top holdings in its cash and investment portfolio:

	Fair Value	Portion of Portfolio
First Horizon Bank (demand deposit accounts)	\$ 17,150,723	32.43%
First Horizon Bank (short-term U. S. Treasury securities)	5,087,378	9.62%
Regions Bank (demand deposit accounts)	1,434,604	2.71%
SouthState Bank	2,853,576	5.40%
Truist Bank (cash, deposits, money market funds)	749,267	1.42%
Truist Bank (U. S. Treasury obligations)	18,343,393	34.68%
All other (cash on-hand and common stock)	93,601	0.18%
Various financial institutions - certificates of deposit	<u>7,173,751</u>	<u>13.56%</u>
	<u>\$ 52,886,293</u>	<u>100.00%</u>

Custodial Risk. For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the 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:

	2022			
	General Fund	Capital Projects	Other Governmental Funds	Total
Taxes	\$ 2,738,939	\$ 0	\$ 107,025	\$ 2,845,964
E-911 surcharge	0	0	53,177	53,177
Board of Education (Note 1.B.)				
Grants	0	106,077	0	106,077
Other	<u>111,133</u>	<u>0</u>	<u>213,000</u>	<u>324,133</u>
Receivables	<u>\$ 2,850,072</u>	<u>\$ 106,077</u>	<u>\$ 373,202</u>	<u>\$ 3,329,351</u>
Due from related organizations (Note 1.B.)	<u>\$ 266,741</u>	<u>\$ 598,205</u>	<u>\$ 0</u>	<u>\$ 864,946</u>

4. Leases Receivable

The City leases five (5) small parcels of land to three (3) wireless telecommunications and mobile data service providers. The leases are generally for five year terms with four, 5-year automatic extensions. The lessees typically negotiate long-term extensions to their respective leases during the third or fourth extensions. The leases were designed to encourage the lessees to sublease space on their towers by offering discounted rental fees for added tenants. Each of the five towers can generally accommodate up to five carriers. The lease payments increase with each five year renewal generally at the rate of 20%. The City's current leases are scheduled to expire in 2041, 2042, 2050, 2052 and 2053.

City of Mountain Brook, Alabama

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In the governmental fund financial statements, the City reported revenue for the lease payments received in the amounts of \$303,005 and \$251,687 for the years ended September 30, 2022 and 2021, respectively. In the government-wide statements the City reported interest income of \$239,973 and \$238,042 for the years ended September 30, 2022 and 2021, respectively, and Leases Receivable at September 30 as follows:

	<u>2022</u>	<u>2021</u>
Current	\$ 0	\$ 64,963
Non-current	<u>6,076,653</u>	<u>6,076,653</u>
Totals	<u>\$ 6,076,653</u>	<u>\$ 6,141,616</u>

Each of the leases receivable were determined using the City's estimated long-term borrowing rate at the time the leases were negotiated (4%) applied to the future lease payments. Following are the scheduled leases to be received as of September 30:

<u>Year</u>	<u>Rent Revenue</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 237,393	\$ 0	\$ 237,393
2024	252,971	16,154	236,817
2025	264,902	29,102	235,800
2026	266,328	31,751	234,577
2027	267,796	34,552	233,244
Thereafter	<u>9,728,456</u>	<u>5,965,094</u>	<u>3,763,362</u>
Totals	<u>\$ 11,017,846</u>	<u>\$ 6,076,653</u>	<u>\$ 4,941,193</u>

5. Capital assets, net

Following is a summary of the changes in the City's capital assets for the year ended September 30, 2022:

	<u>Balance at September 30, 2021</u>	<u>Additions</u>	<u>Disposals/ Retirements/ Completed</u>	<u>Balance at September 30, 2022</u>
Capital assets, not being depreciated/amortized:				
Land	\$ 21,094,705	\$ 2,506,445	\$ (904,582)	\$ 22,696,568
Construction in progress	<u>6,164,839</u>	<u>6,891,443</u>	<u>(5,956,758)</u>	<u>7,099,524</u>
Total capital assets, not being depreciated/amortized	<u>27,259,544</u>	<u>9,397,888</u>	<u>(6,861,340)</u>	<u>29,796,092</u>
Capital assets, being depreciated/amortized:				
Land improvements	3,123,579	251,957	0	3,375,536
Rights to use land improvements under long-term lease arrangements (Note 7)	312,065	304,172	(312,065)	304,172
Buildings and improvements	36,846,976	43,456	0	36,890,432
Machinery and equipment	29,712,787	3,608,557	(977,069)	32,344,275
Infrastructure	<u>71,965,864</u>	<u>1,326,476</u>	<u>5,956,758</u>	<u>79,249,098</u>
Total capital assets, being depreciated/amortized	<u>141,961,271</u>	<u>5,534,618</u>	<u>4,667,624</u>	<u>152,163,513</u>

City of Mountain Brook, Alabama

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	Balance at September 30, 2021	Additions	Disposals/ Retirements/ Completed	Balance at September 30, 2022
Less accumulated depreciation/ amortization for:				
Land improvements	588,684	24,362	0	613,046
Rights to use land improvements under long-term lease arrangements (Note 7)	288,060	54,938	(312,065)	30,933
Buildings and improvements	13,089,608	1,195,219	0	14,284,827
Machinery and equipment	24,071,746	1,967,781	(977,069)	25,062,458
Infrastructure	50,937,429	2,573,873	0	53,511,302
Total accumulated depreciation/amortization	<u>88,975,527</u>	<u>5,816,173</u>	<u>(1,289,134)</u>	<u>93,502,566</u>
Total capital assets being depreciated/ amortized, net	<u>52,985,744</u>	<u>(281,555)</u>	<u>5,956,758</u>	<u>58,660,947</u>
Governmental activities capital assets, net	<u>\$ 80,245,288</u>	<u>\$ 9,116,333</u>	<u>\$ (904,582)</u>	<u>\$ 88,457,039</u>

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

	<u>2022</u>
Governmental activities:	
General government	\$ 423,623
Public safety	1,921,774
Street and sanitation	2,398,155
Recreational	480,461
Library	592,160
Total depreciation/amortization expense	<u>\$ 5,816,173</u>

6. Long-term liabilities

Changes in long-term liabilities:

Description	Beginning	Additions	Reductions	Ending	Portion Due in One Year
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%	\$ 3,800,000	\$ 0	\$ 0	\$ 3,800,000	\$ 200,000
General Obligation Warrants-direct placement. \$6 million General Obligation Warrants, Series 2022 dated May 3, 2022, maturing annually on April 1 through year 2042 plus interest payable on April 1 and October 1 at 2.78%	0	6,000,000	0	6,000,000	300,000
Leases payable (Note 7) Combined leases (2) in the amounts of \$312,065 dated October 1, 2016, maturing monthly on the of the first day of the month through March 1, 2022, in combined amounts ranging from \$5,304 to \$5,368 including interest at 4%	32,986	0	32,986	0	0

City of Mountain Brook, Alabama

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Description	Beginning	Additions	Reductions	Ending	Portion Due in One Year
Combined leases (2) in the amounts of \$304,172 dated April 1, 2022, maturing monthly on the first day of the month through March 1, 2027, in the combined amounts of \$5,420 including interest at 2.75%	0	304,172	29,185	274,987	58,207
Total Long-Term Debt	3,832,986	6,304,172	62,171	10,074,987	558,207
Compensated absences	3,708,188	2,868,822	2,798,303	3,778,707	2,190,000
Net OPEB Liability	1,974,599	679,213	1,355,176	2,519,617	0
Net Pension Liability	34,772,978	10,703,337	7,525,218	28,800,723	0

The scheduled principal and interest maturities for the general obligation warrants and leases payable (Note 7) by fiscal year are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 558,207	\$ 220,136	\$ 778,343
2024	559,815	220,385	780,200
2025	561,496	207,124	768,620
2026	563,208	193,832	757,040
2027	532,261	180,679	712,940
2028-2032	2,500,000	728,400	3,228,400
2033-2037	2,500,000	438,900	2,938,900
2038-2042	2,300,000	151,020	2,451,020
Totals	\$ 10,074,987	\$ 2,340,476	\$ 12,415,463

The debt service payments related to the 2022 General Obligation warrants were paid from the Debt Service Fund by way of a transfer of funds from the General Fund in 2022. The debt service payments related to the 2021 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 leases payable and the other long-term liabilities are liquidated from the General Fund.

7. Leases Payable

The City leases two parcels of land that have been improved and used for public parking (Note 6). The leases have 5-year terms that were scheduled to expire on September 30, 2021. The City entered into new lease agreements on March 1, 2022 for 5-year term(s) ending March 31, 2027.

The lease obligations incurred in 2016 were determined using a discount rate of 4%. The 2022 lease obligations were determined using the City's estimated borrowing rate of 2.75% at the inception of the leases. The 2022 lease obligations and value of the leased assets were both 304,172 at the inception of the leases. The leased assets are being amortized over the 5-year lease terms. The amortization expense attributable to the leased assets totaled \$54,938 and 57,612 for the years ended September 30, 2022 and 2021, respectively. The net book value of the leased assets was \$273,565 and \$24,005 as of September 30, 2022 and 2021, respectively. The leased assets and amortization expense are included with the Capital Assets (Note 5 above).

In the governmental fund financial statements, the City reported current operating expenses (Street and Sanitation) for the lease payments in the amounts of \$64,263 and \$65,890 for the years ended September 30, 2022 and 2021, respectively. In the government-wide statements the City reported interest expense at rates ranging from approximately 4% (through March 31, 2022) to 2.75% (effective April 1, 2022) in the amounts of \$2,662 and \$3,719 for the years ended September 30, 2022 and 2021, respectively, and Leases Payable at September 30 as follows:

	2022	2021
Current	\$ 58,207	\$ 32,986
Non-current	216,780	0
Totals	\$ 274,987	\$ 32,986

City of Mountain Brook, Alabama

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Year	Rent Expense	Principal	Interest
2023	\$ 65,040	\$ 58,207	\$ 6,833
2024	65,040	59,815	5,225
2025	65,040	61,496	3,544
2026	65,040	63,208	1,832
2027	32,520	32,261	259
Totals	\$ 292,680	\$ 274,987	\$ 17,693

8. 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 15 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.

The ERS Board of Control consists of 15 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) Eight 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. One full time employee of a participating municipality or city in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.
 - d. One full time employee of a participating county in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.
 - e. One full time employee or retiree of a participating employer in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.
 - f. One full time employee of a participating employer other than a municipality, city or county in ERS pursuant to the Code of Alabama 1975, Section 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.

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

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

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 firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132. The City adopted the provisions of Act 2019-132 effective October 1, 2021.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of the partial lump sum distribution selected.

The ERS serves approximately 879 local participating employers. These participating employers includes approximately 104,510 participants. As of September 30, 2021, membership consisted of:

Retirees and beneficiaries currently receiving benefits	29,727
Terminated employees entitled to but not yet receiving benefits	2,130
Terminated employees not entitled to a benefit	16,415
Active members	56,184
Post-DROP participants who are still in active service	<u>54</u>
Total	<u>104,510</u>

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

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, 2022, 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, 2022, 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:

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Unit (Collectively, "The City of Mountain Brook")	Tier 1	Tier 2
2460 City of Mountain Brook	15.91%	16.41%
4791 Mountain Brook Library Board	3.51%	3.43%
4792 Mountain Brook Park and Recreation Board	7.02%	7.66%

The 2022 weighted average contribution rate (including pre-retirement death benefits of 0.02% and administrative expenses of 0.35%) to fund the normal and accrued liability costs was 14.41%. The 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, 2019, 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 \$4,581,611 (\$2,478,539 employer actuarially determined amount, excess employer contributions of \$720,000, and \$1,383,072 employee excluding pre-retirement death benefits of 0.02% and administrative expenses of 0.35%) for the year ended September 30, 2022.

B. Net pension liability

The City's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020 rolled forward to September 30, 2021 using standard roll-forward techniques as shown below:

	Unit			
	City 2460 MTB	Library 4791 MBL	Park Board 4792 MBP	Combined
(a) Total pension liability as of September 30, 2020	\$ 88,476,117	\$ 6,021,786	\$ 2,793,483	\$ 97,291,386
(b) Discount rate	7.70%	7.70%	7.70%	7.70%
(c) Entry age normal cost for the period				
October 1, 2020 through September 30, 2021	1,264,831	122,076	55,129	1,442,036
(d) Changes of benefit terms	797,507	57,616	89,652	944,775
(e) Changes of assumptions	3,606,854	280,055	96,665	3,983,574
(f) Transfers among employers	212,732	0	(20,886)	191,846
(g) Differences between expected and actual experience for the period October 1, 2020 through September 30, 2021	(1,609,858)	92,111	(109,822)	(1,627,569)
(h) Actual benefits payments and refunds for the period October 1, 2020 through September 30, 2021	<u>(5,661,438)</u>	<u>(319,776)</u>	<u>(110,772)</u>	<u>(6,091,986)</u>
(i) Total pension liability as of September 30, 2022 = [(a)x(1+(b))]+(c)+(d)+(e)+(f)+(g)+[(h) x (1 + 0.5 x (b))]	<u>\$ 93,681,441</u>	<u>\$ 6,705,234</u>	<u>\$ 3,004,282</u>	<u>\$ 103,390,957</u>

Actuarial assumptions.

The total pension liability as of September 30, 2021, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2020. The key actuarial assumptions are summarized below:

Inflation	2.500%
Salary increases	3.25%—5.00%
Investment rate of return*	7.45%

*Net of pension plan investment expense

Mortality rates were based on Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forware (+)/Setback (-)	Adjustment to Rates
Non-FLC Service Retirees	Generally Healthy Below Median	Male: +2, Female: +2	Male: 90% ages < 65, 96% ages >= 65, Female: 96% all ages
FLC/State Retirees	Public Safety Healthy Below Median	Male: +1, Female: none	None

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Group	Membership Table	Set Forware (+)/Setback (-)	Adjustment to Rates
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Beneficiaries	General Disability	Male: +7, Female: +3	None
FLC/State Retirees	Public Safety Disability	Male: +7, Female: none	None

The actuarial assumptions used in the September 30, 2020, 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, 2020. The Board of Control accepted and approved these changes in September 2021, which became effective at the beginning of fiscal year 2020.

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	15.00%	2.80%
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%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	1.50%
Total	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.00%.

Discount rate. The discount rate used to measure the total pension liability was the long term rate of return, 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Mountain Brook, Alabama

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C. Changes in net pension liability

	Increase (Decrease)		
	Plan		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2020	\$ 97,291,386	\$ 62,518,408	\$ 34,772,978
Changes for the year:			
Service cost	1,442,036	0	1,442,036
Interest	7,256,895	0	7,256,895
Changes of benefit terms	944,775	0	944,775
Changes of assumptions	3,983,574	0	3,983,574
Differences between expected and actual experience	(1,627,569)	0	(1,627,569)
Contributions—employer	0	2,916,136	(2,916,136)
Contributions—employee	0	1,364,731	(1,364,731)
Net investment income	0	13,691,099	(13,691,099)
Benefit payments, including refunds of employee contributions	(6,091,986)	(6,091,986)	0
Administrative expense	0	0	0
Transfers among employers	191,846	191,846	0
Net changes	<u>6,099,571</u>	<u>12,071,826</u>	<u>(5,972,255)</u>
Balances at September 30, 2021	<u>\$ 103,390,957</u>	<u>\$ 74,590,234</u>	<u>\$ 28,800,723</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 7.45%, 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 (6.45%) or one percentage point higher (8.45%) than the current rate:

	1% Decrease 6.45%	Current Rate 7.45%	1% Increase 8.45%
City's net pension liability	<u>\$ 40,637,780</u>	<u>\$ 28,800,723</u>	<u>\$ 18,817,346</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, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor's report dated January 31, 2022, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2022, the City recognized pension expense of \$3,814,114. At September 30, 2022, 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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,709,221	\$ 1,733,191
Changes of assumptions	3,965,021	0
Net difference between projected and actual earnings on pension plan investments	0	5,370,614
Employer contributions subsequent to the measurement date	<u>3,198,539</u>	<u>0</u>
Total	<u>\$ 9,872,781</u>	<u>\$ 7,103,805</u>

Deferred outflows in the amount of \$3,198,539 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, 2023. 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:	Deferred Outflows/ Inflows Resources
2023	\$ 438,667
2024	158,209
2025	(580,349)
2026	(932,256)
2027	390,960
Thereafter	95,206

E. Payable to the pension plan

The City reported a payable of \$144,643 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2022 (and accrued pension contributions in the amount of \$97,364 applicable to accrued [pensionable] salaries and wages as of September 30, 2022).

F. Membership as of the Measurement Date September 30, 2021

	City 2460 MTB	Library 4791 MBL	Park Board 4792 MBP	Combined
Retired members or their beneficiaries currently receiving benefits	132	9	6	147
Vested inactive members	2	1	1	4
Non-vested inactive members	13	4	2	19
Active members	<u>195</u>	<u>26</u>	<u>15</u>	<u>236</u>
Total	<u>342</u>	<u>40</u>	<u>24</u>	<u>406</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.

City of Mountain Brook, Alabama

Notes to Financial Statements

H. Changes of Assumptions

In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2021, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience, including a change in the discount rate from 7.70% to 7.45% for the TRS and the ERS and 7.65% to 7.40% for the JRF. In 2021 and later, the expectation of retired life mortality for the TRS and JRF was changed to the Pub-2010 Teacher Retiree Below Median Tables projected generationally with 66-2/3% of the MP-2020 scale beginning in 2019. In 2021 and later, the expectation of retired life mortality for the ERS was changed to the Pub-2010 Below-Median Tables projected using a generational approach based on the mortality improvement scale, MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.

In 2016, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual In December 2018, the Boards of Control adopted new discount rates for the TRS, ERS, and JRF. The new discount rates were 7.70% for the TRS & ERS and 7.65% for the JRF.

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 increase 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 the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2010, assume rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

9. 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, 2022, the Plan's membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	39
Active plan members	<u>226</u>
Total	<u><u>265</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. Effective, October 1, 2021, Tier I retirement eligibility was extended to Tier II employees.

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, 2022 were as follows:

City of Mountain Brook, Alabama

Notes to Financial Statements

Type of Coverage	City	Plan Members	Total
Individual (without Medicare coverage)	\$ 945	\$ 196	\$ 1,141
Family (without Medicare coverage)	1,479	625	2,104
Family (spouse with Medicare coverage)	715	625	1,340

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, 2022:

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, 2022.

Rate of Return. For the year ended September 30, 2022, the annual money-weighted rate of return (loss) on investments, net of investment expense, was (5.09)%. 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, 2022, were as follows:

Total OPEB liability	\$ 7,124,220
Plan fiduciary net position	<u>4,604,603</u>
 Net OPEB liability	 <u>\$ 2,519,617</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 <u>64.63%</u>

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of October 1, 2021, 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, 2021, valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2006 to September 30, 2022 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, 2022, are summarized in the following table:

City of Mountain Brook, Alabama

Notes to Financial Statements

Asset Class	Long-Term Expected Return	Real Rate of
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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c)
Balances at September 30, 2021	\$ 6,511,319	\$ 4,536,720	\$ 1,974,599
Service cost	58,652	0	58,652
Interest cost at 5.5%	343,547	0	343,547
Differences between expected and actual experience	740,732	0	740,732
Contributions-employer	0	647,415	(647,415)
Contributions-members	0	185,615	(185,615)
Net investment income (loss)	0	(207,279)	207,279
Change of assumptions	0	0	0
Direct benefit payments	(530,030)	(530,030)	0
Direct administrative expense	0	(27,838)	27,838
Net change	612,901	67,883	545,018
Balances at September 30, 2022	\$ 7,124,220	\$ 4,604,603	\$ 2,519,617

At September 30, 2022, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net investment income (gain) loss	\$ 371,493	\$ 238,859
Economic/demographic (gain) loss	3,458,340	
Change of assumptions (gain) loss	0	1,574,458
	\$ 3,829,833	\$ 1,813,317

City of Mountain Brook, Alabama

Notes to Financial Statements

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

2023	\$	242,077
2024		254,046
2025		254,107
2026		329,696
2027		236,823
Thereafter		699,767

For the year ended September 30, 2022, the City recognized OPEB expense of \$436,746.

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:

	1% Decrease (4.5%)	Current Rate (5.5%)	1% Increase (6.5%)
Net OPEB liability	<u>\$ 3,777,895</u>	<u>\$ 2,519,617</u>	<u>\$ 1,469,420</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:

	1% Decrease (4.5%)	Current Rate (5.5%)	1% Increase (6.5%)
Net OPEB liability	<u>\$ 1,444,719</u>	<u>\$ 2,519,617</u>	<u>\$ 3,801,013</u>

10. 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 2022 and 2021 were as follows:

	2022	2021
Property tax commissions	\$ 260,719	\$ 248,208
Maintenance of maps and appraisals	271,279	225,741
Jefferson County Health Department	150,495	147,288
Birmingham-Jefferson County Transit Authority	167,164	98,322
Personnel Board of Jefferson County	257,586	201,366
Birmingham Regional Planning Commission	13,589	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.

The City has arranged for an independent contractor, Waste Management, to provide for the collection and disposal of refuse and recyclable materials. The base rates for this service for the year ended September 30, 2022, were \$33.67 per month for single and multiple family residential units and \$41.91 per month for commercial units. The annual cost incurred under this agreement was \$3,048,000 and \$2,847,000 for the years ended September 30, 2022 and 2021, respectively. Total garbage service fee revenues collected by the City from its commercial customers during the years ended September 30, 2022 and \$31,890 and 2021, was \$31,190, respectively.

City of Mountain Brook, Alabama

Notes to Financial Statements

Effective October 1, 2022, the City has contracted for garbage, recycling and bagged leaf collection and disposal services through the Cahaba Solid Waste Disposal Authority (the "Authority"). The Authority has entered into a 10-year contract expiring September 30, 2031, with Amwaste to provide such for member cities and other subscribers. The base rates for this service is \$23.22 (plus a variable fuel surcharge) per month.

In August 2013, the City entered into a development agreement with a real estate developer constructing a 28-acre, reportedly \$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 \$1,816,484 and \$1,061,548 for the years ended September 30, 2022 and 2021, respectively. The outstanding development incentive commitment balance at September 30 was as follows:

	Original Commitment	2022	2021	Change
Infrastructure	\$ 4,000,000	\$ 0	\$ 500,000	\$ (500,000)
Revenue sharing	10,000,000	3,584,378	4,900,862	(1,316,484)
Totals	\$ 14,000,000	\$ 3,584,378	\$ 5,400,862	\$ (1,816,484)

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 \$271,113 and \$379,954 for the years ended September 30, 2022 and 2021, respectively. The outstanding development incentive commitment balance was \$1,925,499 and \$2,196,612 as of September 30, 2022 and 2021, respectively.

Construction in progress (Note 5) at September 30 includes the following projects:

	2022
Streets and bridges	\$ 1,587,434
Parks and athletic facilities	3,772,299
Public building improvements	14,996
Drainage projects	262,432
Sidewalks and pedestrian bridge	1,462,363
Total	\$ 7,099,524

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, 2022:

City of Mountain Brook, Alabama

Notes to Financial Statements

Project Description	Contract Commitment and Anticipated Overruns	Expended in Fiscal 2022 ⁽¹⁾	Federal Awards Reported in 2022	Estimated Cost to Complete	Anticipated Completion Date
Intersection improvements Cahaba Road/ US 280/Culver Road/Lane Park Road CMAQ-3715(266)	\$ 1,195,000	\$ 29,009	\$ 23,207	\$ 589,000	2024
Sidewalk Improvements along Pine Ridge Road - CMAQ-3718(251)	436,000	19,835	15,867	242,000	2024
Sidewalk Improvements along Hagood Street - TAPBH-TA-19(930)	882,000	630,380	504,306	0	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	5,235	4,179	180,000	2023
Old Leeds Road sidewalk extension	339,000	25,580	0	313,420	2024
Northcote Drive culvert replacement drainage project	474,000	238,000	Not applicable	236,000	Winter 2023
Caldwell Mill Road Bridge Replacement over Little Shades Creek (design)	1,115,000	36,699	Not applicable	1,078,000	2023
Baseball Field 1 improvements	2,919,336	2,484,762	Not applicable	297,336	Fall 2023
Cherokee Bend Elementary field improvements	859,000	189,725	Not applicable	0	Close-out pending
Totals		<u>\$ 3,659,225</u>	<u>\$ 547,559</u>	<u>\$ 2,935,756</u>	

⁽¹⁾ The amounts expended in fiscal 2022 include project-related expenditures not eligible for federal reimbursement.

11. Constitutional debt limit

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

	<u>2022</u>	<u>2021</u>
Assessed value of taxable real and personal property as provided by the Jefferson County Tax Assessor	<u>\$791,391,680</u>	<u>\$ 694,310,000</u>
Constitutional debt limit, 20 percent of assessed value	\$158,278,336	138,862,000
Outstanding long-term debt as of September 30	<u>10,074,987</u>	<u>3,800,000</u>
Legal Debt Margin	<u>\$148,203,349</u>	<u>\$135,062,000</u>

City of Mountain Brook, Alabama

Notes to Financial Statements

12. 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:

Nature of Incentive	Type of Tax	Percentage of City Taxes Abated	Abatement Amount	Expiration of Incentive	Maximum Incentive Amount
Grocer annexation/development	Ad valorem	100% ⁽³⁾	\$ 26,284	2031	Not applicable
Public parking	Ad valorem	100%	<u>1,161</u>	2027	Not applicable
Offset against related ad valorem tax revenue			27,445		
Redevelopment of commercial and multi-family parcels				2035 ⁽²⁾	\$ 10,000,000
Revenue sharing	Ad valorem	100% ⁽¹⁾	574,527		
	Lodging and Sales Tax ⁽¹⁾	90%	741,957		
Redevelopment of parcels for commercial use	Sales Tax	75% 2016–2020, 50% thereafter	<u>271,113</u>	2034 ⁽²⁾	\$ 4,000,000
General government expense			<u>1,587,597</u>		
Total incentive			<u>\$ 1,615,042</u>		

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

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

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

13. 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.

14. Future Accounting Pronouncements

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

- Conduit debt obligations
- Public-Private and Public-Public Partnerships and Availability of Payment Arrangements
- Subscription-based information technology arrangements
- Omnibus 2022
- Accounting Changes and Error Corrections
- Compensated Absences

City of Mountain Brook, Alabama

Notes to Financial Statements

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

15. Implementation of New GASB Statements

The City has implemented GASB Statement No. 87, Leases. The implementation of this statement requires the recognition of certain leased assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires a lease liability and an intangible right-to-use leased asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The statement was applied retroactively to all comparative information presented. Prior balances reported in the Government-wide Statement of Net Position and Government-wide Statement of Activities have been restated. As a result, the City's net position as of September 30, 2021 was restated as follows:

	<u>Leases Receivable</u>	<u>Leases Payable</u>
Leases receivable, current	\$ 64,963	
Leases receivable, long-term	6,076,653	
Capital assets, net of accumulated amortization		\$ 24,005
Leases payable, current		(32,986)
Leases payable, long-term		0
Deferred inflows-Leases	(5,948,351)	0
Increase (decrease) in net position	<u>\$ 193,265</u>	<u>\$ (8,981)</u>

The prior period adjustments to the September 30, 2020, beginning net assets reported in the Government-wide Statement of Activities is comprised of the following:

	<u>Leases Receivable</u>	<u>Leases Payable</u>
Leases receivable	\$ 6,153,330	
Net book value of leased assets		\$ 81,617
Leases payable		(94,587)
Deferred inflows-Leases	(6,153,330)	
Increase (decrease) in net position	0	(12,970)

Finally, the City's Government-wide Statement of Activities for the year ended September 30, 2021, was restated as follows:

	<u>Leases Receivable</u>	<u>Leases Payable</u>
Government activities:		
General government-(increase) decrease in net expense due to:		
The reduction of lease revenue	\$ (251,687)	
Investment income-Leases	239,973	
Amortization of deferred inflows of resources-Leases	204,979	
Street and sanitation:		
Decrease in rent expense		\$ 64,263
(Increase) in amortization		(57,612)
Interest		(2,662)
Effect on surplus (deficit) for the year ended September 30, 2021	<u>\$ 193,265</u>	<u>\$ 3,989</u>

City of Mountain Brook, Alabama

Notes to Financial Statements

The General Fund governmental funds balance sheets and statements of revenues, expenditures and changes in fund balance were restated as follows:

	<u>Balance Sheet</u>	<u>Revenue, Expenditures</u>
As of September 30, 2020:		
Leases receivable	\$ 6,153,330	
Deferred inflows of resources-Leases	(6,153,330)	
As of and for the year ended September 30, 2021:		
Other operating revenue [surplus/(deficit)]:		
Lease revenue		(251,687)
Investment income-Leases		239,973
Amortization of deferred inflows of resources-Leases		204,979
Leases receivable	(11,714)	
Deferred inflows of resources-Leases	204,979	
Fund Balance	193,265	193,265

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Mountain Brook, Alabama
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended September 30, 2022

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$ 37,392,600	\$ 39,770,268	\$ 39,954,694	\$ 184,426
Licenses and permits	4,504,370	5,504,370	5,683,605	179,235
Intergovernmental	561,737	561,737	565,845	4,108
Charges for services	710,647	710,647	701,699	(8,948)
Fines and forfeitures	392,000	392,000	311,187	(80,813)
Grants	143,692	3,405,692	3,332,816	(72,876)
Other operating revenues	324,200	304,200	292,654	(11,546)
Total revenues	44,029,246	50,648,914	50,842,500	193,586
Expenditures:				
Current (operating):				
General government	7,927,050	8,227,050	8,355,965	(128,915)
Public safety	17,653,019	17,307,519	16,957,104	350,415
Street and sanitation	7,372,724	7,372,724	7,680,681	(307,957)
Recreational	1,516,612	1,516,612	1,398,782	117,830
Library	3,091,722	3,187,627	3,124,268	63,359
Capital outlay	485,100	465,100	408,934	56,166
Total expenditures	38,046,227	38,076,632	37,925,734	150,898
Excess of revenues over expenditures	5,983,019	12,572,282	12,916,766	344,484
Other financing sources (uses):				
Operating transfers (out)	(5,958,254)	(12,547,517)	(11,944,065)	603,452
Donations-Mountain Brook Library Foundation	112,000	112,000	95,323	(16,677)
Donations-other	72,400	72,400	72,835	435
Total other financing sources (uses)	(5,773,854)	(12,363,117)	(11,775,907)	587,210
Excess of revenues and other financing sources over expenditures and other financing uses	209,165	209,165	1,140,859	931,694
Fund balances, beginning of year (restated)	18,523,353	18,523,353	18,523,353	0
FUND BALANCES, END OF YEAR	\$ 18,732,518	\$ 18,732,518	\$ 19,664,212	\$ 931,694

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 December 12, 2022 (Ordinance No. 2137).

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability				
Service costs	\$ 1,442,036	\$ 1,501,999	\$ 1,413,007	\$ 1,398,124
Interest	7,256,895	6,896,434	6,613,711	6,401,529
Change in assumptions	3,983,574	0	0	450,327
Change of benefit terms	944,775	0	0	0
Differences between expected and actual experience	(1,627,569)	2,304,904	1,289,105	478,021
Benefit payments, including refunds of employee contributions	(6,091,986)	(5,722,660)	(5,365,521)	(5,184,981)
Transfers among employers	191,846	(114,696)	(100,002)	(160,783)
Net change in total pension liability	6,099,571	4,865,981	3,850,300	3,382,237
Total pension liability, beginning	<u>97,291,386</u>	<u>92,425,405</u>	<u>88,575,105</u>	<u>85,192,868</u>
Total pension liability, ending	<u>\$ 103,390,957</u>	<u>\$ 97,291,386</u>	<u>\$ 92,425,405</u>	<u>\$ 88,575,105</u>
Plan fiduciary net position				
Contributions - employer ⁽²⁾	\$ 2,916,136	\$ 2,841,741	\$ 2,806,271	\$ 2,350,438
Contributions - employee	1,364,731	1,263,597	1,325,685	1,210,003
Net investment income	13,691,099	3,419,880	1,538,696	5,207,452
Benefit payments, including refunds of employee contributions	(6,091,986)	(5,722,660)	(5,365,521)	(5,184,981)
Transfers among employers	191,846	(114,696)	(100,002)	(160,783)
Net change in plan fiduciary net	12,071,826	1,687,862	205,129	3,422,129
Plan net position, beginning	<u>62,518,408</u>	<u>60,830,546</u>	<u>60,625,417</u>	<u>57,203,288</u>
Plan net position, ending	<u>\$ 74,590,234</u>	<u>\$ 62,518,408</u>	<u>\$ 60,830,546</u>	<u>\$ 60,625,417</u>
Net pension liability (asset), ending	\$ 28,800,723	\$ 34,772,978	\$ 31,594,859	\$ 27,949,688
Plan fiduciary net position as a percentage of the total pension liability	72.14%	64.26%	65.82%	68.45%
Covered payroll ⁽¹⁾	\$ 16,558,180	\$ 16,550,950	\$ 16,180,854	\$ 15,514,540
Net pension liability (asset) as a percentage of the covered payroll	173.94%	210.10%	195.26%	180.15%

⁽¹⁾ Covered payroll during the measurement period is the total payroll on which contributions to the pension plan are based. For fiscal year 2022, the measurement period is October 1, 2020 – September 30, 2021.

⁽²⁾ Employer contributed more than the actuarially determined required contribution in \$ 685,000 \$ 678,000 \$ 638,000 \$ 610,000

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

	2017	2016	2015	2014
\$	1,387,510	\$ 1,336,195	\$ 1,300,723	\$ 1,271,006
	6,201,215	5,796,789	5,523,394	5,313,180
	0	4,619,194	0	0
	0	0	0	0
	(179,827)	429,303	809,623	0
	(4,806,405)	(4,365,372)	(4,067,215)	(3,845,824)
	171,493	(39,780)	0	0
	<u>2,773,986</u>	<u>7,776,329</u>	<u>3,566,525</u>	<u>2,738,362</u>
	<u>82,418,882</u>	<u>74,642,553</u>	<u>71,076,028</u>	<u>68,337,666</u>
\$	<u>85,192,868</u>	<u>\$ 82,418,882</u>	<u>\$ 74,642,553</u>	<u>\$ 71,076,028</u>
\$	2,330,683	\$ 1,619,070	\$ 1,578,733	\$ 1,527,445
	1,221,711	1,178,166	1,163,946	1,140,706
	6,544,602	4,856,657	576,080	5,337,652
	(4,806,405)	(4,365,372)	(4,067,215)	(3,845,824)
	171,493	(39,780)	41,498	(125,527)
	<u>5,462,084</u>	<u>3,248,741</u>	<u>(706,958)</u>	<u>4,034,452</u>
	<u>51,741,204</u>	<u>48,492,463</u>	<u>49,199,421</u>	<u>45,164,969</u>
\$	<u>57,203,288</u>	<u>\$ 51,741,204</u>	<u>\$ 48,492,463</u>	<u>\$ 49,199,421</u>
\$	27,989,580	\$ 30,677,678	\$ 26,150,090	\$ 21,876,607
	67.15%	62.78%	64.97%	69.22%
\$	15,189,454	\$ 14,888,056	\$ 14,580,566	\$ 14,200,725
	184.27%	206.06%	179.35%	154.05%
\$	600,000	\$ 0	\$ 0	\$ 0

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 2,478,539	\$ 2,239,271	\$ 2,181,903	\$ 2,105,237
Contributions in relation to the actuarially determined contribution	<u>3,198,539</u>	<u>2,924,271</u>	<u>2,859,903</u>	<u>2,743,237</u>
Contributions deficiency (excess)	<u>\$ (720,000)</u>	<u>\$ (685,000)</u>	<u>\$ (678,000)</u>	<u>\$ (638,000)</u>
Covered payroll	<u>\$ 17,232,000</u>	<u>\$ 16,558,180</u>	<u>\$ 16,550,950</u>	<u>\$ 16,180,854</u>
Contributions as a percentage of covered payroll	<u>18.56%</u>	<u>17.66%</u>	<u>17.28%</u>	<u>16.95%</u>

Notes to Schedule

Valuation date. Actuarially determined contribution rates are calculated as of September 30, 2019, 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, 2021 to September 30, 2022:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period (years)	27.1 years for City, 22.3 years for Park Board and 16.1 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	3.00%
Salary increases 3.25%-5.00%, including inflation	

2018	2017	2016	2015
\$ 1,761,249	\$ 1,733,175	\$ 1,617,545	\$ 1,578,733
<u>2,371,249</u>	<u>2,333,175</u>	<u>1,617,545</u>	<u>1,578,733</u>
\$ (610,000)	\$ (600,000)	\$ 0	\$ 0
<u>\$ 15,514,540</u>	<u>\$ 15,189,454</u>	<u>\$ 14,888,056</u>	<u>\$ 14,580,566</u>
<u>15.28%</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,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability				
Service cost	\$ 58,652	\$ 63,628	\$ 85,182	\$ 74,389
Interest	343,547	334,231	211,916	197,709
Differences between expected and actual experience	740,732	281,354	1,735,041	511,365
Changes of assumptions	0	0	(1,563,224)	0
Benefit payments	<u>(530,030)</u>	<u>(489,658)</u>	<u>(403,798)</u>	<u>(351,303)</u>
Net change in total OPEB liability	612,901	189,555	65,117	432,160
Total OPEB liability, beginning of year	<u>6,511,319</u>	<u>6,321,764</u>	<u>6,256,647</u>	<u>5,824,487</u>
Total OPEB liability, end of year (a)	<u>\$ 7,124,220</u>	<u>\$ 6,511,319</u>	<u>\$ 6,321,764</u>	<u>\$ 6,256,647</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 647,415	\$ 604,355	\$ 452,455	\$ 521,626
Contributions - member	185,615	188,303	155,253	132,677
Net investment income (loss)	(207,279)	587,508	121,098	166,117
Benefit payments	(530,030)	(489,658)	(403,798)	(351,303)
Administrative expense	<u>(27,838)</u>	<u>(24,990)</u>	<u>(6,251)</u>	<u>(3,000)</u>
Net change in plan fiduciary net position	67,883	865,518	318,757	466,117
Plan fiduciary net position, beginning of year	<u>4,536,720</u>	<u>3,671,202</u>	<u>3,352,445</u>	<u>2,886,328</u>
Plan fiduciary net position, end of year (b)	<u>\$ 4,604,603</u>	<u>\$ 4,536,720</u>	<u>\$ 3,671,202</u>	<u>\$ 3,352,445</u>
Net OPEB liability, end of year (a) - (b)	<u>\$ 2,519,617</u>	<u>\$ 1,974,599</u>	<u>\$ 2,650,562</u>	<u>\$ 2,904,202</u>
Plan fiduciary net position as a percentage of the total OPEB liability	64.63%	69.67%	58.07%	53.58%
Covered-employee payroll	17,232,000	16,558,180	16,550,950	16,180,854
Net OPEB liability as a percentage of covered-employee payroll	14.62%	11.93%	16.01%	17.95%
Notes to Schedule:				
Benefit Changes	None	None	None	None
Changes of Assumptions:				
Discount rate	5.50%	5.50%	5.50%	3.50%

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

2018

\$ 73,276
175,070
1,556,656
(810,818)
(343,392)
650,792
5,173,695

\$ 5,824,487

\$ 520,436
127,956
(12,392)
(343,392)
(5,000)
287,608
2,598,720
\$ 2,886,328

\$ 2,938,159

49.56%

\$ 15,514,540

18.94%

None

3.50%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 194,515	\$ 246,001	\$ 243,087	\$ 234,141
Contributions in relation to the actuarially determined contribution:				
Employer contributions to trust	300,000	300,000	200,000	300,000
Employer-paid retiree premiums	530,030	489,658	401,457	351,303
Employer-paid expenses	3,000	3,000	6,251	3,000
	<u>833,030</u>	<u>792,658</u>	<u>607,708</u>	<u>654,303</u>
Contribution deficiency (excess)	<u>\$ (638,515)</u>	<u>\$ (546,657)</u>	<u>\$ (364,621)</u>	<u>\$ (420,162)</u>
Covered-employee payroll	17,232,000	16,558,180	\$16,550,950	\$16,180,854
Contributions as a percentage of covered-employee payroll	4.83%	4.79%	3.67%	4.04%

Notes to Schedule:

Valuation date	10/1/2021 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. Effective October 1, 2021, Tier I eligibility was extended to Tier II employees.
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

2018

\$ 213,281

300,000

343,392

5,000

648,392

\$ (435,111)

\$ 15,514,540

4.18%

City of Mountain Brook, Alabama
Other Post-Employment Benefits (OPEB)
Schedule of Investment Returns
Ten (10) Years Ended September 30, 2013 through 2022

	2022	2021	2020	2019
Annual money-weighted rate of return net of investment expense	-5.09%	15.24%	3.53%	5.73%
Interest income (accrual basis) (A)	\$ 128,999	\$ 148,850	\$ 85,384	\$ 67,677
Beginning market value	\$ 4,536,720	\$ 3,671,202	\$ 3,352,445	\$ 2,886,328
Investment	\$ 300,000	\$ 100,000	\$ 200,000	\$ 300,000
Date of deposit	9/7/2022	7/7/2021	9/25/2020	9/16/2019
Investment		\$ 100,000		
Date of deposit		8/13/2021		
Investment		\$ 100,000		
Date of deposit		9/8/2021		
Ending marking value	\$ 4,604,603	\$ 4,536,720	\$ 3,671,202	\$ 3,352,445
Weighted average value (B)	\$ 4,540,998	\$ 3,713,668	\$ 3,356,800	\$ 2,904,206
Yield (A)/(B), excluding market valuation changes	2.84%	4.01%	2.54%	2.33%

2018	2017	2016	2015	2014	2013
-0.46%	-0.10%	5.15%	1.75%	0.75%	1.69%
\$ 56,837	\$ 47,463	\$ 42,790	\$ 22,583	\$ 18,161	\$ 16,425
\$ 2,598,720	\$ 2,301,227	\$ 1,900,232	\$ 1,571,336	\$ 1,261,499	\$ 925,335
\$ 300,000 6/18/2018	\$ 300,000 6/13/2017	\$ 300,000 7/22/2016	\$ 300,000 6/29/2015	\$ 300,000 8/4/2014	\$ 320,000 8/27/2013
\$ 2,886,328	\$ 2,598,720	\$ 2,301,227	\$ 1,900,232	\$ 1,571,336	\$ 1,261,499
\$ 2,680,668	\$ 2,390,067	\$ 1,976,925	\$ 1,655,137	\$ 1,309,884	\$ 956,649
2.12%	1.99%	2.16%	1.36%	1.39%	1.72%

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SUPPLEMENTARY INFORMATION

City of Mountain Brook, Alabama

Combining Balance Sheet
Other Governmental Funds
September 30, 2022

	<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>
ASSETS					
Cash and temporary investments	\$ 653,428	\$ 180,505	\$ 97,142	\$ 22,361	\$ 265,161
Receivables	<u>254,938</u>	<u>24,301</u>	<u>11,982</u>	<u>858</u>	<u>27,945</u>
TOTAL ASSETS	<u>\$ 908,366</u>	<u>\$ 204,806</u>	<u>\$ 109,124</u>	<u>\$ 23,219</u>	<u>\$ 293,106</u>
LIABILITIES					
Accounts payable	\$ 260,000	\$ 36,790	\$ 63,851	\$ 0	\$ 292,000
TOTAL LIABILITIES	<u>260,000</u>	<u>36,790</u>	<u>63,851</u>	<u>0</u>	<u>292,000</u>
DEFERRED INFLOW OF RESOURCES					
Revenue to be recognized in future period	<u>213,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL DEFERRED INFLOW OF RESOURCES	<u>213,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES					
Restricted	435,366	168,016	45,273	23,219	1,106
Assigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL FUND BALANCES	<u>435,366</u>	<u>168,016</u>	<u>45,273</u>	<u>23,219</u>	<u>1,106</u>
TOTAL LIABILITIES, DEFERRED OUTFLOW OF RESOURCES AND FUND BALANCES	<u>\$ 908,366</u>	<u>\$ 204,806</u>	<u>\$ 109,124</u>	<u>\$ 23,219</u>	<u>\$ 293,106</u>

<u>Emergency Communication District</u>	<u>Corrections Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
\$ 337,657	\$ 7,506	\$ 3,272,852	\$ 4,836,612
<u>53,178</u>	<u>0</u>	<u>0</u>	<u>373,202</u>
<u>\$ 390,835</u>	<u>\$ 7,506</u>	<u>\$ 3,272,852</u>	<u>\$ 5,209,814</u>
\$ 7,402	\$ 7,506	\$ 0	\$ 667,549
<u>7,402</u>	<u>7,506</u>	<u>0</u>	<u>667,549</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>213,000</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>213,000</u>
383,433	0	0	1,056,413
<u>0</u>	<u>0</u>	<u>3,272,852</u>	<u>3,272,852</u>
<u>383,433</u>	<u>0</u>	<u>3,272,852</u>	<u>4,329,265</u>
<u>\$ 390,835</u>	<u>\$ 7,506</u>	<u>\$ 3,272,852</u>	<u>\$ 5,209,814</u>

City of Mountain Brook, Alabama

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances – Other Governmental Funds
Year Ended September 30, 2022**

	<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>
Revenues:					
Taxes	\$ 202,692	\$ 126,692	\$ 61,767	\$ 5,446	\$ 162,821
Charges for services	0	0	0	0	0
Fines and forfeitures	0	0	0	0	0
Grants	0	0	0	0	0
Other operating revenues:					
Alabama Trust Fund Earnings	206,959	0	0	0	0
Investment earnings	882	300	131	31	264
Total revenues	<u>410,533</u>	<u>126,992</u>	<u>61,898</u>	<u>5,477</u>	<u>163,085</u>
Expenditures:					
General government	0	0	0	0	0
Public safety	0	0	0	0	0
Street and sanitation	260,359	78,159	64,208	356	292,001
Debt service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Total expenditures	<u>260,359</u>	<u>78,159</u>	<u>64,208</u>	<u>356</u>	<u>292,001</u>
Excess (deficiency) of revenues over expenditures	<u>150,174</u>	<u>48,833</u>	<u>(2,310)</u>	<u>5,121</u>	<u>(128,916)</u>
Other financing sources (uses):					
Operating transfers in	100,000	0	0	0	0
Operating transfers (out)	0	0	0	0	0
Total other financing sources (uses)	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	250,174	48,833	(2,310)	5,121	(128,916)
Fund balances, beginning of year	<u>185,192</u>	<u>119,183</u>	<u>47,583</u>	<u>18,098</u>	<u>130,022</u>
FUND BALANCES, END OF YEAR	<u>\$ 435,366</u>	<u>\$ 168,016</u>	<u>\$ 45,273</u>	<u>\$ 23,219</u>	<u>\$ 1,106</u>

<u>Emergency Communication District</u>	<u>Corrections Fund</u>	<u>Debt Service Fund</u>	<u>Totals Fund</u>
\$ 0	\$ 0	\$ 0	\$ 559,418
473,776	36,400	0	510,176
1,259	110,383	0	111,642
10,320	0	0	10,320
0	0	0	206,959
623	13	0	2,244
<u>485,978</u>	<u>146,796</u>	<u>0</u>	<u>1,400,759</u>
0	327,231	44,541	371,772
1,202,978	121,597	0	1,324,575
0	0	0	695,083
0	0	0	0
0	0	30,771	30,771
<u>1,202,978</u>	<u>448,828</u>	<u>75,312</u>	<u>2,422,201</u>
<u>(717,000)</u>	<u>(302,032)</u>	<u>(75,312)</u>	<u>(1,021,442)</u>
745,329	302,032	511,321	1,658,682
0	0	0	0
<u>745,329</u>	<u>302,032</u>	<u>511,321</u>	<u>1,658,682</u>
28,329	0	436,009	637,240
<u>355,104</u>	<u>0</u>	<u>2,836,843</u>	<u>3,692,025</u>
<u>\$ 383,433</u>	<u>\$ 0</u>	<u>\$ 3,272,852</u>	<u>\$ 4,329,265</u>

City of Mountain Brook, Alabama

**Schedule of General Fund Revenues by Source
For the Years Ended September 30, 2013 through 2022**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Taxes				
Real property	\$ 13,512,485	\$ 13,867,794	\$ 13,994,315	\$ 14,443,548
Sales and use	9,578,337	9,808,223	10,158,557	10,285,530
Utility	1,284,421	1,288,163	1,325,088	1,283,444
Personal property (automobiles)	1,208,485	1,217,199	1,306,732	1,392,583
Road and bridge	565,066	550,686	596,475	604,774
Other	<u>1,038,515</u>	<u>1,127,178</u>	<u>1,238,322</u>	<u>1,506,051</u>
Total taxes	27,187,309	27,859,243	28,619,489	29,515,930
Licenses and permits				
Business	2,492,623	2,531,307	2,679,512	2,815,615
Construction permits	1,100,204	1,347,583	1,143,394	1,119,259
Cable TV franchise fees	424,912	389,500	423,068	432,600
Waterworks Board	216,839	192,875	215,518	208,099
Other	<u>62,115</u>	<u>65,154</u>	<u>63,674</u>	<u>65,373</u>
Total licenses and permits	4,296,693	4,526,419	4,525,166	4,640,946
Intergovernmental	84,547	85,443	92,199	92,199
Charges for services				
Garbage fees	35,589	34,086	33,890	29,175
Other	<u>693,408</u>	<u>730,347</u>	<u>695,790</u>	<u>688,534</u>
Total charges for services	728,997	764,433	729,680	717,709
Fines and forfeitures	559,465	577,844	643,492	575,406
Grants	15,755	100,187	53,653	18,438
Other operating revenue				
Investment earnings	138,162	69,522	150,668	170,543
Other	<u>439,492</u>	<u>311,374</u>	<u>296,044</u>	<u>316,717</u>
Total other operating revenue	577,654	380,896	446,712	487,260
TOTAL REVENUES	<u>\$ 33,450,420</u>	<u>\$ 34,294,465</u>	<u>\$ 35,110,391</u>	<u>\$ 36,047,888</u>

2017	2018	2019	2020	Restated 2021	2022
\$ 15,155,623	\$ 15,570,510	\$ 16,179,118	\$ 16,776,932	\$ 17,609,603	\$ 17,857,438
10,656,090	10,703,490	11,041,853	10,612,050	12,427,680	13,783,850
1,253,385	1,266,010	1,362,195	1,410,584	1,268,828	1,344,625
1,382,497	1,286,922	1,269,323	1,329,488	1,433,142	1,637,627
627,182	646,115	671,896	700,189	738,707	753,159
<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>	<u>4,577,995</u>
30,885,219	31,542,467	33,139,900	33,902,180	37,087,637	39,954,694
3,046,371	2,991,535	2,995,790	2,859,211	2,809,295	3,288,548
1,076,879	1,160,304	1,501,218	1,162,500	1,695,728	1,780,315
412,824	396,782	392,537	357,263	311,696	322,952
254,138	219,051	237,503	259,856	257,268	221,138
<u>65,909</u>	<u>66,127</u>	<u>69,850</u>	<u>62,457</u>	<u>65,074</u>	<u>70,652</u>
4,856,121	4,833,799	5,196,898	4,701,287	5,139,061	5,683,605
185,943	189,926	160,291	478,275	468,604	565,845
30,977	29,948	32,395	28,883	31,190	31,890
<u>678,795</u>	<u>628,736</u>	<u>735,008</u>	<u>633,726</u>	<u>675,429</u>	<u>669,809</u>
709,772	658,684	767,403	662,609	706,619	701,699
586,293	514,978	461,595	348,811	432,980	311,187
111,680	29,486	96,880	919,162	1,733,006	3,332,816
109,327	183,834	575,961	402,465	272,786	13,650
<u>269,692</u>	<u>363,255</u>	<u>294,378</u>	<u>279,000</u>	<u>267,119</u>	<u>279,004</u>
<u>379,019</u>	<u>547,089</u>	<u>870,339</u>	<u>681,465</u>	<u>539,905</u>	<u>292,654</u>
<u>\$ 37,714,047</u>	<u>\$ 38,316,429</u>	<u>\$ 40,693,306</u>	<u>\$ 41,693,789</u>	<u>\$ 46,107,812</u>	<u>\$ 50,842,500</u>

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

	2022	2021 Restated
ASSETS		
Cash and temporary investments	\$ 18,610,745	\$ 17,860,249
Cash and temporary investments - restricted	304,672	296,445
Receivables	2,850,072	2,608,982
Leases receivable	6,076,653	6,141,616
Due from related organizations	266,741	188,771
Inventory and prepaid expenses	200,870	237,204
TOTAL ASSETS	\$ 28,309,753	\$ 27,333,267
 LIABILITIES		
Accounts payable	\$ 1,501,062	\$ 816,033
Accrued salaries and wages	637,871	594,923
Due to related organizations	18,698	0
Other liabilities	744,538	604,080
Unearned revenue	0	846,527
TOTAL LIABILITIES	2,902,169	2,861,563
 DEFERRED INFLOWS OF RESOURCES		
Leases	5,743,372	5,948,351
 PENSION OBLIGATION (NOTE 8)		
OPEB OBLIGATION (NOTE 9)		
 FUND BALANCES		
Nonspendable	200,870	237,204
Restricted	0	0
Committed	52,188	52,188
Assigned	248,184	226,714
Unassigned	19,162,970	18,007,247
FUND BALANCES	19,664,212	18,523,353
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,309,753	\$ 27,333,267

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

	<u>2022</u>	<u>2021 Restated</u>
Revenues:		
Taxes	\$ 39,954,694	\$ 37,087,637
Licenses and permits	5,683,605	5,139,061
Intergovernmental	565,845	468,604
Charges for services	701,699	706,619
Fines and forfeitures	311,187	432,980
Grants	3,332,816	1,733,006
Other operating revenues	<u>292,654</u>	<u>539,905</u>
Total revenues	<u>50,842,500</u>	<u>46,107,812</u>
Expenditures:		
Current (operating):		
General government	8,355,965	7,692,136
Public safety	16,957,104	15,889,394
Street and sanitation	7,680,681	6,919,896
Recreational	1,398,782	1,312,346
Library	3,124,268	2,875,797
Capital outlay	<u>408,934</u>	<u>401,846</u>
Total expenditures	<u>37,925,734</u>	<u>35,155,677</u>
Excess of revenues over expenditures	<u>12,916,766</u>	<u>10,952,135</u>
Other financing sources (uses):		
Operating transfers (out)	(11,944,065)	(10,451,219)
Donations-Mountain Brook Library Foundation	95,323	104,434
Donations-Other	<u>72,835</u>	<u>26,177</u>
Total other financing sources (uses)	<u>(11,775,907)</u>	<u>(10,320,608)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	1,140,859	631,527
Fund balance, beginning of year as reported	<u>18,523,353</u>	<u>17,827,564</u>
FUND BALANCES, END OF YEAR	<u>\$ 19,664,212</u>	<u>\$ 18,459,091</u>

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

	2022	2021
ASSETS		
Cash and temporary investments	\$ 29,134,264	\$ 25,774,604
Receivables	106,077	174,270
Due from related organizations	598,205	283,230
Inventory and prepaid expenses	1,550,472	1,550,472
TOTAL ASSETS	\$ 31,389,018	\$ 27,782,576
 LIABILITIES		
Accounts payable	\$ 885,421	\$ 1,234,502
TOTAL LIABILITIES	885,421	1,234,502
 PENSION OBLIGATION (NOTE 8)		
OPEB OBLIGATION (NOTE 9)		
 FUND BALANCES		
Nonspendable	1,550,472	1,550,472
Restricted	0	0
Committed	28,953,125	24,997,602
FUND BALANCES	30,503,597	26,548,074
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,389,018	\$ 27,782,576

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

	<u>2022</u>	<u>2021</u>
Revenues:		
Intergovernmental	\$ 1,514,502	\$ 452,091
Grants	633,446	903,751
Other operating revenues	<u>6,849</u>	<u>1,835</u>
Total revenues	<u>2,154,797</u>	<u>1,357,677</u>
Expenditures:		
Current (operating):		
General government	980,241	33,030
Public safety	0	125
Street and sanitation	309,448	74,580
Recreational	17,231	3,030
Library	287	0
Capital outlay	<u>14,523,572</u>	<u>5,939,482</u>
Total expenditures	<u>15,830,779</u>	<u>6,050,247</u>
Excess (deficiency) of revenues		
over expenditures	<u>(13,675,982)</u>	<u>(4,692,570)</u>
Other financing sources (uses):		
Operating transfers in	10,285,383	9,055,362
Operating transfers (out)	0	(209,180)
Proceeds from the issuance of debt	6,304,172	4,000,000
Proceeds from the sale of assets	1,024,850	87,202
Donations	<u>17,100</u>	<u>38,679</u>
Total other financing sources (uses)	<u>17,631,505</u>	<u>12,972,063</u>
Excess of revenues and other financing sources		
over expenditures and other financing uses	<u>3,955,523</u>	<u>8,279,493</u>
Fund balances, beginning of year	<u>26,548,074</u>	<u>18,268,581</u>
FUND BALANCES, END OF YEAR	<u>\$ 30,503,597</u>	<u>\$ 26,548,074</u>

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

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and temporary investments	\$ <u>3,272,852</u>	\$ <u>2,836,843</u>
TOTAL ASSETS	<u>\$ 3,272,852</u>	<u>\$ 2,836,843</u>
FUND BALANCES		
Assigned	<u>3,272,852</u>	<u>2,836,843</u>
FUND BALANCES	<u>3,272,852</u>	<u>2,836,843</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,272,852</u>	<u>\$ 2,836,843</u>

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

	2022	2021
Revenues:		
Other operating revenues	\$ 0	\$ 950
Total revenues	0	950
Expenditures:		
Current (operating):		
General government	44,541	1,118
Debt service:		
Principal	0	200,000
Interest	30,771	9,180
Total expenditures	75,312	210,298
Excess (deficiency) of revenues over expenditures	(75,312)	(209,348)
Other financing sources (uses):		
Operating transfers in	511,321	584,180
Total other financing sources (uses)	511,321	584,180
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	436,009	374,832
Fund balances, beginning of year	2,836,843	2,462,011
FUND BALANCES, END OF YEAR	\$ 3,272,852	\$ 2,836,843

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REPORT ON COMPLIANCE AND INTERNAL CONTROL

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2022, 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 26, 2023.

Report on 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on 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 statements. 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*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, L.L.C.

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama
April 26, 2023

SINGLE AUDIT REPORTS

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**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

Opinion on Each Major Federal Program

We have audited the City of Mountain Brook's (the City's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended September 30, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or

significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 26, 2023

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CITY OF MOUNTAIN BROOK, ALABAMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Description	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Total Grant Award	Revenue Recognized	Expenditures	Funds Provided to Subrecipients
U.S. Department of Transportation						
Highway Planning and Construction Cluster						
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	\$ 4,179	\$ 4,179	\$ 0
Intersection Improvements Cahaba Road/US-280/ Culver Road/Lane Park Road-Mountain Brook						
Preliminary engineering	20.205	CMAQ-3715(266)	412,000	23,207	23,207	0
Sidewalk Improvements along Pine Ridge Road						
	20.205	CMAQ-3718(251)	160,000	15,867	15,867	0
Sidewalk Improvements along Hagood Street						
	20.205	TAPBH-TA19(930)	<u>800,000</u>	<u>504,306</u>	<u>504,306</u>	<u>0</u>
Total U.S. Department of Transportation Highway Planning and Construction Cluster			2,612,000	547,559	547,559	0
U.S. Department of Transportation						
State and Community Highway Safety Cluster						
Passed through the Alabama Department of Transportation, East Central Regional Highway Safety Office, 2022-FA STEP						
	20.600	22-FP-PT-026	52,500	29,194	29,194	0
U. S. Department of Justice, Bureau of Justice Assistance,						
Office of Justice Programs						
Bulletproof Vest Partnership Grant	16.607	2019	5,208	2,197	2,197	0
U. S. Department of Treasury Covid-19						
Coronavirus State and Local Fiscal Recovery Funds						
Direct program	21.027		4,820,175	3,261,601	3,261,601	0
Passed through the State of Alabama						
	21.027		<u>10,320</u>	<u>10,320</u>	<u>10,320</u>	<u>0</u>
U. S. Department of Treasury Covid-19			<u>4,830,495</u>	<u>3,271,921</u>	<u>3,271,921</u>	<u>0</u>
TOTAL FEDERAL AWARDS			<u>\$ 7,500,203</u>	<u>\$ 3,850,871</u>	<u>\$ 3,850,871</u>	<u>\$ 0</u>

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, 2022.

5. Non-cash awards

During the year ended September 30, 2022, 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, 2022**

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
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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

21.027

Name of Federal Program or Cluster

Coronavirus (Covid-19) Fiscal Recovery Fund

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

Auditee qualified as low-risk auditee X yes 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, 2022**

2022-001 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.