

CITY OF MOUNTAIN BROOK, ALABAMA

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2020**

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

SEPTEMBER 30, 2020

MAYOR

The Honorable Stewart H. Welch III

CITY COUNCIL

Ms. Virginia C. Smith, President

Mr. Philip E. Black

Mr. Lloyd C. Shelton

Mr. William S. (Billy) Pritchard III

Ms. Alice B. Womack

CITY MANAGER

Mr. Sam S. Gaston

DEPARTMENT SUPERVISORS

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

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Mountain Brook, Alabama (the City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Mountain Brook Library Foundation, which represents the City's discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the general fund budget and actual schedule, the schedule of changes in the net pension liability and related ratios, the schedule of employer contributions for pension, the schedule of changes in net other post-employment benefits (OPEB) liability and related ratios, the schedule of employer contributions for OPEB, and the schedule of investment returns for OPEB be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

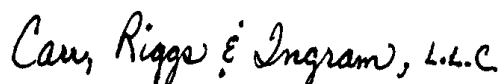
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements, the schedule of general fund revenues by source, the comparative statements, and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

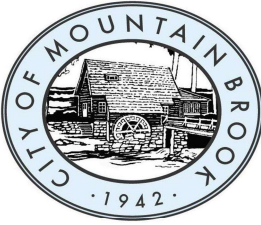
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama
April 12, 2021



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, 2020, 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, 2020, by \$90 million (Total Net Position). Of this amount, \$79.5 million represents the net book value of the City's capital assets including infrastructure and \$808,000 is restricted (\$299,000 for the Emergency Communication District and \$509,000 for road improvements from the State Shared Gasoline Tax special revenue funds). The remaining \$9.7 million is available for use by the City to fund future municipal services and to meet its obligations to employees and creditors.
- The Total Net Position increased by \$2,602,000 in 2020 which includes the net cost of providing core City Services of \$33.3 million plus \$35.9 million in General Revenues.
- As of September 30, 2020, the City reported \$39.4 million in fund balances, an increase of \$2.5 million from 2019. Of the \$39.4 million fund balances, \$17.8 million (45%) is reported in the General Fund, \$18.3 million (47%) in the Capital Projects Fund and \$3.3 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 commercial districts are concentrated into five distinct retail villages and an office park complex. The population is stable at approximately 20,400.

CITY OF MOUNTAIN BROOK, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's revenues are relatively stable and expected to increase modestly in the future with incremental gains attributable to regional economic growth and ongoing redevelopment of commercial and residential properties. The growth in General Fund revenues for the year ending September 30, 2020 was 2.3% greater than the actual realized for the year ended September 30, 2019.

The residents of the City have expressed high satisfaction in a recent survey with respect to the services and amenities offered by the City. Accordingly, programs and activities and the costs associated with governmental operations are generally stable. General Fund expenditures for 2020 were 3.9% less budgeted.

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Governmental Funds

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

CITY OF MOUNTAIN BROOK, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City maintains twelve (12) governmental funds. The City considers the General Fund and Capital Projects Fund (which is comprised of three "sub-funds") to be major funds and their respective balance sheets and statements of revenues, expenditures, and changes in fund balance are separately reported. Information from the remaining funds (various Special Revenue funds and the Debt Service fund) have been aggregated and reported in a single column titled "Other Governmental Funds". Additional information about these aggregated, non-major funds and the major funds is provided in the other supplementary information.

Infrastructure Capital Assets

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

	<u>Useful Life</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Accumulated Depreciation</u>
Land (easements)	N/A	\$ 16,525,671	N/A	N/A
Streets and alleys	20	21,228,513	\$ 557,663	\$ 15,975,123
Storm sewers	20	14,585,204	667,732	8,117,904
Sidewalks	15	17,684,119	673,991	11,508,050
Park facilities	20	9,700,481	307,202	6,801,701
Street lights and signs	15	1,740,986	61,718	1,309,682
Library reference materials	5	5,687,280	348,345	4,801,085
Totals		<u>\$ 87,152,254</u>	<u>\$ 2,616,651</u>	<u>\$ 48,513,545</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>2020</u>	<u>2019</u>
Current assets	\$ 43,412,304	\$ 39,521,669
Capital assets	79,516,798	79,033,394
Deferred outflows of resources	11,222,648	9,052,333
Total assets and deferred outflows of resources	<u>134,151,750</u>	<u>127,607,396</u>
Current and other liabilities	4,046,084	2,687,137
Long-term liabilities	3,228,645	3,254,195
Net pension liability (Note 5)	31,594,859	27,949,688
Net OPEB liability (Note 6)	2,650,562	2,904,202
Deferred inflows of resources	2,631,989	3,414,122
Total liabilities and deferred inflows of resources	<u>44,152,139</u>	<u>40,209,344</u>

CITY OF MOUNTAIN BROOK, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net position:

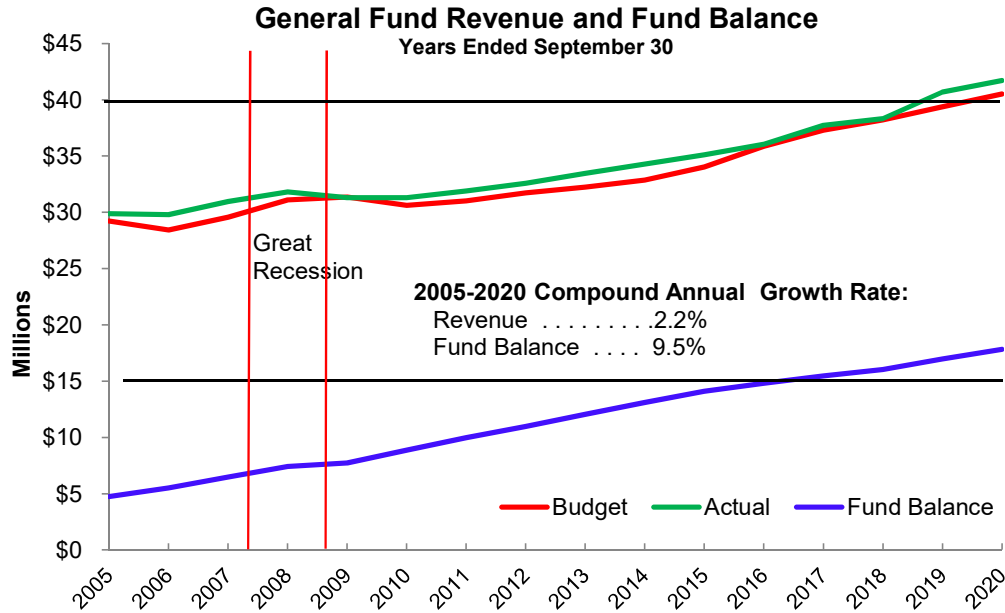
Net investment in capital assets	79,516,798	79,033,394
Restricted	808,064	671,512
Unrestricted	<u>9,674,749</u>	<u>7,693,146</u>
Total net position	<u>\$ 89,999,611</u>	<u>\$ 87,398,052</u>

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

	<u>2020</u>	<u>2019</u>
Revenues		
Program revenues		
Fees, fines and charges for services	\$ 6,227,191	\$ 6,606,638
Operating grants and contributions	1,037,296	228,852
Capital grants and contributions	1,337,904	1,185,671
General revenues		
Ad valorem taxes (real and personal property)	18,106,420	17,448,441
Sales and use taxes	11,967,624	11,890,474
Road and bridge	700,189	671,896
Lease	533,530	503,486
Lodging	494,328	694,827
State gasoline	477,567	413,014
Wine, beer and alcohol	192,954	196,392
State bank excise	224,134	127,631
Other taxes	272,419	244,556
Utility taxes	1,410,584	1,362,195
Franchise fees	617,119	630,040
Investment earnings	823,585	1,311,115
Gain (loss) on disposals of capital assets	28,362	85,921
Miscellaneous revenues	30,124	40,751
Transfers from component unit	<u>69,602</u>	<u>70,841</u>
Total revenues	<u>44,550,932</u>	<u>43,712,741</u>
Expenses		
General government	7,406,389	7,049,750
Public safety	18,678,909	18,091,141
Street and sanitation	10,331,582	10,155,540
Recreational	1,933,917	1,985,499
Library	<u>3,598,576</u>	<u>3,522,883</u>
Total expenses	<u>41,949,373</u>	<u>40,804,813</u>
Increase in net position	2,601,559	2,907,928
Net position, beginning of year	<u>87,398,052</u>	<u>84,490,124</u>
Net position, end of year	<u>\$ 89,999,611</u>	<u>\$ 87,398,052</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 40% of total General Fund revenues in 2020. Real estate taxes increased \$598,000 (3.7%) during 2020 largely due to annual property revaluations conducted by the Jefferson County Commission.

The second largest source of revenue for the City is sales and use tax which totaled 25% of total General Fund revenues in 2020. Sales and use tax revenue decreased by \$430,000 (3.9%) during 2020 due largely to the slowing economy and business disruptions caused by the pandemic.

Recently, the State of Alabama simplified the reporting and remittance of sales taxes attributable to online sales resulting in an increase of \$566,000 (151%) for the year.

Business license fees (generally based on prior year gross sales) decreased 4.6% attributed to the slowing economy.

Construction permits decreased by \$339,000 (23%) due to reduced building activity attributed to the slowing economy and business disruptions caused by the pandemic.

The 24% decrease in fines is attributed to the State's Safer at Home order and business closures during the early onset of the pandemic.

Grant revenues increased by \$822,000 including \$873,000 from the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

CITY OF MOUNTAIN BROOK, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Investment earnings decreased by \$173,500 (30%) due to interest rate reductions combined with lower (3%) General Fund cash and investment balances.

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

	2020	2019	Increase (Decrease)
Real estate ad valorem tax	\$ 16,776,932	\$ 16,179,118	\$ 597,814
Sales and use tax	10,612,050	11,041,853	(429,803)
Streamlined sellers' use tax (SSUT)			
from online sales	942,715	376,589	566,126
Business licenses	2,859,211	2,995,790	(136,579)
Personal property ad valorem tax	1,329,488	1,269,323	60,165
Construction permits	1,162,500	1,501,218	(338,718)
Utility taxes	1,410,584	1,362,195	48,389
Grants	919,162	96,880	822,282
Fine and forfeitures	348,811	461,595	(112,784)
Investment earnings	402,465	575,961	(173,496)
All other General Fund revenues	<u>4,929,871</u>	<u>4,832,784</u>	<u>97,087</u>
Totals	<u>\$ 41,693,789</u>	<u>\$ 40,693,306</u>	<u>\$ 1,000,483</u>

Expenditures

Salaries and benefits increased \$709,399 (3%) in 2020 to \$24.3 million. Labor-related costs made up (58%) of the City's total General Fund expenditures (including interfund transfers) in 2020. Following is a comparative summary of the major expenditure categories (all funds combined) of the City as reported in the Governmental Funds financial statements.

	2020	2019	Increase (Decrease)
Salaries and benefits	\$ 23,004,500	\$ 22,288,506	\$ 715,994
Excess pension contribution	678,000	638,000	40,000
OPEB (retiree medical) trust deposit	200,000	300,000	(100,000)
Retiree medical premiums, net	407,708	354,303	53,405
Garbage contract fees	2,897,901	2,870,694	27,207
Capital outlay	6,029,393	3,498,940	2,530,453
Intergovernmental services	1,001,787	973,991	27,796
Utilities and communication	926,756	933,769	(7,013)
Development agreement payments	1,262,760	1,227,363	35,397
Property and casualty insurance	292,229	270,337	21,892
Legal and accounting	375,277	424,064	(48,787)
Library collection	358,829	341,268	17,561
Fuel and lubricants	216,515	266,158	(49,643)
Software licenses and maintenance	208,386	211,721	(3,335)
Hydrant and parking lot rents	210,110	185,727	24,383
Chamber of Commerce	153,235	153,235	0
Birmingham Zoo, Inc. subsidy	10,000	10,000	0
All other	<u>3,785,857</u>	<u>4,050,721</u>	<u>(264,864)</u>
Totals	<u>\$ 42,019,243</u>	<u>\$ 38,998,797</u>	<u>\$ 3,020,446</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 \$1,174,000. (2.9%).
Following is a summary of the favorable (unfavorable) budget variances:

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Real estate tax	\$ 16,629,000	\$ 16,776,932	\$ 147,932
Sales and use tax	10,781,000	10,612,050	(168,950)
Sales and use tax (county administered)	424,000	412,859	(11,141)
Online sellers' use taxes	317,000	942,715	625,715
Lodging tax	700,000	494,328	(205,672)
Personal property taxes	1,294,000	1,329,488	35,488
Other taxes	1,006,400	1,223,036	216,636
Utility taxes	1,362,000	1,410,584	48,584
Road and bridge tax	647,000	700,189	53,189
Construction permits	1,280,000	1,162,500	(117,500)
Fines and forfeitures	454,000	348,811	(105,189)
Charges for services	1,109,275	990,115	(119,160)
Fees for road repairs	41,000	29,693	(11,307)
Grants	33,492	919,162	885,670
Investment earnings	308,700	402,465	93,765
All other	<u>4,132,703</u>	<u>3,938,862</u>	<u>(193,841)</u>
Totals	<u>\$ 40,519,570</u>	<u>\$ 41,693,789</u>	<u>\$ 1,174,219</u>

- Total General Fund expenditures were \$991,000 (2.7%) less than the final budget. The favorable (unfavorable) budget variances are summarized below:

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Salaries and benefits	\$ 25,259,847	\$ 24,290,208	\$ 969,639
Garbage contract fees	2,917,000	2,897,901	19,099
Intergovernmental services	1,035,500	1,001,787	33,713
Utilities and communication	867,870	926,756	(58,886)
Development agreement payments	1,423,000	1,262,760	160,240
Fuel and lubricants	233,591	216,515	17,076
Fleet and equipment maintenance	357,075	292,404	64,671
Legal and accounting (financial and revenue compliance)	328,000	375,277	(47,277)
Property and casualty insurance	274,150	292,229	(18,079)
Employee development and travel	366,770	227,878	138,892
Traffic studies	40,000	42,289	(2,289)
Street striping	175,000	200,625	(25,625)
Street cut repairs	100,000	153,564	(53,564)
Park and recreation special projects	0	46,444	(46,444)
Capital outlay	393,335	409,525	(16,190)
All other	<u>2,372,374</u>	<u>2,516,834</u>	<u>(144,460)</u>
Totals	<u>\$ 36,143,512</u>	<u>\$ 34,743,471</u>	<u>\$ 990,516</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 occurs through normal employee turnover.
- The development agreement payments, which are based on revenues generated from the underlying developments, were less than budgeted due to decreased retail and lodging activity from the business disruptions caused by the pandemic.
- The favorable employee development and travel budget variance occurred as the City reduced discretionary spending to offset the revenue declines from the business disruptions caused by the pandemic.
- Total operating transfers out exceeded the amount budgeted by \$2,098,000. This variance resulted largely from the Council's decision (after year-end) to transfer \$1,972,300 more than budgeted from the General Fund to the Capital Projects Fund. Also, the General Fund transfers to the Correction fund exceeded the amount budgeted by \$126,000 due to reduced fine revenues collected in the Corrections Fund caused by the pandemic.
- The total excess of General Fund revenues and other financing sources over expenditures in the amount of \$858,000 was \$480,000 more than budgeted.

Other Matters of Interest

Pension Plan

As more fully described in Note 5 to the Financial Statements, the City participates in an agent multi-employer, defined benefit pension plan which is administered by the Employees' Retirement System of Alabama (RSA). The most recent actuarial valuation data available is as of and for the year ended September 30, 2019.

As of September 30, 2019, the RSA reported the actuarial value of plan assets to be \$61.6 million and the actuarial accrued liability to be \$94.5 million resulting in an unfunded actuarial accrued liability of \$32.9 million. The actuarial value of assets was \$736,000 more than the market value of assets as of September 30, 2019. 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 Budgeted	<u>350,000</u>	2.0%
Total	\$ <u>12,176,000</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) obligation(s). As of September 30, 2020, the City had accumulated \$2.5 million in the Debt Service Fund.

Other Post-Employment Benefits (OPEB)

As more fully described in Note 6 to the Financial Statements, the City provides continuing medical benefits to qualifying retirees. The City's funding policy is to fund the net cost of retiree medical benefits, related trust operating expenses and deposit additional funds into an irrevocable trust restricted for future benefits. For the year ended September 30, 2020, the net cost of retiree medical benefits and related trust expenses paid by the City totaled \$410,049. The City deposited an additional \$200,000 into the trust. As of September 30, 2020, the City reported a total OPEB liability of \$6.32 million and actuarial value of trust assets of \$3.67 million for an net OPEB liability of \$2.65 million (excluding deferred inflows and outflows).

Cash and Temporary Investments

As of September 30, 2020, the City reported cash and temporary investments of \$39.3 million (excluding the cash and investments held by the Other Post-Employment Benefits (OPEB) trust and discretely presented component unit) which consisted of unrestricted and donor-restricted cash and temporary investments of \$39.1 million and \$278,000, respectively. Following is a summary of the carrying value of the cash and investments by fund as of September 30, 2020, including the OPEB trust and discretely presented component unit.

	Unrestricted	Restricted
General Fund	\$ 16,332,671	\$ 277,863
Capital Projects Fund	19,538,490	0
Other Governmental Funds (Debt Service)	2,462,020	0
Other Governmental Funds (Special Revenue)	731,069	0
Section 115 irrevocable, retiree medical trust	0	3,671,202
Discretely presented component unit	0	5,578,104
Totals	\$ 39,064,250	\$ 9,527,169

The \$16.3 million General Fund cash and investment balance as of September 30, 2020, represents approximately 6 months of General Fund expenditures (excluding intrafund transfers).

Capital Assets and Related Replacement Reserves

Regarding capital assets, the City Council has adopted a policy of (partially) funding its depreciation expense in order to accumulate reserve funds for the eventual replacement of property, plant and equipment. As of September 30, 2020, the City had accumulated approximately \$18.3 million in the Capital Projects Fund for such purpose. Accumulated depreciation (considered by management to be the benchmark with respect to measuring the funding status of the property, plant and equipment replacement reserves) totaled \$83.5 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

	<u>2020</u>	<u>2019</u>
Capital expenditures	\$ 6,029,393	\$ 3,498,940
Depreciation expense	\$ 5,545,989	\$ 5,662,561
Transfers to the Capital Projects Fund:		
Funded depreciation policy	\$ 2,813,700	\$ 2,656,200
Other transfers to fund current and future capital acquisitions	<u>2,652,073</u>	<u>2,505,847</u>
Totals	<u>\$ 5,465,773</u>	<u>\$ 5,162,047</u>

The City maintains approximately 185 miles of paved roadways and alleys. The state shared gasoline tax revenues, the City's allocation of the Alabama Trust Fund Earnings, and other monies transferred from the General Fund are used to fund the City's street maintenance program. Following is a summary of the revenues and expenditures as they pertain to the maintenance of the City's roadways:

	<u>2020</u>	<u>2019</u>
Revenues		
State shared gasoline tax revenues	\$ 477,566	\$ 413,015
Alabama Trust Fund Earnings	198,690	185,155
Transfers from the City's General Fund	50,000	125,000
Investment earnings	<u>3,125</u>	<u>13,191</u>
Total Revenues	729,381	736,361
Street paving expenditures	<u>654,563</u>	<u>960,456</u>
Excess of Revenues Over Expenditures	74,818	(224,095)
Fund balance, beginning of the year	<u>433,791</u>	<u>657,886</u>
Fund Balance, end of year	<u>\$ 508,609</u>	<u>\$ 433,791</u>

Requests for Additional Information

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

City of Mountain Brook, Alabama
Government-wide Statement of Net Position
September 30, 2020

	Governmental Activities		Component Unit Library Foundation
	2020	2019	2020
ASSETS			
CURRENT ASSETS			
Cash and temporary investments	\$ 39,064,250	\$ 36,595,220	\$ 0
Receivables	3,472,672	2,437,264	0
Due from related organization	201,085	4,144	0
Inventory and prepaid expenses	396,434	241,893	0
Cash and temporary investments - restricted	<u>277,863</u>	<u>243,148</u>	<u>5,578,104</u>
TOTAL CURRENT ASSETS	<u>43,412,304</u>	<u>39,521,669</u>	<u>5,578,104</u>
NONCURRENT ASSETS			
Capital assets, net of accumulated depreciation	55,164,427	57,197,479	68,370
Land	20,190,123	20,190,123	552,611
Construction in progress	<u>4,162,248</u>	<u>1,645,792</u>	<u>0</u>
TOTAL NONCURRENT ASSETS	<u>79,516,798</u>	<u>79,033,394</u>	<u>620,981</u>
DEFERRED OUTFLOWS OF RESOURCES			
Differences between expected and actual:			
OPEB trust investment earnings and experience	3,323,675	1,939,242	0
Pension plan investment earnings and experience	2,871,973	1,442,601	0
Change in pension plan assumptions	<u>2,167,097</u>	<u>2,927,253</u>	<u>0</u>
Employer pension contributions subsequent to the measurement date	<u>2,859,903</u>	<u>2,743,237</u>	<u>0</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>11,222,648</u>	<u>9,052,333</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>134,151,750</u>	<u>127,607,396</u>	<u>6,199,085</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	2,119,874	858,740	0
Accrued salaries and wages	1,212,345	1,051,272	0
Due to related organization	65,435	60,150	0
Other current liabilities	<u>648,430</u>	<u>716,975</u>	<u>0</u>
TOTAL CURRENT LIABILITIES	<u>4,046,084</u>	<u>2,687,137</u>	<u>0</u>
NONCURRENT LIABILITIES			
Compensated absences	<u>3,228,645</u>	<u>3,254,195</u>	<u>0</u>
TOTAL NONCURRENT LIABILITIES	<u>3,228,645</u>	<u>3,254,195</u>	<u>0</u>
NET PENSION LIABILITY (NOTE 5)	31,594,859	27,949,688	
NET OPEB LIABILITY (NOTE 6)	<u>2,650,562</u>	<u>2,904,202</u>	<u>0</u>
NET PENSION AND OPEB LIABILITIES	<u>34,245,421</u>	<u>30,853,890</u>	<u>0</u>
DEFERRED INFLOWS OF RESOURCES			
Change in OPEB assumptions	2,050,614	725,468	0
OPEB trust Investment gain and loss	36,150	47,877	0
Differences between projected and actual earnings on pension plan investments and experience	<u>545,225</u>	<u>2,640,777</u>	<u>0</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,631,989</u>	<u>3,414,122</u>	<u>0</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>44,152,139</u>	<u>40,209,344</u>	<u>0</u>
NET POSITION			
Net investment in capital assets	79,516,798	79,033,394	620,981
Restricted	808,064	671,512	5,578,104
Unrestricted	<u>9,674,749</u>	<u>7,693,146</u>	<u>0</u>
TOTAL NET POSITION	<u>\$ 89,999,611</u>	<u>\$ 87,398,052</u>	<u>\$ 6,199,085</u>

See accompanying notes to basic financial statements.

City of Mountain Brook, Alabama
Government-wide Statement of Activities
For the Year Ended September 30, 2020

Program Activities	Program Revenues			
Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:				
General government	\$ 7,406,389	\$ 3,111,195	\$ 55,617	\$ 0
Public safety	18,678,909	2,828,008	0	7,571
Street and sanitation	10,331,582	70,815	903,376	1,209,259
Recreational	1,933,917	195,584	62,517	49,616
Library	3,598,576	21,589	15,786	71,458
Total	\$ 41,949,373	\$ 6,227,191	\$ 1,037,296	\$ 1,337,904
Component unit:				
Library Foundation	\$ 81,076	\$ 0	\$ 587,652	\$ 0

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

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

See accompanying notes to basic financial statements.

Total Net (Expense) Revenue and Changes in Net Position	2019		2019	
	Total Net (Expense) Revenue and Changes in Net Position	Component Unit (Library Foundation)	Total Net (Expense) Revenue and Changes in Net Position	Component Unit (Library Foundation)
\$ (4,239,577)	\$ (3,730,496)	\$ 0	\$ 0	
(15,843,330)	(15,084,995)	0	0	
(8,148,132)	(8,969,948)	0	0	
(1,626,200)	(1,614,887)	0	0	
<u>(3,489,743)</u>	<u>(3,383,326)</u>	<u>0</u>	<u>0</u>	

\$ (33,346,982) \$ (32,783,652)

\$ 506,576 \$ 98,768

18,106,420	17,448,441	0	0
11,967,624	11,890,474	0	0
700,189	671,896	0	0
533,530	503,486	0	0
494,328	694,827	0	0
477,567	413,014	0	0
192,954	196,392	0	0
224,134	127,631	0	0
272,419	244,556	0	0
1,410,584	1,362,195	0	0
617,119	630,040	0	0
823,585	1,311,115	328,840	127,913
28,362	85,921	0	0
30,124	40,751	0	0
<u>69,602</u>	<u>70,841</u>	<u>(69,602)</u>	<u>(70,841)</u>
<u>35,948,541</u>	<u>35,691,580</u>	<u>259,238</u>	<u>57,072</u>
<u>2,601,559</u>	<u>2,907,928</u>	<u>765,814</u>	<u>155,840</u>
<u>87,398,052</u>	<u>84,490,124</u>	<u>5,433,271</u>	<u>5,277,431</u>
<u>\$ 89,999,611</u>	<u>\$ 87,398,052</u>	<u>\$ 6,199,085</u>	<u>\$ 5,433,271</u>

City of Mountain Brook, Alabama
Balance Sheet
Governmental Funds
September 30, 2020

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and temporary investments	\$ 16,332,671	\$ 19,538,490	\$ 3,193,089	\$ 39,064,250
Cash and temporary investments - restricted	277,863	0	0	277,863
Receivables	3,297,984	80,870	93,818	3,472,672
Due from related organizations	201,085	0	0	201,085
Inventory and prepaid expenses	368,335	28,099	0	396,434
TOTAL ASSETS	\$ 20,477,938	\$ 19,647,459	\$ 3,286,907	\$ 43,412,304
LIABILITIES				
Accounts payable	\$ 724,164	\$ 1,378,878	\$ 16,832	\$ 2,119,874
Accrued salaries and wages	1,212,345	0	0	1,212,345
Due to related organizations	65,435	0	0	65,435
Other liabilities	648,430	0	0	648,430
TOTAL LIABILITIES	2,650,374	1,378,878	16,832	4,046,084
PENSION OBLIGATION (NOTE 5)				
OPEB OBLIGATION (NOTE 6)				
FUND BALANCES				
Nonspendable	368,335	28,099	0	396,434
Restricted	0	0	808,064	808,064
Committed	52,188	18,240,482	0	18,292,670
Assigned	212,300	0	2,462,011	2,674,311
Unassigned	17,194,741	0	0	17,194,741
TOTAL FUND BALANCES	17,827,564	18,268,581	3,270,075	39,366,220
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,477,938	\$ 19,647,459	\$ 3,286,907	\$ 43,412,304

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, 2020

Fund balance - total governmental funds		\$ 39,366,220
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	\$ 163,048,333	
Less accumulated depreciation	<u>(83,531,535)</u>	79,516,798
Deferred outflows of resources:		
Differences between expected and actual earnings on OPEB trust investments and experience	3,323,675	
Differences between expected and actual earnings on pension plan investment earnings and experience	2,871,973	
Change in pension plan assumptions	2,167,097	
Employer pension contributions subsequent to the measurement date	<u>2,859,903</u>	11,222,648
Net pension liability is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet		(31,594,859)
Net OPEB liability is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet		(2,650,562)
Deferred inflows of resources:		
Change in OPEB assumptions	(2,050,614)	
OPEB trust Investment gain and loss	(36,150)	
Net difference between projected and actual earnings on pension plan investments	<u>(545,225)</u>	(2,631,989)
Long-term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet		
Compensated absences		<u>(3,228,645)</u>
Net position of governmental activities		<u>\$ 89,999,611</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, 2020

	<u>General</u>	<u>Capital Projects</u>
Revenues:		
Taxes	\$ 33,902,180	\$ 0
Licenses and permits	4,701,287	0
Intergovernmental	478,275	0
Charges for services	662,609	0
Fines and forfeitures	348,811	0
Grants	919,162	965,840
Other operating revenues	<u>681,465</u>	<u>381,609</u>
Total revenues	<u>41,693,789</u>	<u>1,347,449</u>
Expenditures:		
Current (operating):		
General government	6,899,140	821
Public safety	16,137,902	0
Street and sanitation	7,049,530	74,678
Recreational	1,293,274	79,264
Library	2,954,100	344
Capital outlay	<u>409,525</u>	<u>5,619,868</u>
Total expenditures	<u>34,743,471</u>	<u>5,774,975</u>
Excess (deficiency) of revenues over expenditures	<u>6,950,318</u>	<u>(4,427,526)</u>
Other financing sources (uses):		
Operating transfers in	0	5,465,773
Operating transfers (out)	(6,246,028)	0
Operating transfers in - component unit	69,602	0
Proceeds from the sale of assets	0	28,362
Donations	<u>84,358</u>	<u>52,300</u>
Total other financing sources (uses)	<u>(6,092,068)</u>	<u>5,546,435</u>
Excess of revenues and other financing sources over expenditures and other financing uses	858,250	1,118,909
Fund balances, beginning of year	<u>16,969,314</u>	<u>17,149,672</u>
FUND BALANCES, END OF YEAR	<u>\$ 17,827,564</u>	<u>\$ 18,268,581</u>

See accompanying notes to basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 477,566	\$ 34,379,746
0	4,701,287
0	478,275
473,386	1,135,995
85,918	434,729
0	1,885,002
<u>238,201</u>	<u>1,301,275</u>
<u>1,275,071</u>	<u>44,316,309</u>
350,707	7,250,668
495,527	16,633,429
654,563	7,778,771
0	1,372,538
0	2,954,444
<u>0</u>	<u>6,029,393</u>
<u>1,500,797</u>	<u>42,019,243</u>
<u>(225,726)</u>	<u>2,297,066</u>
780,255	6,246,028
0	(6,246,028)
0	69,602
0	28,362
<u>0</u>	<u>136,658</u>
<u>780,255</u>	<u>234,622</u>
554,529	2,531,688
<u>2,715,546</u>	<u>36,834,532</u>
<u>\$ 3,270,075</u>	<u>\$ 39,366,220</u>

City of Mountain Brook, Alabama
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Funds to the Government-wide Statement of Activities
September 30, 2020

Net change in fund balances - total governmental funds		\$ 2,531,688
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Expenditures for capital assets	\$ 6,029,393	
Less current year depreciation	<u>(5,545,989)</u>	483,404
Net book value of assets disposed during the year.		0
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	1,384,433	
Differences between expected and actual earnings on pension plan investments and experience	1,429,372	
Change in pension plan assumptions	(760,156)	
Employer pension contributions subsequent to the measurement date	<u>116,666</u>	2,170,315
Change in long-term compensated absences		25,550
The effect of the net (increase) decrease in the pension liability		(3,645,171)
The effect of the net (increase) decrease in the OPEB liability		253,640
The effect of the net (increase) decrease in the deferred inflows of resources		
Change in OPEB assumptions	(1,325,146)	
OPEB Trust investment gain and loss	11,727	
Differences between projected and actual earnings on pension plan investments and experience	<u>2,095,552</u>	<u>782,133</u>
Change in net position of governmental activities		<u>\$ 2,601,559</u>

See accompanying notes to basic financial statements.

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

	<u>2020</u>	<u>2019</u>
ASSETS		
Certificates of deposit, at fair value	<u>\$ 3,671,202</u>	<u>\$ 3,352,445</u>
TOTAL ASSETS	<u>3,671,202</u>	<u>3,352,445</u>
LIABILITIES		
Accounts payable and accrued liabilities	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>0</u>	<u>0</u>
NET POSITION RESTRICTED FOR OTHER POST-EMPLOYMENT BENEFITS	<u>\$ 3,671,202</u>	<u>\$ 3,352,445</u>

See accompanying notes to basic financial statements.

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

	2020	2019
ADDITIONS		
Contributions		
Employer	\$ 607,708	\$ 654,303
Plan members	155,253	132,677
Investment earnings	121,098	166,117
TOTAL ADDITIONS	884,059	953,097
DEDUCTIONS		
Benefits	559,051	483,980
Administrative expense	6,251	3,000
TOTAL DEDUCTIONS	565,302	486,980
NET INCREASE IN NET POSITION	318,757	466,117
Net position restricted for other post-employment benefits, beginning of year	3,352,445	2,886,328
NET POSITION RESTRICTED FOR OTHER POST-EMPLOYMENT BENEFITS, END OF YEAR	\$ 3,671,202	\$ 3,352,445

See accompanying notes to basic financial statements.

City of Mountain Brook, Alabama

Notes to Financial Statements

1. Summary of significant accounting policies

The City of Mountain Brook, Alabama (the City) was incorporated on March 24, 1942. The City operates under the Council-Manager form of government organized to comply with the provisions of Title 11, Chapter 43, Sections 20-22 of the Code of Alabama 1975, as amended. The City Council is composed of five officials all of whom are elected at-large. The members of the City Council and Mayor hold office for four year terms. The terms of office for the elected officials are staggered (beginning in October 2004) with Council places 1, 3, and 5 up for election in even years and Council places 2 and 4 and the Mayor's office up for election in odd years. The next election is scheduled for August 27, 2022. The City Manager is appointed by the City Council as the executive officer to serve at the will and pleasure of that body. The Mayor and members of the City Council receive no salary or other compensation for their service to the City.

A. Accounting and reporting

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

B. Related organizations

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

For the years ended September 30, 2020 and 2019, the City reported revenue from the Board in the amount of \$478,275 and \$160,291, respectively, as follows:

	<u>2020</u>	<u>2019</u>
School Resource Officers (one-half)	\$ 327,506	\$ 0
Recreational field maintenance	101,419	92,199
Reimbursement of school athletic facility improvements paid by the City in previous years	<u>49,350</u>	<u>68,092</u>
Total	<u>\$ 478,275</u>	<u>\$ 160,291</u>

Outstanding receivables from the Board as of September 30, 2020 and 2019 were \$201,085 and \$4,144, respectively.

The City receives 36.7 mills of the 99.0 mill property tax (Note 1.S.) from Jefferson County. From the 36.7 mills, the City transfers 10.6 mills to the Board. For financial reporting purposes, the City includes the net property tax of 26.1 mills in its General Fund revenues. At September 30, 2020 and 2019, the City owed the Board \$65,435 and \$60,150, respectively, for its share of property taxes which is included in other liabilities of the General Fund.

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

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

C. Government-wide Financial Statements

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

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

City of Mountain Brook, Alabama

Notes to Financial Statements

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

D. Fund Financial Statements

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

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

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

The funds of the financial reporting entity are described below:

Governmental funds

A. General Fund

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

B. Special Revenue Funds

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

C. Debt Service Funds

The Debt Service Fund is used to account for financial resources related the City's debt service. In addition, the City is accumulating resources in the Debt Service Fund for the possible future repayment (excess funding) of its unfunded pension obligation (see Note 5).

D. Capital Projects Funds

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

Major and non-major funds

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

The Special Revenue Funds and the Debt Service Fund are classified as non-major and are described above.

E. Fund Balance

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

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

City of Mountain Brook, Alabama

Notes to Financial Statements

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.

The City has established a stabilization (emergency reserve) fund within its General Fund. The emergency reserve fund is intended to be used in the event of a natural disaster that jeopardizes public safety and that results in unusual expenditures necessary to provide public safety services that may or may not be reimbursable under federal or state disaster assistance or relief grant award. The stabilization fund is included in the unassigned fund balance.

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

Fund Balances	General	Capital Projects	Other Governmental Funds	Total
<u>Nonspendable:</u>				
Prepaid expenses	\$ 318,169	\$ 28,099	\$ 0	\$ 346,268
Inventory	50,166	0	0	50,166
Total Nonspendable	<u>368,335</u>	<u>28,099</u>	<u>0</u>	<u>396,434</u>

City of Mountain Brook, Alabama

Notes to Financial Statements

Restricted:

Emergency Communication				
District (E911)	0	0	299,455	299,455
State Shared Gasoline Taxes:				
5 Cent	0	0	172,906	172,906
7 Cent	0	0	71,664	71,664
4 Cent	0	0	180,427	180,427
2 Cent	0	0	13,270	13,270
10 Cent	0	0	70,342	70,342
Total Restricted	<u>0</u>	<u>0</u>	<u>808,064</u>	<u>808,064</u>

Committed:

Capital Projects	0	18,240,482	0	18,240,482
Library Endowment	52,188	0	0	52,188
Total Committed	<u>52,188</u>	<u>18,240,482</u>	<u>0</u>	<u>18,292,670</u>

Assigned:

Debt Service Fund	0	0	2,462,011	2,462,011
Asset Forfeitures	12,727	0	0	12,727
Library Book Fund	188,603	0	0	188,603
Community Fund	10,970	0	0	10,970
Total Assigned	<u>212,300</u>	<u>0</u>	<u>2,462,011</u>	<u>2,674,311</u>

Unassigned

All other unassigned	13,937,484	0	0	13,937,484
Emergency Reserve (stabilization) Fund	3,257,257	0	0	3,257,257
Total Unassigned	<u>17,194,741</u>	<u>0</u>	<u>0</u>	<u>17,194,741</u>
Total Fund Balances	<u>\$ 17,827,564</u>	<u>\$ 18,268,581</u>	<u>\$ 3,270,075</u>	<u>\$ 39,366,220</u>

F. Measurement focus and basis of accounting

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

Measurement focus

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

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

Basis of accounting

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

City of Mountain Brook, Alabama

Notes to Financial Statements

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:

	Liability Limits	
	Specific	Aggregate
For claims incurred on or after:		
February 1, 2020 Deductible	\$ 300,000	None
February 1, 2019 Deductible	300,000	None
February 1, 2018 Deductible	300,000	None
February 1, 2017 Deductible	300,000	None
February 1, 2016	300,000	859,553
February 1, 2015	300,000	854,824
February 1, 2014	300,000	845,467
February 1, 2013	250,000	909,034

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

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, 2020 and 2019 in the amount of \$303,000 and \$404,000, respectively. Workers' compensation cost charged by the City during 2020 and 2019 was approximately \$154,000 and \$204,000, 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 \$277,863 and \$243,148 as of September 30, 2020 and 2019, respectively, represent temporary and permanently restricted funds donated to the O'Neal Library, a department of the City.

J. Receivables

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

City of Mountain Brook, Alabama

Notes to Financial Statements

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 bonds payable and accrued compensated absences.

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

M. Compensated absences

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

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

The Government-wide Statement of Net Position includes a noncurrent liability for compensated absences in the amount of \$3,228,645 as of September 30, 2020 and \$3,254,195 as of September 30, 2019. The City paid \$66,155 and \$-0- after September 30, 2020 and 2019, respectively, with respect to vested compensated absences to employees who retired or otherwise ended their employment with the City prior on or before year end which are reported as current liabilities in the Government-Wide Statement of Activities.

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 that have completed a minimum of six years of service as of September 30. Longevity pay for a qualifying employee is the product of the percentage factor (which is based on the number of years of completed services) and their annual rate of pay. The percentage factor is 1.5% after six years and increases 0.5% per year to a maximum rate of 8.5% which is attained after twenty years of service. The plan also limits the City's maximum annual longevity pay to a total of \$440,000 in 2020 and 2019. 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, 2020 and September 30, 2019 reported in the Government-Wide and Fund financial statements totaled \$416,420 and \$434,233, respectively.

O. Holiday pay

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

P. Pension plan

The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report. (Note 5).

Q. Other post-employment benefits (OPEB) plan

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

R. Interfund transactions

During the course of normal operations, the City incurs numerous transactions between funds to provide services, construct or acquire assets, service debt, etc. These transactions are generally reported as operating transfers except in instances where the transfer represents the reimbursement to a fund for expenditures incurred for the benefit of another fund. Following is a summary of the operating transfers between funds during the year ended September 30, 2020:

	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	\$ (5,465,773)	\$ 5,465,773	\$ 0
Corrections fund transfer to fund operations	(345,907)	0	345,907
Debt service transfer for the accumulation of funds for the future repayment of City obligations	(384,348)	0	384,348
Gasoline tax fund transfer to supplement the annual street resurfacing program	(50,000)	0	50,000
Operating transfers, net	\$ (6,246,028)	\$ 5,465,773	\$ 780,255

Following is a summary of the operating transfers between funds during the year ended September 30, 2019:

City of Mountain Brook, Alabama

Notes to Financial Statements

	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	\$ (5,162,047)	\$ 5,162,047	\$ 0
Corrections fund transfer to fund operations	(293,908)	0	293,908
Debt service transfer for the accumulation of funds for the future repayment of City obligations	(416,320)	0	416,320
Gasoline tax fund transfer to supplement the annual street resurfacing program	(125,000)	0	125,000
Operating transfers, net	\$ (5,997,275)	\$ 5,162,047	\$ 835,228

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

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

S. Property taxes

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

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

Residential owner occupant	10%
All other	20%

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

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

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

City of Mountain Brook, Alabama

Notes to Financial Statements

T. Major revenue sources and taxpayers

The City's primary sources of revenue include ad valorem, sales and use, and utilities taxes and business licenses. Collectively, these taxes and licenses totaled approximately \$31.7 million (76%) and \$31.6 million (78%) of the total General Fund revenues during the years ended September 30, 2020 and 2019, respectively. Of the City's taxpayers, Macy's Department Store, Alabama Power Company, Publix, Piggly Wiggly, Whole Foods, Greenwise, Energen Corporation (gas company), Diamonds Direct, Marcus Cable (doing business as Charter Communications), Grand Bohemian Inn, and Shoppes at River Run, LLC (grocery store), collectively, provided approximately \$7.1 million (17%) and \$7.3 million (18%) of the City's total General Fund revenues during the years ended September 30, 2020 and 2019, respectively.

U. Expenditures/Expenses

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

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

Governmental Funds - By Character:	Current (further classified by function and includes Capital Outlay)
------------------------------------	--

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

V. Inventory

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

W. Comparative Data

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

X. Fixed Assets

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

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

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

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

Fund financial statements

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

Y. Management estimates

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

Z. Subsequent events

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

City of Mountain Brook, Alabama

Notes to Financial Statements

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

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

The City, component unit and OPEB Trust have the following recurring fair value measurements as of September 30, 2020:

- The City's certificates of deposit totaling \$12 million (Level 2 inputs) and U. S. government securities totaling \$5.1 million (Level 1 inputs) are valued using current market prices
- The City's common stock of \$78,071 is valued using quoted market prices obtained from the New York Stock Exchange (Level 1 input)
- Mutual funds in the amount of \$4.6 million and U. S. Treasury Notes totaling \$261,211 held by the component unit are valued using quoted market prices (Level 1 inputs)
- Municipal bonds totaling \$117,352 (Level 1) and corporate bonds totaling \$319,219 (Level 1) held by the component unit in are valued using quoted market prices
- The OPEB Trust's cash deposits and certificates of deposit held in a brokerage account totaling \$3.7 million are valued used current market prices (\$1.9 million Level 1 and \$1.8 million Level 2 inputs)

At September 30, 2020, 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	1,486,617	1,486,617	0	0
Institutional Governmental Money Market Funds	6,947,191	6,947,191	0	0
U. S. Treasury securities	5,073,378	5,073,378	0	0
Investments:				
Cash and money market accounts	13,707,040	13,707,040	0	0
Certificates of deposit	12,047,056	3,850,517	6,255,195	1,941,344
576 shares VMC common stock (donated)	78,071	78,071	0	0
Total portfolio	\$ 39,342,113	\$ 31,145,574	\$ 6,255,195	\$ 1,941,344

At September 30, 2020, the discretely presented component unit had the following cash and investments and maturities:

	Investment Maturity in Years				
	Fair Value	Less Than 1	From 1 Up To 3	From 3 Up To 5	Greater Than 5
Bank deposits	\$ 238,838	\$ 238,838	\$ 0	\$ 0	\$ 0
Deposits held in brokerage accounts	42,436	42,436	0	0	0
U. S. Treasury Notes	261,211	0	120,294	118,967	21,950
Corporate bonds	319,291	11,337	152,604	139,210	16,140
Municipal bonds	117,352	55,826	25,724	35,802	0
Mutual funds	4,598,976	4,598,976	0	0	0
Total portfolio	\$ 5,578,104	\$ 4,947,413	\$ 298,622	\$ 293,979	\$ 38,090

At September 30, 2020, the OPEB Trust had the following cash and investments and maturities:

City of Mountain Brook, Alabama

Notes to Financial Statements

	Investment Maturity in Years			
	Fair Value	Less Than 1	From 1 Up To 3	From 3 Up To 5
Deposits held in brokerage accounts	\$ 283,635	\$ 283,635	\$ 0	\$ 0
Equity, domestic large cap	1,274,675	1,274,675	0	0
Equity, small-mid cap	220,119	220,119	0	0
Equity, international	84,667	84,667	0	0
Certificates of deposit	1,808,106	182,001	1,388,952	237,153
Totals	\$ 3,671,202	\$ 2,045,097	\$ 1,388,952	\$ 237,153

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, 2020, were as follows:

Maturity	Portion of Respective Portfolio		
	City	Component Unit	OPEB Trust
Less than one year	79.17%	88.69%	55.71%
1 - 2 years	15.90%	5.35%	37.83%
3 - 5 years	4.93%	5.27%	6.46%
Greater than five years	0%	0.69%	0%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Credit Risk. Act No. 2000-748 of the Code of Alabama requires that all public deposits held in banks be secured by collateral pledged to the Security for Alabama Funds Enhancement (SAFE) collateral pool established in the Office of the State Treasurer. The City's policy is to deposit funds only in financial institutions that are qualified public depositories of the State of Alabama SAFE program or other federally insured financial institutions. Of the City deposits, \$109,500 of certificates of deposit (attributable to accrued interest) exceeded the Federal Depository Insurance Corporation (FDIC) limit and the remainder was either insured by FDIC or collateralized in accordance with Act 2000-748.

The City's investment policy allows for up to 100% of the portfolio to be invested in direct obligations of the U.S. government or federal agencies thereof in accordance with §11-81-19 and §11-81-21 of the Code of Alabama. At September 30, 2020, the City had invested \$12 million in certificates of deposit and \$5.1 million in U. S. Treasury obligations. All of the City's \$12 million investment in certificates of deposit were insured by the FDIC. Following is a summary of the City's top holdings in its cash and investment portfolio:

	Fair Value	Portion of Portfolio
Iberia Bank (demand deposit accounts)	\$ 7,729,709	19.65%
Iberia Bank (short-term U. S. Treasury securities)	5,073,378	12.90%
Regions Bank (demand deposit accounts)	704,099	1.79%
Truist Bank (cash, deposits, money market funds)	13,707,040	34.84%
All other (cash on-hand and common stock)	80,831	0.21%
Various financial institutions - certificates of deposit	12,047,056	30.61%
	<u>\$ 39,342,113</u>	<u>100.00%</u>

The discretely presented component unit does not follow the investment policies of the City. Their policy allows for investments that may potentially produce the highest returns on capital. The discretely presented component unit had no uninsured bank deposits at September 30, 2020 or September 30, 2019. Following is a summary of the holdings in the discretely presented component unit's cash and investment portfolio:

City of Mountain Brook, Alabama

Notes to Financial Statements

Description/Creditor	Par	Cost	Fair Value	Portion of Portfolio
Bank deposits		\$ 104,493	\$ 104,493	1.87%
Deposits held in brokerage accounts		42,436	42,436	0.76%
Money market		134,345	134,345	2.41%
U. S. Treasury Notes	\$ 245,000	251,043	261,211	4.68%
Corporate bonds	299,000	307,975	319,291	5.72%
Municipal bonds	115,000	116,890	117,352	2.10%
Mutual funds		3,990,817	4,598,976	82.46%
		<u>\$ 4,947,999</u>	<u>\$ 5,578,104</u>	<u>100.00%</u>

The OPEB Trust has adopted an investment policy that allows for a mix of equity and fixed income securities. At September 30, 2020, the OPEB Trust had invested \$1.8 million in certificates of deposit. The OPEB Trust held no certificates of deposit (including accrued interest) that exceeded the \$250,000 FDIC limit.

Custodial Risk. For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the investor will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's and OPEB Trust's investments in certificates of deposit are held in separate trusts by the City's and OPEB Trust's custodians in the name of the respective custodian. The discretely presented component unit's investments are held in book entry form and in trust by its custodian in the name of the custodian.

3. Receivables

Receivables at September 30, consisted of the following:

	2020				2019 Total
	General Fund	Capital Projects	Other Governmental Funds	Total	
Taxes	\$ 2,397,305	\$ 0	\$ 0	\$ 2,397,305	\$ 2,131,109
E-911 surcharge	0	0	49,999	49,999	31,791
Board of Education (Note 1.B.)	201,085	0	0	201,085	4,144
Grants	837,389	80,870	0	918,259	167,423
Other	63,290	0	43,819	107,109	106,941
Totals	<u>\$ 3,499,069</u>	<u>\$ 80,870</u>	<u>\$ 93,818</u>	<u>\$ 3,673,757</u>	<u>\$ 2,441,408</u>

4. Capital assets

Following is a summary of the changes in the City's capital assets for the year ended September 30, 2020:

	Balance at September 30, 2019	Additions	Disposals/Retirements/Completed	Balance at September 30, 2020
Capital assets, not being depreciated:				
Land	\$ 20,190,123	\$ 0	\$ 0	\$ 20,190,123
Construction in progress	1,645,792	3,577,419	(1,060,963)	4,162,248
Total capital assets, not being depreciated	<u>21,835,915</u>	<u>3,577,419</u>	<u>(1,060,963)</u>	<u>24,352,371</u>

City of Mountain Brook, Alabama

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**Capital assets,
being depreciated:**

Land improvements	3,123,579	0	0	3,123,579
Buildings and improvements	36,429,206	114,242	0	36,543,448
Machinery and equipment	26,995,058	1,644,612	(237,319)	28,402,351
Infrastructure	<u>69,136,291</u>	<u>693,120</u>	<u>797,173</u>	<u>70,626,584</u>
Total capital assets, being depreciated	<u>135,684,134</u>	<u>2,451,974</u>	<u>559,854</u>	<u>138,695,962</u>
Less accumulated depreciated for:				
Land improvements	554,970	22,085	0	577,055
Buildings and improvements	10,633,324	1,226,609	0	11,859,933
Machinery and equipment	21,137,677	1,680,644	(237,319)	22,581,002
Infrastructure	<u>46,160,684</u>	<u>2,616,651</u>	<u>(263,790)</u>	<u>48,513,545</u>
Total accumulated depreciation	<u>78,486,655</u>	<u>5,545,989</u>	<u>(501,109)</u>	<u>83,531,535</u>
Total capital assets, being depreciated, net	<u>57,197,479</u>	<u>(3,094,015)</u>	<u>1,060,963</u>	<u>55,164,427</u>
Governmental activities capital assets, net	<u>\$ 79,033,394</u>	<u>\$ 483,404</u>	<u>\$ 0</u>	<u>\$ 79,516,798</u>

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

	<u>2020</u>	<u>2019</u>
Governmental activities:		
General government	\$ 384,819	\$ 379,935
Public safety	1,653,040	1,661,812
Street and sanitation	2,361,769	2,410,085
Recreational	514,035	584,894
Library	<u>632,326</u>	<u>625,835</u>
Total depreciation expense	<u>\$ 5,545,989</u>	<u>\$ 5,662,561</u>

5. Pension plan

A. General information about the pension plan

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

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

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

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method. The City elected to grant Tier 1 benefits to its Tier 2 employees effective October 1, 2021.

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

The ERS serves approximately 874 local participating employers. These participating employers include 297 cities, 65 counties, and 511 other public entities. As of September 30, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,959
Terminated employees entitled to but not yet receiving benefits	9,280
Active members	<u>56,901</u>
Total	<u>91,140</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.

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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, 2020, 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, 2020, the City's actuarially determined contribution rates for active employee (including pre-retirement death benefits of 0.02% and administrative expenses of 0.35%) expressed as a percentage of covered employee payroll was as follows:

Unit (Collectively, "The City of Mountain Brook")	Tier 1	Tier 2
2460 City of Mountain Brook	15.64%	14.44%
4791 Mountain Brook Library Board	2.99%	2.43%
4792 Mountain Brook Park and Recreation Board	3.72%	2.46%

The weighted average contribution rate (including pre-retirement death benefits of 0.02% and administrative expenses of 0.35%) to fund the normal and accrued liability costs was 13.78%.

The required contribution rates above are based upon the actuarial valuation dated September 30, 2017, 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 \$4,123,311 (\$2,181,903 employer actuarially determined amount, excess employer contributions of \$678,000, and \$1,263,408 employee excluding pre-retirement death benefits of 0.02% and administrative expenses of 0.35%) for the year ended September 30, 2020.

B. Net pension liability

The City's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018 rolled forward to September 30, 2019 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, 2018	\$ 82,056,405	\$ 5,235,765	\$ 2,479,876	\$ 89,772,046
(b) Discount rate	7.70%	7.70%	7.70%	7.70%
(c) Entry age normal cost for the period				
October 1, 2018 through September 30, 2019	1,233,043	126,224	53,740	1,413,007
(d) Transfers among employers	(113,072)	15,826	(2,756)	(100,002)
(e) Actual benefits payments and refunds for the period				
October 1, 2018 through September 30, 2019	(5,031,209)	(234,484)	(99,828)	(5,365,521)
(f) Total pension liability as of September 30, 2019				
=[(a) x (1 + (b))] + (c) + (d) + [(e) x (1 + 0.5 x (b))]	\$ 84,269,809	\$ 5,537,457	\$ 2,618,139	\$ 92,425,405

Actuarial assumptions.

The total pension liability as of September 30, 2019, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018. The key actuarial assumptions are summarized below:

Inflation	2.750%
Salary increases	3.25%—5.00%
Investment rate of return*	7.70%

*Net of pension plan investment expense

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

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The actuarial assumptions used in the September 30, 2018, valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.75%.

Discount rate. The discount rate used to measure the total pension liability was the long term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2018	\$ 88,575,105	\$ 60,625,417	\$ 27,949,688
Changes for the year:			
Service cost	1,413,007	0	1,413,007
Interest	6,613,711	0	6,613,711
Changes of assumptions	0	0	0
Differences between expected and actual experience	1,289,105	0	1,289,105
Contributions—employer	0	2,806,271	(2,806,271)
Contributions—employee	0	1,325,685	(1,325,685)
Net investment income	0	1,538,696	(1,538,696)
Benefit payments, including refunds of employee contributions	(5,365,521)	(5,365,521)	0
Administrative expense	0	0	0
Transfers among employers	(100,002)	(100,002)	0
Net changes	<u>3,850,300</u>	<u>205,129</u>	<u>3,645,171</u>
Balances at September 30, 2019	<u>\$ 92,425,405</u>	<u>\$ 60,830,546</u>	<u>\$ 31,594,859</u>

City of Mountain Brook, Alabama

Notes to Financial Statements

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 7.70%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.70%) or one percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
City's net pension liability	<u>\$ 41,823,298</u>	<u>\$ 31,594,859</u>	<u>\$ 22,915,243</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, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. The auditor's report dated August 27, 2020, 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, 2020, the City recognized pension expense of \$3,686,674. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,154,466	\$ 545,225
Changes of assumptions	2,167,097	0
Net difference between projected and actual earnings on pension plan investments	717,507	0
Employer contributions subsequent to the measurement date	<u>2,859,903</u>	<u>0</u>
Total	<u>\$ 7,898,973</u>	<u>\$ 545,225</u>

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
2021	\$ 940,746
2022	1,074,069
2023	1,226,022
2024	945,564
2025	207,007
Thereafter	100,437

E. Payable to the pension plan

The City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2020 (and accrued pension contributions in the amount of \$162,691 applicable to accrued [pensionable] salaries and wages as of September 30, 2020).

F. Membership as of the Measurement Date September 30, 2019

	City 2460 MTB	Library 4791 MBL	Park Board 4792 MBP	Combined
Retired members or their beneficiaries currently receiving benefits	121	9	6	136
Vested inactive members	3	1	0	4
Non-vested inactive members	9	4	1	14
Active members	<u>196</u>	<u>26</u>	<u>16</u>	<u>238</u>
Total	<u>329</u>	<u>40</u>	<u>23</u>	<u>392</u>

City of Mountain Brook, Alabama

Notes to Financial Statements

G. Changes to Benefit Terms

Effective October 1, 2021, Tier 2 members shall be granted Tier 1 benefits pursuant to Alabama Act 2019-132.

H. Changes of Assumptions

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

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

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

6. Post-employment benefits

Plan Description. The City of Mountain Brook maintains a single-employer defined medical benefit plan to eligible retirees through participation in the Local Government Health Insurance Plan (LGHIP) administered by the State of Alabama's Local Government Health Insurance Board (LGHIB).

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

Plan Membership. At September 30, 2020, the Plan's membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	40
Active plan members	217
Total	257

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

Contributions. The City Council of the City of Mountain Brook has the authority to establish and amend the contribution requirements of plan members. Employees do not contribute to their post-employment benefit costs until they become retirees and begin receiving benefits. For 2020 and 2019, retirees with single coverage contributed \$175 and \$166 monthly, respectively, and those with family coverage contributed \$558 and \$532 monthly, respectively. The plan provisions are contained in the official plan documents.

Investment policy. The Plan's policy regarding the allocation of invested assets is established and may be amended by the Board of Trustees. The following was the asset allocation policy as of September 30, 2020:

Asset Class	Target Allocation
Fixed income	49%
Domestic large cap	35%
Cash equivalents	8%
Domestic small-mid cap	6%
International equity	2%

Concentrations. The only investments with 5% or greater concentrations were plan assets held in certificates of deposit which were protected by the Federal Depository Insurance Corporation (FDIC).

Rate of Return. For the year ended September 30, 2020, the annual money-weighted rate of return (loss) on investments, net of investment expense, was 3.53%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Mountain Brook, Alabama

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Net OPEB Liability

The components of the net OPEB liability of the City of Mountain Brook at September 30, 2020, were as follows:

Total OPEB liability	\$ 6,321,764
Plan fiduciary net position	<u>3,671,202</u>
 Net OPEB liability	 <u>\$ 2,650,562</u>
 Plan fiduciary net position as a percentage of the total liability	 <u>58.07%</u>

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c)
Balances at September 30, 2019	\$ 6,256,647	\$ 3,352,445	\$ 2,904,202
Service cost	85,182	0	85,182
Interest cost at 3.5%	211,916	0	211,916
Differences between expected and actual experience	1,735,041	0	1,735,041
Contributions-employer	0	452,455	(452,455)
Contributions-members	0	155,253	(155,253)
Net investment income	0	121,098	(121,098)
Change of assumptions	(1,563,224)		(1,563,224)
Direct benefit payments	(403,798)	(403,798)	0
Direct administrative expense	<u>0</u>	<u>(6,251)</u>	<u>6,251</u>
Net change	<u>65,117</u>	<u>318,757</u>	<u>(253,640)</u>
 Balances at September 30, 2020	 <u>\$ 6,321,764</u>	 <u>\$ 3,671,202</u>	 <u>\$ 2,650,562</u>

At September 30, 2020, 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	\$ 43,440	\$ (36,150)
Economic/demographic (gain) loss	3,280,235	
Change of assumptions (gain) loss	<u>0</u>	<u>(2,050,614)</u>
	<u>\$ 3,323,675</u>	<u>\$ (2,086,764)</u>

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

Fiscal Year Ending September 30	Net Amount To Be Recognized
2021	\$ 100,500
2022	100,502
2023	78,780
2024	90,752
2025	90,811
Thereafter	<u>775,566</u>
	<u>\$ 1,236,911</u>

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of October 1, 2019, using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

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Inflation	2.5%
Salary increases	3.0% including inflation
Discount rate	3.5% 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, 2019, valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2006 to September 30, 2020 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, 2020, are summarized in the following table:

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

Discount Rate. The discount rate used to measure the total OPEB liability was 5.5%. The discount rate changed from 3.5% to 5.5% during the year ended September 30, 2020, to reflect the Trust's investment policy change. 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.

For the year ended September 30, 2020, the City recognized OPEB expense of \$283,054.

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%)
City's net OPEB liability	<u>\$ 3,282,255</u>	<u>\$ 2,650,562</u>	<u>\$ 2,166,608</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%)
City's net OPEB liability	<u>\$ 2,114,947</u>	<u>\$ 2,650,562</u>	<u>\$ 3,257,059</u>

7. Commitments and contingencies

The City is charged by the Jefferson County Commission for shared services. The assessments for shared services charged to the City during 2020 and 2019 were as follows:

City of Mountain Brook, Alabama

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	<u>2020</u>	<u>2019</u>
Property tax commissions	\$ 234,655	\$ 225,406
Maintenance of maps and appraisals	238,325	260,838
Jefferson County Health Department	129,438	126,765
Birmingham-Jefferson County Transit Authority	135,054	121,987
Personnel Board of Jefferson County	251,964	226,644
Birmingham Regional Planning Commission	12,350	12,350

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

The City has arranged for an independent contractor, Waste Management Company, Inc., to provide for the collection and disposal of refuse and recyclable materials. The base rates for this service for the year ended September 30, 2020, were \$31.89 per month for single and multiple family residential units and \$39.12 per month for commercial units. The annual cost incurred under this agreement for each the years ended September 30, 2020 and 2019, was approximately \$2,898,000 and 2,871,000, respectively. Total garbage service fee revenues collected by the City from its commercial customers during the years ended September 30, 2020 and 2019 were \$28,883 and \$32,395 respectively.

In August 2013, the City entered into a development agreement with a real estate developer constructing a 28-acre, \$120 million planned unit development. Under the terms of the development agreement, the City will reimburse the developer \$4 million for its infrastructure costs of constructing a new road and widening and improving existing roads upon completion of such improvements. In addition, the City has agreed to a \$10 million revenue sharing arrangement. To the extent that sales tax revenue generated from the new development exceeds the pre-development annual baseline of \$728,000 (to be indexed annually at the rate of 2%), the City shall pay the developer 90% of the excess. The City shall also pay the developer 90% of the new lodging tax revenue generated and the City's portion of real estate taxes in excess of the pre-development annual baseline of \$65,000 (to be indexed annually at the rate of 2%). The accompanying financial statements include infrastructure revenue sharing development incentive expense of \$809,311 and \$876,644 for the years ended September 30, 2020 and 2019, respectively. The outstanding development incentive commitment balance at September 30 was as follows:

	<u>Original Commitment</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>
Infrastructure	\$ 4,000,000	\$ 500,000	\$ 500,000	\$ 0
Revenue sharing	10,000,000	5,962,410	6,771,721	(809,311)
Totals	<u>\$ 14,000,000</u>	<u>\$ 6,462,410</u>	<u>\$ 7,271,721</u>	<u>\$ (809,311)</u>

In 2014, the City entered into a development agreement for the construction of a new grocery store. Under the terms of the development agreement, the City will pay the developer monthly amounts equal to 75% of the sales tax derived from the store for five years and 50% of the sales tax derived from the store thereafter up to \$4 million in the aggregate or twenty years (whichever occurs first). Additionally, the City shall pay the developer an amount equal to the City's 26.1 mil share of the 99 mil ad valorem tax in any year that taxable sales exceed defined targets increased annually based on pre-construction projections. The incentive payments commenced in 2016 upon the opening of the store. The accompanying financial statements include revenue sharing incentive expense of \$448,449 and \$345,719 for the years ended September 30, 2020 and 2019, respectively. The outstanding development incentive commitment balance was \$2,581,566 and \$3,030,015 as of September 30, 2020 and 2019, respectively.

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

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

City of Mountain Brook, Alabama

Notes to Financial Statements

	<u>2020</u>	<u>2019</u>
Streets and bridges	\$ 1,398,299	\$ 1,025,950
Parks and athletic facilities	2,221,436	0
Public building improvements	10,112	157,858
Drainage projects	0	45,178
Sidewalks and pedestrian bridge	<u>532,401</u>	<u>416,806</u>
Total	<u>\$ 4,162,248</u>	<u>\$ 1,645,792</u>

The City has entered into various contracts with the Alabama Department of Transportation (ALDOT) and engineering firms with respect to the Village Walkway System (sidewalks), U. S. Highway 280 intersection improvements and two bridge construction projects. The projects are being administered by ALDOT and federal awards have been granted that generally provide up to 80% of allowable construction and related costs. Following is a summary of the sidewalk and intersection improvement contracts underway as of September 30, 2020:

<u>Project Description</u>	<u>Contract Commitment and Anticipated Overruns</u>	<u>Expended in Fiscal 2020 ⁽¹⁾</u>	<u>Federal Awards Reported in 2020</u>	<u>Estimated Cost to Complete</u>	<u>Anticipated Completion Date</u>
Intersection improvements Cahaba Road/ US 280/Culver Road/Lane Park Road CMAQ-3715(266)	\$ 679,823	\$ 87,815	\$ 70,251	\$ 60,000	2021
Sidewalk Improvements along Pine Ridge Road - CMAQ-3718(251)	236,339	136,960	109,568	37,000	2020
Sidewalk Along Dunbarton Drive from North Woodridge Road to Locksley Drive - TAPBH-TA18(931)	478,946	417,021	326,788	0	Close-out Pending
Sidewalk Improvements along Hagood Street - TAPBH-TA-19(930)	120,000	79,098	0	3,000	2021
Jemison Trail/Shades Creek Greenway Connection - STPBH-CN13(907)		1,194	955	0	Closed-out in 2020
Old Brook Trail Over Little Shades Creek Bridge Replacement and Canterbury Road Over Watkins Creek Bridge Rehabilitation (design) - STPBH-3716(256)	434,000	232,190	352,309	80,000	2022
Caldwell Mill Road Bridge Replacement over Little Shades Creek (design)	250,000	52,344	0	134,000	2021
Mountain Brook Village Walkway System Phase 9, Brookwood and Crosshill Roads and Oakdale Drive CMAQ-NR13(908)	1,763,584	<u>669</u>	<u>535</u>	<u>0</u>	Closed-out in 2020
Totals		<u>\$ 1,007,291</u>	<u>\$ 860,406</u>	<u>\$ 314,000</u>	

⁽¹⁾ The amounts expended in fiscal 2020 include project-related expenditures not eligible for federal reimbursement.

8. Constitutional debt limit

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

City of Mountain Brook, Alabama

Notes to Financial Statements

	<u>2020</u>	<u>2019</u>
Assessed value of taxable real and personal property as provided by the Jefferson County Tax Assessor	<u>\$694,444,480</u>	<u>\$668,268,080</u>
Constitutional debt limit, 20 percent of assessed value	\$138,888,896	\$133,653,616
Outstanding long-term debt as of September 30	<u>0</u>	<u>0</u>
Legal Debt Margin	<u>\$138,888,896</u>	<u>\$133,653,616</u>

9. Tax Abatements (Revenue Sharing Agreements)

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

Nature of Incentive	Type of Tax	Percentage of City Taxes Abated	Abatement Amount	Expiration of Incentive	Maximum Incentive Amount
Grocer annexation/development	Ad valorem	100%	\$ 15,803	2021	Not applicable
Grocer annexation/development	Ad valorem	100% ⁽³⁾	26,115	2031	Not applicable
Public parking	Ad valorem	100%	<u>0</u>	2021	Not applicable
Offset against related ad valorem tax revenue			41,918		
Redevelopment of commercial and multi-family parcels					
Revenue sharing				2035 ⁽²⁾	\$ 10,000,000
	Ad valorem	100% ⁽¹⁾	665,614		
	Lodging and Sales Tax ⁽¹⁾	90%	143,697		
Redevelopment of parcels for commercial use	Sales Tax	75% 2016–2020, 50% thereafter	<u>448,449</u>	2034 ⁽²⁾	\$ 4,000,000
General government expense			<u>1,257,760</u>		
Total incentive			<u>\$ 1,299,678</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.

10. Litigation

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

City of Mountain Brook, Alabama

Notes to Financial Statements

11. Future Accounting Pronouncements

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

- Fiduciary activities
- Leases
- Accounting for interest cost incurred before the end of a construction period
- Majority equity interests
- Conduit debt obligations

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

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, 2020

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$ 33,160,400	\$ 33,160,400	\$ 33,902,180	\$ 741,780
Licenses and permits	4,953,840	4,953,840	4,701,287	(252,553)
Intergovernmental	558,363	558,363	478,275	(80,088)
Charges for services	739,275	739,275	662,609	(76,666)
Fines and forfeitures	454,000	454,000	348,811	(105,189)
Grants	33,492	33,492	919,162	885,670
Other operating revenues	<u>620,200</u>	<u>620,200</u>	<u>681,465</u>	<u>61,265</u>
Total revenues	<u>40,519,570</u>	<u>40,519,570</u>	<u>41,693,789</u>	<u>1,174,219</u>
Expenditures:				
Current (operating):				
General government	7,290,213	7,290,213	6,899,140	391,073
Public safety	16,963,079	16,963,079	16,137,902	825,177
Street and sanitation	6,965,467	6,965,467	7,049,530	(84,063)
Recreational	1,389,706	1,389,706	1,293,274	96,432
Library	3,141,712	3,141,712	2,954,100	187,612
Capital outlay	<u>393,335</u>	<u>393,335</u>	<u>409,525</u>	<u>(16,190)</u>
Total expenditures	<u>36,143,512</u>	<u>36,143,512</u>	<u>34,743,471</u>	<u>1,400,041</u>
Excess of revenues over expenditures	<u>4,376,058</u>	<u>4,376,058</u>	<u>6,950,318</u>	<u>2,574,260</u>
Other financing sources (uses):				
Operating transfers (out)	(4,148,096)	(4,148,096)	(6,246,028)	(2,097,932)
Operating transfers in - component unit	80,100	80,100	69,602	(10,498)
Donations	<u>70,400</u>	<u>70,400</u>	<u>84,358</u>	<u>13,958</u>
Total other financing sources (uses)	<u>(3,997,596)</u>	<u>(3,997,596)</u>	<u>(6,092,068)</u>	<u>(2,094,472)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	378,462	378,462	858,250	479,788
Fund balances, beginning of year	<u>16,969,314</u>	<u>16,969,314</u>	<u>16,969,314</u>	<u>0</u>
FUND BALANCES, END OF YEAR	<u>\$ 17,347,776</u>	<u>\$ 17,347,776</u>	<u>\$ 17,827,564</u>	<u>\$ 479,788</u>

City of Mountain Brook, Alabama

Notes to Required Supplementary Information

Summary of significant accounting policies

A. Budgets and budgetary accounting

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

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

Budget information presented in the financial statements is based on the budget as adopted by the City Council on September 9, 2019 (Ordinance No. 2052) and subsequently revised by way of administrative adjustments that did not change the budgeted surplus.

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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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability				
Service costs	\$ 1,413,007	\$ 1,398,124	\$ 1,387,510	\$ 1,336,195
Interest	6,613,711	6,401,529	6,201,215	5,796,789
Change in assumptions	0	450,327	0	4,619,194
Differences between expected and actual experience	1,289,105	478,021	(179,827)	429,303
Benefit payments, including refunds of employee contributions	(5,365,521)	(5,184,981)	(4,806,405)	(4,365,372)
Transfers among employers	(100,002)	(160,783)	171,493	(39,780)
Net change in total pension liability	3,850,300	3,382,237	2,773,986	7,776,329
Total pension liability, beginning	<u>88,575,105</u>	<u>85,192,868</u>	<u>82,418,882</u>	<u>74,642,553</u>
Total pension liability, ending	<u>\$ 92,425,405</u>	<u>\$ 88,575,105</u>	<u>\$ 85,192,868</u>	<u>\$ 82,418,882</u>
Plan fiduciary net position				
Contributions - employer ⁽²⁾	\$ 2,806,271	\$ 2,350,438	\$ 2,330,683	\$ 1,619,070
Contributions - employee	1,325,685	1,210,003	1,221,711	1,178,166
Net investment income	1,538,696	5,207,452	6,544,602	4,856,657
Benefit payments, including refunds of employee contributions	(5,365,521)	(5,184,981)	(4,806,405)	(4,365,372)
Transfers among employers	(100,002)	(160,783)	171,493	(39,780)
Net change in plan fiduciary net	205,129	3,422,129	5,462,084	3,248,741
Plan net position, beginning	<u>60,625,417</u>	<u>57,203,288</u>	<u>51,741,204</u>	<u>48,492,463</u>
Plan net position, ending	<u>\$ 60,830,546</u>	<u>\$ 60,625,417</u>	<u>\$ 57,203,288</u>	<u>\$ 51,741,204</u>
Net pension liability (asset), ending	\$ 31,594,859	\$ 27,949,688	\$ 27,989,580	\$ 30,677,678
Plan fiduciary net position as a percentage of the total pension liability	65.82%	68.45%	67.15%	62.78%
Covered payroll ⁽¹⁾	\$ 16,180,854	\$ 15,514,540	\$ 15,189,454	\$ 14,888,056
Net pension liability (asset) as a percentage of the covered payroll	195.26%	180.15%	184.27%	206.06%

⁽¹⁾ Covered payroll during the measurement period is the total payroll on which contributions to the pension plan are based. For fiscal year 2019, the measurement period is October 1, 2018 — September 30, 2019.

⁽²⁾ Employer contributed more than the actuarially determined required contribution in \$ 638,000 \$ 610,000 \$ 600,000 \$ 0

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

<u>2015</u>	<u>2014</u>
\$ 1,300,723	\$ 1,271,006
5,523,394	5,313,180
0	0
809,623	0
(4,067,215)	(3,845,824)
<u>0</u>	<u>0</u>
3,566,525	2,738,362
<u>71,076,028</u>	<u>68,337,666</u>
<u>\$ 74,642,553</u>	<u>\$ 71,076,028</u>

\$ 1,578,733	\$ 1,527,445
1,163,946	1,140,706
576,080	5,337,652
(4,067,215)	(3,845,824)
<u>41,498</u>	<u>(125,527)</u>
(706,958)	4,034,452
<u>49,199,421</u>	<u>45,164,969</u>
<u>\$ 48,492,463</u>	<u>\$ 49,199,421</u>

\$ 26,150,090 \$ 21,876,607

64.97% 69.22%

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

179.35% 154.05%

\$ 0 \$ 0

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

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

Notes to Schedule

Valuation date. Actuarially determined contribution rates are calculated as of September 30, 2017, 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, 2019 to September 30, 2020:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period (years)	27.9
Asset valuation method	Five year smoothed market
Investment rate of return (discount rate)	7.75% Net of plan investment expense, including inflation
Inflation	3.00%
Cost-of-living adjustments	None

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

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

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 85,182	\$ 74,389	\$ 73,276
Interest	211,916	197,709	175,070
Differences between expected and actual experience	1,735,041	511,365	1,556,656
Changes of assumptions	(1,563,224)	0	(810,818)
Benefit payments	(403,798)	(351,303)	(343,392)
Net change in total OPEB liability	65,117	432,160	650,792
Total OPEB liability, beginning of year	6,256,647	5,824,487	5,173,695
Total OPEB liability, end of year (a)	\$ 6,321,764	\$ 6,256,647	\$ 5,824,487
Plan Fiduciary Net Position			
Contributions - employer	\$ 452,455	\$ 521,626	\$ 520,436
Contributions - member	155,253	132,677	127,956
Net investment income (loss)	121,098	166,117	(12,392)
Benefit payments	(403,798)	(351,303)	(343,392)
Administrative expense	(6,251)	(3,000)	(5,000)
Net change in plan fiduciary net position	318,757	466,117	287,608
Plan fiduciary net position, beginning of year	3,352,445	2,886,328	2,598,720
Plan fiduciary net position, end of year (b)	\$ 3,671,202	\$ 3,352,445	\$ 2,886,328
Net OPEB liability, end of year (a) - (b)	\$ 2,650,562	\$ 2,904,202	\$ 2,938,159
Plan fiduciary net position as a percentage of the total OPEB liability	58.07%	53.58%	49.56%
Covered-employee payroll	16,550,950	16,180,854	\$ 15,514,540
Net OPEB liability as a percentage of covered-employee payroll	16.01%	17.95%	18.94%

Notes to Schedule:

Benefit Changes. There were no changes of benefit terms for the year ended September 30, 2020.

Changes of Assumptions. The discount rate was changed from 3.50% to 5.50% during the year ended September 30, 2020, to reflect the Trust's investment policy change.

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

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

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

Notes to Schedule:

Valuation date	10/1/2019 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	3.5% annually (Beginning of Year to Determine the Actuarially Determined Contributions (ADC)) 5.5% annually (As of End of Year Measurement Date)
Retirement age	Three (3) years after the earliest of 1) 30 years of service or 2) attainment of age 60 and 15 years of service with the City. Eligibility for benefits ceases upon the earlier of 13 years after retirement and/or Medicare eligibility. Employees hired on or after January 1, 2013, are not eligible to retire before age 62 for civilians and 56 for sworn police officers and firefighters.
Mortality	RP-2000 without projections
Turnover	Age specific table with an average of 7.5% when applied to the active census

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

City of Mountain Brook, Alabama
Other Post-Employment Benefits (OPEB)
Schedule of Investment Returns
Ten (10) Years Ended September 30, 2011 through 2020

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

2016	2015	2014	2013	2012	2011
5.15%	1.75%	0.75%	1.69%	1.78%	2.51%
\$ 42,790	\$ 22,583	\$ 18,161	\$ 16,425	\$ 11,762	\$ 10,550
\$ 1,900,232	\$ 1,571,336	\$ 1,261,499	\$ 925,335	\$ 613,573	\$ 403,024
\$ 300,000	\$ 300,000	\$ 300,000	\$ 320,000	\$ 300,000	\$ 200,000
7/22/2016	6/29/2015	8/4/2014	8/27/2013	8/3/2012	8/29/2011
\$ 2,301,227	\$ 1,900,232	\$ 1,571,336	\$ 1,261,499	\$ 925,335	\$ 613,573
\$ 1,976,925	\$ 1,655,137	\$ 1,309,884	\$ 956,649	\$ 662,978	\$ 421,483
2.16%	1.36%	1.39%	1.72%	1.77%	2.50%

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SUPPLEMENTARY INFORMATION

City of Mountain Brook, Alabama

Combining Balance Sheet
Other Governmental Funds
September 30, 2020

	State Shared Gasoline Tax Funds				
	Seven Cent	Four Cent	Five Cent	Two Cent	Ten Cent
ASSETS					
Cash and temporary investments	\$ 52,466	\$ 169,310	\$ 167,421	\$ 13,270	\$ 62,323
Receivables	19,198	11,117	5,485	0	8,019
TOTAL ASSETS	\$ 71,664	\$ 180,427	\$ 172,906	\$ 13,270	\$ 70,342
LIABILITIES					
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	0	0	0	0	0
FUND BALANCES					
Restricted	71,664	180,427	172,906	13,270	70,342
Assigned	0	0	0	0	0
TOTAL FUND BALANCES	71,664	180,427	172,906	13,270	70,342
TOTAL LIABILITIES AND FUND BALANCES	\$ 71,664	\$ 180,427	\$ 172,906	\$ 13,270	\$ 70,342

Emergency Communication District	Corrections Fund	Debt Service Fund	Totals
\$ 262,404	\$ 3,875	\$ 2,462,020	\$ 3,193,089
<u>49,999</u>	<u>0</u>	<u>0</u>	<u>93,818</u>
<u>\$ 312,403</u>	<u>\$ 3,875</u>	<u>\$ 2,462,020</u>	<u>\$ 3,286,907</u>
\$ 12,948	\$ 3,875	\$ 9	\$ 16,832
<u>12,948</u>	<u>3,875</u>	<u>9</u>	<u>16,832</u>
299,455	0	0	808,064
<u>0</u>	<u>0</u>	<u>2,462,011</u>	<u>2,462,011</u>
<u>299,455</u>	<u>0</u>	<u>2,462,011</u>	<u>3,270,075</u>
<u>\$ 312,403</u>	<u>\$ 3,875</u>	<u>\$ 2,462,020</u>	<u>\$ 3,286,907</u>

City of Mountain Brook, Alabama

Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances – Other Governmental Funds
Year Ended September 30, 2020

	<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	\$ 198,151	\$ 124,019	\$ 60,467	\$ 4,658	\$ 90,271
Charges for services	0	0	0	0	0
Fines and forfeitures	0	0	0	0	0
Other operating revenues:					
Alabama Trust Fund Earnings	198,690	0	0	0	0
Investment earnings	578	1,151	1,060	88	248
Total revenues	<u>397,419</u>	<u>125,170</u>	<u>61,527</u>	<u>4,746</u>	<u>90,519</u>
Expenditures:					
General government	0	0	0	0	0
Public safety	0	0	0	0	0
Street and sanitation	439,438	127,923	61,668	5,367	20,167
Total expenditures	<u>439,438</u>	<u>127,923</u>	<u>61,668</u>	<u>5,367</u>	<u>20,167</u>
Excess (deficiency) of revenues over expenditures	<u>(42,019)</u>	<u>(2,753)</u>	<u>(141)</u>	<u>(621)</u>	<u>70,352</u>
Other financing sources (uses):					
Operating transfers in	50,000	0	0	0	0
Operating transfers (out)	0	0	0	0	0
Total other financing sources (uses)	<u>50,000</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	7,981	(2,753)	(141)	(621)	70,352
Fund balances, beginning of year	<u>63,683</u>	<u>183,180</u>	<u>173,047</u>	<u>13,891</u>	<u>(10)</u>
FUND BALANCES, END OF YEAR	<u>\$ 71,664</u>	<u>\$ 180,427</u>	<u>\$ 172,906</u>	<u>\$ 13,270</u>	<u>\$ 70,342</u>

<u>Emergency Communication District</u>	<u>Corrections Fund</u>	<u>Debt Service Fund</u>	<u>Totals Fund</u>
\$ 0	\$ 0	\$ 0	\$ 477,566
439,156	34,230	0	473,386
1,911	84,007	0	85,918
0	0	0	198,690
<u>1,353</u>	<u>150</u>	<u>34,883</u>	<u>39,511</u>
<u>442,420</u>	<u>118,387</u>	<u>34,883</u>	<u>1,275,071</u>
0	349,443	1,264	350,707
380,676	114,851	0	495,527
<u>0</u>	<u>0</u>	<u>0</u>	<u>654,563</u>
<u>380,676</u>	<u>464,294</u>	<u>1,264</u>	<u>1,500,797</u>
<u>61,744</u>	<u>(345,907)</u>	<u>33,619</u>	<u>(225,726)</u>
0	345,907	384,348	780,255
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>345,907</u>	<u>384,348</u>	<u>780,255</u>
61,744	0	417,967	554,529
<u>237,711</u>	<u>0</u>	<u>2,044,044</u>	<u>2,715,546</u>
<u>\$ 299,455</u>	<u>\$ 0</u>	<u>\$ 2,462,011</u>	<u>\$ 3,270,075</u>

City of Mountain Brook, Alabama

**Combining Balance Sheet – Capital Projects Funds
September 30, 2020**

	<u>City Capital Projects</u>	<u>Infrastructure Improvement Projects</u>	<u>Village Trail System Projects</u>	<u>Totals</u>
ASSETS				
Cash and temporary investments	\$ 14,206,289	\$ 4,570,619	\$ 761,582	\$ 19,538,490
Receivables	0	30,145	50,725	80,870
Inventory and prepaid expenses	<u>0</u>	<u>0</u>	<u>28,099</u>	<u>28,099</u>
TOTAL ASSETS	<u>\$ 14,206,289</u>	<u>\$ 4,600,764</u>	<u>\$ 840,406</u>	<u>\$ 19,647,459</u>
LIABILITIES				
Accounts payable	<u>\$ 12,326</u>	<u>\$ 1,301,792</u>	<u>\$ 64,760</u>	<u>\$ 1,378,878</u>
TOTAL LIABILITIES	<u>12,326</u>	<u>1,301,792</u>	<u>64,760</u>	<u>1,378,878</u>
FUND BALANCES				
Nonspendable	0	0	28,099	28,099
Committed	<u>14,193,963</u>	<u>3,298,972</u>	<u>747,547</u>	<u>18,240,482</u>
TOTAL FUND BALANCES	<u>14,193,963</u>	<u>3,298,972</u>	<u>775,646</u>	<u>18,268,581</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 14,206,289</u>	 <u>\$ 4,600,764</u>	 <u>\$ 840,406</u>	 <u>\$ 19,647,459</u>

City of Mountain Brook, Alabama

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances – Capital Projects Funds
Year Ended September 30, 2020**

	<u>City Capital Projects</u>	<u>Infrastructure Improvement Projects</u>	<u>Village Trail System Projects</u>	<u>Totals</u>
Revenues:				
Grants	\$ 7,571	\$ 405,825	\$ 552,444	\$ 965,840
Other operating revenues:				
Investment earnings (losses)	<u>357,020</u>	<u>19,349</u>	<u>5,240</u>	<u>381,609</u>
Total revenues	<u>364,591</u>	<u>425,174</u>	<u>557,684</u>	<u>1,347,449</u>
Expenditures:				
General government	821	0	0	821
Public safety	0	0	0	0
Street and sanitation	0	74,678	0	74,678
Recreational	0	79,264	0	79,264
Library	344	0	0	344
Capital outlay	<u>1,768,966</u>	<u>3,128,144</u>	<u>722,758</u>	<u>5,619,868</u>
Total expenditures	<u>1,770,131</u>	<u>3,282,086</u>	<u>722,758</u>	<u>5,774,975</u>
Excess (deficiency) of revenues over expenditures	<u>(1,405,540)</u>	<u>(2,856,912)</u>	<u>(165,074)</u>	<u>(4,427,526)</u>
Other financing sources (uses):				
Operating transfers in	2,813,700	2,652,073	0	5,465,773
Operating transfers (out)	0	0	0	0
Proceeds from the sale of assets	28,362	0	0	28,362
Donations	<u>0</u>	<u>52,300</u>	<u>0</u>	<u>52,300</u>
Total other financing sources (uses)	<u>2,842,062</u>	<u>2,704,373</u>	<u>0</u>	<u>5,546,435</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>1,436,522</u>	<u>(152,539)</u>	<u>(165,074)</u>	<u>1,118,909</u>
Fund balances, beginning of year	<u>12,757,441</u>	<u>3,451,511</u>	<u>940,720</u>	<u>17,149,672</u>
FUND BALANCES, END OF YEAR	<u>\$ 14,193,963</u>	<u>\$ 3,298,972</u>	<u>\$ 775,646</u>	<u>\$ 18,268,581</u>

City of Mountain Brook, Alabama

**Schedule of General Fund Revenues by Source
For the Years Ended September 30, 2011 through 2020**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Taxes				
Real property	\$ 13,890,843	\$ 13,873,635	\$ 13,512,485	\$ 13,867,794
Sales and use	8,476,522	9,112,494	9,578,337	9,808,223
Utility	1,460,206	1,365,487	1,284,421	1,288,163
Personal property (automobiles)	1,079,079	1,152,424	1,208,485	1,217,199
Road and bridge	572,584	575,000	565,066	550,686
Other	<u>903,688</u>	<u>1,030,680</u>	<u>1,038,515</u>	<u>1,127,178</u>
Total taxes	26,382,922	27,109,720	27,187,309	27,859,243
Licenses and permits				
Business	2,165,612	2,223,912	2,492,623	2,531,307
Construction permits	753,444	800,820	1,100,204	1,347,583
Cable TV franchise fees	352,964	391,701	424,912	389,500
Waterworks Board	207,939	216,090	216,839	192,875
Other	<u>60,310</u>	<u>61,928</u>	<u>62,115</u>	<u>65,154</u>
Total licenses and permits	3,540,269	3,694,451	4,296,693	4,526,419
Intergovernmental	84,874	85,613	84,547	85,443
Charges for services				
Garbage fees	32,436	39,235	35,589	34,086
Other	<u>619,716</u>	<u>714,561</u>	<u>693,408</u>	<u>730,347</u>
Total charges for services	652,152	753,796	728,997	764,433
Fines and forfeitures	529,522	446,682	559,465	577,844
Grants	282,423	12,062	15,755	100,187
Other operating revenue				
Investment earnings	131,706	199,151	138,162	69,522
Other	<u>300,657</u>	<u>278,880</u>	<u>439,492</u>	<u>311,374</u>
Total other operating revenue	432,363	478,031	577,654	380,896
TOTAL REVENUES	<u>\$ 31,904,525</u>	<u>\$ 32,580,355</u>	<u>\$ 33,450,420</u>	<u>\$ 34,294,465</u>

2015	2016	2017	2018	2019	2020
\$ 13,994,315	\$ 14,443,548	\$ 15,155,623	\$ 15,570,510	\$ 16,179,118	\$ 16,776,932
10,158,557	10,285,530	10,656,090	10,703,490	11,041,853	10,612,050
1,325,088	1,283,444	1,253,385	1,266,010	1,362,195	1,410,584
1,306,732	1,392,583	1,382,497	1,286,922	1,269,323	1,329,488
596,475	604,774	627,182	646,115	671,896	700,189
<u>1,238,322</u>	<u>1,506,051</u>	<u>1,810,442</u>	<u>2,069,420</u>	<u>2,615,515</u>	<u>3,072,937</u>
28,619,489	29,515,930	30,885,219	31,542,467	33,139,900	33,902,180
2,679,512	2,815,615	3,046,371	2,991,535	2,995,790	2,859,211
1,143,394	1,119,259	1,076,879	1,160,304	1,501,218	1,162,500
423,068	432,600	412,824	396,782	392,537	357,263
215,518	208,099	254,138	219,051	237,503	259,856
<u>63,674</u>	<u>65,373</u>	<u>65,909</u>	<u>66,127</u>	<u>69,850</u>	<u>62,457</u>
4,525,166	4,640,946	4,856,121	4,833,799	5,196,898	4,701,287
92,199	92,199	185,943	189,926	160,291	478,275
33,890	29,175	30,977	29,948	32,395	28,883
<u>695,790</u>	<u>688,534</u>	<u>678,795</u>	<u>628,736</u>	<u>735,008</u>	<u>633,726</u>
729,680	717,709	709,772	658,684	767,403	662,609
643,492	575,406	586,293	514,978	461,595	348,811
53,653	18,438	111,680	29,486	96,880	919,162
150,668	170,543	109,327	183,834	575,961	402,465
<u>296,044</u>	<u>316,717</u>	<u>269,692</u>	<u>363,255</u>	<u>294,378</u>	<u>279,000</u>
<u>446,712</u>	<u>487,260</u>	<u>379,019</u>	<u>547,089</u>	<u>870,339</u>	<u>681,465</u>
<u>\$ 35,110,391</u>	<u>\$ 36,047,888</u>	<u>\$ 37,714,047</u>	<u>\$ 38,316,429</u>	<u>\$ 40,693,306</u>	<u>\$ 41,693,789</u>

City of Mountain Brook, Alabama

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

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and temporary investments	\$ 16,332,671	\$ 16,812,126
Cash and temporary investments - restricted	277,863	243,148
Receivables	3,297,984	2,194,813
Due from related organizations	201,085	4,144
Inventory and prepaid expenses	<u>368,335</u>	<u>213,555</u>
TOTAL ASSETS	<u>\$ 20,477,938</u>	<u>\$ 19,467,786</u>
 LIABILITIES		
Accounts payable	\$ 724,164	\$ 670,075
Accrued salaries and wages	1,212,345	1,051,272
Due to related organizations	65,435	60,150
Other liabilities	<u>648,430</u>	<u>716,975</u>
TOTAL LIABILITIES	<u>2,650,374</u>	<u>2,498,472</u>
 PENSION OBLIGATION (NOTE 5)		
OPEB OBLIGATION (NOTE 6)		
 FUND BALANCES		
Nonspendable	368,335	213,555
Restricted	0	0
Committed	52,188	51,930
Assigned	212,300	170,764
Unassigned	<u>17,194,741</u>	<u>16,533,065</u>
FUND BALANCES	<u>17,827,564</u>	<u>16,969,314</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,477,938</u>	<u>\$ 19,467,786</u>

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

	<u>2020</u>	<u>2019</u>
Revenues:		
Taxes	\$ 33,902,180	\$ 33,139,900
Licenses and permits	4,701,287	5,196,898
Intergovernmental	478,275	160,291
Charges for services	662,609	767,403
Fines and forfeitures	348,811	461,595
Grants	919,162	96,880
Other operating revenues	<u>681,465</u>	<u>870,339</u>
Total revenues	<u>41,693,789</u>	<u>40,693,306</u>
Expenditures:		
Current (operating):		
General government	6,899,140	6,722,502
Public safety	16,137,902	15,870,133
Street and sanitation	7,049,530	6,741,476
Recreational	1,293,274	1,347,910
Library	2,954,100	2,928,728
Capital outlay	<u>409,525</u>	<u>341,268</u>
Total expenditures	<u>34,743,471</u>	<u>33,952,017</u>
Excess of revenues over expenditures	<u>6,950,318</u>	<u>6,741,289</u>
Other financing sources (uses):		
Operating transfers (out)	(6,246,028)	(5,997,275)
Operating transfers in - component unit	69,602	70,841
Donations	<u>84,358</u>	<u>110,251</u>
Total other financing sources (uses)	<u>(6,092,068)</u>	<u>(5,816,183)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	858,250	925,106
Fund balances, beginning of year	<u>16,969,314</u>	<u>16,044,208</u>
FUND BALANCES, END OF YEAR	<u>\$ 17,827,564</u>	<u>\$ 16,969,314</u>

City of Mountain Brook, Alabama

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

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and temporary investments	\$ 19,538,490	\$ 17,119,513
Receivables	80,870	172,671
Inventory and prepaid expenses	<u>28,099</u>	<u>28,338</u>
 TOTAL ASSETS	 <u>\$ 19,647,459</u>	 <u>\$ 17,320,522</u>
 LIABILITIES		
Accounts payable	<u>\$ 1,378,878</u>	<u>\$ 170,850</u>
 TOTAL LIABILITIES	 <u>1,378,878</u>	 <u>170,850</u>
 PENSION OBLIGATION (NOTE 5)		
OPEB OBLIGATION (NOTE 6)		
 FUND BALANCES		
Nonspendable	28,099	28,338
Restricted	0	0
Committed	<u>18,240,482</u>	<u>17,121,334</u>
 FUND BALANCES	 <u>18,268,581</u>	 <u>17,149,672</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 19,647,459</u>	 <u>\$ 17,320,522</u>

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

	2020	2019
Revenues:		
Grants	\$ 965,840	\$ 307,701
Other operating revenues	381,609	674,129
Total revenues	1,347,449	981,830
Expenditures:		
Current (operating):		
General government	821	0
Public safety	0	5,940
Street and sanitation	74,678	34,944
Recreational	79,264	40,167
Library	344	0
Capital outlay	5,619,868	3,157,672
Total expenditures	5,774,975	3,238,723
Excess (deficiency) of revenues over expenditures	(4,427,526)	(2,256,893)
Other financing sources (uses):		
Operating transfers in	5,465,773	5,162,047
Operating transfers (out)	0	0
Operating transfers in - component unit	0	0
Proceeds from the sale of assets	28,362	85,921
Donations	52,300	553,193
Total other financing sources (uses)	5,546,435	5,801,161
Excess of revenues and other financing sources over expenditures and other financing uses	1,118,909	3,544,268
Fund balances, beginning of year	17,149,672	13,605,404
FUND BALANCES, END OF YEAR	\$ 18,268,581	\$ 17,149,672

City of Mountain Brook, Alabama

**Comparative Balance Sheet – Debt Service Fund
September 30**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and temporary investments	\$ 2,462,020	\$ 2,044,044
TOTAL ASSETS	<u>\$ 2,462,020</u>	<u>\$ 2,044,044</u>
LIABILITIES		
Accounts payable	\$ 9	\$ 0
TOTAL LIABILITIES	<u>9</u>	<u>0</u>
FUND BALANCES		
Assigned	<u>2,462,011</u>	<u>2,044,044</u>
FUND BALANCES	<u>2,462,011</u>	<u>2,044,044</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,462,020</u>	<u>\$ 2,044,044</u>

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

	<u>2020</u>	<u>2019</u>
Revenues:		
Other operating revenues	\$ 34,883	\$ 44,734
Total revenues	<u>34,883</u>	<u>44,734</u>
Expenditures:		
Current (operating):		
General government	<u>1,264</u>	<u>269</u>
Total expenditures	<u>1,264</u>	<u>269</u>
Excess (deficiency) of revenues over expenditures	<u>33,619</u>	<u>44,465</u>
Other financing sources (uses):		
Operating transfers in	<u>384,348</u>	<u>416,320</u>
Total other financing sources (uses)	<u>384,348</u>	<u>416,320</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	417,967	460,785
Fund balances, beginning of year	<u>2,044,044</u>	<u>1,583,259</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,462,011</u>	<u>\$ 2,044,044</u>

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REPORT ON COMPLIANCE AND INTERNAL CONTROL

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mountain Brook, Alabama (the City), as of and for the year ended September 30, 2020, 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 12, 2021. The financial statements of the Mountain Brook Library Foundation (the Foundation), which represents the City's discretely presented component unit, were not audited in accordance with *Governmental Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control over Financial Reporting

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

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

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

did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Response to Findings

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

Purpose of this Report

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

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

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama

April 12, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Mountain Brook, Alabama's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

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

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama
April 12, 2021

CITY OF MOUNTAIN BROOK, ALABAMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Description	Federal CFDA Number	Pass Through Entity Identifying Number	Total Grant Award	Revenue Recognized	Expenditures	Funds Provided to Subrecipients
<u>U.S. Department of Transportation</u>						
<u>Highway Planning and Construction Cluster</u>						
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	\$ 352,309	\$ 352,309	\$ 0
Sidewalk along Dunbarton Drive from North Woodridge Road to Locksley Drive	20.205	TAPBH-TA18(931)	548,992	326,788	326,788	0
Intersection Improvements Cahaba Road/US-280/ Culver Road/Lane Park Road-Mountain Brook Preliminary engineering	20.205	CMAQ-3715(266)	412,000	70,251	70,251	0
Sidewalk Improvements along Pine Ridge Road	20.205	CMAQ-3718(251)	160,000	109,568	109,568	0
Jemison Trail/Shades Creek Greenway Connector (Phase 5B)	20.205	STPBH-CN13(907)	725,600	955	955	0
Mountain Brook Village Walkway System Phase 9 Brookwood Road, Crosshill Road, and Oakdale Drive	20.205	CMAQ-NR13(908)	1,763,584	535	535	0
Total U.S. Department of Transportation Highway Planning and Construction Cluster			4,850,176	860,406	860,406	0
<u>U.S. Department of Transportation</u>						
<u>State and Community Highway Safety Cluster</u>						
Passed through the Alabama Department of Transportation, East Central Regional Highway Safety Office, 2020-FA STEP						
	20.600	20-FP-PT-001	52,500	12,405	12,405	0
<u>U. S. Department of Justice, Bureau of Justice Assistance,</u>						
<u>Office of Justice Programs</u>						
Bulletproof Vest Partnership Grant	16.607	2018	4,560	4,560	4,560	
Bulletproof Vest Partnership Grant	16.607	2019	5,208	3,011	3,011	0
<u>U. S. Department of Homeland Security, Federal</u>						
<u>Emergency Management Agency Coronavirus</u>						
Public Assistance Program	97.036		5,897	5,897	5,897	
	97.036	4503DR-AL/073-51696-00	29,267	0	0	
<u>U. S. Department of Treasury CARES Act</u>						
<u>COVID19 Coronavirus Relief Fund</u>						
Passed through the Jefferson County Commission						
	21.019		897,771	867,073	867,073	0
TOTAL FEDERAL AWARDS			\$ 5,845,379	\$ 1,753,352	\$ 1,753,352	\$ 0

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, 2020.

5. Non-cash awards

During the year ended September 30, 2020, 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, 2020**

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
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Identification of major programs:

CFDA Numbers

20.019

Name of Federal Program or Cluster

Coronavirus (Covid-19) Relief Fund

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

Auditee qualified as low-risk auditee yes X no

Section II - Financial Statement Findings

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

CITY OF MOUNTAIN BROOK, ALABAMA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

2020-001 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.