



**City of Vestavia Hills, Alabama**

**FINANCIAL STATEMENTS**

**September 30, 2021**



	Page
<b>REPORT</b>	
Independent Auditors' Report .....	1
<b>Management's Discussion and Analysis</b> .....	4.1
<b>FINANCIAL STATEMENT</b>	
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position .....	5
Statement of Activities .....	6
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	7
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	8
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	10
Statement of Fiduciary Net Position – Fiduciary Funds.....	11
Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	12
Notes to Financial Statements Index .....	13
Notes to Financial Statements .....	14
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget to Actual – General Fund.....	50
Pension Plan:	
Schedule of Changes in the Net Pension Liability and Related Ratios .....	51
Schedule of Employer Pension Contributions .....	52
Other Post-Employment Benefits (OPEB):	
Schedule of Changes in Net OPEB Liability and Related Ratios.....	53
Schedule of Employer OPEB Contributions .....	54
Notes to Required Supplementary Information .....	55
<b>Supplementary Information</b>	
Combining Balance Sheet – Other Governmental Funds .....	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Governmental Funds .....	59



	Page
<b>FINANCIAL STATEMENT (Continued)</b>	
<b>Report on Compliance and Internal Control</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Governmental Auditing Standards</i> .....	61
<b>REQUIRED COMMUNICATIONS</b>	
Required Communications.....	64
Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality .....	68
Summary of Audit Adjustments.....	70
Management Representation Letter .....	71



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## **INDEPENDENT AUDITORS' REPORT**

To the Mayor and City Council  
City of Vestavia Hills  
Vestavia Hills, Alabama

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Vestavia Hills, Alabama (the City) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Vestavia Hills, Alabama, as of September 30, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4.1-4.12 and page 50 as well as the pension and OPEB schedules on pages 51-54 and notes to required supplementary information on page 55 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 other governmental fund financial statements are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining other governmental fund financial statements 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 other governmental fund financial statements 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 March 22, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama

March 22, 2022

**CITY OF VESTAVIA HILLS, ALABAMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2021**

The City of Vestavia Hills' Management Discussion and Analysis report provides an overview of the City's financial activities for fiscal year ended September 30, 2021. Please read the report in conjunction with the City's financial statements and notes to the financial statements that immediately follow this analysis.

**Financial Highlights: Significant Items to Note**

- ❖ The assets of the City exceeded its liabilities at September 30, 2021, \$98.06 million (Total Net Position).
- ❖ The City's net position increased 10.60% (\$9.40 million) in 2021.
- ❖ The total cost of the City's programs for the 2021 fiscal year was \$52.9 million. The net cost was \$43.68 million after subtracting grants and contributions and charges for services.
- ❖ At September 30, 2021, the general fund unassigned fund balance, excluding the City's committed funds (Emergency Reserves) for economic stabilization of \$14.43 million, was \$6.19 million or 15.85% of total general fund operating expenses before debt service.
- ❖ Major capital expenditures totaled \$19.81 million including \$15.93 million projects in progress.
- ❖ The City decreased its outstanding General Obligation Warrants by \$4.24 million, exclusive of \$1.50 million held in the QECB Debt Sinking Fund.

**Using the Annual Financial Report - An Overview for the User**

The annual financial report consists of five parts - the *independent auditors' report*, *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and *supplementary information*.

The City's basic financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the basic financial statements*.

**Government-Wide Financial Statements** - The focus of these statements is to provide readers with a broad overview of the City's finances as a whole, similar to a private-sector business, instead of an individual fund basis.

*Government-wide statements* report both long-term and short-term information about the City's overall financial status including the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations. These statements report all assets and liabilities perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the City's current year's revenues and expenses regardless of when cash is received or paid. This approach moves the financial reporting method for governmental entities closer to the financial reporting methods used in the private sector.

The following *government-wide financial statements* report is on all of the governmental activities of the City as a whole.

The *Statement of Net Position* (on page 5) is most closely related to a balance sheet of a private sector business. It presents information on all of the City's assets (what it owns) and liabilities (what it owes), with the difference between the two reported as net position. The net position reported in this statement represents the accumulation of changes in net position for the current fiscal year and all fiscal years in the past combined. Over time, the increase or decrease in net position reported in this statement may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* (on page 6) is most closely related to an income statement of a private sector business. It presents information showing how the City's net position changed during the current fiscal year only. All of the current year revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the City. By showing the change in net position for the year, the reader may be able to determine whether the City's financial position has improved or deteriorated over the course of the current fiscal year.

However, the reader will also need to consider non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure assets, in order to assess the overall health of the City.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal and internal requirements. The funds of the City can be classified as governmental funds and a fiduciary fund.

*Governmental Funds* - Governmental *fund financial statements* begin on page 7. These statements account for basically the same governmental activities reported in the *government-wide financial statements*. *Fund financial statements* presented herein display information on each of the City's most important governmental funds or *major funds*. This is required in order to better assess the City's accountability for significant governmental programs or certain dedicated revenue. The City's *major funds* are the General Fund, the Capital Projects Fund, the Capital Projects – Community Spaces Fund, and Debt Service Fund.

*Fiduciary Funds* - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The criteria for activities that are not reported in a component unit are: whether a government controls the assets of the activity, and the beneficiaries with whom the fiduciary relationship exists. If the criteria is met, this activity will be reported in both a statement of fiduciary net position and statement of changes in fiduciary net position. There are four types of fiduciary funds; pension trust funds; investment trust funds, private-purpose trust funds, and custodial funds. The City has two fiduciary funds containing custodial funds.

The *Fund Financial Statements* are measured on the modified-accrual basis of accounting. As a result, the *fund financial statements* focus more on the near-term use and availability of spendable resources. The information provided in these statements is useful in determining the City's immediate financial needs. This is in contrast to the accrual-based *government-wide financial statements*, which focus more on overall long-term availability of spendable resources. The relationship between governmental activities reported in the *government-wide financial statements* and the governmental funds reported in the *fund financial statements* are reconciled on pages 8 and 10 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the City's short-term financing decisions.



**Notes to the Basic Financial Statements** - The *notes to the basic financial statements* provide additional information that is essential for the statements to fairly represent the City's financial position and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statements, not an appendage to them. The *notes to the basic financial statements* begin on page 13 in this section.

After the presentation of the basic financial statements, the *required supplementary information* is presented following the notes to the basic financial statements. The *required supplementary information* beginning on page 50 provides a comparison of the adopted budget of the City's General Fund to the actual operating results for the fiscal year. The comparison of this data allows users to assess management's ability to project and plan for its operations throughout the year. Various information regarding changes in the City's net pension liability and employer contributions to the pension plan are also presented in this section. Various information regarding changes in the City's OPEB liability and employer contributions to the OPEB plan are also presented in this section.

#### **Analysis of the City of Vestavia Hills' Overall Financial Position**

As indicated earlier, net assets may serve over time as a useful indicator of a government's financial position. Refer to *Table 1* when reading the following analysis of net position.

	<u>2021</u>	<u>2020</u>
Assets:		
Current and other assets	\$ 46,336	\$ 54,652
Capital assets	195,058	176,358
Total Assets	<u>241,394</u>	<u>231,010</u>
Deferred outflows	11,055	9,445
Liabilities:		
Other liabilities	16,632	12,734
Long-term liabilities	137,424	138,663
Total Liabilities	<u>154,056</u>	<u>151,397</u>
Deferred inflows	334	398
Net position:		
Net invested in capital assets	91,288	81,106
Restricted	5,404	20,085
Unrestricted (deficit)	<u>1,367</u>	<u>(12,531)</u>
Total Net Position	<u>\$ 98,059</u>	<u>\$ 88,660</u>

The City's assets and deferred outflows exceeded liabilities and deferred inflows by \$98.06 million at September 30, 2021.

Net investment in capital assets of \$91.29 million reflects the City's investment in capital assets (e.g., land, infrastructure, buildings, improvements other than buildings, fixtures, furniture, equipment and transportation equipment), less accumulated depreciation and debt related to the acquisition of the assets. Since these capital assets are used in governmental activities, this portion of net assets is not available for future spending or funding of operations.

Restricted net position in the amount of \$5.40 million represents net position restricted for capital projects, \$2.25 million, debt service, \$2.15 million, and road maintenance, \$1.00 million.

#### **Analysis of the City of Vestavia Hills' Operating Results**

The results of this fiscal year's operations as a whole are reported in detail in the *Statement of Activities* on page 6.

Table 2 below condenses the results of operations for the fiscal year into a format where the reader can easily see the total revenues of the City for the year. It also shows the impact that operations had on changes in net position as of September 30, 2021 and 2020.

**Table 2: Summary of Changes in Net Position**

	<b>Fiscal Year Ended September 30, (dollars in thousands)</b>	
	<u>2021</u>	<u>2020</u>
Program Revenues:		
Charges for services	\$ 7,971	\$ 7,585
Operating grants/contributions	774	1,812
Capital grants/contributions	507	1,271
General Revenues:		
Taxes	45,065	41,807
State shared revenues	875	-
Utility franchise fees	2,694	2,919
Investment earnings	330	783
Miscellaneous	150	523
Sale of assets	1	89
Donated infrastructure assets	3,960	135
Total Revenues	<u>62,327</u>	<u>56,924</u>
Program Expenses:		
General government	9,957	9,651
Public safety	23,613	21,996
Public works/Public services	12,419	12,395
Library	3,267	3,003
Appropriations to BOE	280	560
Interest on long term debt	3,392	3,200
Total Expenses	<u>52,928</u>	<u>50,805</u>
Change in net position	9,399	6,119
Net Position, beginning of year	<u>88,660</u>	<u>82,541</u>
Net Position, ending	<u>\$ 98,059</u>	<u>\$ 88,660</u>

The City's revenues, excluding donated infrastructure assets, which do not provide spendable funds, increased \$1.58 million or 2.78%. The increase resulted principally from taxes, \$4.13 million or 9.89%. The revenue increase was principally offset by decreases in operating grants/contributions, \$1.04 million or 57.28%.

The City's program expenses increased \$2.12 million or 4.18%. The increase resulted principally from public safety, \$1.62 million or 7.35% and general government, \$0.31 million or 3.17%.

Table 3 is a condensed statement taken from the Statement of Activities on page 6 showing the total cost for providing services for five major City activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the City used to offset the program's total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits provided.

**Table 3: Net Cost of Government-Wide Activities**

	<b>Fiscal Year Ended September 30, 2021</b> (dollars in thousands)	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
General government administration	\$ 9,957	\$ 4,761
Public safety	23,613	22,263
Public works/Public services	12,419	9,797
Library	3,267	3,183
Appropriations to BOE	280	280
Interest on long term debt	3,392	3,392
Total	<u>\$ 52,928</u>	<u>\$ 43,676</u>

**Performance of City Funds**

As noted earlier, the City uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal and internal requirements. Using funds to account for resources for particular purposes helps the reader to determine the City's accountability for these resources whether provided by taxpayers and other entities, and to help to provide more insight into the City's overall financial health. The following analysis of the City's funds should be read in reference to the *fund financial statements* that begin on page 7.

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City's financial requirements (Note: the reconciliation statement between the *fund financial statements* and the *government-wide financial statements* are presented on pages 8 and 10). At the end of the fiscal year, the City's governmental funds reported a combined fund balance of \$35.68 million, which includes general fund balances of \$14.43 million committed funds to be used for economic stabilization in the event of an unforeseen emergency and \$6.19 million unassigned funds which is available to address future needs.

### Budgetary Highlights of the General Fund

On or before October 1 of each year, the City Manager prepares and submits an annual budget to be adopted by the City Council. The fiscal 2021 budget was adopted September 14, 2020. The comparison of the general fund budget to the actual results is detailed in the “Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual” on page 46. The City’s actual results as compared to the City’s budget can be briefly summarized as follows:

- ❖ Actual revenues exceeded total budgeted revenues by \$6.62 million or 13.86%. Ad valorem real estate and sales taxes were the largest revenue generators, representing \$40.16 million or 73.89% of total budgeted revenues.
- ❖ Actual expenditures exceeded budget by \$1.32 million or 3.49%. The overage resulted principally due to general government administration exceeding budget by \$0.67 million or 9.76%, public safety exceeding budget by \$0.32 million or 1.58%, and public service exceeding budget by \$0.33 million or 4.19%.

### Capital Assets and Debt Administration

**Capital Assets** - The City's investment in capital assets for governmental activities for fiscal year ended September 30, 2021 was \$91.29 million, net of accumulated depreciation and debt related to the acquisition of the assets. The City's investment in capital assets, which includes land, land improvements, infrastructure, buildings and improvements, fixtures, equipment, vehicles and furniture at actual or estimated historical cost, equipment under capital lease, and construction in progress, is shown in *Table 4*. Assets are presented net of accumulated depreciation.

**Table 4: Capital Assets (net of accumulated depreciation)**

	Fiscal Year Ended September 30, (dollars in thousands)	
	2021	2020
Land	\$ 87,480	\$ 82,623
Construction-in-progress	48,196	32,330
Buildings	23,050	23,839
Land improvements	4,921	6,474
Vehicles	5,727	2,678
Recreational facilities	7,222	7,940
Equipment and fixtures	3,655	4,703
Books and artwork	333	549
Infrastructure	14,474	15,222
Total	<u>\$ 195,058</u>	<u>\$ 176,358</u>

**Additions to capital assets during the current year included the following:**

Land	\$ 3,733
Construction-in-progress	15,934
Buildings	41
Land improvements	14
Vehicles	3,219
Recreational facilities	-
Equipment and fixtures	658
Books and artwork	-
Infrastructure	167
Total	<u><u>\$ 23,766</u></u>

**Long-Term Debt** - At year-end, the City had \$103.52 million in general obligation warrants and capital leases. This represents a decrease of 4.84% in debt over last fiscal year, as shown in *Table 5* below.

**Table 5: Outstanding Debt**

**As of September 30, 2021**

(dollars in thousands)

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
Government activities:			
Warrant payable	\$ 103,000	\$ (4,235)	\$ 98,765
Capital leases	5,775	(1,025)	4,750
Totals	<u><u>\$ 108,775</u></u>	<u><u>\$ (5,260)</u></u>	<u><u>\$ 103,515</u></u>

Long-term debt activity for the year consisted of the following:

- ❖ The City reduced its general obligation warrants by \$4.24 million. The ending balance includes \$1.50 million, including interest, held in the debt sinking fund for the “Qualified Energy Conservation Bonds” (QECB) payment.
- ❖ There was a net decrease of \$1.03 million in capital leases resulting from normal principal payments of outstanding capital leases.
- ❖ A favorable bond rating facilitates the City’s ability to meet financial obligations. Moody’s Investors Service assigned the City of Vestavia Hills ratings of “AAA stable” on its “Series 2021 Warrants.”

## Economic Factors and Next Year's Budget

**Ad Valorem Tax** – The City's ad valorem tax is based on annual reassessment of real estate and was the city's second largest revenue generator in fiscal 2021. Over the previous five years, ad valorem taxes have exceeded budget resulting from the annual appreciation of real estate.

### Ad Valorem Taxes - Real Estate

<u>Fiscal Year</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
2017	\$ 13,019,195	\$ 13,386,482	\$ 367,287
2018	13,728,188	14,215,087	486,899
2019	14,175,565	14,611,667	436,102
2020	14,668,306	15,786,903	1,118,597
2021	15,740,785	16,605,261	864,476

**Personnel Administration Costs** – The City's personnel administration is provided by the Personnel Board of Jefferson County (PBJC). Participating municipalities pay an annual fee based on the number of classified employees employed by the municipality times a percentage of the PBJC's operating budget. The City of Vestavia Hills actual expense for fiscal 2021 was \$311,699.

**Medical Costs** – The City of Vestavia Hills' health insurance is with and administered through the "State of Alabama Local Government Health Insurance Board". In fiscal 2021, Vestavia Hills retained its preferred insurance classification rating resulting from minimal medical claims and 80% or greater employee participation in the State of Alabama's "Wellness Screening Program". There was a budgeted increase of 5.5%, anticipating an increase by the Alabama Local Government Health Insurance Board in calendar year 2021, which resulted in a budgeted contribution of \$2.22 million.

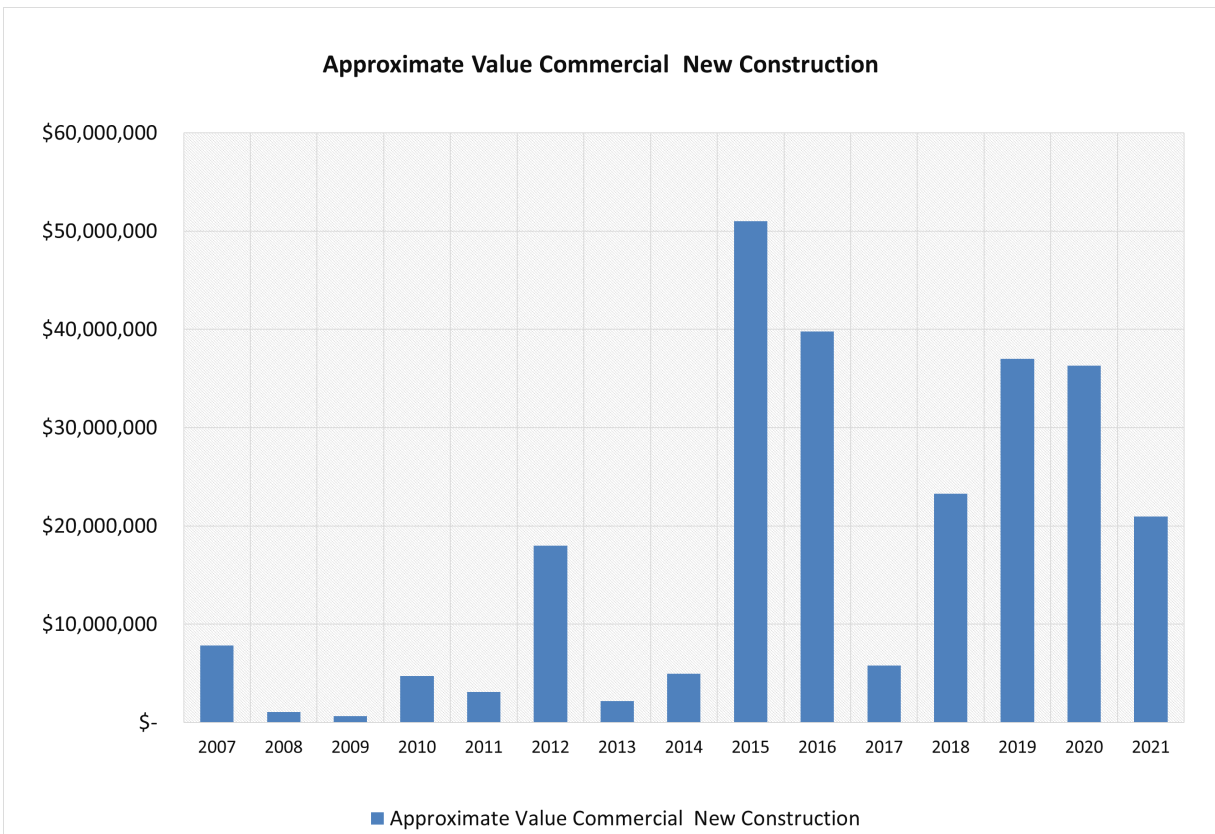
**Retirement Costs** – The City's retirement program for employees is provided through the Retirement System of Alabama (RSA). The pension plan is currently funded at 66.22%, reflecting an unfunded liability of \$32.27 million as of the latest measurement date – September 30, 2020. Vestavia Hills' contribution factors for fiscal 2021 were 14.18% - Tier 1 and 11.05% - Tier 2, representing budgeted contributions of \$2.70 million.

**Cost-of-Living Raise** – A 1% cost of living adjustment was included in the 2021 fiscal budget.

**CITY MANAGER’S COMMENTS:**

**Fiscal Year 2021 Management Report**

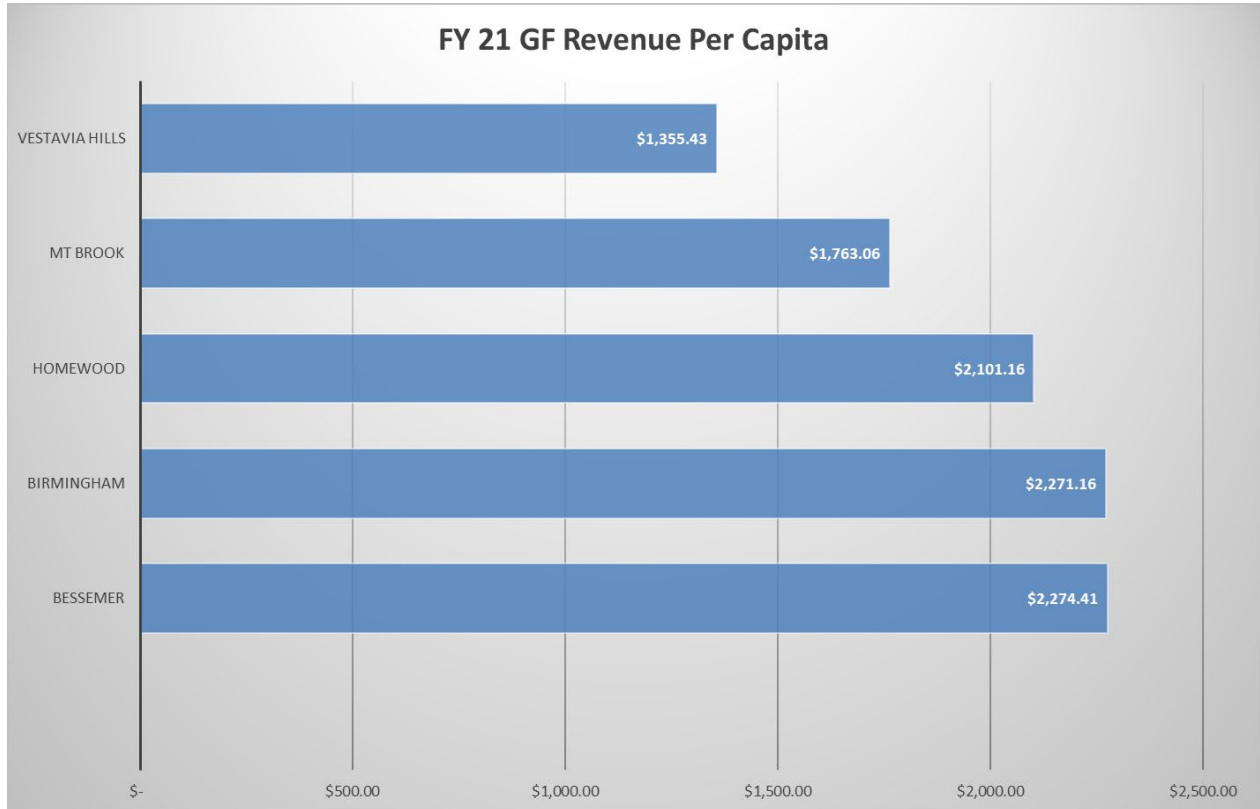
Review of the financial and economic activities with the City of Vestavia Hills during FY 2021 reveal a robust economic climate for our community that is in high demand for residential and commercial audiences. Quality and conveniently located housing with access to an excellent school system continues to provide a strong demand for available existing and soon to be constructed residences. In fact, the 2021 Zillow Home Value Index for single family homes in Vestavia Hills indicate a 12% year-over-year growth in home values. This is on top of Vestavia Hills’ home values that Zillow report to be 48% higher than the United States average for single family homes. From a commercial standpoint, Vestavia Hills continues to experience record commercial new construction valuation as seen in six out of the last seven years. These impressive real estate metrics buoy the City’s continued growth in ad valorem taxes -an important portion of the City’s mix of tax revenue.



Additionally, the City of Vestavia Hills continues to experience extraordinary growth in its other large tax revenue- sales tax. Sales tax gives a great indication of the gross economic activity occurring within the City. Locally collected and on-line sales taxes remain at all-time high levels. During 2021, the retail sector in Vestavia Hills welcomed a new tenant mix to its largest shopping center. These new retail offerings are driving shopping behavior due to the unique nature of the retail offerings. New retailers include Crumbl Cookie, Taco Mama, Chopt Salad Company along with large volume restaurants such as the second location of Chick-fil-a and Milo’s. Under construction are notable restaurants such as Davenport’s Pizza and Cajun Steamer. During FY 2020, the City strategically facilitated the private sector construction of two



additional Publix branded grocery stores that opened in the midst of the pandemic. The addition of those two locations and, with them being operational for an entire year, led to a dramatic increase in sales taxes associated with grocery purchases. The large revenue growth in the City was also accompanied with very conservative budgeting and expense management. A hallmark of City operations, Vestavia Hills per capita expenses are well below neighboring communities.



The resulting financial implication for the City’s General Fund was a record surplus to end FY 2021. This surplus further reinforced existing financial reserves. The results and historical context are illustrated in the table below.

**General Fund Surplus and Fund Balance  
City of Vestavia Hills  
Actual Results**

<b>Fiscal Year</b>	<b>FY Surplus</b>	<b>EOY Fund Balance</b>	<b>% Change</b>
2021	\$ 2,444,345	\$ 21,164,992	13.06%
2020	2,717,800	18,720,647	16.98%
2019	1,459,976	16,002,847	10.04%
2018	1,184,355	14,542,871	8.87%
2017	(103,003)	13,358,516	-0.77%
2016	443,870	13,461,519	3.41%

The facts expressed in this report continue to illustrate an economically strong and viable city with foundational elements that support long term success in sustaining strong City services and providing a quality of living that is very appealing for current and future residents and businesses. The more comprehensive results provided in this audited financial report reinforces these statements.

**Conclusion**

From a City Manager’s perspective, the City of Vestavia Hills is well positioned to continue to provide exceptional city services, withstand economic disruptions and be sustainable in the long term given the financial and operational decisions made by our City Council and operational leadership. The steady implementation of a solid strategic plan coupled with discipline are the keys to these past and future accomplishments.

**Contacting the City’s Financial Management**

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Melvin Turner, III, Finance Director - City of Vestavia Hills, 1032 Montgomery Highway, Vestavia Hills, AL 35216, or by calling (205) 978-0128, Monday through Friday, 8:00 a.m. to 5:00 p.m., Central Standard Time.

**City of Vestavia Hills, Alabama**  
**Statement of Net Position**

<i>September 30, 2021</i>	Governmental Activities
<b>Assets</b>	
Cash	\$ 22,687,787
Cash - restricted	4,285,742
Investments	13,071,813
Investment - restricted	1,495,384
Receivables, net of allowance for uncollectibles	4,747,039
Prepaid expenses	48,482
Land	87,479,593
Construction in progress	48,196,146
Capital assets, net of accumulated depreciation	59,382,096
<b>Total assets</b>	<b>241,394,082</b>
<b>Deferred Outflows of Resources</b>	
Deferred charges - debt refunding	1,973,835
Employer pension contributions subsequent to measurement date	2,702,938
Differences between expected and actual experience of pension plan	2,335,441
Changes of assumptions - pension	1,300,424
Net difference between projected and actual earnings on pension plan investments	1,925,596
Differences between expected and actual experience of OPEB plan	227,559
Changes of assumptions - OPEB	589,100
<b>Total deferred outflows of resources</b>	<b>11,054,893</b>
<b>Liabilities</b>	
Accounts payable	3,833,369
Retainage payable	719,935
Accrued payroll	23,296
Court and performance bonds payable	1,358,295
Accrued interest payable	299,647
Other liability	261,181
Unearned revenues - grants	4,086,237
Unearned revenues - other	24,655
Noncurrent liabilities	
Due within one year	
Compensated absences	437,238
Warrant obligations, net	4,390,000
Capital lease obligations	1,198,655
Due in more than one year	
Compensated absences	2,477,682
Warrant obligations, net	97,314,479
Capital lease obligations	3,552,101
Net pension liability	32,274,289
OPEB liability	1,804,855
<b>Total liabilities</b>	<b>154,055,914</b>
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience of pension plan	297,242
Changes of assumptions - OPEB liability	37,228
<b>Total deferred inflows of resources</b>	<b>334,470</b>
<b>Net Position</b>	
Net investment in capital assets	91,287,511
Restricted for debt service	2,147,425
Restricted for capital projects	2,247,588
Restricted for gas tax funds	1,009,245
Unrestricted	1,366,822
<b>Total net position</b>	<b>\$ 98,058,591</b>

*The accompanying notes are an integral part of these financial statements.*

**City of Vestavia Hills, Alabama**  
**Statement of Activities**

*For the year ended September 30, 2021*

Program Activities	Expenses	Program Revenues			Net (Expense)
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Primary Government  Total
Primary government					
Governmental activities					
General government administration	\$ 9,956,827	\$ 4,685,451	\$ 3,672	\$ 506,712	\$ (4,760,992)
Public safety	23,613,472	732,861	617,764	-	(22,262,847)
Public services	12,418,524	2,496,465	125,056	-	(9,797,003)
Library	3,266,575	56,144	27,689	300	(3,182,442)
Appropriations to BOE	280,000	-	-	-	(280,000)
Interest on long-term debt	3,392,484	-	-	-	(3,392,484)
<b>Total primary government</b>	<b>\$ 52,927,882</b>	<b>\$ 7,970,921</b>	<b>\$ 774,181</b>	<b>\$ 507,012</b>	<b>(43,675,768)</b>
		General revenues			
		Taxes			
		Advalorem (real and personal property)			18,433,130
		Sales and use			24,771,713
		Other taxes			1,860,561
		State shared revenues			874,596
		Utility franchise fees			2,694,435
		Investment earnings			329,947
		Donated infrastructure assets			3,959,625
		Miscellaneous			149,265
		Gain on sale of assets			1,396
					<u>53,074,668</u>
		Change in net position			9,398,900
		Net position at beginning of year			<u>88,659,691</u>
		Net position at end of year			<u>\$ 98,058,591</u>

*The accompanying notes are an integral part of these financial statements.*

**City of Vestavia Hills, Alabama**  
**Balance Sheet – Governmental Funds**

September 30, 2021

	General	Capital Projects	Capital Projects- Community Spaces	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash	\$ 6,614,087	\$ 6,042,943	\$ 8,364,082	\$ 592,496	\$ 1,074,179	\$ 22,687,787
Cash - restricted	1,366,870	671,284	2,247,588	-	-	4,285,742
Investments	13,071,813	-	-	-	-	13,071,813
Investments - restricted	-	-	-	1,495,384	-	1,495,384
Accounts receivable, net of allowance for uncollectibles	2,919,542	416,844	300,000	59,545	1,051,108	4,747,039
Prepaid expenses	48,302	180	-	-	-	48,482
Interfund receivables	131,015	89,194	-	-	-	220,209
<b>Total assets</b>	<b>\$ 24,151,629</b>	<b>\$ 7,220,445</b>	<b>\$ 10,911,670</b>	<b>\$ 2,147,425</b>	<b>\$ 2,125,287</b>	<b>\$ 46,556,456</b>
<b>Liabilities</b>						
Accounts payable	\$ 1,491,197	\$ 1,143,203	\$ 1,130,523	\$ -	\$ 68,446	\$ 3,833,369
Retainage payable	-	213	603,433	-	116,289	719,935
Accrued payroll	23,296	-	-	-	-	23,296
Court and performance bonds payable	1,358,295	-	-	-	-	1,358,295
Other liability	-	-	-	-	261,181	261,181
Interfund payables	89,194	-	-	-	131,015	220,209
Unearned revenues - grants	-	4,086,237	-	-	-	4,086,237
Unearned revenues - other	24,655	-	-	-	-	24,655
<b>Total liabilities</b>	<b>2,986,637</b>	<b>5,229,653</b>	<b>1,733,956</b>	<b>-</b>	<b>576,931</b>	<b>10,527,177</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenues - capital improvement fund	-	350,000	-	-	-	350,000
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>350,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>350,000</b>
<b>Fund Balance</b>						
Nonspendable	48,302	-	-	-	-	48,302
Restricted for:						
Road maintenance	-	-	-	-	1,009,245	1,009,245
Capital projects	-	-	2,247,588	-	-	2,247,588
Debt service	-	-	-	2,147,425	-	2,147,425
Committed to:						
Capital projects	-	1,640,792	6,930,126	-	-	8,570,918
Emergency reserve	14,430,713	-	-	-	-	14,430,713
Assigned	500,000	-	-	-	539,111	1,039,111
Unassigned (deficit)	6,185,977	-	-	-	-	6,185,977
<b>Total fund balance</b>	<b>21,164,992</b>	<b>1,640,792</b>	<b>9,177,714</b>	<b>2,147,425</b>	<b>1,548,356</b>	<b>35,679,279</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 24,151,629</b>	<b>\$ 7,220,445</b>	<b>\$ 10,911,670</b>	<b>\$ 2,147,425</b>	<b>\$ 2,125,287</b>	<b>\$ 46,556,456</b>

*The accompanying notes are an integral part of these financial statements.*

**City of Vestavia Hills, Alabama**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**

*September 30, 2021*

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Fund balance - total governmental funds \$ 35,679,279

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.

Governmental capital assets	\$ 259,734,263	
Accumulated depreciation	<u>(64,676,428)</u>	195,057,835

Deferred outflows of resources related to debt refundings, pensions, and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds balance sheet. 11,054,893

Deferred inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds balance sheet. (334,470)

Deferred inflows of resources related to unavailable revenues 350,000

Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.

Warrant obligations, net	(101,704,479)	
Net pension liability	(32,274,289)	
OPEB liability	(1,804,855)	
Compensated absences	(2,914,920)	
Accrued interest payable	(299,647)	
Capital lease obligations	(4,750,756)	(143,748,946)

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Net position of governmental activities \$ 98,058,591

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*The accompanying notes are an integral part of these financial statements.*

**City of Vestavia Hills, Alabama**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances – Governmental Funds**

<i>For the year ended September 30, 2021</i>	General	Capital Projects	Capital Projects - Community Spaces	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 43,358,100	\$ -	\$ -	\$ -	\$ 1,707,303	\$ 45,065,403
Licenses and permits	5,213,938	-	-	-	215,883	5,429,821
Intergovernmental	-	-	-	-	874,596	874,596
Charges for services	664,128	-	-	-	-	664,128
Fines and forfeitures	404,510	-	-	-	542,512	947,022
Fees	2,768,952	-	-	-	-	2,768,952
Grants	870,103	643,278	511,658	-	27,064	2,052,103
Proceeds from sale of assets	160,221	-	-	-	-	160,221
Interest revenues	131,510	10,933	156,297	30,884	326	329,950
Library revenues	-	-	-	-	57,069	57,069
Other revenues	780,257	47,599	359	119,090	1,250	948,555
<b>Total revenues</b>	<b>54,351,719</b>	<b>701,810</b>	<b>668,314</b>	<b>149,974</b>	<b>3,426,003</b>	<b>59,297,820</b>
<b>Expenditures</b>						
Current (operating)						
General government administration	7,490,206	213,439	25	8,250	632,753	8,344,673
Public safety	20,872,268	161,157	-	-	820,033	21,853,458
Public services	8,183,689	210,029	66,767	-	1,599,540	10,060,025
Library	2,234,192	-	-	-	99,369	2,333,561
Debt service	-	1,177,977	124,153	7,613,348	147,640	9,063,118
Capital outlay	259,325	4,378,717	14,877,850	-	290,025	19,805,917
<b>Total expenditures</b>	<b>39,039,680</b>	<b>6,141,319</b>	<b>15,068,795</b>	<b>7,621,598</b>	<b>3,589,360</b>	<b>71,460,752</b>
Excess of revenues over (under) expenditures	15,312,039	(5,439,509)	(14,400,481)	(7,471,624)	(163,357)	(12,162,932)
<b>Other Financing Sources (Uses)</b>						
Operating transfers in	81,336	2,552,265	5,869,862	7,630,026	64,052	16,197,541
Operating transfers out	(12,949,030)	(75,424)	(3,167,175)	-	(5,912)	(16,197,541)
Appropriations to BOE	-	-	(280,000)	-	-	(280,000)
Other financing sources - proceeds of capital lease	-	294,370	-	-	-	294,370
<b>Total other financing sources (uses)</b>	<b>(12,867,694)</b>	<b>2,771,211</b>	<b>2,422,687</b>	<b>7,630,026</b>	<b>58,140</b>	<b>14,370</b>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	2,444,345	(2,668,298)	(11,977,794)	158,402	(105,217)	(12,148,562)
Fund balance at beginning of year	18,720,647	4,309,090	21,155,508	1,989,023	1,653,573	47,827,841
Fund balance at end of year	\$ 21,164,992	\$ 1,640,792	\$ 9,177,714	\$ 2,147,425	\$ 1,548,356	\$ 35,679,279

*The accompanying notes are an integral part of these financial statements.*

**City of Vestavia Hills, Alabama**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**

*For the year ended September 30, 2021*

Net change in fund balances - total governmental funds		\$ (12,148,562)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Expenditures for capital assets	\$ 19,805,917	
Less current year depreciation	(4,906,933)	14,898,984
<p>Some revenues reported in the government-wide statement of activities do not provide current financial resources and therefore, are not reported as revenues in the governmental funds.</p>		
The effect of donated infrastructure		3,959,625
<p>Repayment of long-term debt principal (including capital leases) are expenditures in the governmental funds, but reduce long-term liabilities in the statement of net position.</p>		
		5,554,073
<p>Proceeds from capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. Capital leases increase liabilities in the statement of net position, but does not affect the statement of activities.</p>		
		(294,370)
<p>Some of the City's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the funds. However, amounts are recorded as current year revenues in the statement of activities. The net effect of these transactions is to increase net position.</p>		
		2,984
<p>The net effect of transactions involving the disposal of capital assets is to decrease net position.</p>		
		(158,825)
<p>Some expenses reported in the government-wide statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Difference in pension expense related to deferred outflows and inflows of resources and net pension liability	\$ (2,221,527)	
Difference in OPEB expense related to deferred outflows and inflows of resources and net OPEB liability	(136,855)	
Change in long-term compensated absences	(172,302)	
Change in accrued interest payable	47,330	
Amortization of bond premiums/discounts, net	330,198	
Amortization of loss on refunding	(261,853)	(2,415,009)
Change in net position of governmental activities		\$ 9,398,900

*The accompanying notes are an integral part of these financial statements.*



**City of Vestavia Hills, Alabama**  
**Statement of Fiduciary Net Position – Fiduciary Funds**

	Custodial Funds		
	Board of		
	Education Tax	Vehicle Tag	
<i>September 30, 2021</i>	Fund	Tax Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 516,132	\$ 157,877	\$ 674,009
Total assets	\$ 516,132	\$ 157,877	\$ 674,009
<b>Liabilities</b>			
Due to other governments	\$ 516,132	\$ 157,877	\$ 674,009
Total liabilities	516,132	157,877	674,009
<b>Net Position</b>			
Restricted	-	-	-
Total net position	-	-	-
Total liabilities and net position	\$ 516,132	\$ 157,877	\$ 674,009

**City of Vestavia Hills, Alabama**  
**Statement of Changes in Fiduciary Net Position – Fiduciary Funds**

	Custodial Funds		
	Board of Education Tax Fund	Vehicle Tag Tax Fund	Total
<i>For the year ended September 30, 2021</i>			
<b>Additions</b>			
Advalorem taxes for other governments	\$ 24,429,199	\$ 2,680,531	\$ 27,109,730
Total additions	24,429,199	2,680,531	27,109,730
<b>Deductions</b>			
Advalorem taxes to other governments	24,429,199	2,680,531	27,109,730
Total deductions	24,429,199	2,680,531	27,109,730
Net increase (deficiency) in fiduciary net position	-	-	-
Net position - beginning of year	-	-	-
Net position - end of year	\$ -	\$ -	\$ -

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements Index**

	<b>Page</b>
Note 1 – Summary of Significant Accounting Policies .....	14
Note 2 – Cash and Investments .....	25
Note 3 – Capital Assets .....	29
Note 4 – Capitalized Leases .....	30
Note 5 – Accounts Receivable.....	31
Note 6 – Long-term Debt .....	31
Note 7 – Pension Plan .....	35
Note 8 – Accumulated Compensated Absences.....	43
Note 9 – Other Postemployment Benefits .....	43
Note 10 – Deferred Compensation Plan.....	46
Note 11 – Contingencies and Commitments.....	47
Note 12 – Tax Abatements .....	47
Note 13 – New Pronouncements.....	48
Note 14 – Development Agreement.....	48
Note 15 – Subsequent Events.....	48

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Vestavia Hills, Alabama (the City) was incorporated on November 8, 1950. The City operates under a 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 (four Councilors and the Mayor who serves as President of the Council) elected at-large for concurrent five-year terms. The City Manager is appointed by the City Council. The terms of the current administration are scheduled to expire October 31, 2025.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to the governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

***Related Organization***

The City Council is responsible for appointing the members of the Vestavia Hills 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.

The City currently receives real property advalorem taxes from the Jefferson and Shelby County Tax Collectors based on a total millage rate of 49.30 mills. Of the 49.30 mills received from the County, 20.55 mills are kept by the City to fund general government operations and the balance of 28.75 mills is remitted by the City to the Board. The City also remits personal advalorem property taxes to the Board. During the year ended September 30, 2021, the total advalorem taxes remitted to the Board amounted to approximately \$24,429,199 and \$516,132 was due the Board of Education at September 30, 2021. Because of the custodial nature of these transactions that pass through the City from Jefferson and Shelby Counties to the Board, the City accounts for this activity in a fiduciary fund in accordance with GASB Statement No. 84.

The City also appropriates a portion of sales taxes collected within the City to the Board. During the year ended September 30, 2021, the total sales taxes appropriated to the Board was \$440,240 and \$38,226 was due to the Board as of September 30, 2021.

During the year ended September 30, 2020, the City and the Board entered into a funding agreement whereby the City has agreed to use excess Community Spaces funds to cover 25% of the cost of debt service in relation to the Board's debt for various capital improvements. Annual support will be \$280,000 per year for ten years. At September 30, 2021, the City was nine years into the ten year agreement.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Government-wide Financial Statements***

The statement of net position and statement of activities display information about the reporting government as a whole. They include funds of the reporting entity except for fiduciary funds and component units that are fiduciary in nature (at year-end, the City had no component units).

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses 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.

***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 by providing 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 has no proprietary funds at year-end). An emphasis is placed on major funds within the governmental categories. At a minimum, governmental funds other than the General Fund must be reported as major funds if they meet both of the following criteria:

- *Ten percent criterion* - An individual governmental fund reports at least 10 percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.
- *Five percent criterion* - An individual governmental fund reports at least 5 percent of the aggregated total for both governmental funds and proprietary funds of any one of the items for which it met the 10 percent criterion.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*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.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Financial Statements (Continued)***

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

*Debt Service Fund* – The Debt Service Fund is used to account for financial resources related to the City's debt service and debt defeasances.

*Capital Project Funds* – Capital Projects Funds are used to account for financial resources that are received and used for the acquisition, construction, or improvement of capital assets.

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

The City has two Fiduciary Funds:

- The City sells vehicle tags on behalf of Jefferson County, Alabama. The personal property advalorem taxes collected by the City related to the vehicle tag sales are remitted to other governments. The City accounts for the temporary custodianship of the personal property advalorem tax funds in a fiduciary fund.
- Through various state and local statutes, the Vestavia Hills Board of Education (BOE) is entitled to a share of the real and personal property advalorem taxes collected by Jefferson and Shelby Counties, Alabama. Because of the tax payment/remittance mechanisms used by the Counties, these property taxes are remitted to the City and subsequently disbursed to the BOE from the City. The City collection and disbursement method related to these advalorem taxes causes the City to hold assets of the BOE and remit collections to the BOE. This activity is reflected in a custodial fiduciary fund activity of the City.

*Major and Nonmajor Funds* – The General Fund, Capital Projects Fund, Capital Projects - Community Spaces Fund, and Debt Service Fund are classified as major funds.

The remaining Other Governmental Funds (Special Revenue Funds) are classified as nonmajor funds and are described above.

***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.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Measurement Focus and Basis of Accounting (Continued)***

*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. Grants and grants receivable are recognized when all the eligibility requirements of the providers have been met. Proprietary funds use "economic resources" measurement focus, of which the City has none.

*Basis of Accounting*

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

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the 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 warrant and capital lease principal and interest which are reported when due.

***Cash and Cash Equivalents***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

***Receivables***

In the government-wide financial 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, advalorem taxes, and other taxes.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Receivables (Continued)***

In the fund financial statements, 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. Nonexchange 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 only if paid within sixty days since they would be considered both measurable and available.

***Equity Classifications***

*Government-wide Financial Statements*

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

*Net Investment in Capital Assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation, construction in progress, land, and reduced by the outstanding balances of any bonds, mortgages, notes, or other liabilities that are attributable to the acquisition, construction, or improvement of those assets.

*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.

*Unrestricted* – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then committed, assigned, and unassigned – in order as needed.

*Fund Financial Statements*

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted Fund Balance* – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.



**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Equity Classifications (Continued)***

*Fund Financial Statements (Continued)*

*Committed Fund Balance* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned Fund Balance* – The classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Council and management have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned Fund Balance* – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in all governmental funds.

The City has assigned \$500,000 of the General Fund balance, which includes \$250,000 for the City’s unfunded pension liability and \$250,000 for the City’s insurance reserve.

The City Council has adopted an Emergency Reserve Fund Balance Policy. Under this policy, it is the City’s intent to develop and maintain a General Fund Emergency Reserve fund balance representing at least 25% of prior year actual General Fund expenditures (modified accrual basis) plus operating transfers out. The City Council has currently committed \$14,430,713 of General Fund balance for economic stabilization in case of an emergency. An emergency that would warrant use of their committed fund balance is defined as an unforeseen non-routine event that generally represents an economic impact to the City greater than 5% of the previous 5-year average of sales tax collections by the City and this event cost can’t be absorbed by reducing the current year budgeted expenses, increasing current year budgeted revenue, or the event occurred too late in the year to overcome the impact by adjusting the budget in the normal course of the City’s business.

The City has assigned \$539,111 of the Other Governmental Funds balance for use as follows: \$163,410 for E-911, \$273,272 for the Library, \$19,753 for Court & Corrections, and \$82,676 for Capital Projects – Sidewalks.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then committed, assigned, and unassigned – in order as needed.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Budgetary Information***

*Budgetary Basis of Accounting*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Capital Projects Funds, and Special Revenue Funds. The Capital Projects Funds are appropriated on a project-length basis. Certain Special Revenue Funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

***Long-term Debt***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Losses resulting from the refunding of bonds are deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Debt issuance costs (except for prepaid insurance costs) are recognized as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures except as noted above.

***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)
	Debt Service
	Capital Outlay

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fixed Assets***

The accounting treatment for 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 \$5,000 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 acquisition value at the date of donation. Historical cost was used to value the majority of the assets.

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 Assets. 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 assets is as follows:

Buildings	20-50 years
Improvements	10-50 years
Machinery and equipment	3-20 years
Infrastructure	25-50 years

*Fund Financial Statements* – In the fund financial statements, fixed assets used in governmental fund operations are accounted for as expenditures of the government upon acquisition.

***Investments***

Investments for the City are reported at cost plus accrued interest or fair market value as appropriate.

***Restricted Assets***

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

*Customer and Developer Deposit Accounts* – Deposited in non-interest bearing accounts and refunded upon termination of service with the City and satisfaction of all obligations due.

*Bond and Capital Lease Debt Service Accounts* – Includes certain proceeds from issuance of revenue bonds, as well as certain resources set aside for the repayment of bonds or capital lease obligations.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Restricted Assets (Continued)***

*Law Enforcement Fines and Confiscated Property Account* – Funds generated from fines and confiscated property applied towards further education and enhancement of the police department pursuant to state statutes.

***Compensated Absences***

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Accumulated sick leave lapses when employees leave the employ of the City and, accordingly upon separation from service, no monetary obligation exists.

***Pension***

The Employees' Retirement System of Alabama (the Plan or ERS) 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 the requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

***Other Postemployment Benefits (OPEB)***

Other Postemployment Benefits (OPEB) cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see Note 9), regardless of the amount recognized as OPEB expense on a modified accrual basis of accounting. Annual OPEB cost is calculated in accordance with GASB Statement No. 75.

***Interfund Transactions***

During the course of normal operations, the City incurs numerous transactions between funds to provide services, construct 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. Remaining fund balances in discontinued funds and non-recurring, non-routine transfers are accounted for as residual equity transfers.

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Interfund Transactions (Continued)***

Details of current interfund receivables and payables are as follows:

Payable from	Payable to	Amount
General Fund	Capital Projects Fund	\$ 89,194
Other Governmental Funds	General Fund	131,015
		\$ 220,209

The purpose of the interfund receivable balance to the Capital Projects Fund is for the sales tax capital reserve transfer.

The purpose of the interfund receivable balance to the General Fund from the Other Governmental Funds is for the motor vehicle tag fees due to the General Fund.

Interfund receivables and payables and transfers between funds within governmental activities are eliminated in the statement of net position and the statement of activities.

Transfers for the fiscal year ended September 30, 2021 consisted of the following:

Transfer to	Transfer From				Total
	General Fund	Capital Projects Fund	Capital Projects-Community Spaces Fund	Other Government Funds	
Other Governmental Funds	\$ 64,052	\$ -	\$ -	\$ -	\$ 64,052
Capital Projects Fund	2,552,265	-	-	-	2,552,265
Capital Projects - Community Spaces Fund	5,869,862	-	-	-	5,869,862
Debt Service Fund	4,462,851	-	3,167,175	-	7,630,026
General Fund	-	75,424	-	5,912	81,336
<b>Total</b>	<b>\$ 12,949,030</b>	<b>\$ 75,424</b>	<b>\$ 3,167,175</b>	<b>\$ 5,912</b>	<b>\$ 16,197,541</b>

The purpose of the transfer from the General Fund to the Other Governmental Funds is for the operations of the Municipal Court.

The purpose of the transfer from the General Fund to the Capital Projects Fund is for the capital reserve allocation and funding of capital projects.

The purpose of the transfer from the General Fund to the Capital Projects – Community Spaces Fund is for funding capital projects.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Interfund Transactions (Continued)***

The purpose of the transfer from the General Fund and Capital Projects – Community Spaces Fund to the Debt Service Fund is for the payment of debt service.

The purpose of the transfer from the Capital Projects Fund and Other Governmental Funds to the General Fund is to reimburse expenditures paid for by the General Fund.

***Property Taxes***

All ad valorem real property taxes levied by municipalities in Jefferson County, Alabama and Shelby County, Alabama are assessed by the Jefferson and Shelby County Tax Assessors and collected by the Jefferson and Shelby County Tax Collectors. The Jefferson and Shelby County Tax Assessors attach 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 and Shelby County Tax Collectors and are due throughout the year. After collecting property taxes, the Jefferson and Shelby County Tax Collectors remit the City's portion by check on a monthly basis. Taxes collected by the Jefferson and Shelby County Tax Collectors prior to fiscal year-end, but remitted to the City after September 30 are accrued in the General Fund.

***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.

***Deferred Outflows/Inflows***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has several items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second one is related to pensions resulting from City contributions subsequent to the measurement date that will be recognized as a reduction of net pension liability in 2022. The third, fourth, and fifth items are also associated with the City's pension plan and are related to changes of assumptions, differences between expected and

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Deferred Outflows/Inflows (Continued)***

actual experience used to calculate the total pension liability, and difference between projected and actual earnings on plan investments. The sixth and seventh items are associated with the City's OPEB plan and are related to differences between expected and actual experience and changes of assumption used to calculate the total OPEB liability.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has two items that qualify for reporting in this category. The first is the difference between expected and actual experience of the pension plan. The second is related to changes of assumptions used to calculate the total OPEB Liability.

***Economic Dependency***

The City receives a significant portion of their revenue from property taxes and sales and use taxes. Property tax revenue was \$18,433,130 or 29.6% of total revenue in fiscal year 2021. Sales and use tax revenue was \$24,771,713 or 39.7% of total revenue in fiscal year 2021.

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 22, 2022. See Note 15 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Note 2: CASH AND INVESTMENTS**

***Cash***

The City maintains several checking accounts that are separately held by several of the City's funds. At year-end, the carrying amount and bank balance of the City's deposit accounts were as follows:

	Carrying Amount	Bank Balance
All funds (excluding fiduciary funds)	\$26,973,529	\$27,404,372
Fiduciary fund - vehicle tag tax fund	157,877	157,877
Fiduciary fund - Board of Education tax fund	516,132	516,132
<b>Total</b>	<b>\$27,647,538</b>	<b>\$28,078,381</b>

**Note 2: CASH AND INVESTMENTS (Continued)**

***Cash (Continued)***

Certain banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against these deposits. In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the securities pledged failed to produce adequate funds for that purpose, every bank participating in the pool would share the liability for the remaining balance. At September 30, 2021, all of the City's cash depositories are participating in the SAFE program.

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. Management believes that there is no significant custodial credit risk because as of September 30, 2021, all of the bank balance of the City's funds was either covered by federal depository insurance or secured by collateral through the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE program, the City's funds are protected through a collateral pool administered by the Alabama State Treasury.

Included in the carrying amount above are restricted assets totaling \$4,285,742, which includes deposits related to the following: \$70,358 court appearance bonds, \$325,085 lease escrow, \$456,211 police confiscations, \$2,137,575 community spaces, and \$1,296,513 contractor's surety. These deposits consist of cash equivalents and are considered restricted as they are payable to various third parties upon completion of a future event. Accordingly, a corresponding liability is recorded for this amount.

***Investments***

**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 has the following recurring fair value measurements as of September 30, 2021 in its investment portfolio:

- Certificates of deposit totaling \$13,071,813 million (Level 2 inputs)
- Guaranteed Investment Contract held in restricted bond sinking fund trust in the amount of \$1,495,384 (Level 3 inputs)



**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**Note 2: CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

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

	Investment Maturity in Years		
	Fair Value	Less Than 1	From Up To 2
Investments:			
Certificates of deposit	\$ 13,071,813	\$ 13,071,813	\$ 0
Guaranteed Investment Contract (restricted - held in bond sinking fund trust)	1,495,384	1,495,384	0
<b>Total portfolio</b>	<b>\$ 14,567,197</b>	<b>\$ 14,567,197</b>	<b>\$ 0</b>

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy restricts all investments of funds to be used for current operations to those with maturities of one year or less and Capital Projects, Emergency Reserve and Special Revenue Fund(s) investments to those with maturities of two years or less. Cash and investment maturities as of September 30, 2021, were as follows:

Maturity	Portion of Respective Portfolio
Less than one year	100%
1-2 years	0%
	100%

**Credit Risk.** The City's investment will conform to the Code of Alabama Section 11-81-21 (other than externally managed investments held in trust required under sinking fund debt agreements). The City's investments are also be made with judgment and appropriate care under circumstances prevailing and with the prudence, discretion, and intelligence appropriate for the management of public funds. Investments shall not be made for speculation, but will consider the probable safety of their principal as well as the probable income to be derived. The City diversifies its investments by security type and institution. However, at least 90% of its investment portfolio (including cash and equivalents) to U.S. Treasury securities, authorized pools, FDIC insured funds and SAFE Program qualified public depository investments. The remaining 10% could be invested in other allowed investments in accordance with the Code of Alabama Section 11-81-21, but with no more than 50% of that amount to be in a single security type or with a single financial institution.

**Note 2: CASH AND INVESTMENTS (Continued)**

***Investments (Continued)***

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy states that deposit type securities shall be collateralized through the SAFE Program for any amount exceeding FDIC coverage. Other investments shall be collateralized by the actual security held in safekeeping by the primary agent. The collateral for any repurchase agreements will, at all times, be no less than 102% of the value of the repurchase agreement. The City's investments in certificates of deposits and the guaranteed investment contract are held by the City's custodial counterparties in the name of the City.

The City limits the amounts it may invest in any single security type or with a single financial institution to no more than 50% of the overall portfolio. None of the City's investments exceeded these limits at September 30, 2021. The City's investment in the Guaranteed Investment Contract exceeded 5% of the overall portfolio but was less than 50% of the overall portfolio. The City's certificates of deposits are held in separate financial institutions to ensure fully insured balances under FDIC limits. No certificate of deposit balance exceeded 50% at any one financial institution at September 30, 2021.

Because of FDIC insurance and collateralization, the City believes there is no significant custodial credit risk as of September 30, 2021.

The City's \$13,071,813 in certificates of deposits had no amounts exceeding the FDIC insured limit.

The City's restricted investment held in a bond sinking fund trust of \$1,495,382 was collateralized by a financial institution in an amount exceeding 104% of the value. The City deposits cash funds annually into a bond sinking fund trust which is separately managed by a financial institution. This trust and the related investment management is a required part of the City's Series 2013 general obligation Qualified Energy Conservation Bond indenture. This investment is exempted from the City's normal investment portfolio policy since it is required under a separate debt agreement.

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**Note 3: CAPITAL ASSETS**

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

	Balance at 9/30/2020	Additions	Disposals/ Retirements/ Completed	Reclassifications	Balance at 9/30/2021
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 82,623,425	\$ 3,733,060	\$ -	\$ 1,123,108	\$ 87,479,593
Construction in progress	32,329,529	15,933,860	-	(67,243)	48,196,146
Total capital assets not being depreciated	114,952,954	19,666,920	-	1,055,865	135,675,739
<b>Capital Assets Being Depreciated</b>					
Land improvements	13,103,719	14,300	-	(1,096,192)	12,021,827
Buildings	30,910,561	41,006	-	75,083	31,026,650
Building equipment and fixtures	449,678	-	-	(1,238)	448,440
Vehicles	8,418,407	3,218,788	(815,899)	952,261	11,773,557
Equipment	9,034,386	382,792	(88,567)	(955,044)	8,373,567
Computer equipment	2,469,880	70,819	(257,765)	(4,653)	2,278,281
Recreational equipment	3,100,065	161,286	-	(18,001)	3,243,350
Office furniture and fixtures	2,408,687	42,506	-	-	2,451,193
Office equipment	133,715	-	-	-	133,715
Recreational facilities	23,078,608	-	-	(1)	23,078,607
Books and artwork	2,360,971	-	-	(1)	2,360,970
Infrastructure	26,709,321	167,125	-	(8,079)	26,868,367
Total capital assets being depreciated	122,177,998	4,098,622	(1,162,231)	(1,055,865)	124,058,524
<b>Less Accumulated Depreciation</b>					
Land improvements	6,629,811	563,586	-	(92,802)	7,100,595
Buildings	7,071,869	883,757	-	20,459	7,976,085
Building equipment and fixtures	264,587	22,925	-	(65,089)	222,423
Vehicles	5,740,514	1,017,555	(662,502)	(48,084)	6,047,483
Equipment	6,171,688	333,323	(88,567)	61,934	6,478,378
Computer equipment	1,985,564	180,129	(252,337)	6,179	1,919,535
Recreational equipment	2,022,606	97,477	-	110	2,120,193
Office furniture and fixtures	2,315,908	53,560	-	29,357	2,398,825
Office equipment	132,759	81	-	850	133,690
Recreational facilities	15,138,197	728,233	-	(9,284)	15,857,146
Books and artwork	1,811,499	216,716	-	(69)	2,028,146
Infrastructure	11,487,899	809,591	-	96,439	12,393,929
Total accumulated depreciation	60,772,901	4,906,933	(1,003,406)	-	64,676,428
Total capital assets being depreciated, net	61,405,097	(808,311)	(158,825)	(1,055,865)	59,382,096
Governmental activities capital assets, net	\$ 176,358,051	\$ 18,858,609	\$ (158,825)	\$ -	\$ 195,057,835

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**Note 3: CAPITAL ASSETS (Continued)**

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

Governmental activities	
General government administration	\$ 1,079,525
Public safety	981,387
Public services	2,060,912
Library	785,109
<hr/>	
Total depreciation expense	<u>\$ 4,906,933</u>

**Note 4: CAPITALIZED LEASES**

At September 30, 2021, approximately \$4,209,402 in accumulated depreciation has been recorded in the government-wide financial statements related to vehicles, emergency vehicles, and equipment costing \$9,245,985 purchased under capital leases. The current portion of the outstanding liability related to these capital leases at September 30, 2021 reported in the government-wide financial statements totaled \$1,198,655. The remaining long-term portion of these capital lease obligations reported in the government-wide financial statements totaled \$3,552,101 at September 30, 2021.

The following schedule shows the future minimum lease payments at September 30, 2021:

<i>For the years ending September 30,</i>	Interest	Principal	Total Lease Payment
2022	\$ 82,935	\$ 1,198,655	\$ 1,281,590
2023	64,846	1,042,032	1,106,878
2024	49,218	923,104	972,322
2025	31,946	916,762	948,708
2026	14,982	433,897	448,879
2027 and thereafter	4,429	236,306	240,735
<hr/>			
Total	<u>\$ 248,356</u>	<u>\$ 4,750,756</u>	<u>\$ 4,999,112</u>
<hr/>			
Capital leases at September 30, 2020			\$ 5,775,459
Additions			294,370
Principal payments			(1,319,073)
<hr/>			
Capital leases at September 30, 2021			<u>\$ 4,750,756</u>

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**Note 5: ACCOUNTS RECEIVABLE**

The following details the description and amounts of accounts receivable for the City:

	General Fund	Capital Projects Fund	Capital Projects - Community Spaces Fund	Debt Service Fund	Other Governmental Funds	Total
Sales taxes	\$ 2,056,847	\$ -	\$ -	\$ -	\$ -	\$ 2,056,847
Property taxes	346,250	-	-	-	-	346,250
Other taxes	132,341	-	-	-	824,138	956,479
Franchise fees	112,666	-	-	-	-	112,666
Transport receivable	219,516	-	-	-	-	219,516
Intergovernmental	-	-	-	-	226,970	226,970
Other receivables	51,922	416,844	300,000	59,545	-	828,311
<b>Total</b>	<b>\$ 2,919,542</b>	<b>\$ 416,844</b>	<b>\$ 300,000</b>	<b>\$ 59,545</b>	<b>\$ 1,051,108</b>	<b>\$ 4,747,039</b>

**Note 6: LONG-TERM DEBT**

As of September 30, 2021, the City's warrant obligations consisted of the following:

Warrant obligations at September 30, 2020	\$103,000,000
Principal payments	(4,235,000)
<b>Total principal outstanding</b>	<b>98,765,000</b>
Unamortized bond issuance discount	(72,093)
Unamortized bond premium	3,011,572
<b>Total warrant obligations at September 30, 2021</b>	<b>\$101,704,479</b>

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**Note 6: LONG-TERM DEBT (Continued)**

The following is a summary of the changes in long-term debt of the City for the year ended September 30, 2021:

	Balance 9/30/2020	Additions	Reductions	Balance 9/30/2021	Due Within One Year
General Obligation Warrants, Series 2012	\$ 990,000	\$ -	\$ 640,000	\$ 350,000	\$ 350,000
General Obligation Warrants, QECB Series 2013	4,245,000	-	-	4,245,000	-
General Obligation Warrants, Series 2014	1,000,000	-	355,000	645,000	360,000
General Obligation Warrants, Series 2014 (CWSRF-DL)	715,000	-	45,000	670,000	45,000
General Obligation Warrants, Series 2015	7,145,000	-	830,000	6,315,000	845,000
General Obligation Warrants, Series 2016	11,120,000	-	850,000	10,270,000	905,000
General Obligation Warrants, Series 2018	53,725,000	-	1,035,000	52,690,000	1,085,000
General Obligation Warrants, Series 2020A	4,175,000	-	175,000	4,000,000	475,000
General Obligation Warrants, Series 2020B	19,885,000	-	305,000	19,580,000	325,000
Total principal outstanding	103,000,000	-	4,235,000	98,765,000	4,390,000
Unamortized bond premium	3,349,788	-	338,216	3,011,572	-
Unamortized bond issuance discount	(80,111)	-	(8,018)	(72,093)	-
Capital leases - direct borrowing	5,775,459	294,370	1,319,073	4,750,756	1,198,655
<b>Total long-term debt</b>	<b>\$ 112,045,136</b>	<b>\$ 294,370</b>	<b>\$ 5,884,271</b>	<b>\$ 106,455,235</b>	<b>\$ 5,588,655</b>

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**Note 6: LONG-TERM DEBT (Continued)**

Outstanding principal of warrant obligations of the City at September 30, 2021 consist of the following:

General Obligation Warrants, Series 2012 were issued in the principal amount of \$11,000,000 in June 2012. The warrants bear interest at an average of 3.5%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2022 and are callable at any time without penalty.	\$ 350,000
General Obligation Warrants, Qualified Energy Conservation Bonds (QECCB) Series 2013 were issued in the principal amount of \$4,245,000 in May 2013. The warrants bear interest at an average of 2.20%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2033 and are callable at any time without penalty. (Net of \$1,495,384 held in sinking fund for repayment).	2,749,616
General Obligation Warrants, Series 2014 were issued in the principal amount of \$9,605,000 in January 2014. The warrants bear interest at an average of 3.00%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2031 and are callable at any time without penalty.	645,000
General Obligation Warrants, Series 2014 (CWSRF-DL) were issued in the principal amount of \$960,000 in September 2014. The warrants bear interest at an average of 2.00%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2034 and are callable at any time without penalty.	670,000
General Obligation Warrants, Series 2015 were issued in the principal amount of \$9,205,000 in August 2015. The warrants bear interest at an average of 2.00%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2028 and are callable at any time without penalty.	6,315,000
General Obligation Warrants, Series 2016 were issued in the principal amount of \$11,810,000 in June 2016. The warrants bear interest at an average of 3.00%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2028 and are callable at any time without penalty.	10,270,000
General Obligation Warrants, Series 2018 was issued in the principal amount of \$55,770,000 in August 2018. The warrants bear interest at an average of 3.75%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2048 and are callable at any time without penalty.	52,690,000
General Obligation Warrants, Series 2020A was issued in the principal amount of \$4,175,000 in June 2020. The warrants bear interest at an average of 3.625%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2028 and are callable at any time without penalty.	4,000,000
General Obligation Warrants, Series 2020B was issued in the principal amount of \$19,885,000 in June 2020. The warrants bear interest at an average of 1.4%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2033 and are callable at any time without penalty.	19,580,000
Total outstanding	97,269,616
Amount held in sinking fund for QECCB payment	1,495,384
<b>Total principal outstanding</b>	<b>\$ 98,765,000</b>

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**Note 6: LONG-TERM DEBT (Continued)**

The following schedule shows the debt service requirements at September 30, 2021:

<i>For the years ending September 30,</i>	Debt Service Related to Principal	Debt Service Related to Interest	Total Debt Service
2022	\$ 4,390,000	\$ 3,209,870	\$ 7,599,870
2023	4,540,000	3,060,665	7,600,665
2024	4,520,000	2,901,261	7,421,261
2025	4,690,000	2,733,719	7,423,719
2026	4,875,000	2,557,557	7,432,557
2027-2031	25,230,000	10,499,424	35,729,424
2032-2036	20,545,000	7,119,101	27,664,101
2037-2041	10,935,000	4,891,900	15,826,900
2042-2046	13,070,000	2,763,500	15,833,500
2047-2048	5,970,000	360,600	6,330,600
<b>Total</b>	<b>\$ 98,765,000</b>	<b>\$ 40,097,597</b>	<b>\$ 138,862,597</b>

The total interest paid by the City during 2021 relative to the above warrants was \$3,378,348.

The City makes annual contributions into an invested sinking fund in the amount of \$171,051 each fiscal year to pay the principal payment on the QECB warrants. This amount is included in the table above as debt service requirements. These amounts are held in the sinking fund and applied to the payment of the principal of the warrants at maturity on February 1, 2033. The balance in the sinking fund is \$1,495,384 as of September 30, 2021.

As a result of the refunding debts in prior years, the City recorded deferred charges in the government-wide statement of net position. These charges represent the difference between the reacquisition price and the net carrying amounts of the refunded warrants. These costs are being amortized over the average remaining life of the refunded warrants. The unamortized portion of these costs as of September 30, 2021 was \$1,973,835.



**Note 7: PENSION PLAN**

***Plan Description***

The City contributes to the Employees' Retirement System of Alabama (ERS), an agent multiple-employee retirement system, which acts as a common investment and administrative agent for the various state agencies and departments.

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide 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 which consists of 13 trustees. Effective October 1, 2021 Act 390 of the Legislature of 2021 will create two additional representatives and change the composition of representatives within the ERS Board of Control. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control.

The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

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

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 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 the *Code of Alabama 1975, Section 36-27-6*.

**Note 7: PENSION PLAN (Continued)**

***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. 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 are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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 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 are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier I retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132.

The ERS serves approximately 853 local participating employers. The ERS membership includes approximately 101,245 participants. As of September 30, 2020, membership consisted of:

Retirees and beneficiaries currently receiving benefits	28,672
Terminated employees entitled to but not yet receiving benefits	1,974
Terminated employees not entitled to a benefit	14,133
Active members	56,369
Post-DROP participants who are still in active service	97
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<b>Total</b>	<b>101,245</b>

**Note 7: PENSION PLAN (Continued)**

**Contributions**

Tier I 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, Tier I covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Tier I 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, Tier I 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, Tier I certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676 Tier I regular member contribution rates increased from 5% to 7.5% of earnable compensation and Tier I firefighters and law enforcement officers increased from 6% to 8.5% of earnable compensation.

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 contribute 7% of earnable compensation.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2021, the City's active employee contribution rate was 14.00% of covered employee payroll and the City's average contribution rate to fund the normal and accrued liability costs was 13.03% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2021 was 14.18% of pensionable pay for Tier 1 employees and 11.05% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2018, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan were \$2,702,938 for the year ended September 30, 2021.

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**Note 7: PENSION PLAN (Continued)**

***Net Pension Liability***

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

	Expected Valuation Assumptions	Actual Before Act 2019-132 Valuation Assumptions Original	Actual After Act 2019-132 Valuation Assumptions Original
<b>Total Pension Liability</b>			
as of September 30, 2019 (a)	\$ 87,775,514	\$ 89,584,257	\$ 90,467,900
<b>Discount Rate (b)</b>	7.70%	7.70%	7.70%
<b>Entry Age Normal Cost for</b>			
October 1, 2019 – September 30, 2020 (c)	1,603,626	1,603,626	1,746,270
Transfers Among Employers (d)	-	1,109,829	1,109,829
<b>Actual Benefit Payment and Refunds for</b>			
October 1, 2019 – September 30, 2020 (e)	(4,569,754)	(4,569,754)	(4,569,754)
<b>Total Pension Liability</b>			
as of September 30, 2020			
<u>[(a) x (1+(b))] + (c) + (d) + [(e)x(1+0.5*(b))]</u>	<u>\$ 91,392,165</u>	<u>\$ 94,450,010</u>	<u>\$ 95,544,338</u>
Difference between Expected and Actual		\$ 3,057,845	
Less liability transferred for immediate recognition		1,109,829	
Difference between Expected and Actual Experience (Gain)/Loss		\$ 1,948,016	
Difference between Actual TPL Before and After Act 2019-132 - Benefit Change (Gain)/Loss			1,094,328

***Actuarial Assumptions***

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

Inflation	2.75%
Projected salary increases	3.25%-5.00%
Investment rate of return*	7.70%

\*Net of pension plan investment expense.

**Note 7: PENSION PLAN (Continued)**

***Actuarial Assumptions (Continued)***

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

The actuarial assumptions used in the September 30, 2019 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, 2016. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2017.

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 Equivalents	3.00%	1.50%
<b>Total</b>	<b>100.00%</b>	

\*Includes assumed rate of inflation of 2.50%.

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**Note 7: PENSION PLAN (Continued)**

***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 plan 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.

***Changes in Net Pension Liability***

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
<b>Balances at September 30, 2019</b>	\$ 87,775,514	\$ 59,719,155	\$ 28,056,359
Changes for the year			
Service cost	1,603,626	-	1,603,626
Interest	6,582,779	-	6,582,779
Changes in benefit terms	1,094,328		
Changes in assumptions	-	-	-
Difference between expected and actual experience	1,948,016	-	1,948,016
Contributions – employer	-	2,485,425	(2,485,425)
Contributions – employee	-	1,109,027	(1,109,027)
Net investment income	-	3,416,367	(3,416,367)
Benefit payments, including refunds of employee contributions	(4,569,754)	(4,569,754)	-
Transfers among employers	1,109,829	1,109,829	-
<b>Net changes</b>	<b>7,768,824</b>	<b>3,550,894</b>	<b>4,217,930</b>
<b>Balances at September 30, 2020</b>	<b>\$ 95,544,338</b>	<b>\$ 63,270,049</b>	<b>\$ 32,274,289</b>

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**Note 7: PENSION PLAN (Continued)**

***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 1-percentage point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease (6.70)	Current Discount Rate (7.70)	1% Increase (8.70)
Plan's Net Pension Liability	\$ 43,191,402	\$ 32,274,289	\$ 23,041,233

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020. The auditors' report dated April 30, 2021 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes are also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended September 30, 2021, the City recognized pension expense of \$2,220,797. At September 30, 2021, the 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	\$ 2,335,441	\$ 297,242
Changes of assumptions	1,300,424	-
Net differences between projected and actual earnings on pension plan investments	1,925,596	-
Employer contributions subsequent to the measurement date	2,702,938	-
<b>Total</b>	<b>\$ 8,264,399</b>	<b>\$ 297,242</b>

**Note 7: PENSION PLAN (Continued)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

The City reported \$2,702,938 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

*For the years ending September 30,*

	\$ 1,432,069
2022	1,619,036
2023	1,251,017
2024	567,154
2025	245,097
2026	149,846
Thereafter	149,846
Total	\$ 5,264,219

**Note 8: ACCUMULATED COMPENSATED ABSENCES**

For vacation leave and other compensated absences with similar characteristics, GASB Statement No. 16 requires the accrual of a liability as the benefits are earned by the employees if both of these conditions are met:

- a. The employee's right to receive compensation is attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A City employee receives twelve days of annual vacation for the first twelve years of service; eighteen days of annual vacation during years twelve to twenty-five; and twenty-four days of annual vacation leave after twenty-five years of satisfactory employment. Annual vacation leave can accumulate up to forty days or 320 hours and an employee cannot be paid for annual leave in lieu of time off. At year-end, any annual vacation leave over 320 hours is converted hour for hour to sick leave. Employees also earn other compensatory time off for working on city holidays, and other approved circumstances over their normal work week. This compensatory time off accrues in the same manner as overtime pay at a rate of time and a half. There is no annual maximum limit for this compensatory time off and an employee can use it as other time off or is paid for the balance upon separation from the City. Sick leave can be accumulated, but upon separation from service all sick leave is canceled and is not transferable to annual leave. Sick leave can be converted as years of service upon retirement in the Retirement Systems of Alabama.



**Note 8: ACCUMULATED COMPENSATED ABSENCES (Continued)**

A liability for vacation pay is reported in the governmental funds only if the obligation has matured, for example, as a result of an employee's resignation or retirement. All vacation pay is accrued when incurred in the government-wide statements. The estimated current portion of accrued vacation at September 30, 2021 reported in the government-wide financial statements is \$437,238. The remaining long-term incurred portion of the accrued vacation of the governmental activities at September 30, 2021 totaled \$2,447,682.

**Note 9: OTHER POST-EMPLOYMENT BENEFITS**

***Plan Description***

The City provides certain continuing health care and life insurance benefits for its retired employees. The City of Vestavia Hills' OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the City. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the City. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 Postemployment Benefits Other Than Pensions—Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit.

***Benefits Provided***

Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. 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 1 members). Employees hired on and after January 1, 2013 (called Tier 2 members) are eligible to retire only after attainment of age 62 or later completion of 10 years of service.

***Employees Covered by Benefit Terms***

At September 30, 2021 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8
Active employees	264
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Total	272
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***Total OPEB Liability***

The City's total OPEB liability of \$1,804,855 was measured as of September 30, 2021 and was determined by an actuarial valuation as of that date.

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**Note 9: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***Actuarial Assumptions and Other Inputs***

The total OPEB liability was determined by an actuarial valuation as of October 1, 2020 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	4.00%, including inflation
Discount rate	2.21% annually (Beginning of Year to Determine ADC)
	2.15%, annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 5.5% annually (Old Plan Only)
Mortality	SOA RP-2000 Table

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of September 30, 2021, the end of the applicable measurement period.

The actuarial assumptions used in the October 1, 2020 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2021.

***Changes in the Total OPEB Liability***

<b>Balance at September 30, 2020</b>	<b>\$ 1,728,735</b>
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Changes for the year	
Service cost	45,525
Interest	37,333
Differences between expected and actual experience	22,165
Changes of assumptions	50,028
Benefit payments and net transfers	(78,931)
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Net changes	76,120
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<b>Balance at September 30, 2021</b>	<b>\$ 1,804,855</b>
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**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**Note 9: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.15%) or 1-percentage-point higher (3.15%) than the current discount rate:

	1.00% Decrease (1.15%)	Current Discount Rate (2.15%)	1.00% Increase (3.15%)
<b>Total OPEB liability</b>	<b>\$ 2,181,263</b>	<b>\$ 1,804,855</b>	<b>\$ 1,514,316</b>

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

	Decrease (4.5%)	Trend (5.5%)	Increase (6.5%)
<b>Total OPEB liability</b>	<b>\$ 1,550,863</b>	<b>\$ 1,804,855</b>	<b>\$ 2,136,904</b>

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended September 30, 2021, the City recognized OPEB expense of \$216,516. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 227,559	\$ -
Changes of assumptions	589,100	37,228
<b>Total</b>	<b>\$ 816,659</b>	<b>\$ 37,228</b>

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**Note 9: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)***

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

<i>For the years ending September 30,</i>	Cumulative Net Amount to be Recognized
2022	\$ 133,658
2023	133,658
2024	133,658
2025	133,658
2026	133,658
Thereafter	111,141
<b>Total</b>	<b>\$ 779,431</b>

**Note 10: DEFERRED COMPENSATION PLAN**

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is payable to employees upon termination, retirement, death, or unforeseen emergency.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plans. Under the plans, participants select investments from alternatives offered by the plan administrators, who are under contract with the City to manage the plans. Investment selection by a participant may be changed from time to time. The City manages none of the investment selections. By making the selection, enrollees accept and assume all risks that pertain to the particular plan and its administration.

The City placed the deferred compensation plans' assets into trust for the exclusive benefit of the plans participants' and beneficiaries' in accordance with Governmental Accounting Standards Board (GASB) Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.

The City has little administrative involvement and does not perform the investing function for the plans. The City does not hold the assets in a trustee capacity and does not perform fiduciary accountability for the plans. Therefore, the City employees' deferred compensation plans created in accordance with IRC 457 are not reported in the financial statements of the City.

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**Note 11: CONTINGENCIES AND COMMITMENTS**

***Litigation***

Several suits have been filed and are pending against the City. In the opinion of management and the City's attorney, these matters are either without merit, are covered by insurance or involve amounts that would not have a material adverse effect on the City's financial statements.

***Project Commitments***

As of September 30, 2021, the City had executed contracts for various project commitments in the amount of \$20,718,645. At September 30, 2021, \$16,320,109 had been expended on these construction contracts.

**Note 12: TAX ABATEMENTS**

The City has entered into various tax abatements with property owners, businesses and real estate developers for the purpose of a) recruiting new business development and b) promoting the development 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 to 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	% of City Taxes Abated	FYE September 30, 2021 Abatement Amount	Expiration of Incentive <sup>1</sup>	Maximum Incentive Amount
Restaurant development	Sales tax <sup>4</sup>	50%	\$56,166	December 31, 2027	\$575,000
Commercial development <sup>3</sup>	Ad Valorem tax <sup>2</sup>	100%	\$52,124	August 31, 2034	\$5,150,000
Retail development	Sales tax <sup>4</sup>	50%	\$22,324	November 30, 2024	\$232,372
Restaurant development	Sales tax <sup>4</sup>	50%	\$25,409	July 31, 2026	\$325,000
Restaurant development	Sales tax <sup>4</sup>	50%	\$47,591	October 31, 2028	\$500,000
Commercial development	Sales tax <sup>4</sup>	75%		March 31, 2022	
	Sales tax <sup>4</sup>	50%	\$7,632	March 31, 2027	\$575,000
Commercial development	Sales tax <sup>4</sup>	50%	\$75,400	October 31, 2025	\$475,000
Restaurant development	Sales tax <sup>4</sup>	50%	\$72,160	August 31, 2029	\$750,000
Restaurant development	Sales tax <sup>4</sup>	50%	\$19,955	September 30, 2029	\$250,000
Commercial development	Sales tax <sup>4</sup>	50%	\$312,104	August 1, 2028	\$4,247,808
Total			\$690,865		

1 Earlier of date below, maximum incentive amount or cessation of operations, if applicable.

2 Non-educational portion only.

3 Of the \$5,150,000 Maximum Incentive amount, \$3,550,000 was paid directly by the City for building modifications and infrastructure improvements and \$1,600,000 will be abated in advalorem taxes.

4 Non-educational portion only and none dedicated to capital reserves.

**Note 13: NEW PRONOUNCEMENTS**

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

- Statement No. 87, *Leases* – This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. This statement will become effective for the City in fiscal year 2022.
- Statement No. 91, *Conduit Debt Obligations* – This statement will become effective for the City in fiscal year 2022.
- Statement No. 92, *Omnibus 2020* – This statement will become effective for the City in fiscal year 2022.
- Statement No. 93, *Replacement of Interbank Offered Rates* – This statement will become effective for the City in fiscal year 2022.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – This statement will become effective for the City in fiscal year 2023.

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

The City has implemented GASB Statement No. 84, *Fiduciary Activities*. The implementation of this statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. The City has evaluated these criteria and determined that activities related to its collections and payments of personal property ad valorem taxes related to sales of car tags by the City should be reported as a Fiduciary Fund in accordance with GASB Statement No. 84. The implementation of GASB Statement No. 84 had no impact on prior period balance of fiduciary net position in the Fiduciary custodial fund.

**Note 14: DEVELOPMENT AGREEMENT**

In September 2018, the City entered into a development agreement with two other geographically adjoining governments to provide infrastructure improvements. As part of this development agreement, the City has entered into a funding agreement to provide annual payments of \$75,000 beginning in 2019 through 2025 for infrastructure improvements.

**Note 15: SUBSEQUENT EVENTS**

The City authorized the issuance and payment of General Obligation Warrants, Series 2021, which refunded the Series 2015 warrants.

The City obtained financing for vehicles and/or equipment through BB&T Bank on October 8, 2021 in the total amount of \$4,762,774.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Vestavia Hills, Alabama**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual—General Fund**

<i>For the year ended September 30, 2021</i>	Budget - Original and Final	General Fund Actual	Variance
<b>Revenues</b>			
Taxes	\$ 37,518,224	\$ 43,358,100	\$ 5,839,876
Licenses and permits	4,744,257	5,213,938	469,681
Charges for services	462,000	664,128	202,128
Fines and forfeitures	352,084	404,510	52,426
Fees	2,965,967	2,768,952	(197,015)
Grants	889,934	870,103	(19,831)
Proceeds from sale of assets	36,000	160,221	124,221
Interest revenues	130,077	131,510	1,433
Other revenues	635,130	780,257	145,127
<b>Total revenues</b>	<b>47,733,673</b>	<b>54,351,719</b>	<b>6,618,046</b>
<b>Expenditures</b>			
General government administration	6,824,392	7,490,206	(665,814)
Public safety	20,547,886	20,872,268	(324,382)
Public services	7,854,206	8,183,689	(329,483)
Library	2,322,586	2,234,192	88,394
Capital outlay	175,000	259,325	(84,325)
<b>Total expenditures</b>	<b>37,724,070</b>	<b>39,039,680</b>	<b>(1,315,610)</b>
<b>Excess of revenues over expenditures</b>	<b>10,009,603</b>	<b>15,312,039</b>	<b>5,302,436</b>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	50,000	81,336	31,336
Operating transfers out	(10,007,667)	(12,949,030)	(2,941,363)
<b>Total other financing sources (uses)</b>	<b>(9,957,667)</b>	<b>(12,867,694)</b>	<b>(2,910,027)</b>
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<b>51,936</b>	<b>2,444,345</b>	<b>2,392,409</b>
<b>Fund balances at beginning of year</b>	<b>18,720,647</b>	<b>18,720,647</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ 18,772,583</b>	<b>\$ 21,164,992</b>	<b>\$ 2,392,409</b>



**City of Vestavia Hills, Alabama**  
**Schedule of Changes in the Net Pension Liability**  
**and Related Ratios**  
**(As of Measurement Date)**

Schedule of Changes in Net Pension Liability	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service cost	\$ 1,603,626	\$ 1,555,575	\$ 1,508,540	\$ 1,486,956	\$ 1,379,763	\$ 1,319,081	\$ 1,277,907
Interest	6,582,779	6,324,319	6,061,114	5,772,185	5,371,641	4,970,899	4,747,042
Changes in benefit terms	1,094,328	-	-	-	-	-	-
Differences between expected and actual experience	1,948,016	(418,564)	321,100	529,080	141,280	2,132,828	-
Changes of assumptions	-	-	449,717	-	3,809,927	-	-
Benefit payments, including refunds of employee contributions	(4,569,754)	(4,157,825)	(4,016,820)	(3,846,705)	(3,436,179)	(3,390,895)	(3,062,574)
Transfers among employees	1,109,829	259,081	(327,053)	(128,346)	273,131	-	-
Net change in total pension liability	7,768,824	3,562,586	3,996,598	3,813,170	7,539,563	5,031,913	2,962,375
Total pension liability - beginning	87,775,514	84,212,928	80,216,330	76,403,160	68,863,597	63,831,684	60,869,309
Total pension liability - ending (a)	\$ 95,544,338	\$ 87,775,514	\$ 84,212,928	\$ 80,216,330	\$ 76,403,160	\$ 68,863,597	\$ 63,831,684
<b>Plan Fiduciary Net Position</b>							
Contributions - employer	\$ 2,485,425	\$ 2,384,919	\$ 2,010,155	\$ 2,076,923	\$ 1,852,693	\$ 1,777,403	\$ 1,750,292
Contributions - employee	1,109,027	1,251,467	1,006,259	984,086	974,431	916,651	851,524
Net investment income	3,416,367	1,498,367	5,010,199	6,272,112	4,585,395	532,576	4,842,808
Benefit payments, including refunds of employee contributions	(4,569,754)	(4,157,825)	(4,016,820)	(3,846,705)	(3,436,179)	(3,390,895)	(3,062,574)
Transfers among employers	1,109,829	259,081	(327,053)	(128,346)	273,131	235,587	245,477
Net change in plan fiduciary net position	3,550,894	1,236,009	3,682,740	5,358,070	4,249,471	71,322	4,627,527
Plan net position - beginning	59,719,155	58,483,146	54,800,406	49,442,336	45,192,865	45,121,543	40,494,016
Plan net position - ending (b)	\$ 63,270,049	\$ 59,719,155	\$ 58,483,146	\$ 54,800,406	\$ 49,442,336	\$ 45,192,865	\$ 45,121,543
Net pension liability - ending (a) - (b)	\$ 32,274,289	\$ 28,056,359	\$ 25,729,782	\$ 25,415,924	\$ 26,960,824	\$ 23,670,732	\$ 18,710,141
Plan fiduciary net position as a percentage of total pension liability	66.22%	68.04%	69.45%	68.32%	64.71%	65.63%	70.69%
Covered payroll*	\$ 18,449,981	\$ 17,823,733	\$ 16,890,643	\$ 16,582,596	\$ 15,839,133	\$ 15,248,055	\$ 14,710,190
Net pension liability as a percentage of covered employee payroll	174.93%	157.41%	152.33%	153.27%	170.22%	155.24%	127.19%

\*Employer's covered payroll during the measurement period is the total covered payroll. For FY 2020, the measurement period is October 1, 2019 - September 30, 2020.

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

**City of Vestavia Hills, Alabama**  
**Schedule of Employer Pension Contributions**  
**(As of Fiscal Year-end)**

	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution*	\$ 2,702,938	\$ 2,542,889	\$ 2,450,447	\$ 2,072,633	\$ 2,132,174	\$ 1,911,298	\$ 1,829,808
Employer Contributions to Pension Plan	<b>2,702,938</b>	<b>2,542,889</b>	2,450,447	2,072,633	2,132,174	1,911,298	1,829,808
Annual Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Covered Payroll**	<b>\$ 19,299,809</b>	<b>\$ 18,449,981</b>	\$ 17,823,998	\$ 16,890,643	\$ 16,582,596	\$ 15,839,133	\$ 15,248,055
Employer Contributions to Pension Plan as a % of Covered Payroll	<b>14.00%</b>	<b>13.78%</b>	13.75%	12.27%	12.86%	12.07%	12.00%

\*The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments.  
The Schedule of Employer Contributions is based on the 12-month period of the underlying financial statement.

\*\*Employer's covered payroll for the year ending 2020 is the total covered payroll for the 12-month period underlying the financial statement.

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

**City of Vestavia Hills, Alabama**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**(As of Measurement Date)**

Total OPEB Liability	2021	2020	2019	2018
Service cost	\$ 45,525	\$ 36,221	\$ 19,873	\$ 21,139
Interest	37,333	25,686	31,209	28,260
Differences between expected and actual experience	22,165	149,569	87,670	41,998
Changes of assumptions	50,028	590,285	157,223	(48,684)
Benefit payments	(78,931)	(77,319)	(76,604)	(72,610)
Net change in total OPEB liability	76,120	724,442	219,371	(29,897)
<b>Total OPEB liability - beginning</b>	<b>1,728,735</b>	<b>1,004,293</b>	<b>784,922</b>	<b>814,819</b>
<b>Total OPEB liability - ending</b>	<b>\$ 1,804,855</b>	<b>\$ 1,728,735</b>	<b>\$ 1,004,293</b>	<b>\$ 784,922</b>
Covered - employee payroll	\$ 17,332,334	\$ 16,665,706	\$ 15,820,146	\$ 15,211,679
Net OPEB liability as a percentage of covered - employee payroll	10.41%	10.37%	6.35%	5.16%

Notes to Schedule:

*Benefit changes* - There were no changes of benefit terms for the year ended September 30, 2021.

*Changes of assumptions* - The discount rate as of 9/30/2020 was 2.21% and it changed to 2.15% as of 9/30/2021.

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

**City of Vestavia Hills, Alabama**  
**Schedule of Employer OPEB Contributions**  
**(As of Fiscal Year-end)**

	2021	2020	2019	2018
Actuarially determined contribution (ADC)	\$ 124,959	\$ 85,233	\$ 66,262	\$ 66,166
Contributions in relation to the actuarially determined contribution:				
Employee contributions to trust	-	-	-	-
Employer paid - retiree premiums	-	-	-	-
Employer paid - expenses	<b>(78,931)</b>	(77,319)	(76,604)	(72,610)
Contribution deficiency (excess)	<b>\$ 46,028</b>	\$ 7,914	\$ (10,342)	\$ (6,444)
Covered annual payroll	<b>17,332,334</b>	16,665,706	\$ 15,820,146	\$ 15,211,679
Contributions as a percentage of covered employee payroll	<b>0.46%</b>	0.46%	0.48%	0.48%

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

## City of Vestavia Hills, Alabama

### Notes to Required Supplementary Information

#### **Note 1: BUDGETS AND BUDGETARY ACCOUNTING**

The City adopts annual budgets for the General Fund, Capital Projects Fund, and Special Revenue Funds and such budgets are prepared on a basis consistent with generally accepted accounting principles. Any revisions that alter the total expenditures must be approved by the City Council. The budget of the General Fund is presented in the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual. Revenues collected for and submitted to the Board of Education were not budgeted since they were remitted to the Board as received.

Budget information presented in the financial statements is based on the original budget as adopted by the City Council on September 14, 2020.

#### **Note 2: SCHEDULE OF CHANGES IN NET PENSION LIABILITY**

The total pension liabilities presented in these schedules were provided by the Retirement Systems of Alabama's actuarial consultants, Cavanaugh MacDonald Consulting, LLC. The net pension liability is measured as the total pension liability less the components of the plan net position reserved to fund the total pension liability. Those components are annuity savings and pension accumulation. The related ratios show plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

#### **Note 3: SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS**

Contributions were made in accordance with actuarially determined contribution requirements. The employer contribution rate expressed as a percent of payroll is determined annually by reviewing a variety of factors including benefits promised, member contributions, investment earnings, mortality, and withdrawal experience. The City's employer contribution rates were 14.18% for Tier 1 employees (hired before January 1, 2013) and 11.05% for Tier 2 employees (hired after January 1, 2013).

#### **Note 4: SCHEDULE OF CHANGES IN NET OPEB LIABILITY**

The net OPEB liability presented in these schedules were provided by the City's actuarial consultants, Fontenot Benefits and Actuarial Consulting. The net OPEB liability is measured as the total OPEB liability less the components of the plan net position reserved to fund the total OPEB liability. The related ratios show plan net position as a percentage of the total OPEB liability and the net OPEB liability as a percentage of employee covered payroll.

#### **Note 5: SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS**

There were no contributions to the Plan outside of employer-paid retiree premiums for the year ended September 30, 2021.

**City of Vestavia Hills, Alabama**  
**Notes to Required Supplementary Information**

<i>Valuation date</i>	10/1/2020 Actuarially determined contributions are calculated as of the last day of the fiscal year in which contributions are reported.
<i>Actuarial cost method</i>	Individual Entry Age Normal
<i>Amortization method</i>	Level dollar, open
<i>Amortization period</i>	30 years
<i>Asset valuation method</i>	Market value
<i>Inflation</i>	2.5% annually
<i>Health care trend</i>	Flat 5.5% annually (Old Plan Only)
<i>Salary increases</i>	4.0% annually
<i>Discount rate</i>	2.21% annually (beginning of year to determine the actuarially determined contributions (ADC) 2.15% annually (as of end of year measurement date)
<i>Retirement age</i>	30 years of service at any age; for department heads, age 60 and 10 years of service; employees hired on and after January 1, 2013 are not eligible to retire until age 62.
<i>Mortality</i>	RP-2000 without projection Age specific table with an average of 5% when applied to the active census
<i>Turnover</i>	
<i>Decline rate</i>	43% of retirees decline medical coverage at retirement and an additional 27% defer retirement until age 65.

## **SUPPLEMENTARY INFORMATION**

**City of Vestavia Hills, Alabama**  
**Combining Balance Sheet—Other Governmental Funds**

<i>For the year ended September 30, 2021</i>	State Shared Gasoline Tax Funds					Court & Corrections	E-911	Library	Vehicle Tags	Capital Projects - Sidewalks	Totals
	Four Cent	Five Cent	Eight Cent	Seven Cent							
<b>Assets</b>											
Cash and temporary investments	\$ 164,920	\$ 101,114	\$ 165,438	\$ -	\$ 22,478	\$ 112,401	\$ 273,672	\$ 151,480	\$ 82,676	\$ 1,074,179	
Accounts receivable, net of allowance for uncollectibles	38,855	19,075	35,945	890,904	-	66,329	-	-	-	1,051,108	
<b>Total assets</b>	<b>\$ 203,775</b>	<b>\$ 120,189</b>	<b>\$ 201,383</b>	<b>\$ 890,904</b>	<b>\$ 22,478</b>	<b>\$ 178,730</b>	<b>\$ 273,672</b>	<b>\$ 151,480</b>	<b>\$ 82,676</b>	<b>\$ 2,125,287</b>	
<b>Liabilities</b>											
Accounts payable	\$ 414	\$ -	\$ -	\$ 29,122	\$ 2,725	\$ 15,320	\$ 400	\$ 20,465	\$ -	\$ 68,446	
Retainage payable	116,289	-	-	-	-	-	-	-	-	116,289	
Other liability	-	-	-	261,181	-	-	-	-	-	261,181	
Interfund payable	-	-	-	-	-	-	-	131,015	-	131,015	
<b>Total liabilities</b>	<b>116,703</b>	<b>-</b>	<b>-</b>	<b>290,303</b>	<b>2,725</b>	<b>15,320</b>	<b>400</b>	<b>151,480</b>	<b>-</b>	<b>576,931</b>	
<b>Fund Balance</b>											
Restricted for road maintenance	87,072	120,189	201,383	600,601	-	-	-	-	-	1,009,245	
Assigned	-	-	-	-	19,753	163,410	273,272	-	82,676	539,111	
<b>Total fund balance</b>	<b>87,072</b>	<b>120,189</b>	<b>201,383</b>	<b>600,601</b>	<b>19,753</b>	<b>163,410</b>	<b>273,272</b>	<b>-</b>	<b>82,676</b>	<b>1,548,356</b>	
<b>Total liabilities and fund balance</b>	<b>\$ 203,775</b>	<b>\$ 120,189</b>	<b>\$ 201,383</b>	<b>\$ 890,904</b>	<b>\$ 22,478</b>	<b>\$ 178,730</b>	<b>\$ 273,672</b>	<b>\$ 151,480</b>	<b>\$ 82,676</b>	<b>\$ 2,125,287</b>	



**City of Vestavia Hills, Alabama**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances—Other Governmental Funds**

<i>For the year ended September 30, 2021</i>	State Shared Gasoline Tax Funds					Court & Corrections	E-911	Library	Vehicle Tags	Capital Projects - Sidewalks	Totals
	Four Cent	Five Cent	Eight Cent	Seven Cent							
<b>Revenues</b>											
Taxes	\$ 2,098	\$ -	\$ -	\$ 870,516	\$ -	\$ 834,689	\$ -	\$ -	\$ -	\$ -	\$ 1,707,303
License and permits	-	-	-	46,491	-	-	-	169,392	-	-	215,883
Intergovernmental	210,740	103,818	219,149	340,889	-	-	-	-	-	-	874,596
Fines and forfeitures	-	-	-	-	542,512	-	-	-	-	-	542,512
Grants	-	-	-	-	-	-	27,064	-	-	-	27,064
Interest revenues	47	26	33	65	-	22	24	76	33	-	326
Library revenues	-	-	-	-	-	-	57,069	-	-	-	57,069
Other revenues	-	-	-	-	1,250	-	-	-	-	-	1,250
<b>Total revenues</b>	<b>212,885</b>	<b>103,844</b>	<b>219,182</b>	<b>1,257,961</b>	<b>543,762</b>	<b>834,711</b>	<b>84,157</b>	<b>169,468</b>	<b>33</b>	<b>33</b>	<b>3,426,003</b>
<b>Expenditures</b>											
General government administration	-	-	-	-	480,510	-	-	152,243	-	-	632,753
Public safety	-	-	-	-	107,551	712,482	-	-	-	-	820,033
Public services	65,000	32,500	36,202	1,465,838	-	-	-	-	-	-	1,599,540
Library	-	-	-	-	-	-	99,369	-	-	-	99,369
Debt service	-	-	-	-	-	147,640	-	-	-	-	147,640
Capital outlay	258,650	1,275	-	-	-	24,210	5,890	-	-	-	290,025
<b>Total expenditures</b>	<b>323,650</b>	<b>33,775</b>	<b>36,202</b>	<b>1,465,838</b>	<b>588,061</b>	<b>884,332</b>	<b>105,259</b>	<b>152,243</b>	<b>-</b>	<b>-</b>	<b>3,589,360</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(110,765)</b>	<b>70,069</b>	<b>182,980</b>	<b>(207,877)</b>	<b>(44,299)</b>	<b>(49,621)</b>	<b>(21,102)</b>	<b>17,225</b>	<b>33</b>	<b>33</b>	<b>(163,357)</b>
<b>Other Financing Sources (Uses)</b>											
Operating transfers in	-	-	-	-	64,052	-	-	-	-	-	64,052
Operating transfers out	-	-	-	-	-	-	-	(5,912)	-	-	(5,912)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,052</b>	<b>-</b>	<b>-</b>	<b>(5,912)</b>	<b>-</b>	<b>-</b>	<b>58,140</b>
<b>Excess of revenues and other sources over expenditures and other uses</b>	<b>(110,765)</b>	<b>70,069</b>	<b>182,980</b>	<b>(207,877)</b>	<b>19,753</b>	<b>(49,621)</b>	<b>(21,102)</b>	<b>11,313</b>	<b>33</b>	<b>33</b>	<b>(105,217)</b>
<b>Fund balance, beginning of year</b>	<b>197,837</b>	<b>50,120</b>	<b>18,403</b>	<b>808,478</b>	<b>-</b>	<b>213,031</b>	<b>294,374</b>	<b>(11,313)</b>	<b>82,643</b>	<b>82,643</b>	<b>1,653,573</b>
<b>Fund balance, end of year</b>	<b>\$ 87,072</b>	<b>\$ 120,189</b>	<b>\$ 201,383</b>	<b>\$ 600,601</b>	<b>\$ 19,753</b>	<b>\$ 163,410</b>	<b>\$ 273,272</b>	<b>\$ -</b>	<b>\$ 82,676</b>	<b>\$ 82,676</b>	<b>\$ 1,548,356</b>

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

**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 Vestavia Hills, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Vestavia Hills, Alabama (the City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 22, 2022.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **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  
March 22, 2022



**Required Communications**  
September 30, 2021

March 22, 2022

To the City Council  
City of Vestavia Hills, Alabama

Dear City of Vestavia Hill's Council Members:

We are pleased to present the results of our audit of the September 30, 2021 financial statements of the City of Vestavia Hill's (the City).

This report to the City Council summarizes our audit, the reports issued and various analyses and observations related to the City's accounting and reporting. The document also contains the communications required by our professional standards.

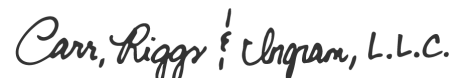
Our audit was designed, primarily, to express an opinion on the City's September 30, 2021 financial statements. We considered the City's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of the City's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

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

We appreciate this opportunity to meet with you.

Very truly yours,



CARR, RIGGS & INGRAM, LLC  
Birmingham, Alabama



As discussed with City Council and management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the City. Specifically, we planned and performed our audit to:

- Perform audit services as requested by the City Council, 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, in order to express an opinion on the City's financial statements for the year ending September 30, 2021;
- 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*;
- Communicate directly with the City Council and management regarding the results of our procedures;
- Address with the City Council and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the City Council and management; and
- Other audit-related projects as they arise and upon request.



We have audited the financial statements of the City for the year ended September 30, 2021, and have issued our report thereon dated March 22, 2022. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Auditors' responsibility under Generally Accepted Auditing Standards and Government Auditing Standards and the Uniform Guidance</b></p>	<p>As stated in our engagement letter dated December 15, 2021, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the City over financial reporting. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<p><b>Client's responsibility</b></p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud. Management is responsible for overseeing nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.</p>
<p><b>Planned scope and timing of the audit</b></p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<p><b>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles</b></p>	<p>The significant accounting policies used by the City are described in Note 1 to the financial statements. New accounting policies were adopted during the fiscal year as a result of the following recently issued accounting pronouncements:</p> <ul style="list-style-type: none"> <li>• Statement No. 84, Fiduciary Activities (GASB 84)</li> <li>• Statement No. 95, Postponement of the Effective Date of Certain Authoritative Guidance (GASB 95)</li> </ul>





MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
	<p>We noted no transactions entered into by the City during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p> <p>Further, the disclosures in the City's financial statements are neutral, consistent, and clear.</p>
<b>Management judgments and accounting estimates</b>	Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality".
<b>Potential effect on the financial statements of any significant risks and exposures</b>	No such risks or exposures were noted.
<b>Significant difficulties encountered in the audit</b>	We encountered no significant difficulties in dealing with management in performing and completing our audit.
<b>Corrected and Uncorrected Misstatements</b>	See "Summary of Audit Adjustments" section.
<b>Other information in documents containing audited financial statements</b>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> <li>• Such information is materially inconsistent with the financial statements; and</li> <li>• We believe such information represents a material misstatement of fact.</li> </ul> <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>
<b>Disagreements with management</b>	We are pleased to report that no such disagreements arose during the course of our audit.
<b>Other findings or issues</b>	None noted.



MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<b>Matters arising from the audit that were discussed with, or the subject of correspondence with, management</b>	None noted.
<b>Consultation with other accountants</b>	To our knowledge, there were no such consultation with other accountants.
<b>Major issues discussed with management prior to retention</b>	Discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
<b>Internal control deficiencies</b>	See "Internal Control Findings" section.
<b>Fraud and illegal acts</b>	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
<b>Written representations</b>	See "Management Representation Letter" section.
<b>Significant unusual accounting transactions</b>	No significant unusual accounting transactions were noted during the fiscal year.
<b>Supplementary Information in relation to the financial statements as a whole. The auditor's responsibility for supplementary information accompanying the financial statements, as well as any procedures performed and the results.</b>	We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.
<b>Required Supplementary Information</b>	We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

## Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality



We are required to communicate our judgments about the quality, not just the acceptability, of the City's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significant to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The City may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Investments	The City follows the provisions of Section 150: Investments, of the GASB Codification when reporting investments.	X	The City relies on investment valuation information from the bank or investment manager based upon financial market information to determine current or fair value.	The City's policies are in accordance with all applicable accounting guidelines and GASB.
Depreciation of property and equipment	The City depreciates property and equipment using the straight-line method.	X	The City depreciates property and equipment over their estimated useful lives, which are based on the experience with similar assets and guidance provided by ASC 360.	The City's recognition methods and disclosures appear appropriate.
Accounts receivable	The City estimates the receivable due from the State of Alabama for Capital Improvement monies.	X	The City estimates the receivable due from the State of Alabama for Capital Improvement monies.	We evaluated key factors and assumptions used to develop the balance in determining that it is reasonable in relation the financial statements taken as a whole.
Other postemployment benefit obligation	The City records a liability for its post-employment benefits obligation other than pensions.	X	The OPEB liability is projected using methods and assumptions as provided in the most recent actuarial valuation, in accordance with the provisions of GASB Statement No. 75. Health care cost trend rates were based on market assessments.	We evaluated the assumptions used by the actuary in determining the total OPEB liability and found them to be in accordance with the provisions of GASB 75 and reasonable in relation to the financial statements taken as a whole.

## Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality



AREA	ACCOUNTING POLICY	CRITICAL POLICY	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Defined benefit pension plan	The City participates in the Employee Retirement System (ERS), an agent multiple-employer plan administered by RSA. RSA utilizes an independent actuary to provide an actuarial valuation report specific to each participating employer with estimates of the total pension liability, fiduciary net position, related deferred outflows/inflows and actuarially required contributions in accordance with related deferred outflows/inflows and actuarially required contributions in accordance with the provisions of GASB 68.	X	Key assumptions utilized by the actuary in making the estimates in accordance with GASB 68. The total pension liability was determined by an actuarial valuation as of September 30, 2019, with a measurement date of September 30, 2020.	We evaluated the assumptions used by the actuary in estimating the City's total pension liability, the fiduciary net position, and the related deferred outflows/inflows and found them to be in accordance with the provisions of GASB 68 and reasonable in relation to the financial statements taken as a whole.
Compensated absences	Liabilities for compensated absences attributable to services already rendered are accrued as employees earn the rights to those benefits.  The City follows the provisions of Section C60: Compensated Absences, of the GASB Codification when reporting these liabilities.	X	The City estimates the accrued liabilities for compensated absences using leave balances accrued at the end of the fiscal year multiplied by the pay rate in effect for each employee as of the end of the fiscal year.	The City's policies are in accordance with all applicable accounting guidelines and GASB.



During the course of our audit, we accumulate differences between amounts recorded by the City and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the City or passed (uncorrected). Uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even if, in the auditors' judgement, such uncorrected misstatements are immaterial to the financial statements under audit. There were no adjustments, either corrected or uncorrected, as a result of our audit procedures.

### QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the City's operating environment that has been identified as playing a significant role in the City's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.



March 22, 2022

Carr, Riggs and Ingram, LLC  
3700 Colonnade Parkway, Suite 300  
Birmingham, AL 35243

This representation letter is provided in connection with your audit of the financial statements of City of Vestavia Hills, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of September 30, 2021, and the respective changes in financial position and the disclosures (collectively, the “financial statements”), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 22, 2022, the following representations made to you during your audit.

**Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 15, 2021, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.



- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of non-compliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

- 11) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the City or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the City and involves—
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.



- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the names of the City's related parties and all the related party relationships and transactions, including any side agreements.

**Government-specific**

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 21) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 22) The City has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have appropriately disclosed all information for conduit debt obligations in accordance with [GASBS No. 91](#).
- 25) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements (including GASB 34 conversion entries), disclosures, and any other non-attest services. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.





- 28) In regards to the nonattest services (including GASB 34 conversion entries) performed by you, we have –
- a) Assumed all management responsibilities.
  - b) Designated Melvin Turner and George Saway, who have suitable skill, knowledge, or experience to oversee the services.
  - c) Evaluated the adequacy and results of the services performed.
  - d) Accepted responsibility for the results of the services.
- 29) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 30) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 31) The financial statements include all fiduciary activities required by [GASBS No. 84](#).
- 32) The financial statements properly classify all funds and activities in accordance with [GASBS No. 34](#), as amended.
- 33) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 35) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.
- 37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 38) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 42) Tax abatement agreements have been properly disclosed in the notes to the financial statements, including the names of governments including the gross amount and specific taxes abated and additional commitments.



- 43) The government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
- 44) We have appropriately disclosed the City’s policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 45) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 46) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 47) With respect to the combining balance sheet – other governmental funds and combining statements of revenues, expenditures, and changes in fund balances – other governmental funds:
  - a) We acknowledge our responsibility for presenting the combining balance sheet – other governmental funds and combining statement of revenues, expenditures, and changes in fund balances – other governmental funds in accordance with accounting principles generally accepted in the United States of America, and we believe the combining balance sheet – other governmental funds and combining statement of revenues, expenditures, and changes in fund balances – other governmental funds, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the combining balance sheet – other governmental funds and combining statement of revenues, expenditures, and changes in fund balances – other governmental funds have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b) If the combining balance sheet – other governmental funds and combining statement of revenues, expenditures, and changes in fund balances – other governmental funds is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor’s report thereon.

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_