

**CITY OF MOUNTAIN BROOK, ALABAMA**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2010**

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

**September 30, 2010**

**MAYOR**

The Honorable Lawrence T. Oden

**CITY COUNCIL**

Ms. Virginia C. Smith, President

Mr. Jack D. Carl

Mr. William S. (Billy) Pritchard, III

Ms. Amy G. Carter

Mr. Jesse S. Vogtle, Jr.

**CITY MANAGER**

Mr. Sam S. Gaston

**DEPARTMENT SUPERVISORS**

Building Inspections .....	Mr. Jerry Weems
Finance .....	Mr. Steven Boone
Fire Department .....	Mr. Robert W. (Zeke) Ezekiel
Police Department.....	Mr. Johnny Stanley
Street and Sanitation.....	Mr. Eddy Tate
Parks and Recreation.....	Mr. Lyman Tidwell

## City of Mountain Brook, Alabama

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mountain Brook, Alabama (the City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The prior year comparative information has been derived from the City's 2009 financial statements and, in our report dated February 4, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

As described in Note 6, the City's actuarial accrued liability of its pension plan exceeds the actuarial value of assets in the plan.

The Management's Discussion and Analysis beginning on page 7 and budgetary comparison information on page 53, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual major and nonmajor fund financial statements are presented for purposes of additional analysis and are not required part of the basic financial statements. The combining and individual major and nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Birmingham, Alabama  
March 24, 2011

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

This narrative overview and analysis of the City's financial activities as of and for the year ended September 30, 2010, prepared by the management of the City, is presented to facilitate the users' understanding of the annual report and draw attention to items of interest.

**FINANCIAL HIGHLIGHTS**

- Assets of the City exceeded its liabilities at September 30, 2010, by \$92 million (Total Net Assets). Of this amount, \$33 million (Unrestricted Net Assets) is available for use by the City to fund future municipal services and to meet its obligations to employees and creditors. Of the remaining amount, \$58 million represents the net book value of the City's capital assets including infrastructure net of outstanding long-term debt, and \$783,000 is restricted for the benefit of the library (\$109,000) and road improvements (\$674,000 for the State Shared Gasoline Tax special revenue funds).
- The Total Net Assets increased by \$6.3 million in 2010 which includes the net cost of providing core City services of \$20.8 million plus \$27.1 million in General Revenues.
- As of September 30, 2010, the City reported \$39.1 million in unreserved fund balances, an increase of \$457,637 from 2009. Of the \$39.1 million unreserved fund balance, \$8.9 million (23%) is reported in the General Fund, \$26.6 million (68%) in the Capital Projects Fund, and \$3.6 million (9%) in the Other Governmental Funds.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements consist of the 1) government-wide financial statements, 2) fund financial statements, 3) notes to financial statements, and 4) certain required supplementary financial information. In addition, the City has included other supplementary information intended to further enhance the users' understanding of the City's financial position and results of operations.

***Government-wide Financial Statements***

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

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

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

**CITY OF MOUNTAIN BROOK, ALABAMA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

purpose of this statement is to simplify the analysis of the costs of various governmental services.

***Fund Financial Statements***

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

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

***Governmental Funds***

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

The City maintains ten (10) governmental funds. The City considers the General Fund and Capital Projects Fund (which is comprised of three “sub-funds”) to be major funds and their respective balance sheets and statements of revenues, expenditures, and changes in fund balance are separately reported. Information from the remaining funds (Debt Service and Special Revenue) have been aggregated and reported in a single column titled Other Governmental Funds. Additional information about these aggregated non-major funds and the major funds is provided in the other supplementary information.

***Infrastructure Capital Assets***

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

	<b>Useful</b>			<b>Accumulated</b>
	<b>Life</b>	<b>Cost</b>	<b>Depreciation</b>	<b>Depreciation</b>
Land	N/A	\$16,525,671	N/A	N/A
Streets and alleys	20	16,894,470	\$545,672	\$10,787,040
Storm sewers	20	5,833,057	320,887	1,612,160
Sidewalks	15	9,276,923	609,127	6,243,824
Park facilities	20	7,806,612	343,821	3,808,042
Street lights and signs	15	1,149,171	59,941	683,933

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

	<u>Useful</u> <u>Life</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Accumulated</u> <u>Depreciation</u>
Library reference	5	<u>4,268,980</u>	<u>304,389</u>	<u>3,364,061</u>
<b>Totals</b>		<u>\$61,754,884</u>	<u>\$2,183,837</u>	<u>\$26,499,060</u>

***Government-wide Financial Analysis***

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

	<u>2010</u>	<u>2009</u>
Current assets	\$43,173,323	\$41,775,837
Other assets	375,212	407,500
Capital assets	<u>62,828,638</u>	<u>57,879,485</u>
<b>Total assets</b>	<u>106,377,173</u>	<u>100,062,822</u>
Current and other liabilities	4,995,513	3,965,320
Long-term liabilities	<u>9,001,409</u>	<u>10,025,542</u>
<b>Total liabilities</b>	<u>13,996,922</u>	<u>13,990,862</u>
Net assets:		
Invested in capital assets, net of related debt	58,173,638	53,049,485
Restricted	783,314	751,335
Unrestricted	<u>33,423,299</u>	<u>32,271,140</u>
<b>Total net assets</b>	<u>\$92,380,251</u>	<u>\$86,071,960</u>

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

	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Program revenues		
Fees, fines and charges for services	\$4,913,511	\$4,627,718
Operating grants and contributions	1,016,609	1,241,469

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

	<u>2010</u>	<u>2009</u>
Capital grants and contributions	4,127,274	671,001
General revenues		
Ad valorem taxes	15,370,449	15,615,303
Sales and use taxes	8,193,985	7,923,179
Other taxes	151,097	146,738
Utility taxes	1,450,440	1,413,759
Franchise fees	506,999	486,435
Investment earnings	1,195,866	1,350,656
Gain on sale of capital assets	149,027	134,976
Miscellaneous revenue	20,938	21,470
Transfers from component unit	<u>34,469</u>	<u>17,625</u>
<b>Total revenues</b>	<b>37,130,664</b>	<b>33,650,329</b>
<b>Expenses</b>		
General government	4,531,128	4,888,805
Public safety	13,468,872	13,130,373
Street and sanitation	8,375,457	8,660,591
Recreational	1,608,763	1,755,816
Library	<u>2,838,153</u>	<u>2,696,258</u>
<b>Total expenses</b>	<b><u>30,822,373</u></b>	<b><u>31,131,843</u></b>
<b>Increase in net assets</b>	<b>6,308,291</b>	<b>2,518,486</b>
Net assets, beginning of year	<u>86,071,960</u>	<u>83,553,474</u>
<b>Net assets, end of year</b>	<b><u>\$92,380,251</u></b>	<b><u>\$86,071,960</u></b>

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

***Analysis of the City's Operations***

***Revenues***

The City's primary source of revenue is real estate ad valorem taxes which comprised 46% of total General Fund revenues in 2010. Real estate ad valorem taxes decreased by \$270,000 (1.9%) during 2010.

The second largest source of revenue for the City is sales and use tax which totaled 25% of the total General Fund revenues in 2010. Sales and use tax increased by \$188,000 (2.5%) during 2010.

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

	<u>2010</u>	<u>2009</u>	<b>Increase (Decrease)</b>
Real estate ad valorem tax	\$14,322,580	\$14,592,638	(\$270,058)
Sales and use tax	7,854,903	7,666,594	188,309
Business licenses	2,130,822	1,998,980	131,842
Personal property ad valorem tax	1,047,869	1,022,666	25,203
Garbage service fees	34,062	39,094	(5,032)
Utility taxes	1,450,440	1,413,759	36,681
Investment earnings	207,197	271,734	(64,537)
All other General Fund revenues	<u>4,189,128</u>	<u>4,282,892</u>	<u>(93,764)</u>
<b>Totals</b>	<b><u>\$31,237,001</u></b>	<b><u>\$31,288,357</u></b>	<b><u>(\$51,356)</u></b>

***Expenditures***

Salaries and benefits increased \$187,000 (1%) in 2010 to \$17.6 million. Labor-related costs made up 56% of the City's total budget in 2010. Following is comparative summary of the major expenditure categories (all funds combined) of the City as reported in the Governmental Funds financial statements:

	<u>2010</u>	<u>2009</u>	<b>Increase (Decrease)</b>
Salaries and benefits	\$17,606,360	\$17,419,808	\$ 186,552
Garbage contract fees	2,569,512	2,576,442	(6,930)
Capital outlay	9,576,104	4,320,579	5,255,525
Intergovernmental services	717,500	850,537	(133,037)
Utilities and communication	733,536	750,732	(17,196)

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

	<u>2010</u>	<u>2009</u>	<b>Increase (Decrease)</b>
Development agreement payments	892,448	722,392	170,056
Property and casualty insurance	302,948	324,205	(21,257)
Legal and accounting	499,495	471,893	27,602
Fuel and lubricants	238,717	238,442	275
Debt service	359,647	361,331	(1,684)
Birmingham Zoo, Inc. subsidy	75,000	75,000	-0-
All other	<u>3,198,583</u>	<u>4,127,739</u>	<u>(929,156)</u>
<b>Totals</b>	<b><u>\$36,769,850</u></b>	<b><u>\$32,239,100</u></b>	<b><u>\$4,530,750</u></b>

***General Budgetary Highlights (budgets are administered based on, and variances are stated in terms of, the Governmental Fund accounting model)***

Following is a summary of the pertinent General Fund budget variances:

- Actual General Fund revenue exceeded the final budgeted revenue by \$610,283 (2%). The favorable (unfavorable) budget variance was comprised of the following:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Real estate ad valorem tax	\$14,321,000	\$14,322,580	\$ 1,580
Sales and use tax	7,600,000	7,854,903	254,903
Other taxes	926,422	1,016,068	89,646
Utility taxes	1,450,100	1,450,440	340
Road and bridge tax	557,600	590,899	33,299
State bank excise tax	0	15,312	15,312
Construction permits	567,500	624,309	56,809
Fines and forfeitures	463,700	514,542	50,842
Charges for services	532,800	587,322	54,522
Fees for road repairs	99,600	49,787	(49,813)
Grants	19,243	19,708	465
Investment earnings	205,050	207,197	2,147
All other	<u>3,883,703</u>	<u>3,983,934</u>	<u>100,231</u>
<b>Totals</b>	<b><u>\$30,626,718</u></b>	<b><u>\$31,237,001</u></b>	<b><u>\$610,283</u></b>

## CITY OF MOUNTAIN BROOK, ALABAMA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

- Total General Fund expenditures were \$740,956 (2.8%) less than the final budget. The favorable (unfavorable) General Fund budget variance was comprised largely of the following categories:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Salaries and benefits	\$17,936,556	\$17,606,360	\$ 330,196
Garbage contract fees	2,580,000	2,569,512	10,488
Intergovernmental services - Note 8	982,910	717,500	265,410
Utilities and communication	740,200	733,536	6,664
Development agreement payments	596,000	892,448	(296,448)
Fuel and lubricants	293,800	238,717	55,083
Legal and accounting	382,900	499,495	(116,595)
Street striping	145,000	38,950	106,050
Street cut repairs	120,000	55,088	64,912
Park and recreation special projects	115,807	51,980	63,827
All other	<u>2,811,560</u>	<u>2,560,191</u>	<u>251,369</u>
<b>Totals</b>	<b><u>\$26,704,733</u></b>	<b><u>\$25,963,777</u></b>	<b><u>\$ 740,956</u></b>

- The operating transfers out exceeded the amount budgeted by approximately \$506,000. This variance resulted primarily from the Council's (decision after year end) to transfer an additional \$575,000 from the General Fund to the Capital Projects Fund.
- The excess of General Fund revenues and other financing sources over expenditures in the amount of \$1,151,817 was \$867,422 more than budgeted.
- The final General Fund budgeted surplus of \$284,395 was increased by \$11,700 from the amount originally budgeted in the amount of \$272,695. The City Council passed two resolutions during 2010 amending the 2010 budget. The budget amendments involved various revisions to revenue and expenditure line items resulting from revenues exceeding original estimates and other transactions that were not considered when the budget was originally adopted.

#### ***Other Matters of Interest***

##### ***Pension Plan***

As more fully described in Note 6, the City participates in a multi-employer, defined benefit pension plan which is administered by the Employees' Retirement System of Alabama (RSA). The most recent actuarial valuation data available and included in the accompanying report is as of and for the year ended September 30, 2009.

**CITY OF MOUNTAIN BROOK, ALABAMA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

As of September 30, 2009, the RSA reported an unfunded actuarial accrued liability of \$13 million. However, the actuarial valuation of the plan assets (\$44.5 million) used to determine the unfunded actuarial accrued liability does not include actual investment gains and losses but rather employs the 5-year smoothed market approach. Accordingly, the actuarial valuation of the assets is more than the actual value by \$10.3 million due to the exclusion of unamortized net market losses (realized and unrealized) over the preceding five years.

Due to the City Council’s concern about the unfunded actuarial accrued liability, the City Council has authorized the accumulation of cash reserves in the Debt Service Fund which may ultimately be necessary to pay toward this obligation. As of September 30, 2010, the City had accumulated \$2.4 million in the Debt Service Fund for such purpose. During 2001, the City paid \$2 million more into the pension trust fund than the annual required contribution. In 2007, the City paid an extra \$7 million from the Debt Service Fund to the pension trust fund in order to further reduce the unfunded actuarial accrued liability. In 2008, the City paid \$300,000 more than the actuarially determined annual required contribution from its General Fund. Due in part to the investment performance of the pension trust fund, the City Council has remitted only the annual required contribution to the pension trust fund in 2009 and 2010.

***Cash and Temporary Investments***

As of September 30, 2010, the City reported cash and temporary investments of \$39.3 million which consisted of unrestricted and donor-restricted cash and temporary investments of \$39.2 million and \$109,000, respectively. Following is a summary of the carrying value of the cash and investments by fund as of September 30, 2010:

	<u>Unrestricted</u>	<u>Restricted</u>
General Fund	\$9,537,330	\$ 109,062
Capital Projects Fund	26,143,180	-0-
Other Governmental Funds (Debt Service)	2,373,528	-0-
Other Governmental Funds (Special Revenue)	1,105,049	-0-
Section 115 irrevocable, retiree medical trust	0	403,024
Discretely presented component unit	<u>0</u>	<u>3,090,395</u>
<b>Totals</b>	<b><u>\$39,159,087</u></b>	<b><u>\$ 3,602,481</u></b>

The \$9.5 million dollar General Fund cash and investment balance as of September 30, 2010, represents approximately four (4.4) months of General Fund expenditures.

***Capital Assets and Related Replacement Reserves***

Regarding capital assets, the City Council has adopted a policy of funding its depreciation expense in order to accumulate monies for the eventual replacement of property, plant and equipment. As of September 30, 2010, the City had accumulated approximately \$26 million in the Capital Projects Fund for such purpose. Accumulated depreciation (considered by management to be the benchmark with respect to measuring the funding status of the property, plant and equipment replacement reserve) totaled \$43 million as of year-end. Following is a summary of the capital expenditures, depreciation expense and transfers to the Capital Projects Fund for the years ended September 30:

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

	<u>2010</u>	<u>2009</u>
Capital expenditures	\$9,576,104	\$4,427,511
Depreciation expense	<u>\$4,511,151</u>	<u>\$4,080,650</u>
Transfers to the Capital Projects Fund:		
Funded depreciation policy	\$1,886,248	\$2,227,690
Other transfers to fund current and future capital acquisitions	<u>1,878,622</u>	<u>1,506,061</u>
<b>Totals</b>	<u>\$3,764,870</u>	<u>\$3,733,751</u>

The City maintains approximately 200 miles of paved roadways and alleys. The state shared gasoline tax revenues, the City's allocation of the Alabama Trust Fund Earnings, and other monies transferred from the General Fund are used to fund the City's street maintenance program. Following is a summary of the revenues and expenditures as they pertain to the maintenance of the City's roadways:

	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
State shared gasoline tax revenues	\$414,088	\$418,000
Alabama Trust Fund Earnings	137,328	176,243
Transfers from the City's General Fund	-0-	55,000
Investment earnings	<u>1,333</u>	<u>2,399</u>
<b>Total Revenues</b>	552,749	651,642
Street paving expenditures	<u>530,930</u>	<u>631,252</u>
<b>Excess of Revenues Over Expenditures</b>	21,819	20,390
Fund balance, beginning of the year	<u>652,433</u>	<u>632,043</u>
<b>Fund Balance, end of year</b>	<u>\$674,252</u>	<u>\$652,433</u>

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

***Residential Garbage Service Fee Elimination***

In 2007, the City adopted an ordinance (No. 1732) lowering the residential garbage service fees by more than 70% effective January 1, 2007. In 2008, the City adopted another ordinance (No. 1769) eliminating the residential garbage service fees. In 2010 and 2009, the City realized \$34,062 and \$39,094, respectively, in garbage service fees collected from its commercial garbage accounts.

***Requests for Additional Information***

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

**City of Mountain Brook, Alabama**  
**Government-Wide Statement of Net Assets**  
**September 30, 2010 with Comparative Data**

	<b>Governmental Activities</b>		<b>Component Unit Library Foundation 2010</b>
	<b>2010</b>	<b>2009</b>	
<b>ASSETS</b>			
Cash and temporary investments	\$ 39,159,087	\$ 39,892,516	\$ 0
Receivables	3,573,555	1,625,590	0
Notes receivable (\$132,288 current)	507,500	438,523	0
Due from related organization	81,745	53,944	0
Inventory and prepaid expenses	117,586	73,862	0
Cash and temporary investments - restricted	109,062	98,902	3,090,395
Capital assets, net of accumulated depreciation	34,453,482	35,697,920	0
Land	18,481,042	18,586,368	0
Construction in progress	9,894,114	3,595,197	0
<b>TOTAL ASSETS</b>	<b>106,377,173</b>	<b>100,062,822</b>	<b>3,090,395</b>
<b>LIABILITIES</b>			
Accounts payable	2,263,644	1,325,414	0
Accrued salaries and wages	1,010,684	985,817	0
Accrued interest payable	90,628	94,019	0
Due to related organization	47,761	37,259	0
Other current liabilities	662,796	747,811	0
Noncurrent liabilities			
Due within one year:			
Long-term debt	180,000	175,000	0
Other liabilities	740,000	600,000	0
Due in more than one year:			
Compensated absences	2,387,454	2,348,669	0
Long-term debt	4,475,000	4,655,000	0
Other liabilities	2,138,955	3,021,873	0
Total Liabilities	13,996,922	13,990,862	0
<b>Pension obligation (see Note 6)</b>			
<b>NET ASSETS</b>			
Invested in capital assets (net of related debt)	58,173,638	53,049,485	0
Restricted	783,314	751,335	3,090,395
Unrestricted	33,423,299	32,271,140	0
<b>TOTAL NET ASSETS</b>	<b>\$ 92,380,251</b>	<b>\$ 86,071,960</b>	<b>\$ 3,090,395</b>

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**City of Mountain Brook, Alabama**  
**Government-Wide Statement of Activities**  
**For the Year Ended September 30, 2010 with Comparative Data**

<b>Program Activities</b>	<b>Program Revenues</b>			
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Governmental activities:				
General government	\$ 4,531,128	\$ 2,544,770	\$ 941,847	\$ 0
Public safety	13,468,872	2,082,751	5,000	12,723
Street and sanitation	8,375,457	100,854	1,554	4,015,999
Recreational	1,608,763	111,569	55,054	38,376
Library	2,838,153	73,567	13,154	60,176
<b>Total</b>	<b>\$ 30,822,373</b>	<b>\$ 4,913,511</b>	<b>\$ 1,016,609</b>	<b>\$ 4,127,274</b>
Component unit:				
Library Foundation	\$ 43,872	\$ 0	\$ 134,835	\$ 0

**General revenues:**

Taxes:

Ad Valorem (real and personal property)

Sales and use

Other taxes

Occupational license fees

Utility taxes

Franchise fees

Investment earnings (loss)

Gain on sale of capital asset

Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

**Net assets at end of year**

<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Total Net (Expense)</b>	<b>Total Net (Expense)</b>	<b>Component Unit (Library Foundation)</b>	<b>Component Unit (Library Foundation)</b>
<b>Revenue and Changes in Net Assets</b>	<b>Revenue and Changes in Net Assets</b>	<b>Revenue and Changes in Net Assets</b>	<b>Revenue and Changes in Net Assets</b>
\$ (1,044,511)	\$ (1,366,877)	\$ 0	\$ 0
(11,368,398)	(11,306,239)	0	0
(4,257,050)	(7,816,861)	0	0
(1,403,764)	(1,529,984)	0	0
<u>(2,691,256)</u>	<u>(2,571,694)</u>	<u>0</u>	<u>0</u>
<u>(20,764,979)</u>	<u>(24,591,655)</u>		
		<u>90,963</u>	<u>63,100</u>
15,370,449	15,615,303	0	0
8,193,985	7,923,179	0	0
151,097	146,738	0	0
0	0	0	0
1,450,440	1,413,759	0	0
506,999	486,435	0	0
1,195,866	1,350,656	251,221	57,211
149,027	134,976	0	0
20,938	21,470	0	0
34,469	17,625	(34,469)	(17,625)
<u>27,073,270</u>	<u>27,110,141</u>	<u>216,752</u>	<u>39,586</u>
6,308,291	2,518,486	307,715	102,686
86,071,960	83,553,474	2,782,680	2,679,994
<u>\$ 92,380,251</u>	<u>\$ 86,071,960</u>	<u>\$ 3,090,395</u>	<u>\$ 2,782,680</u>

**City of Mountain Brook, Alabama**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2010**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and temporary investments \$	9,537,330	\$ 26,143,180	\$ 3,478,577	\$ 39,159,087
Cash and temporary investments - restricted	109,062	0	0	109,062
Receivables	1,696,403	1,885,749	123,148	3,705,300
Inventory and prepaid expenses	<u>117,586</u>	<u>0</u>	<u>0</u>	<u>117,586</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>11,460,381</u></b>	<b>\$ <u>28,028,929</u></b>	<b>\$ <u>3,601,725</u></b>	<b>\$ <u>43,091,035</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 858,203	\$ 1,399,385	\$ 6,056	\$ 2,263,644
Accrued salaries and wages	1,010,684	0	0	1,010,684
Other liabilities	<u>710,557</u>	<u>0</u>	<u>0</u>	<u>710,557</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,579,444</u></b>	<b><u>1,399,385</u></b>	<b><u>6,056</u></b>	<b><u>3,984,885</u></b>
<b>Pension obligation (see Note 6)</b>				
<b>FUND BALANCES</b>				
Fund balance:				
Reserve for inventory and prepaid expense	117,586	0	0	117,586
Reserved	109,062	0	0	109,062
Unreserved	<u>8,654,289</u>	<u>26,629,544</u>	<u>3,595,669</u>	<u>38,879,502</u>
<b>TOTAL FUND BALANCES</b>	<b><u>8,880,937</u></b>	<b><u>26,629,544</u></b>	<b><u>3,595,669</u></b>	<b><u>39,106,150</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>11,460,381</u></b>	<b>\$ <u>28,028,929</u></b>	<b>\$ <u>3,601,725</u></b>	<b>\$ <u>43,091,035</u></b>

**City of Mountain Brook, Alabama**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Assets**  
**September 30, 2010**

Fund balance - total governmental funds	\$	39,106,150
Amounts reported for governmental activities in the statement of net assets are different because:		
Note receivable charged to capital outlay in the fund financial statements less principal recoveries.		407,500
Accrual of note receivable from related organization from the sale of real property.		50,000
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	\$ 105,490,003	
Less accumulated depreciation	<u>(42,661,365)</u>	62,828,638
Long-term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet.		
Governmental bonds payable	(4,655,000)	
Compensated absences	(2,387,454)	
Accrued interest payable	(90,628)	
Accrued development agreement obligations	<u>(2,878,955)</u>	<u>(10,012,037)</u>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>92,380,251</u></b>

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**City of Mountain Brook, Alabama**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended September 30, 2010**

	<b>General</b>	<b>Capital Projects</b>
<b>Revenues:</b>		
Taxes	\$ 26,282,759	\$ 0
Licenses and permits	3,326,850	0
Intergovernmental	44,450	0
Charges for services	587,322	0
Fines and forfeitures	514,542	0
Grants	19,708	3,477,307
Other operating revenues	461,370	1,087,995
	<b>31,237,001</b>	<b>4,565,302</b>
<b>Total revenues</b>		
<b>Expenditures:</b>		
<b>Current (operating):</b>		
General government	4,759,472	1,597,366
Public safety	11,850,829	716,518
Street and sanitation	5,888,827	4,870,366
Recreational	1,002,717	2,051,661
Library	2,461,932	9,015
Debt service:		
Principal	0	0
Interest	0	0
	<b>25,963,777</b>	<b>9,244,926</b>
<b>Total expenditures</b>		
<b>Excess (deficiency) of revenues over expenditures</b>	<b>5,273,224</b>	<b>(4,679,624)</b>
<b>Other financing sources (uses):</b>		
Operating transfers in	0	3,764,870
Operating transfers (out)	(4,232,729)	0
Operating transfers in - component unit	34,469	0
Donations	76,853	0
	<b>(4,121,407)</b>	<b>3,764,870</b>
<b>Total other financing sources (uses)</b>		
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	<b>1,151,817</b>	<b>(914,754)</b>
<b>Fund balances, beginning of year</b>	<b>7,729,120</b>	<b>27,544,298</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 8,880,937</b>	<b>\$ 26,629,544</b>

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 414,088	\$ 26,696,847
0	3,326,850
38,376	82,826
355,691	943,013
221,856	736,398
0	3,497,015
<u>235,851</u>	<u>1,785,216</u>
<u>1,265,862</u>	<u>37,068,165</u>
210,960	6,567,798
344,092	12,911,439
530,930	11,290,123
115,518	3,169,896
0	2,470,947
175,000	175,000
<u>184,647</u>	<u>184,647</u>
<u>1,561,147</u>	<u>36,769,850</u>
<u>(295,285)</u>	<u>298,315</u>
758,185	4,523,055
(290,326)	(4,523,055)
0	34,469
<u>48,000</u>	<u>124,853</u>
<u>515,859</u>	<u>159,322</u>
220,574	457,637
<u>3,375,095</u>	<u>38,648,513</u>
\$ <u><u>3,595,669</u></u>	\$ <u><u>39,106,150</u></u>

**City of Mountain Brook, Alabama**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balance of Governmental Funds to the Government-wide Statement of Activities**  
**September 30, 2010**

Net change in fund balances - total governmental funds	\$	457,637
Amounts reported for governmental activities in the statement of activities are different because:		
Construction loan principal receipts charged to other operating revenues in the governmental funds and as a reduction in the note receivable in the statement of activities.		(31,023)
Accrual of long-term note receivable from related organization from the sale of real property		50,000
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Expenditures for capital assets	\$ 9,576,104	
Less current year depreciation	<u>(4,511,151)</u>	5,064,953
Net book value of assets disposed during the year.		(115,800)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		175,000
Repayment of development fee obligation in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		742,918
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.		
Change in long-term compensated absences	(38,785)	
Change in accrued interest payable	<u>3,391</u>	<u>(35,394)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u><u>6,308,291</u></u></b>

**City of Mountain Brook, Alabama**  
**Statement of Fiduciary Net Assets**  
**Other Post-Employment Benefits Trust Fund**  
**September 30, 2010**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Certificates of deposit, at fair value	\$ <u>403,024</u>	\$ <u>196,320</u>
<b>TOTAL ASSETS</b>	403,024	196,320
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>0</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	0	0
<b>NET ASSETS HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS</b>	<u>\$ 403,024</u>	<u>\$ 196,320</u>

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

	<u>2010</u>	<u>2009</u>
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 522,671	\$ 215,118
Plan members	151,601	21,294
Investment earnings	<u>6,704</u>	<u>320</u>
<b>TOTAL ADDITIONS</b>	<u>680,976</u>	<u>236,732</u>
<b>DEDUCTIONS</b>		
Benefits	473,272	25,720
Administrative expense	<u>1,000</u>	<u>14,692</u>
<b>TOTAL DEDUCTIONS</b>	<u>474,272</u>	<u>40,412</u>
<b>NET INCREASE</b>	206,704	196,320
Net assets held in trust for other post-employment benefits, beginning of year	<u>196,320</u>	<u>0</u>
<b>NET ASSETS HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS, END OF YEAR</b>	<u>\$ 403,024</u>	<u>\$ 196,320</u>

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

**1. Summary of significant accounting policies**

The City of Mountain Brook, Alabama (the City) was incorporated on March 24, 1942. The City operates under 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 elected at-large. Beginning in October 2004, the initial term of office for persons holding odd numbered council seats was two years and all other terms of office four years. Upon the expiration of the initial two-year terms of office, each person elected to such seats shall hold office for four years so that all elected officials shall serve four-year terms of office with the terms staggered. The City Manager is appointed by the City Council as the executive officer to serve at the will and pleasure of that body. The Mayor and members of the City Council receive no salary or other compensation for their service to the City.

A. Accounting and reporting

The City of Mountain Brook, Alabama (the City) complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

B. Related organizations

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

During 2010, the City reported the following revenues from the Board:

	General Fund	Special Revenue
Proceeds from the sale of real property	\$ 150,000	\$ -0-
Athletic field shared maintenance	43,369	38,376
Reimbursed services	1,081	-0-
<b>Total</b>	<b>\$ 194,450</b>	<b>\$ 38,376</b>

## City of Mountain Brook, Alabama

### Notes to Financial Statements

At September 30, 2010, the City reported receivables from the Board in the amounts as follows (See Note 3):

	General Fund	Special Revenue
Note receivable	\$ 100,000	\$ -0-
Athletic field shared maintenance	43,369	38,376
Total	\$ 143,369	\$ 38,376

The City receives 36.7 mills of the 99.0 mill property tax (Note 1.Q.) from Jefferson County. From the 36.7 mills, the City transfers 10.6 mills to the Board. For financial reporting purposes, the City includes the net property tax of 26.1 mills in its General Fund revenues. At September 30, 2010 and 2009, the City owed the Board \$47,761 and \$37,259, respectively, for its share of property taxes which is included in other liabilities of the General Fund.

In 1998, the City agreed to serve as the fiscal agent for the third phase of the Board's improvements to the community athletic fields. The improvements totaling approximately \$1 million were financed through the issuance of Series 1998-A general obligation warrants. The athletic fields are maintained by the City's Parks and Recreation Department. The routine maintenance of the fields are shared by the City (1/3), the Board (1/3), two unaffiliated local athletic groups - Mountain Brook Athletics, Inc. (1/6), and Mountain Brook Soccer Club, Inc. (1/6).

In 2005, the City entered into a long-term lease agreement with the Mountain Brook Sports Park Foundation (MBSPF), a non-profit organization. Under the terms of the agreement, MBSPF was granted the right to use City land to be used primarily for community soccer fields. MBSPF paid for the construction of such fields from private donations and a \$500,000 loan from the City. The construction costs totaled \$1,952,936. In 2009, MBSPF constructed a restroom/concession stand at the complex which was financed from private donations, a contribution from the City in the amount of \$62,500, and a loan from the City in the amount of \$62,500. The outstanding loan balance of \$407,500 has been presented as a note receivable in the statement of net assets.

During 2010, the City reported the following transactions in conjunction with the above joint ventures which are included in the Other Governmental Funds in the accompanying financial statements:

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

**Revenues**

The Board	\$ 38,376
Mountain Brook Athletics, Inc.	19,188
Mountain Brook Soccer Club, Inc.	19,188
Investment income	<u>0</u>
<b>Total revenues</b>	<b>76,752</b>

**Expenditures**

Recreational (operating and maintenance)	115,518
Capital outlay (\$1,952,936 cumulative)	<u>0</u>
<b>Total expenditures</b>	<b>115,518</b>

**Other financing sources (uses), net**

Transfers to City General Fund	52,859
Donations	<u>48,000</u>
<b>Net other financing sources</b>	<b><u>100,859</u></b>

**Excess (deficiency) of revenues and other financing sources over expenditures and other assets**

62,093

Fund balance (deficit) at the beginning of the year (62,352)

**Fund balance (deficit) at the end of the year** **\$ (259)**

The City and School Board fulfilled their respective financial commitments in 2005. The general obligation warrants were repaid in 2008 with funds donated to the City for that purpose.

Another related organization is the Mountain Brook Library Foundation. The Foundation is a non-profit organization formed for the benefit of the Emmet O'Neal Library, a department of the City. Several of the Foundation's Board members are also members of The Emmet O'Neal Library Board. The Library Foundation has received contributions from residents which were utilized to construct, furnish, and equip the City's new Library facilities. These facilities were contributed to the City of Mountain Brook during 2001, and are included in the accompanying financial statements.

The financial position and results of operations of the Foundation are reported as a component unit of the City in the accompanying fund financial statements and consolidated with the City in the accompanying government-wide financial statements. A copy of the Foundation's audited financial statements can be obtained at the Library.

## City of Mountain Brook, Alabama

### Notes to Financial Statements

#### C. Government-wide Financial Statements

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

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

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

#### D. Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

#### Governmental funds

##### **A. General Fund**

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

## City of Mountain Brook, Alabama

### Notes to Financial Statements

#### **B. Special Revenue Funds**

Special Revenue Funds are operating funds for which the use of revenues is restricted or designated by outside sources. These funds account for activities carried out by the City under certain intergovernmental contracts and grants.

Special Revenue Funds are also used to account for any program funds that the City elects to segregate to track revenue and expenditures.

#### **C. Debt Service Funds**

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs as well as any other non-current obligations. In addition, the City is accumulating resources in the Debt Service Funds for future payment of its unfunded pension obligation (see Note 6).

#### **D. Capital Project Funds**

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

#### Major and non-major funds

The General Fund and Capital Projects Fund are classified as major funds and are described above.

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

#### **E. Measurement focus and basis of accounting**

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

#### Measurement focus

On the Government-wide Statement of Net Assets 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 assets (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.

## City of Mountain Brook, Alabama

### Notes to Financial Statements

#### Basis of accounting

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

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

#### F. Encumbrances

In the Fund Financial Statements, the City does not utilize encumbrance accounting techniques which means that fund balances are not reserved upon the issuance of purchase orders. Expenditures are recorded upon the impairment of an asset.

#### G. Worker's compensation

The City provides workers' compensation coverage to its employees as required by law. The City has elected to self-insure with respect to its workers' compensation claims risk and has contracted with a third-party administrator to provide claims management services. In order to limit its exposure to claims risk, the City has purchased excess loss insurance coverage. The excess loss insurance pays the remainder of statutory obligations over the first \$400,000 for specific claims and up to \$2,000,000 after the first \$1,240,792 in the aggregate during the two year policy term. Workers' compensation cost charged by the City during 2010 and 2009 was approximately \$227,500 and \$245,000, respectively. The accompanying financial statements include an estimated accrual of reported but unpaid workers' compensation claims as of September 30, 2010 and September 30, 2009 in the amount of \$287,500 and 279,500, respectively.

#### H. Cash and temporary investments

Cash resources of various funds are combined to form a cash and investment pool. Interest from this pool is allocated monthly to each fund based on their respective month-end cash and investment balances. Restricted cash and temporary investments of \$109,062 represent temporary and permanently restricted funds donated to the Emmet O'Neal Library, a department of the City.

#### I. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major

## City of Mountain Brook, Alabama

### Notes to Financial Statements

receivable balances for the governmental activities include sales and use taxes, occupation taxes, ad valorem taxes, and road and bridge taxes.

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

#### J. Equity classifications

##### Government-wide Statements

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

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

##### Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved.

#### K. Long-term debt

The accounting treatment of long-term debt depends on whether the assets are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

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

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

L. Compensated absences

Full-time City employees earn sick leave at the rate of one day per month of service and can accumulate up to sixty days of sick leave. Vacation leave is earned at graduated rates based on length of service (one day per month of service initially, one and one-half days per month of service after twelve years, and two days per month of service after twenty-five years). Employees are allowed to accumulate up to forty days of vacation leave.

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

The Government-wide Statement of Net Assets includes a non-current liability for compensated absences in the amount of \$2,387,454 as of September 30, 2010 and \$2,348,669 as of September 30, 2009. The City paid (before year end) all vested compensated absences to employees who retired or otherwise ended their employment with the City prior to year end.

M. Longevity pay plan

The City has a longevity pay plan which covers all full-time employees that have completed a minimum of six years of service as of September 30. Longevity pay for a qualifying employee is the product of the percentage factor (which is based on the number of years of completed services) and their annual rate of pay. The percentage factor is 1.5% after six years and increases 0.5% per year to a maximum rate of 8.5% which is attained after twenty years of service. The plan also limits the City's maximum annual longevity pay to a total of \$420,000. The City has adopted the informal policy of liquidating the liability for longevity pay in November of each year. The liability for longevity pay as of September 30, 2010 and September 30, 2009 reported in the Government-Wide and Fund financial statements totaled \$409,480 and \$415,163, respectively.

N. Holiday pay

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

O. Pension expense

All full-time employees participate in the City's defined benefit pension plan. The City funds pension expense as actuarially determined and required by the plan (Note 6).

P. Intrafund 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

## City of Mountain Brook, Alabama

### Notes to Financial Statements

the transfer represents the reimbursement to a fund for expenditures incurred for the benefit of another fund. During 2010, the General Fund transferred \$3,479,449 to the Capital Projects Fund to provide resources for the payment of current year asset acquisitions as well as the future replacement of capital assets, \$133,938 to Other Governmental Funds to provide funding for operations, and \$624,247 to the Debt Service (Other Governmental) Fund for the payment of general obligation warrants and the accumulation of funds for future obligations. The Other Governmental Funds transferred \$285,421 to the Capital Projects Fund to reimburse capital purchases made in 2009 and \$4,905 to the General Fund.

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

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

#### Q. Property taxes

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

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

Residential owner occupant	10%
All other	20%

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



**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

V. Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are reported in the government-wide or fund financial statements.

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

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

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net 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 asset is as follows:

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

Fund financial statements

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

W. 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.

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

At September 30, 2010, the City had the following cash and investments and maturities:

## City of Mountain Brook, Alabama

## Notes to Financial Statements

	Investment Maturities in Years			
	Fair Value	Less Than 1	1 - 2	3 - 5
Cash on-hand	\$ 2,960	\$ 2,960	\$ 0	\$ 0
Bank deposits	7,876,173	7,876,173	0	0
Investments:				
Cash and money market accounts	258,363	258,363	0	0
Certificates of deposit	30,334,485	5,861,624	13,302,910	11,169,951
U. S. Treasury bonds/notes	774,902	774,513	0	389
576 shares VMC common stock (donated)	21,266	0	0	21,266
<b>Total portfolio</b>	<b>\$ 39,268,149</b>	<b>\$ 14,773,633</b>	<b>\$ 13,302,910</b>	<b>\$ 11,191,606</b>

At September 30, 2010, the discretely presented component unit had the following cash and investments and maturities:

	Investment Maturities in Years			
	Fair Value	Less Than 1	1 - 2	3 - 5
Bank deposits	\$ 11,534	\$ 11,534	\$ 0	\$ 0
Money market	496,014	496,014	0	0
Certificate of deposit	157,343	157,343	0	0
Mutual funds	2,425,504	2,425,504	0	0
<b>Total portfolio</b>	<b>\$ 3,090,395</b>	<b>\$ 3,090,395</b>	<b>\$ 0</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 General Fund investments to those with maturities of two years or less and Capital Project and Debt Service Fund investments to those with maturities of five years or less. Cash and investment maturities (excluding the discretely presented component unit) as of September 30, 2010, were as follows:

Maturity	Portion of Portfolio
Less than one year	37.62%
1 - 2 years	33.88%
3 - 5 years	28.50%
	<u>100.00%</u>

**Credit Risk.** Act No. 2000-748 of the Code of Alabama requires that all public deposits held in banks be secured by collateral pledged to the Security for Alabama Funds

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

Enhancement (SAFE) collateral pool established in the Office of the State Treasurer. The City's policy is to deposit funds only in financial institutions that are qualified public depositories of the State of Alabama SAFE program. All of the City's bank deposits are either insured by Federal Depository Insurance (FDIC) or collateralized in accordance with Act 2000-748. The City had no uninsured bank deposits at September 30, 2010. The discretely presented component unit had bank deposits in excess of insurance limits at September 30, 2010 in the amount of \$161,000.

The City's investment policy allows for up to 100% of the portfolio to be invested in direct obligations of the U.S. government or federal agencies thereof in accordance with Sec. 11-81-19 and 11-81-21 of the Code of Alabama. At September 30, 2010, the City had invested \$30.3 million in certificates of deposit and \$774,902 in direct obligations of the U. S. Treasury. Of the City's \$30.3 million investment in certificates of deposit, the City had not invested more than \$250,000 with any financial institution located outside of the State of Alabama. Accordingly, the City had no uninsured certificates of deposit at September 30, 2010. Following is a summary of the City's top holdings in it's cash and investment portfolio:

<b>Description/Creditor</b>	<b>Fair Value</b>	<b>Portion of Portfolio</b>
	\$	\$
Regions Bank (cash deposit accounts)	7,871,173	20.04%
U. S. Treasury Notes	774,902	1.97%
Various financial institutions - certificates of deposit	<u>30,334,485</u>	<u>77.25%</u>
	<u>\$ 38,980,560</u>	<u>\$ 99.26%</u>

The discretely presented component unit does not follow the investment policies of the City. Their policy allows for investments that may potentially produce the highest returns on capital. The following are the holdings in the discretely presented component unit's cash and investment portfolio:

## City of Mountain Brook, Alabama

## Notes to Financial Statements

Description	Symbol/CUSIP	Fair Value	Portion of Portfolio
Bank deposit accounts		\$ 507,548	16.43%
Certificate of deposit		157,343	5.09%
Chase Growth Fund	CHASX	492,654	15.94%
Longleaf Partners Fund	LLPFX	480,409	15.55%
Dodge & Cos International Stock Fund	DODFX	277,510	8.98%
PIMCO Low Duration Fund Institutional Class	PTLDX	303,005	9.80%
Vanguard Convertible Securities Fund-SBI	VCVSX	431,197	13.95%
PIMCO All Asset Fund Institutional Class	PAAIX	440,729	14.26%
		<u>\$ 3,090,395</u>	<u>\$ 100.00%</u>

**Custodial Risk.** For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the 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 investments in certificates of deposit and U. S. Treasury Notes are held in trust by the City's custodians in the name of the custodian. The discretely presented component unit's investments are held in book entry form and in trust by it's custodian in the name of the custodian.

### 3. Receivables

Receivables at September 30, 2010, consisted of the following:

	General Fund	Capital Projects	Other Governmental Funds	Total
Taxes	\$ 1,601,769	\$ 0	\$ 23,378	\$ 1,625,147
E-911 surcharge	0	0	23,018	23,018
Board of Education	43,369	50,000	38,376	131,745
Grants	0	1,828,013	0	1,828,013
Other	51,265	7,736	38,376	97,377
	<u>\$ 1,696,403</u>	<u>\$ 1,885,749</u>	<u>\$ 123,148</u>	<u>\$ 3,705,300</u>

The City loaned the Mountain Brook Sports Park Foundation (MBSPPF), a nonprofit organization established to raise funds for the exclusive benefit of Mountain Brook Soccer Club, \$500,000 for their construction of athletic playing fields (Note 1.B.). The loan is to be repaid in monthly installments of \$4,000 including interest at 4% beginning in August 2005 plus the net cash flows of Mountain Brook Soccer Club which are to be remitted to MBSPPF beginning in April 2007 with the unpaid balance due July 1, 2010. In

## City of Mountain Brook, Alabama

## Notes to Financial Statements

August 2009, the City loaned MBSPF an additional \$62,500 to partially finance their construction of a concessions facility at the sports facility. This additional loan is scheduled to be repaid over a twenty-four month period commencing after the initial loan is repaid. The outstanding balance reported in the statement of net assets at September 30, 2010 totaled \$407,500 of which \$82,288 is expected to be repaid within the next fiscal year once the repayment terms are renegotiated. The City collected \$16,977 in interest during 2010.

#### 4. Capital assets

Following is a summary of the changes in the City's capital assets for the year ended September 30, 2010:

	Balance at September 30, 2009	Additions	Disposals/ Retirements/ Completed	Balance at September 30 2010
<b>Capital assets, not being depreciated:</b>				
Land	\$ 18,586,368	\$ 0	\$ (105,326)	\$ 18,481,042
Construction in progress	<u>3,595,197</u>	<u>8,149,631</u>	<u>(1,850,714)</u>	<u>9,894,114</u>
<b>Total capital assets, not being depreciated</b>	<u>22,181,565</u>	<u>8,149,631</u>	<u>(1,956,040)</u>	<u>28,375,156</u>
<b>Capital assets, being depreciated:</b>				
Land improvements	2,908,248	95,643	0	3,003,891
Buildings and improvements	8,489,765	41,241	1,850,714	10,381,720
Machinery and equipment	18,352,984	973,693	(826,654)	18,500,023
Infrastructure	<u>44,913,317</u>	<u>315,896</u>	<u>0</u>	<u>45,229,213</u>
<b>Total capital assets, being depreciated</b>	<u>74,664,314</u>	<u>1,426,473</u>	<u>1,024,060</u>	<u>77,114,847</u>
<b>Less accumulated depreciated for:</b>				
Land improvements	275,154	26,804	0	301,958
Buildings and improvements	3,419,001	370,898	0	3,789,899
Machinery and equipment	10,955,260	1,929,912	(816,180)	12,068,992
Infrastructure	<u>24,316,979</u>	<u>2,183,537</u>	<u>0</u>	<u>26,500,516</u>
<b>Total accumulated depreciation</b>	<u>38,966,394</u>	<u>4,511,151</u>	<u>(816,180)</u>	<u>42,661,365</u>
<b>Total capital assets, being depreciated, net</b>	<u>35,697,920</u>	<u>(3,084,678)</u>	<u>1,840,240</u>	<u>34,453,482</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 57,879,485</u>	<u>\$ 5,064,953</u>	<u>\$ (115,800)</u>	<u>\$ 62,828,638</u>

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

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

Governmental activities:	
General government	\$ 119,305
Public safety	1,248,973
Street and sanitation	1,939,992
Recreational	514,578
Library	<u>688,303</u>
<b>Total depreciation expense</b>	<b>\$ <u>4,511,151</u></b>

**5. Long-term debt**

Long-term debt outstanding as of September 30, 2010, consisted of the following:

	<b>Balance</b>
\$5,000,000 General Obligation Warrants, Series 2007 dated October 1, 2007 maturing annually on October 1 through the year 2027 plus interest payable on April 1 and October 1 at rate rates ranging from 3.875% to 4.0% (Note 9)	\$ <u>4,655,000</u>
<b>Total</b>	<b>\$ <u>4,655,000</u></b>

The total interest paid by the City during 2010 relative to general obligation warrants was \$184,647. The current debt of the City supports the general government function and, as such, all interest expense has been charged to this function in the Government-Wide Statement of Activities. The total amount of interest charged to expense of the general government function for the year ended September 30, 2010 was \$181,256.

Following is a summary of long-term debt principal transactions for the year ended September 30, 2010:

	<b>Balance</b>
General obligation warrant balances at October 1, 2009	\$ 4,830,000
Principal payments:	
\$5,000,000 General Obligation Warrants, Series 2007	<u>(175,000)</u>
General obligation warrant balances at September 30, 2010	<b>\$ <u>4,655,000</u></b>

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

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 180,000	\$ 177,769	\$ 357,769
2012	190,000	170,600	360,600
2013	195,000	163,141	358,141
2014	205,000	155,391	360,391
2015	210,000	147,350	357,350
Thereafter	<u>3,675,000</u>	<u>1,016,166</u>	<u>4,691,166</u>
<b>Totals</b>	<b>\$ <u>4,655,000</u></b>	<b>\$ <u>1,830,417</u></b>	<b>\$ <u>6,485,417</u></b>

**6. Pension plan**

**A. Plan description**

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

Substantially all employees are members of the Employees' Retirement System of Alabama (RSA). Membership is mandatory for covered or eligible employees of the City. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (highest three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members with more than one year of creditable service or \$5,000 for those with less than one year of service.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns, and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through Sections 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the member agencies the authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the

## City of Mountain Brook, Alabama

### Notes to Financial Statements

Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

#### B. Funding

The RSA requires that covered employees contribute to the pension plan at the rate of 5% of compensation (6% for sworn police officers and firefighters). In addition, the RSA requires that the City remit monthly matching contributions to the pension plan. The City's matching contributions are actuarially determined annually and stated as a percentage of covered compensation. The City's actuarially determined matching contribution for the year ended September 30, 2010 was 8.84% of covered compensation.

For the year ended September 30, 2010, the City's total compensation was approximately \$13.3 million and the City's total covered compensation used to determine the City's pension contribution was approximately \$13.1 million. The City's policy is to fund the required contribution as actuarially determined by the RSA and stated as a percentage of eligible compensation; however, during 2008, 2007 and 2001, the City elected to contribute \$300,000, \$7 million and \$2 million, respectively, more than the actuarially determined required amount.

Following are the pension contributions for each fiscal year since January 1, 1995:

<b>Year Ended September 30</b>	<b>Employer Contribution</b>	<b>Employer</b>	<b>Employee</b>	<b>Combined</b>
1995*	5.48%	\$ 254,000	\$ 232,000	\$ 486,000
1996	5.48%	368,000	336,000	704,000
1997	6.70%	515,000	390,000	905,000
1998	8.25%	624,000	390,000	1,014,000
1999	9.45%	729,000	394,000	1,123,000
2000	9.45%	828,000	447,000	1,275,000
2001	9.45%	2,853,000	509,000	3,362,000
2002	9.45%	898,000	537,000	1,435,000
2003	8.31%	818,000	556,000	1,374,000
2004	9.83%	996,000	583,000	1,579,000
2005	10.90%	1,168,000	613,000	1,781,000
2006	10.90%	1,209,000	640,000	1,849,000
2007	11.51%	7,303,000	665,000	7,968,000
2008	7.98%	1,308,000	697,000	2,005,000
2009	9.06%	1,140,000	719,000	1,859,000
2010	8.84%	1,091,000	723,000	1,814,000

## City of Mountain Brook, Alabama

### Notes to Financial Statements

\* Nine month period from January 1, 1995 through September 30, 1995.

#### C. Trend information

Following is the trend information from the most recent actuarial valuation dated September 30, 2009:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Negative)
1999	\$ 730,197	100%	\$ -0-
2000	827,411	100%	-0-
2001	858,468	290%	(2,000,000)
2002	881,673	117%	(2,150,178)
2003	812,825	103%	(2,172,874)
2004	972,887	102%	(2,195,810)
2005	1,156,963	100%	(2,196,231)
2006	1,210,300	100%	(9,196,651)
2007	1,221,176	100%	(9,294,170)
2008	911,587	147%	(9,681,799)
2009	1,023,066	109%	(9,784,928)

#### D. Funding progress

Following is the schedule of funding progress obtained from most recent actuarial valuation prepared as of September 30, 2009:

Actuarial Valuation Date Sept. 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Ratio of UAAL to Covered Payroll (b-a)/c
1996	\$ 11,432,073	\$ 15,123,539	\$ 3,691,466	75.6%	\$ 7,197,023	51.3%
1997	14,482,615	18,815,172	4,332,557	77.0%	7,745,713	55.9%
1998	16,250,881	20,474,800	4,223,919	79.4%	7,901,352	53.5%
1999	18,366,682	21,750,075	3,383,393	84.4%	7,965,312	42.5%
2000	20,708,080	25,584,241	4,876,161	80.9%	8,980,574	54.3%
2001	24,842,909	29,636,890	4,793,981	83.8%	9,282,996	51.6%
2002	26,589,001	33,716,032	7,127,031	78.9%	9,935,345	71.7%
2003	28,153,151	36,592,800	8,439,649	76.9%	9,994,458	84.4%
2004	29,873,086	37,849,401	7,976,315	78.9%	10,343,086	77.1%
2005	31,850,510	43,304,015	11,453,505	73.6%	11,079,436	103.4%
2006	40,804,372	47,811,288	7,006,916	85.3%	11,575,036	60.5%
2007	43,522,954	50,487,356	6,964,402	86.2%	12,117,551	57.5%
2008	44,857,398	53,591,533	8,734,135	83.7%	12,527,394	69.7%
2009	44,476,775	57,488,111	13,011,336	77.4%	12,980,770	100.2%

#### E. Additional information

Following is additional information obtained from the most recent actuarial valuation:

## City of Mountain Brook, Alabama

### Notes to Financial Statements

Valuation date	September 30, 2009
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	4.61 – 7.75%
Includes inflation at	4.50%
Cost-of-living adjustments	None
Number of active members	223
Number of retired members and beneficiaries	71
Annual retirement allowances	\$2,538,236

#### 7. Post-employment benefits

**Plan Description.** The City of Mountain Brook's medical benefits are provided to employees upon actual retirement through participation in the Local Government Health Insurance Plan (LGHIP) administered by the State Employees' Insurance Board (SEIB).

The employer pays a portion of the medical coverage for the retirees and dependents for a maximum of thirteen years after retirement or, if earlier, until the attainment of Medicare eligibility. Eligibility for post-retirement coverage is as follows: completion of 30 years of service at any age. Periodically, eligibility is extended to employees at 20 years of service and any age or at age 60 and completion of 10 years of service. See the section below entitled "Expected Time of Commencement of Benefits" for the assumption as to time of actual retirement. Complete plan provisions are contained in the official plan documents.

**Contribution Rates.** Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

**Fund Policy.** Until Fiscal Year Ending September 30, 2006, the City of Mountain Brook recognized the cost of providing post-employment medical benefits (the City of Mountain Brook's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. Effective with the Fiscal Year beginning October 1, 2006, the City of Mountain Brook implemented Government Accounting Standards Board Statement Number 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions (GASB 45). In Fiscal Year Ending September 30, 2009, the City began funding the annual required contribution (ARC) by making additional contributions over and above of the current year's retiree funding costs.

In the fiscal year ending September 30, 2010, the City of Mountain Brook's portion of health care and dental funding cost for retired employees totaled \$323,844. These amounts were applied toward the Net Other Post-Employment Benefits Obligation (OPEB) as shown in the table on the following page.

## City of Mountain Brook, Alabama

### Notes to Financial Statements

**Annual Required Contribution.** The City of Mountain Brook's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning October 1, 2009 is \$285,460, as set forth below:

	<b>Medical</b>
Normal Cost	\$ 92,310
30-year UAL amortization amount	193,150
Annual required contribution (ARC)	\$ 285,460

**Net Post-employment Benefit Obligation (Asset).** The table below shows the City of Mountain Brook's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending September 30, 2010:

	<b>Medical</b>
1. Beginning Net OPEB Obligation (Asset) 9/1/2009	\$ (129,706)
2. Annual required contribution	285,460
3. Interest on Net OPEB Obligation (Asset): [1] X 4%	(5,188)
4. ARC Adjustment: [1]/17.292	(7,501)
5. OPEB Cost: [2] + [3] - [4]	287,773
6. Contribution	200,000
7. Current year retiree premium	323,844
8. Change in Net OPEB Obligation: [5] - [6] - [7]	(236,071)
9. Ending Net OPEB Obligation: (Asset) 8/31/2010: [1] + [8]	\$ (365,777)

The following table shows the City of Mountain Brook's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability (asset):

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical/Dental	September 30, 2010	\$287,773	182.03%	\$(365,777)

**Funded Status and Funding Progress.** In the fiscal year ending September 30, 2010, the City of Mountain Brook contributed \$200,000 to its post employment benefits plan over and above the retiree premium costs. The plan, with accrued interest and

## City of Mountain Brook, Alabama

### Notes to Financial Statements

unrealized gains/losses, thus had assets of \$403,024 as of September 30, 2010. The Actuarial Accrued Liability (AAL) as of September 30, 2010, the end of the fiscal year, was \$3,473,472, which is defined as that portion, as determined by a particular actuarial cost method (the City of Mountain Brook uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. The development of the funded ratio and UAAL as a percentage of valuation payroll as of September 30, 2010 are set forth in the table below:

	<b>Medical</b>
Actuarial Accrued Liability (AAL)	\$ 3,473,472
Actuarial Value of Plan Assets	403,024
Unfunded Act. Accrued Liability (UAAL)	3,070,448
Funded Ratio (Act. Val. Assets/AAL)	11.60%
Covered Payroll (active plan members)	13,329,530
UAAL as a percentage of covered payroll	23.03%

**Actuarial Methods and Assumptions.** Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of Mountain Brook and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Mountain Brook and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of Mountain Brook and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

**Actuarial Cost Method.** The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

**Actuarial Value of Plan Assets.** Because of the nature of the investments in the trust, we have used actual market value as the actuarial value of assets. It is anticipated that in future valuations, should more volatile investments be used, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement 45 would be used.

**Turnover Rate.** An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 10%. The rates for each age are below:

<u>Age</u>	<u>Percent Turnover</u>
18 - 25	15.0%
26 - 40	12.0%
41 - 54	10.0%
55+	7.5%

**Post employment Benefit Plan Eligibility Requirements.** It has been assumed that entitlement to benefits will commence three years after the earliest eligibility for retirement. Because of the variations in eligibility described under "Plan Terms" above, eligibility for retirement has been assumed to be the earlier of: (1), attainment of age 60 with at least fifteen (15) years of service, and (2), completion of thirty (30) years of service at any age. Entitlement to benefits ceases upon the earlier of thirteen years after retirement and the date the retiree becomes eligible for Medicare benefits (whether by age or disability).

**Investment Return Assumption (Discount Rate).** GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Since the ARC is currently being funded and invested with relatively conservative investments, we have performed this valuation using a 4% annual investment return assumption.

**Health Care Cost Trend Rate.** The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration ([www.cms.hhs.gov](http://www.cms.hhs.gov)). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

**Mortality Rate.** The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

## City of Mountain Brook, Alabama

### Notes to Financial Statements

**Method of Determining Value of Benefits.** The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. We have used the "unblended" rates provided as required by GASB 45 for valuation purposes.

#### 8. Commitments and contingencies

The City is charged by the Jefferson County Commission for shared services. The assessments for shared services charged to the City during 2010 were as follows:

	<b>Amount</b>
Property tax commissions	\$ 196,379
Maintenance of maps and appraisals	150,266
Jefferson County Health Department	130,482
Birmingham-Jefferson County Transit Authority	81,362
Personnel Board of Jefferson County	146,547
Birmingham Regional Planning Commission	12,465

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

The City has arranged for an independent contractor, Waste Management Company, Inc., to provide for the collection and disposal of refuse and recyclable materials. The base rates for this service for the year ended September 30, 2010, were \$28.52 per month for single and multiple family residential units and \$35.47 per month for commercial units. The annual cost incurred under this agreement for the year ended September 30, 2010, was approximately \$2,570,000. Total garbage service fee revenues collected by the City from its commercial customers during the year were approximately \$34,062.

During 1999, the City entered into an agreement whereby the City, along with the City of Homewood, and Jefferson County (collectively referred to as "the Consortium") purchased approximately 16.6 acres of land and the buildings thereon from the Jefferson County Board of Education at a total cost of \$4,884,000. The City's share of the total purchase price totaled approximately \$1,050,000. In conjunction with the purchase, the consortium adopted covenants that expire at the end of seventy-five (75) years restricting the use of the property for programs and activities to benefit the community including, but not limited to: 1) public parks, playgrounds, or zoo; 2) schools, daycare, churches, or philanthropic organizations; 3) government buildings, libraries, community centers, museums, or art galleries; or 4) headquarters for scouting organizations or youth facilities.

In connection with the Consortium's purchase of the property and adoption of restrictive covenants, the City of Birmingham (Birmingham) agreed to lease the adjoining zoo

## City of Mountain Brook, Alabama

### Notes to Financial Statements

property to Birmingham Zoo, Inc. (BZI), a newly formed non-profit private corporation, for a period twenty-five (25) years with two, twenty-five year renewal options. In consideration of Birmingham's agreement to subsidize the operations of BZI and its commitment to leave the zoo at its present location, the Consortium agreed to pay Birmingham annual installments of \$300,000 commencing in fiscal 1999 for a period of 9-1/2 years. The City fulfilled its financial commitment under the purchase agreement in 2008. In 2010, the City entered into a service agreement with Birmingham Zoo, Inc. that provides for annual consideration in the amount of \$75,000 through June 2012.

In 2005, the City entered into a development agreement with a real estate developer constructing a mixed use development in the City. The development agreement provides that the City will reimburse the developer for certain costs incurred for the construction of public infrastructure including a roadway relocation and improvements, construction of an acceleration lane, sidewalks, curbing, and drainage systems. The reimbursement is limited to \$4.9 million regardless of the actual costs incurred by the developer and payable solely from a portion (50%) of the sales tax receipts realized by the City from the commercial development. Any portion of the \$4.9 million development agreement obligation not repaid after fifteen (15) years shall be cancelled.

The cumulative infrastructure costs incurred was \$5,332,981 which has been capitalized. As of September 30, 2010, the City's obligation under the terms of the development agreement totaled \$2,878,955 of which \$740,000 is reported as a current liability in the Government-Wide Statement of Net Assets. During 2010, the City paid \$742,918 under the terms of the development agreement.

The City has entered into another development agreement with a real estate developer constructing a small shopping center whose principal tenant is a grocery store. Under the terms of the development agreement, the City agreed to pay the developer the sum of \$687,500 for the purpose of promoting economic development within the City as provided by Amendment No. 772 adopted by the Alabama Legislature. In addition, the City agreed to abate the City's portion of property taxes for a period of fifteen (15) years provided the annual retail sales equal or exceed \$5 million. The City's \$687,500 commitment will be paid from 50% of the sales tax generated by the stores in the development. During 2010, the City paid \$134,530 under the terms of the agreement. The remaining balance due for the development agreement as of September 30, 2010 was approximately \$240,000.

Construction in progress (Note 4) at September 30, 2010 includes the following projects:

	<b>Amount</b>
Public buildings	\$ 4,299,237
Drainage projects	5,257,114
Sidewalks	337,763
<b>Total</b>	<b>\$ 9,894,114</b>

## City of Mountain Brook, Alabama

### Notes to Financial Statements

The drainage projects include a flood hazard mitigation project estimated to cost \$7 million of which the City has secured a Federal Emergency Management Agency (FEMA) grant in the amount of \$4.375 million. This project is expected to be performed in three construction phases the first of which commenced in 2009. The City has entered into construction contracts totaling \$4.6 million. The FEMA project is expected to be completed in the summer of 2011.

The public buildings include the razing and reconstruction of a new municipal complex and the construction of a new Park and Recreation building. The municipal complex is estimated to cost \$15.3 million. The City has entered into numerous contracts with its architects, construction manager, landlords, building contractor, and others for design, construction and oversight, temporary space, and other aspects of the project. The new municipal complex is expected to be completed in March 2012.

The Mountain Brook Board of Education is managing the construction of the Park and Recreation building which is being constructed on the Board's property. The Board has executed all contracts for the Park and Recreation building and the City has paid the Board for such construction costs in the amount of \$2.2 million. The Park and Recreation building is expected to be completed in March 2011.

The City has executed two contracts totaling \$453,000 for the construction of sidewalks. One of the projects is being financed through a federal grant administered by the Alabama Department of Transportation which will pay 100% of the \$210,000 construction cost. The other project is being partially financed through a federal grant administered by the Alabama Department of Transportation which will pay 80% of the \$243,000 construction costs. Both sidewalk projects are scheduled for completion in 2011.

#### 9. Constitutional debt limit

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

Following are the constitution debt limit and legal debt margin:

	<u>Amount</u>
Assessed value of taxable real and personal property as provided by the Jefferson County Tax Assessor	\$ <u>553,025,216</u>
Constitutional debt limit, 20 percent of assessed value	\$ 110,605,043
Outstanding long-term debt as of September 30, 2010	<u>4,655,000</u>
Legal Debt Margin	\$ <u>105,950,043</u>

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

**10. Litigation**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Mountain Brook, Alabama**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**Year Ended September 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Taxes	\$ 25,091,722	\$ 25,974,722	\$ 26,282,759	\$ 308,037
Licenses and permits	2,937,403	3,105,403	3,326,850	221,447
Intergovernmental	44,700	44,700	44,450	(250)
Charges for services	532,800	532,800	587,322	54,522
Fines and forfeitures	463,700	463,700	514,542	50,842
Grants	14,243	19,243	19,708	465
Other operating revenues	597,150	486,150	461,370	(24,780)
<b>Total revenues</b>	<u>29,681,718</u>	<u>30,626,718</u>	<u>31,237,001</u>	<u>610,283</u>
<b>Expenditures:</b>				
General government	4,760,323	4,766,123	4,759,472	6,651
Public safety	12,019,841	12,111,962	11,850,829	261,133
Street and sanitation	6,135,495	6,155,495	5,888,827	266,668
Recreational	1,150,423	1,152,923	1,002,717	150,206
Library	2,518,230	2,518,230	2,461,932	56,298
<b>Total expenditures</b>	<u>26,584,312</u>	<u>26,704,733</u>	<u>25,963,777</u>	<u>740,956</u>
<b>Excess of revenues over expenditures</b>	<u>3,097,406</u>	<u>3,921,985</u>	<u>5,273,224</u>	<u>1,351,239</u>
<b>Other financing sources (uses):</b>				
Operating transfers (out)	(2,913,961)	(3,726,840)	(4,232,729)	(505,889)
Operating transfers in - component unit	43,000	43,000	34,469	(8,531)
Donations	46,250	46,250	76,853	30,603
<b>Total other financing (uses)</b>	<u>(2,824,711)</u>	<u>(3,637,590)</u>	<u>(4,121,407)</u>	<u>(483,817)</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	272,695	284,395	1,151,817	867,422
<b>Fund balances, beginning of year</b>	<u>7,729,120</u>	<u>7,729,120</u>	<u>7,729,120</u>	<u>0</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 8,001,815</u>	<u>\$ 8,013,515</u>	<u>\$ 8,880,937</u>	<u>\$ 867,422</u>

**City of Mountain Brook, Alabama**  
**Notes to Required Supplementary Information**

**1. Summary of significant accounting policies**

**A. Budgets and budgetary accounting**

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

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

Budget information presented in the financial statements is based on the budget as adopted by the City Council on September 28, 2009 (Resolution 09-132) and subsequently revised on August 23, 2010 (Resolution No. 10-136).

**SUPPLEMENTARY INFORMATION**

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**City of Mountain Brook, Alabama**

**Combining Balance Sheet  
Other Governmental Funds  
September 30, 2010**

	<u>State Shared Gasoline Tax Funds</u>			
	<u>Seven Cent</u>	<u>Four Cent</u>	<u>Five Cent</u>	<u>Two Cent</u>
<b>ASSETS</b>				
Cash and temporary investments	\$ 116,053	\$ 378,446	\$ 138,003	\$ 18,372
Receivables	<u>12,638</u>	<u>7,191</u>	<u>3,549</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u>\$ 128,691</u>	<u>\$ 385,637</u>	<u>\$ 141,552</u>	<u>\$ 18,372</u>
<b>LIABILITIES</b>				
Accounts payable	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<b>Total liabilities</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>				
Fund balance - unreserved	<u>128,691</u>	<u>385,637</u>	<u>141,552</u>	<u>18,372</u>
<b>Total fund balances</b>	<u>128,691</u>	<u>385,637</u>	<u>141,552</u>	<u>18,372</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 128,691</u>	<u>\$ 385,637</u>	<u>\$ 141,552</u>	<u>\$ 18,372</u>

<u>Drug Asset</u>	<u>Corrections Fund</u>	<u>Other Funds</u>	<u>Debt Service Fund</u>	<u>Totals</u>
\$ 33,728	\$ 4,934	\$ 415,513	\$ 2,373,528	\$ 3,478,577
<u>0</u>	<u>0</u>	<u>99,770</u>	<u>0</u>	<u>123,148</u>
<u>\$ 33,728</u>	<u>\$ 4,934</u>	<u>\$ 515,283</u>	<u>\$ 2,373,528</u>	<u>\$ 3,601,725</u>
\$ 0	\$ 4,934	\$ 1,122	\$ 0	\$ 6,056
<u>0</u>	<u>4,934</u>	<u>1,122</u>	<u>0</u>	<u>6,056</u>
<u>33,728</u>	<u>0</u>	<u>514,161</u>	<u>2,373,528</u>	<u>3,595,669</u>
<u>33,728</u>	<u>0</u>	<u>514,161</u>	<u>2,373,528</u>	<u>3,595,669</u>
<u>\$ 33,728</u>	<u>\$ 4,934</u>	<u>\$ 515,283</u>	<u>\$ 2,373,528</u>	<u>\$ 3,601,725</u>

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**City of Mountain Brook, Alabama**

**Combining Statement of Revenues, Expenditures and Changes  
in Fund Balances - Other Governmental Funds  
For the Year Ended September 30, 2010**

	<b>State Shared Gasoline Tax Funds</b>			
	<b>Seven Cent</b>	<b>Four Cent</b>	<b>Five Cent</b>	<b>Two Cent</b>
<b>Revenues:</b>				
Taxes	\$ 217,588	\$ 131,116	\$ 64,548	\$ 836
Intergovernmental	0	0	0	0
Charges for services	0	0	0	0
Fines and forfeitures	0	0	0	0
Other operating revenues:				
Investment earnings	137,711	683	237	30
<b>Total revenues</b>	<u>355,299</u>	<u>131,799</u>	<u>64,785</u>	<u>866</u>
<b>Expenditures:</b>				
General government	0	0	0	0
Public safety	0	0	0	0
Street and sanitation	375,000	125,000	30,930	0
Recreational	0	0	0	0
Debt service	0	0	0	0
<b>Total expenditures</b>	<u>375,000</u>	<u>125,000</u>	<u>30,930</u>	<u>0</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(19,701)</u>	<u>6,799</u>	<u>33,855</u>	<u>866</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	0	0	0	0
Operating transfers (out)	0	0	0	0
Donations	0	0	0	0
<b>Total other financing sources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u>(19,701)</u>	<u>6,799</u>	<u>33,855</u>	<u>866</u>
<b>Fund balances, beginning of year</b>	<u>148,392</u>	<u>378,838</u>	<u>107,697</u>	<u>17,506</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 128,691</u>	<u>\$ 385,637</u>	<u>\$ 141,552</u>	<u>\$ 18,372</u>

<u>Drug Asset</u>	<u>Corrections Fund</u>	<u>Other Funds</u>	<u>Debt Service Fund</u>	<u>Totals</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 414,088
0	0	38,376	0	38,376
0	0	355,691	0	355,691
0	217,997	3,859	0	221,856
0	0	807	96,383	235,851
<u>0</u>	<u>217,997</u>	<u>398,733</u>	<u>96,383</u>	<u>1,265,862</u>
0	210,960	0	0	210,960
2,192	88,116	253,784	0	344,092
0	0	0	0	530,930
0	0	115,518	0	115,518
0	0	0	359,647	359,647
<u>2,192</u>	<u>299,076</u>	<u>369,302</u>	<u>359,647</u>	<u>1,561,147</u>
<u>(2,192)</u>	<u>(81,079)</u>	<u>29,431</u>	<u>(263,264)</u>	<u>(295,285)</u>
0	81,079	52,859	624,247	758,185
0	0	(290,326)	0	(290,326)
0	0	48,000	0	48,000
<u>0</u>	<u>81,079</u>	<u>(189,467)</u>	<u>624,247</u>	<u>515,859</u>
(2,192)	0	(160,036)	360,983	220,574
<u>35,920</u>	<u>0</u>	<u>674,197</u>	<u>2,012,545</u>	<u>3,375,095</u>
<u>\$ 33,728</u>	<u>\$ 0</u>	<u>\$ 514,161</u>	<u>\$ 2,373,528</u>	<u>\$ 3,595,669</u>

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City of Mountain Brook, Alabama

Combining Balance Sheet - Capital Projects Funds  
September 30, 2010

	<u>City Capital Projects</u>	<u>Village Improvement Projects</u>
<b>ASSETS</b>		
Cash and temporary investments	\$ 19,958,974	\$ 5,635,260
Receivables	<u>57,736</u>	<u>1,828,013</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 20,016,710</u></u></b>	<b><u><u>\$ 7,463,273</u></u></b>
<b>LIABILITIES</b>		
Accounts payable	\$ <u>298,327</u>	\$ <u>1,101,058</u>
<b>Total liabilities</b>	<u>298,327</u>	<u>1,101,058</u>
<b>FUND BALANCES</b>		
Fund balance	<u>19,718,383</u>	<u>6,362,215</u>
<b>Total fund balances</b>	<u>19,718,383</u>	<u>6,362,215</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u><u>\$ 20,016,710</u></u></b>	<b><u><u>\$ 7,463,273</u></u></b>

<u>Village Trail System Projects</u>	<u>Totals</u>
\$ 548,946	\$ 26,143,180
<u>0</u>	<u>1,885,749</u>
<u>\$ 548,946</u>	<u>\$ 28,028,929</u>

\$ <u>0</u>	\$ <u>1,399,385</u>
<u>0</u>	<u>1,399,385</u>

<u>548,946</u>	<u>26,629,544</u>
<u>548,946</u>	<u>26,629,544</u>
<u>\$ 548,946</u>	<u>\$ 28,028,929</u>

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**City of Mountain Brook, Alabama**

**Combining Statement of Revenues, Expenditures, and Changes  
Changes in Fund Balances - Capital Projects Funds  
For the Year Ended September 30, 2010**

	<b>City Capital Projects</b>	<b>Village Improvement Projects</b>
<b>Revenues:</b>		
Revenues - grants	\$ 12,723	\$ 3,398,626
Investment earnings	860,653	11,696
Miscellaneous	214,827	0
<b>Total revenues</b>	<b>1,088,203</b>	<b>3,410,322</b>
<b>Expenditures:</b>		
General government	1,597,366	0
Public safety	716,518	0
Street and sanitation	238,304	4,586,373
Recreational	2,051,661	0
Library	9,015	0
<b>Total expenditures</b>	<b>4,612,864</b>	<b>4,586,373</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(3,524,661)</b>	<b>(1,176,051)</b>
<b>Other financing sources (uses):</b>		
Operating transfers in	3,490,147	274,723
Operating transfers (out)	0	0
<b>Total other financing sources</b>	<b>3,490,147</b>	<b>274,723</b>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	<b>(34,514)</b>	<b>(901,328)</b>
<b>Fund balances, beginning of year</b>	<b>19,752,897</b>	<b>7,263,543</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 19,718,383</b>	<b>\$ 6,362,215</b>

<b>Village Trail System Projects</b>		<b>Totals</b>	
\$	65,958	\$	3,477,307
	819		873,168
	0		214,827
	<u>66,777</u>		<u>4,565,302</u>
	0		1,597,366
	0		716,518
	45,689		4,870,366
	0		2,051,661
	0		9,015
	<u>45,689</u>		<u>9,244,926</u>
	<u>21,088</u>		<u>(4,679,624)</u>
	0		3,764,870
	0		0
	<u>0</u>		<u>3,764,870</u>
	21,088		(914,754)
	<u>527,858</u>		<u>27,544,298</u>
\$	<u>548,946</u>	\$	<u>26,629,544</u>

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**City of Mountain Brook, Alabama**

**Schedule of General Fund Revenues by Source  
For the Years Ended September 30, 2001 through 2010**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>Taxes</b>				
Real property	\$ 8,100,952	\$ 8,177,532	\$ 8,422,094	\$ 10,244,362
Sales and use	5,564,912	5,506,591	5,701,970	6,086,944
Occupational	938,199	945,302	905,432	929,454
Utility	885,880	1,007,657	941,086	953,228
Personal property (automobiles)	940,088	967,329	1,054,267	1,076,449
Road and bridge	334,790	340,021	351,477	425,985
Other	700,188	931,057	974,690	1,072,439
<b>Total taxes</b>	<u>17,465,009</u>	<u>17,875,489</u>	<u>18,351,016</u>	<u>20,788,861</u>
<b>Licenses and permits</b>				
Business	1,565,134	1,632,925	1,567,743	1,647,641
Construction permits	478,476	380,206	413,416	667,971
Cable TV franchise fees	192,000	218,235	223,181	245,986
Waterworks Board	118,368	96,938	124,717	115,220
Other	48,608	47,100	51,380	55,717
<b>Total licenses and permits</b>	<u>2,402,586</u>	<u>2,375,404</u>	<u>2,380,437</u>	<u>2,732,535</u>
<b>Intergovernmental</b>	<u>70,132</u>	<u>36,297</u>	<u>37,248</u>	<u>40,430</u>
<b>Charges for services</b>				
Garbage fees	1,414,817	1,459,625	1,443,383	1,526,500
Other	997,159	711,632	508,902	481,656
<b>Total charges for services</b>	<u>2,411,976</u>	<u>2,171,257</u>	<u>1,952,285</u>	<u>2,008,156</u>
<b>Fines and forfeitures</b>	<u>287,425</u>	<u>298,824</u>	<u>364,031</u>	<u>496,457</u>
<b>Grants</b>	<u>12,500</u>	<u>5,738</u>	<u>32,748</u>	<u>172,338</u>
<b>Other operating revenue</b>				
Investment earnings	428,710	268,893	235,998	126,245
Other	283,182	238,153	245,403	241,746
<b>Total other operating revenue</b>	<u>711,892</u>	<u>507,046</u>	<u>481,401</u>	<u>367,991</u>
<b>TOTAL REVENUES</b>	<u>\$ 23,361,520</u>	<u>\$ 23,270,055</u>	<u>\$ 23,599,166</u>	<u>\$ 26,606,768</u>

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$	11,094,902	\$ 11,976,292	\$ 13,181,868	\$ 13,919,181	14,592,638	\$ 14,322,580
	6,534,289	7,033,452	7,829,375	8,412,007	7,666,594	7,854,903
	939,127	248,283	1,475	0	0	0
	992,143	1,088,234	1,266,253	1,336,420	1,413,759	1,450,440
	1,108,807	1,131,386	1,139,952	1,130,239	1,022,666	1,047,869
	460,216	497,326	543,682	572,272	596,000	590,899
	1,053,130	1,316,806	1,275,315	985,588	1,075,676	1,016,068
	<u>22,182,614</u>	<u>23,291,779</u>	<u>25,237,920</u>	<u>26,355,707</u>	<u>26,367,333</u>	<u>26,282,759</u>
	1,756,226	1,729,727	1,872,058	1,994,039	1,998,980	2,130,822
	519,277	893,161	851,266	1,036,354	634,059	624,309
	257,695	282,379	300,204	323,082	328,641	347,757
	123,202	137,964	161,961	167,341	157,794	159,242
	55,535	60,966	60,985	63,382	57,966	64,720
	<u>2,711,935</u>	<u>3,104,197</u>	<u>3,246,474</u>	<u>3,584,198</u>	<u>3,177,440</u>	<u>3,326,850</u>
	41,736	50,517	40,544	149,710	43,984	44,450
	1,573,788	1,604,281	462,747	71,252	39,094	34,062
	486,567	486,385	517,251	498,576	523,047	553,260
	<u>2,060,355</u>	<u>2,090,666</u>	<u>979,998</u>	<u>569,828</u>	<u>562,141</u>	<u>587,322</u>
	587,397	623,579	597,961	470,020	443,400	514,542
	<u>1,907,290</u>	<u>73,278</u>	<u>51,434</u>	<u>37,355</u>	<u>50,799</u>	<u>19,708</u>
	141,783	235,866	653,609	428,304	271,734	207,197
	247,971	325,757	161,303	230,717	371,526	254,173
	<u>389,754</u>	<u>561,623</u>	<u>814,912</u>	<u>659,021</u>	<u>643,260</u>	<u>461,370</u>
\$	<u>29,881,081</u>	<u>29,795,639</u>	<u>30,969,243</u>	<u>31,825,839</u>	<u>31,288,357</u>	<u>31,237,001</u>

## City of Mountain Brook, Alabama

Comparative Balance Sheet - General Fund  
September 30

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and temporary investments	\$ 9,646,392	\$ 8,761,533
Receivables	1,642,459	1,494,778
Due from related organizations	53,944	53,944
Inventory and prepaid expenses	<u>117,586</u>	<u>73,862</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,460,381</u>	<u>\$ 10,384,117</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 858,203	\$ 884,110
Accrued salaries and wages	1,010,684	985,817
Due to related organizations	37,259	37,259
Other liabilities	<u>673,298</u>	<u>747,811</u>
<b>TOTAL LIABILITIES</b>	<u>2,579,444</u>	<u>2,654,997</u>
<b>FUND BALANCES</b>		
Fund balance:		
Reserve for inventory and prepaid expense	117,586	73,862
Reserved	109,062	98,902
Unreserved	<u>8,654,289</u>	<u>7,556,356</u>
<b>TOTAL FUND BALANCES</b>	<u>8,880,937</u>	<u>7,729,120</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <u>\$ 11,460,381</u>	 <u>\$ 10,384,117</u>

## City of Mountain Brook, Alabama

**Comparative Statement of Revenues, Expenditures and  
Changes in Fund Balances - General Fund  
For the year ended September 30**

	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>		
Taxes	\$ 26,282,759	\$ 26,367,333
Licenses and permits	3,326,850	3,177,440
Intergovernmental	44,450	43,984
Charges for services	587,322	562,141
Fines and forfeitures	514,542	443,400
Grants	19,708	50,799
Other operating revenues	461,370	643,260
<b>Total revenues</b>	<u>31,237,001</u>	<u>31,288,357</u>
<b>Expenditures:</b>		
<b>Current (operating):</b>		
General government	4,759,472	4,924,388
Public safety	11,850,829	11,819,363
Street and sanitation	5,888,827	5,995,273
Recreational	1,002,717	1,079,313
Library	2,461,932	2,455,867
<b>Total expenditures</b>	<u>25,963,777</u>	<u>26,274,204</u>
<b>Excess of revenues over expenditures</b>	<u>5,273,224</u>	<u>5,014,153</u>
<b>Other financing sources (uses):</b>		
Operating transfers in	0	0
Operating transfers out	(4,232,729)	(4,785,268)
Operating transfers in - component unit	34,469	17,625
Donations	76,853	65,949
<b>Total other financing sources (uses)</b>	<u>(4,121,407)</u>	<u>(4,701,694)</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	1,151,817	312,459
<b>Fund balances, beginning of year</b>	<u>7,729,120</u>	<u>7,416,661</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 8,880,937</u>	<u>\$ 7,729,120</u>

**City of Mountain Brook, Alabama**

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

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and temporary investments	\$ 26,143,180	\$ 27,979,002
Receivables	<u>1,885,749</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u>\$ 28,028,929</u>	<u>\$ 27,979,002</u>
<b>LIABILITIES</b>		
Accounts payable	\$ <u>1,399,385</u>	\$ <u>434,704</u>
<b>TOTAL LIABILITIES</b>	<u>1,399,385</u>	<u>434,704</u>
<b>FUND BALANCES</b>		
Fund balance - unreserved	<u>26,629,544</u>	<u>27,544,298</u>
<b>TOTAL FUND BALANCES</b>	<u>26,629,544</u>	<u>27,544,298</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 28,028,929</u>	<u>\$ 27,979,002</u>

**City of Mountain Brook, Alabama**

**Comparative Statement of Revenues, Expenditures and  
Changes in Fund Balances - Capital Projects Fund  
For the Year Ended September 30**

	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>		
Grants	\$ 3,477,307	\$ 19,422
Other operating revenues	1,087,995	1,193,205
<b>Total revenues</b>	<u>4,565,302</u>	<u>1,212,627</u>
<b>Expenditures:</b>		
General government	1,597,366	591,323
Public safety	716,518	1,822,270
Street and sanitation	4,870,366	1,587,906
Recreational	2,051,661	141,833
Library	9,015	3,393
<b>Total expenditures</b>	<u>9,244,926</u>	<u>4,146,725</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(4,679,624)</u>	<u>(2,934,098)</u>
<b>Other financing sources (uses):</b>		
Proceeds from the issuance of debt	0	0
Operating transfers in	3,764,870	3,733,751
Operating transfers (out)	0	(116)
Donations	0	0
<b>Total other financing sources</b>	<u>3,764,870</u>	<u>3,733,635</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	(914,754)	799,537
<b>Fund balances, beginning of year</b>	<u>27,544,298</u>	<u>26,744,761</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 26,629,544</u>	<u>\$ 27,544,298</u>

City of Mountain Brook, Alabama

Comparative Balance Sheet - Debt Service Fund  
September 30

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and temporary investments	\$ 2,373,528	\$ 2,012,545
Receivables	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,373,528</u>	<u>\$ 2,012,545</u>
<b>LIABILITIES</b>	\$ <u>0</u>	\$ <u>0</u>
<b>FUND BALANCES</b>		
Fund balance:		
Unreserved	<u>2,373,528</u>	<u>2,012,545</u>
<b>TOTAL FUND BALANCES</b>	<u>2,373,528</u>	<u>2,012,545</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,373,528</u>	<u>\$ 2,012,545</u>

**City of Mountain Brook, Alabama**

**Comparative Statement of Revenues, Expenditures and  
Changes in Fund Balances - Debt Service Fund  
For the Year Ended September 30**

	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>		
Other operating revenues	\$ 96,383	\$ 23,885
<b>Total revenues</b>	<u>96,383</u>	<u>23,885</u>
 <b>Expenditures:</b>		
General government	0	787
Debt Service	<u>359,647</u>	<u>361,331</u>
<b>Total expenditures</b>	<u>359,647</u>	<u>362,118</u>
 <b>Excess (deficiency) of revenues over expenditures</b>	<u>(263,264)</u>	<u>(338,233)</u>
 <b>Other financing sources (uses):</b>		
Operating transfers in	624,247	661,331
Operating transfers (out)	<u>0</u>	<u>0</u>
<b>Total other financing sources</b>	<u>624,247</u>	<u>661,331</u>
 <b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	360,983	323,098
 <b>Fund balances, beginning of year</b>	<u>2,012,545</u>	<u>1,689,447</u>
 <b>FUND BALANCES, END OF YEAR</b>	<u><u>\$ 2,373,528</u></u>	<u><u>\$ 2,012,545</u></u>

**SINGLE AUDIT REPORTS**

**REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the City of Mountain Brook, Alabama (the "City"), as of and for the year ended September 30, 2010, and have issued our report thereon dated March 24, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements of the City as of and for the year ended September 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiency in the City's internal control to be a significant deficiency: **2010-1**.

**Compliance and Other Matters**

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

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

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

March 24, 2011

**Independent Auditors' Report on Compliance with  
Requirements Applicable to Each Major Program and on  
Internal Control Over Compliance in Accordance  
with OMB Circular A-133**

To the City Council  
City of Mountain Brook, Alabama

Compliance

We have audited the compliance of the City of Mountain Brook, Alabama, (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2010. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements. In our opinion, the City complied, in all material respects, with the requirements referred to above that

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the federal program. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on the major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the State of Alabama Department of Transportation and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

March 24, 2011

**City of Mountain Brook  
Schedule of Findings and Responses  
For the Year Ended September 30, 2010**

**2010-1. Finding:**

Segregation of Duties

Due to the limited number of people working in the accounting department, certain critical duties are combined and assigned to the available employees. To the extent possible, duties should be segregated to serve as a check and balance on employees' integrity and to maintain the best control system possible. We suggest that the segregation of duties be reviewed and adjusted where possible to strengthen the system of internal control.

**Response of responsible officials and planned corrective actions:**

The City agrees with this finding. The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The City also uses part-time employees to mitigate this condition.

## CITY OF MOUNTAIN BROOK, ALABAMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Description	Federal CFDA Number	Total Grant Award	Revenue Recog- nized	Expend- itures
<b><u>Federal Emergency Management Agency</u></b>				
Passed through State of Alabama				
Emergency Management Agency				
Watkins Branch Flood Hazard Mitigation Project				
HMGP 1549-0166	97.039	\$ 4,375,057	\$ 3,284,030	\$ 3,284,030
Assistance to Firefighters Grant Program				
Fire Prevention and Safety				
EMW-2009-FP-01765	97.044	8,742	8,742	8,742
<b>Total Federal Emergency Management Agency</b>		4,383,799	3,292,772	3,292,772
<b><u>U.S. Department of Transportation</u></b>				
Passed through Alabama Department of Transportation				
Watkins Creek Bridge Widening for Pedestrian Use				
STMTE-TE09(922)	20.205	282,000	28,390	28,390
Village Trail System, Phase 7A - Memory Lane				
STPTE-TE09(918)	20.205	240,000	86,206	86,206
Village Trail System, Phase 5				
STPTE-TE03(920)	20.205	843,444	65,958	65,958
<b>Total U. S. Department of Transportation</b>		1,365,444	180,554	180,554
<b>TOTAL FEDERAL AWARDS</b>		<b>\$ 5,749,243</b>	<b>\$ 3,473,326</b>	<b>\$ 3,473,326</b>

**CITY OF MOUNTAIN BROOK, ALABAMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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

**Financial Statements**

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

       yes        X   no

Significant deficiency(ies)?

  X   yes             none reported

Noncompliance material to financial statements noted?

       yes        X   no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

       yes        X   no

Significant deficiency(ies)?

       yes        X   none reported

Type of auditors' report issued on

Compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

       yes        X   no

Identification of major programs:

**CFDA Numbers**

97.039

**Name of Federal Program or Cluster**

Federal Emergency Management Agency--Watkins Branch Flood Hazard Mitigation Project

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

       yes        X   no

**Section II - Financial Statement Findings**

The following significant deficiencies were disclosed in the financial statements during the audit of the City of Mountain Brook:

**CITY OF MOUNTAIN BROOK, ALABAMA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

2010-1 Segregation of Duties

Due to the limited number of people working in the accounting department, certain critical duties are combined and assigned to the available employees. To the extent possible, duties should be segregated to serve as a check and balance on employees' integrity and to maintain the best control system possible. We suggest that the segregation of duties be reviewed and adjusted where possible to strengthen the system of internal control.

**Management's response:**

The City agrees with this finding. The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The City also uses part-time employees to mitigate this condition.

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

There were no matters to be reported.