

**CITY OF MOUNTAIN BROOK, ALABAMA
CITY OFFICIALS**

SEPTEMBER 30, 2005

MAYOR

The Honorable Lawrence T. Oden

CITY COUNCIL

Mr. Thomas C. Clark, Jr., President

Ms. Alice M. Williams

Mr. Philip C. Jackson, Jr.

Mr. William S. Pritchard, III

Ms. Virginia C. Smith

CITY MANAGER

Mr. Sam S. Gaston

DEPARTMENT SUPERVISORS

Building Inspections.....
Finance.....
Fire Department.....
Police Department.....
Street and Sanitation.....
Parks and Recreation.....

Mr. Jerry Weems
Mr. Steven Boone
Mr. Robert W. (Zeke) Ezekiel
Mr. Johnny Stanley
Mr. Eddy Tate
Mr. Lyman Tidwell

CITY OF MOUNTAIN BROOK, ALABAMA

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RR, RIGGS & INGRAM, LLC

2100 16th Avenue South
Suite 300
Birmingham, AL 35205

P.O. Box 55765
Birmingham, AL 35255

P | 205 933 7822

F | 205 933 7944

www.cricpa.com

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, 2005, 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, 2005, 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.

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 6.1 and budgetary comparison information on page 36, 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.

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2006, 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 a 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.

January 6, 2006

CITY OF MOUNTAIN BROOK

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City has prepared this narrative overview and analysis of the City's 2005 financial activities 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, 2005, by \$72 million (Total Net Assets). Of this amount, \$22 million (Unrestricted Net Assets) is available to be used by the City to fund future municipal services and to meet its obligations to employees and creditors. Of the remaining amount, \$50 million represents the net book value of the City's capital assets including infrastructure, and \$110,000 is restricted for the benefit of the library.
- The Total Net Assets increased by \$6.1 million in 2005 which includes the net cost of providing core City services of \$16.2 million plus \$22.2 million in General Revenues.
- As of September 30, 2005, the City reported \$26 million in unreserved fund balances, an increase of \$846,000 from 2004. Of the \$26 million unreserved fund balance, \$4.7 million (18%) is reported in the General Fund, \$7.5 million (29%) in the Debt Service Fund, \$12.7 million (49%) in the Capital Projects Fund, and \$1 million (4%) in the Special Revenue 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 fiscal 2005. 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

CITY OF MOUNTAIN BROOK

MANAGEMENT’S DISCUSSION AND ANALYSIS

Activities is twofold—namely the gross and net cost of the various governmental activities which are funded by the City’s general tax and other revenues. The purpose of this statement is to simplify the analysis of the cost 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 twelve (12) governmental funds. The City considers the General Fund, Debt Service, Capital Projects (which is comprised of four “sub-funds”) funds all 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 have been aggregated and reported in a single column. Additional information about these aggregated non-major funds and the major funds are provided in the other supplementary information.

Infrastructure Capital Assets

A major accounting and reporting change required by the GASB 34 reporting model 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:

| | Useful Life | Cost | Depreciation | Accumulated Depreciation |
|-----------------------------|------------------------|----------------------|---------------------|-------------------------------------|
| Land | N/A | \$ 15,888,592 | N/A | N/A |
| Streets and alleys | 20 | 13,339,212 | \$ 411,077 | \$ 8,230,615 |
| Storm sewers | 20 | 1,728,834 | 71,872 | 516,810 |
| Sidewalks | 15 | 7,809,619 | 478,723 | 3,361,522 |
| Park facilities | 10-75 | 5,430,392 | 186,020 | 2,347,862 |
| Street lights and signs | 15 | 819,192 | 32,567 | 423,120 |
| Library reference materials | 5 | 2,728,029 | 233,129 | 2,074,705 |
| Total cost | | \$ 47,743,870 | \$ 1,413,388 | \$ 16,954,634 |

CITY OF MOUNTAIN BROOK

MANAGEMENT'S DISCUSSION AND ANALYSIS

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>2005</u> | <u>2004</u> |
|---|----------------------|----------------------|
| Current and other assets | \$ 29,468,538 | \$ 25,885,219 |
| Other assets | 466,616 | 0 |
| Capital assets | <u>51,318,205</u> | <u>47,180,830</u> |
| Total assets | <u>81,253,359</u> | <u>73,066,049</u> |
| | | |
| Current and other liabilities | 3,781,917 | 3,215,483 |
| Long-term liabilities | <u>5,636,821</u> | <u>4,113,069</u> |
| Total liabilities | <u>9,418,738</u> | <u>7,328,552</u> |
| | | |
| Net assets: | | |
| Invested in capital assets, net of related debt | 49,514,205 | 45,078,830 |
| Restricted | 110,490 | 108,248 |
| Unrestricted | <u>22,209,926</u> | <u>20,550,419</u> |
| Total net assets | <u>\$ 71,834,621</u> | <u>\$ 65,737,497</u> |

CITY OF MOUNTAIN BROOK

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

| | <u>2005</u> | <u>2004</u> |
|--|---------------------|---------------------|
| Revenues | | |
| Program revenues | | |
| Fees, fines and charges for services | \$5,755,722 | \$5,663,925 |
| Operating grants and contributions | 2,900,240 | 1,064,466 |
| Capital grants and contributions | 2,887,964 | 2,330,949 |
| General revenues | | |
| Ad valorem taxes | 12,203,709 | 11,320,811 |
| Sales and use taxes | 6,825,190 | 6,402,746 |
| Other taxes | 192,656 | 188,052 |
| Occupational license fees | 939,127 | 929,454 |
| Utility taxes | 992,143 | 953,228 |
| Franchise fees | 380,897 | 361,206 |
| Investment earnings | 555,740 | 382,822 |
| Gain on sale of capital assets | 103,413 | 87,190 |
| Miscellaneous revenue | 36,201 | 24,212 |
| Transfers from component unit | <u>45,089</u> | <u>54,813</u> |
| Total revenues | <u>33,818,091</u> | <u>29,763,874</u> |
| Expenses | | |
| General government | 4,976,111 | 3,958,868 |
| Public safety | 11,226,303 | 10,825,297 |
| Street and sanitation | 7,923,783 | 6,420,547 |
| Recreational | 1,357,356 | 1,133,519 |
| Library | <u>2,237,414</u> | <u>2,076,568</u> |
| Total expenses | <u>27,720,967</u> | <u>24,414,799</u> |
| Increase in net assets from operating activities | 6,097,124 | 5,349,075 |
| Net assets, beginning of year | <u>65,737,497</u> | <u>60,388,422</u> |
| Net assets, end of year | <u>\$71,834,621</u> | <u>\$65,737,497</u> |

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

The City's primary source of revenue is real estate ad valorem taxes which comprise 37% of total General Fund revenues in 2005. Real estate ad valorem taxes increased by \$851,000 (8%) during 2005 due principally to the county-wide property revaluation conducted by the Jefferson County Commission.

The second largest source of revenue for the City is sales and use tax which totals 22% of the total General Fund revenues in 2005. Sales and use tax increased by \$447,000 (7%) during 2005 which was consistent with the 7% increase realized in 2004. Prior to 2003 during which sales and use tax revenues

CITY OF MOUNTAIN BROOK

MANAGEMENT'S DISCUSSION AND ANALYSIS

increased 4% , the City had experienced a four-year trend of relatively no growth in sales tax revenues. Sales tax revenue growth was stalled in recent years due largely to the development of competing shopping areas in adjoining communities and, in more recent years, the state of the economy.

Business license fees make up 6% of the City's General Fund revenues. Business license fees increased by \$109,000 (7%) in 2005 in keeping with the sales volume growth during the year.

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

| | <u>2005</u> | <u>2004</u> | <u>Increase (Decrease)</u> |
|----------------------------------|----------------------|----------------------|--------------------------------|
| Real estate ad valorem tax | \$ 11,094,902 | \$ 10,244,362 | \$ 850,540 |
| Sales and use tax | 6,534,289 | 6,086,944 | 447,345 |
| Business licenses | 1,756,226 | 1,647,641 | 108,585 |
| Personal property ad valorem tax | 1,108,807 | 1,076,449 | 32,358 |
| Garbage service fees | 1,573,788 | 1,526,500 | 47,288 |
| Occupational tax | 939,127 | 929,454 | 9,673 |
| Utility taxes | 992,143 | 953,228 | 38,915 |
| All other General Fund revenues | 5,881,799 | 4,142,190 | 1,739,609 |
| Total | <u>\$ 29,881,081</u> | <u>\$ 26,606,768</u> | <u>\$ 3,274,313</u> |

Expenditures

Salaries and benefits increased \$666,000 (5%) in 2005 to \$14.7 million. Labor-related costs made up 45% of the City's total budget in 2005.

Following is comparative summary of the major expenditure categories (all funds combined) of the City as reported in the Governmental Funds financial statements:

| | <u>2005</u> | <u>2004</u> |
|-------------------------------|---------------------|---------------------|
| Salaries and benefits | \$14,722,195 | \$14,056,392 |
| Garbage contract fees | 2,266,575 | 2,262,683 |
| Capital outlay | 7,031,568 | 5,925,162 |
| Intergovernmental services | 841,199 | 686,104 |
| City School Board subsidy | 850,000 | 850,000 |
| Birmingham Zoo, Inc., subsidy | 100,000 | 100,000 |
| Debt service | 368,967 | 283,376 |
| All other | <u>6,496,089</u> | <u>3,870,470</u> |
| Total | <u>\$32,676,593</u> | <u>\$28,034,187</u> |

CITY OF MOUNTAIN BROOK

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

- Actual General Fund revenue exceeded the final budgeted revenue by \$663,000 (1%). The favorable budget variance was comprised largely of the following categories:

| | <u>Budget</u> | <u>Actual</u> | <u>Difference</u> |
|-------------------------|----------------------|----------------------|-------------------|
| Real property tax | \$ 11,100,000 | \$ 11,094,902 | \$ (5,098) |
| Grants | 1,735,249 | 1,907,291 | 172,042 |
| Garbage fees | 1,533,000 | 1,573,788 | 40,788 |
| Automobile property tax | 1,035,000 | 1,108,807 | 73,807 |
| Construction permits | 425,000 | 519,277 | 94,277 |
| Road and bridge tax | 350,000 | 460,216 | 110,216 |
| Cable franchise | 224,000 | 257,695 | 33,695 |
| All other categories | 12,815,505 | 12,959,105 | 143,600 |
| Total Revenues | <u>\$ 29,217,754</u> | <u>\$ 29,881,081</u> | <u>\$ 663,327</u> |

- Total General Fund expenditures were \$225,000 (1%) over the final budget. The budget variance was comprised largely of the following categories:

| | <u>Budget</u> | <u>Actual</u> | <u>Difference</u> |
|---------------------------|----------------------|----------------------|-------------------|
| Labor-related costs | \$ 14,739,318 | \$ 14,722,195 | \$ 17,123 |
| Infrastructure projects | 402,050 | 303,859 | 98,191 |
| All other | 9,743,556 | 10,084,645 | (341,089) |
| General Fund Expenditures | <u>\$ 24,884,924</u> | <u>\$ 25,110,699</u> | <u>\$ 225,775</u> |

Several infrastructure projects estimated to cost \$346,000, originally budgeted in fiscal 2005, were carried-over to fiscal 2006 (Capital Projects Fund).

- The operating transfers out exceeded the amount budgeted by \$329,476. The excess surplus over that originally anticipated/budgeted was transferred to the following funds resulting in most of the budget variance:

| | |
|--------------------------------|-----------|
| Debt Service (pension reserve) | \$400,000 |
|--------------------------------|-----------|

- The excess of General Fund revenues and other financing sources over expenditures was \$133,866 more than budgeted.
- The final General Fund budgeted surplus of \$560,000 was \$348,227 less than the original budgeted surplus.

CITY OF MOUNTAIN BROOK

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2004.

As of September 30, 2004, the RSA reported an unfunded actuarial accrued liability of \$8 million. However, the actuarial valuation of the plan assets (\$29.9 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 exceeds the actual value by \$2.4 million due to the exclusion of unamortized net market losses (realized and unrealized) over the preceding five years.

Due to growing concerns about the \$10.3 million unfunded pension obligation, the City Council has authorized the accumulation of cash reserves in the Debt Service Fund which may ultimately be necessary to pay toward the unfunded pension obligation. As of September 30, 2005, the City has accumulated \$7.5 million in the Debt Service Fund for such purpose.

Cash and Temporary Investments

As of September 30, 2005, the City reported cash and temporary investments of \$27.5 million which consists of unrestricted and donor-restricted cash and temporary investments of \$27.4 million and \$110,000, respectively. Following is a summary of the carrying value of the cash and investments by fund:

| | <u>Unrestricted</u> | <u>Restricted</u> |
|-------------------------------------|----------------------|---------------------|
| General Fund | \$ 5,968,721 | \$ 110,490 |
| Debt Service Fund | 7,525,920 | 0 |
| Capital Projects Fund | 12,969,019 | 0 |
| Other Governmental Funds | 965,934 | 0 |
| Discretely presented component unit | 0 | 2,244,617 |
| Totals | <u>\$ 27,429,594</u> | <u>\$ 2,355,107</u> |

Capital Assets and Related Replacement Reserves

Regarding capital assets, the City Council has adopted the policy of funding its depreciation expense in order to accumulate monies for the eventual replacement of property, plant and equipment. As of September 30, 2005, the City had accumulated approximately \$13 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 \$26.3 million as of year end. Following is a summary of the capital expenditures, depreciation expense and transfers to the Capital Projects for the years ended September 30:

CITY OF MOUNTAIN BROOK

MANAGEMENT'S DISCUSSION AND ANALYSIS

| | <u>2005</u> | <u>2004</u> |
|---|---------------------|---------------------|
| Capital expenditures | \$ 7,031,568 | \$ 5,946,152 |
| Depreciation expense | \$ 2,694,853 | \$ 2,485,011 |
| Transfers to the Capital Projects Fund: | | |
| Funded depreciation policy | \$ 1,409,661 | \$ 1,037,197 |
| Other transfers to fund current year acquisitions | 1,290,652 | 2,052,161 |
| Total | <u>\$ 2,700,313</u> | <u>\$ 3,089,358</u> |

The City maintains approximately 200 miles of paved roadways and alleys. The state shared gasoline tax revenues and the City's allocation of Alabama Trust Fund Earnings 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 roadways:

| | <u>2005</u> | <u>2004</u> |
|---|-------------------|-------------------|
| Revenues | | |
| State shared gasoline tax revenues | \$ 418,721 | \$ 490,037 |
| Alabama Trust Fund Earnings | 112,178 | 88,901 |
| Transfers from the City's General Fund | 150,000 | 100,000 |
| Investment earnings | 8,921 | 6,007 |
| Total Revenues | <u>689,820</u> | <u>684,945</u> |
| Street paving expenditures (included in capital expenditures reported in the preceding section) | <u>666,061</u> | <u>550,321</u> |
| Deficiency of Revenues Over Expenditures | 23,759 | 134,624 |
| Fund balances, beginning of the year | <u>316,899</u> | <u>263,275</u> |
| Fund Balances, end of year | <u>\$ 340,658</u> | <u>\$ 397,899</u> |

Following is a summary of the streets and alleys which have been capitalized and the average age in years of the City's roadways:

| | <u>2005</u> | <u>2004</u> |
|---|---------------|---------------|
| Streets and alleys (cost) | \$ 13,339,212 | \$ 12,653,886 |
| Accumulated depreciation | \$ 8,230,554 | \$ 7,819,478 |
| Depreciation expense | 411,076 | 421,109 |
| Average age of streets and alleys (years) | <u>20.0</u> | <u>18.6</u> |

CITY OF MOUNTAIN BROOK

MANAGEMENT'S DISCUSSION AND ANALYSIS

Occupational License Fee Elimination

During 2005, the City adopted an ordinance (No. 1688) which effectively eliminates the one-half of one percent (1/2 %) occupational license fee effective January 1, 2006. In 2005, the City realized \$939,127 from the occupational license fees. The City estimates that the occupational license fees will total \$246,000 in 2006 for the quarter ended December 31, 2005.

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 City Clerk at P. O. Box 130009, Mountain Brook, Alabama 35213-0009. Inquiries about The Emmet O'Neal Library Board and/or The Mountain Brook Library Foundation 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, 2005 with Comparative Data

| | Governmental Activities | | Component Unit (Library Foundation) |
|--|-------------------------|----------------------|--|
| | 2005 | 2004 | 2005 |
| ASSETS | | | |
| Cash and temporary investments | \$ 27,429,594 | \$ 24,085,256 | \$ 0 |
| Receivables | 1,729,743 | 1,731,261 | 0 |
| Note receivable (\$28,710 current) | 495,326 | 0 | 0 |
| Due from related organization | 141,083 | 39,218 | 0 |
| Inventory and prepaid expenses | 28,918 | 29,484 | 0 |
| Cash and temporary investments - restricted | 110,490 | 0 | 2,244,617 |
| Property and equipment, net | 51,318,205 | 47,180,830 | 0 |
| TOTAL ASSETS | 81,253,359 | 73,066,049 | 2,244,617 |
| LIABILITIES | | | |
| Accounts payable | 1,457,459 | 982,504 | 0 |
| Accrued salaries and wages | 753,987 | 690,086 | 0 |
| Accrued interest payable | 17,373 | 21,360 | 0 |
| Due to related organization | 57,050 | 98,081 | 0 |
| Other current liabilities | 848,216 | 773,106 | 0 |
| Non-current liabilities | | | |
| Due within one year: | | | |
| Compensated absences | 188,832 | 199,346 | 0 |
| Long-term debt | 143,000 | 298,000 | 0 |
| Other liabilities | 316,000 | 153,000 | 0 |
| Due in more than one year: | | | |
| Compensated absences | 1,742,510 | 1,743,716 | 0 |
| Long-term debt | 1,661,000 | 1,804,000 | 0 |
| Other liabilities | 2,233,311 | 565,353 | 0 |
| TOTAL LIABILITIES | 9,418,738 | 7,328,552 | 0 |
| Pension obligation (see note 6) | | | |
| NET ASSETS | | | |
| Invested in capital assets (net of related debt) | 49,514,205 | 45,078,830 | 0 |
| Restricted | 110,490 | 108,248 | 2,244,617 |
| Unrestricted | 22,209,926 | 20,550,419 | 0 |
| TOTAL NET ASSETS | \$ 71,834,621 | \$ 65,737,497 | \$ 2,244,617 |

See accompanying notes to basic financial statements.

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City of Mountain Brook, Alabama
Government-Wide Statement of Activities
For the Year Ended September 30, 2005 with Comparative Data

| <u>Program Activities</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|---------------------------|----------------------|---|---|---|
| | | <u>Fees, Fines and Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental activities: | | | | |
| General government | \$ 4,976,111 | \$ 2,141,412 | \$ 871,619 | \$ 0 |
| Public safety | 11,226,303 | 1,793,752 | 43,000 | 111,312 |
| Street and sanitation | 7,923,783 | 1,640,123 | 1,844,604 | 1,005,700 |
| Recreational | 1,357,356 | 110,451 | 123,000 | 1,742,050 |
| Library | 2,237,414 | 69,984 | 18,017 | 28,902 |
| Total | \$ 27,720,967 | \$ 5,755,722 | \$ 2,900,240 | \$ 2,887,964 |
| Component unit: | | | | |
| Library Foundation | \$ 9,250 | \$ 10,342 | \$ 241,102 | \$ 0 |

General revenues:

Taxes:

 Ad Valorem (real and personal property)

 Sales and use

 Other taxes

Occupational license fees

Utility taxes

Franchise Fees

Investment earnings

Gain on sale of capital assets

Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

| 2005 Total Net (Expense) Revenue and Changes in Net Assets | 2004 Total Net (Expense) Revenue and Changes in Net Assets | 2005 Component Unit (Library Foundation) |
|---|---|---|
| \$ (1,963,080) | \$ (1,092,830) | \$ 0 |
| (9,278,239) | (8,760,295) | 0 |
| (3,433,356) | (3,133,262) | 0 |
| 618,145 | (400,858) | 0 |
| <u>(2,120,511)</u> | <u>(1,968,214)</u> | <u>0</u> |
| | | |
| <u>(16,177,041)</u> | <u>(15,355,459)</u> | |
| | | |
| | | <u>242,194</u> |
| | | |
| 12,203,709 | 11,320,811 | 0 |
| 6,825,190 | 6,402,746 | 0 |
| 192,656 | 188,052 | 0 |
| 939,127 | 929,454 | 0 |
| 992,143 | 953,228 | 0 |
| 380,897 | 361,206 | 0 |
| 555,740 | 382,822 | 228,151 |
| 103,413 | 87,190 | 0 |
| 36,201 | 24,212 | 0 |
| 45,089 | 54,813 | (45,089) |
| <u>22,274,165</u> | <u>20,704,534</u> | <u>183,062</u> |
| 6,097,124 | 5,349,075 | 425,256 |
| 65,737,497 | 60,388,422 | 1,819,361 |
| <u>\$ 71,834,621</u> | <u>\$ 65,737,497</u> | <u>\$ 2,244,617</u> |

**City of Mountain Brook, Alabama
Balance Sheet
Governmental Funds
September 30, 2005**

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> | <u>Component Unit</u> |
|--|---------------------|-------------------------|-----------------------------|---|---|---------------------------|
| ASSETS | | | | | | |
| Cash and temporary investments | \$ 5,968,721 | \$ 7,525,920 | \$ 12,969,019 | \$ 965,934 | \$ 27,429,594 | \$ 0 |
| Cash and temporary investments - restricted | 110,490 | 0 | 0 | 0 | 110,490 | 2,244,617 |
| Receivables | 1,709,259 | 0 | 12,671 | 148,896 | 1,870,826 | 0 |
| Inventory and prepaid expenses | <u>28,918</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>28,918</u> | <u>0</u> |
| TOTAL ASSETS | <u>\$ 7,817,388</u> | <u>\$ 7,525,920</u> | <u>\$ 12,981,690</u> | <u>\$ 1,114,830</u> | <u>\$ 29,439,828</u> | <u>\$ 2,244,617</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 1,224,689 | \$ 0 | \$ 154,168 | \$ 78,602 | \$ 1,457,459 | \$ 0 |
| Accrued salaries and wages | 753,987 | 0 | 0 | 0 | 753,987 | 0 |
| Other liabilities | 905,266 | 0 | 100,000 | 0 | 1,005,266 | 0 |
| Accrued compensated absences | <u>188,832</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>188,832</u> | <u>0</u> |
| TOTAL LIABILITIES | <u>3,072,774</u> | <u>0</u> | <u>254,168</u> | <u>78,602</u> | <u>3,405,544</u> | <u>0</u> |
| Pension obligation (see note 6) | | | | | | |
| FUND EQUITY | | | | | | |
| Fund balance: | | | | | | |
| Reserve for inventory and prepaid expense | 28,918 | 0 | 0 | 0 | 28,918 | 0 |
| Reserved | 110,490 | 0 | 0 | 0 | 110,490 | 2,244,617 |
| Unreserved | <u>4,605,206</u> | <u>7,525,920</u> | <u>12,727,522</u> | <u>1,036,228</u> | <u>25,894,876</u> | <u>0</u> |
| TOTAL FUND EQUITY | <u>4,744,614</u> | <u>7,525,920</u> | <u>12,727,522</u> | <u>1,036,228</u> | <u>26,034,284</u> | <u>2,244,617</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 7,817,388</u> | <u>\$ 7,525,920</u> | <u>\$ 12,981,690</u> | <u>\$ 1,114,830</u> | <u>\$ 29,439,828</u> | <u>\$ 2,244,617</u> |

City of Mountain Brook, Alabama
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2005

| | | |
|---|---------------------|--------------------------|
| Fund balance - total governmental funds | \$ | 26,034,284 |
| <p>Amounts reported for governmental activities in the statement of net assets are different because:</p> | | |
| <p>Note receivable not collectible in the current period and therefore, not reported in the governmental fund balance sheet.</p> | | 495,326 |
| <p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.</p> | | |
| <p>Governmental capital assets</p> | \$ 77,659,602 | |
| <p>Less accumulated depreciation</p> | <u>(26,341,397)</u> | 51,318,205 |
| <p>Long-term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet.</p> | | |
| <p>Governmental bonds payable</p> | (1,804,000) | |
| <p>Compensated absences</p> | (1,742,510) | |
| <p>Accrued interest payable</p> | (17,373) | |
| <p>Accrued zoo consortium payable</p> | (116,667) | |
| <p>Accrued development agreement obligations</p> | <u>(2,332,644)</u> | <u>(6,013,194)</u> |
| Net assets of governmental activities | \$ | <u>71,834,621</u> |

See accompanying notes to basic financial statements.

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City of Mountain Brook, Alabama
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2005

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> |
|---|---------------------|-------------------------|-----------------------------|
| Revenues: | | | |
| Taxes | \$ 22,182,614 | \$ 0 | \$ 0 |
| Licenses and permits | 2,711,935 | 0 | 0 |
| Intergovernmental | 41,736 | 0 | 0 |
| Charges for services | 2,060,355 | 0 | 0 |
| Fines and forfeitures | 587,397 | 0 | 0 |
| Grants | 1,907,290 | 0 | 512,444 |
| Other operating revenues | 389,754 | 140,443 | 553,033 |
| Total revenues | <u>29,881,081</u> | <u>140,443</u> | <u>1,065,477</u> |
| Expenditures: | | | |
| Current (operating): | | | |
| General government | 4,811,900 | 0 | 188,256 |
| Public safety | 10,318,891 | 0 | 879,124 |
| Street and sanitation | 7,040,736 | 0 | 3,153,793 |
| Recreational | 962,451 | 0 | 49,368 |
| Library | 1,976,721 | 0 | 0 |
| Debt service: | | | |
| Principal | 0 | 298,000 | 0 |
| Interest | 0 | 70,967 | 0 |
| Total expenditures | <u>25,110,699</u> | <u>368,967</u> | <u>4,270,541</u> |
| Excess (deficiency) of revenues over expenditures | <u>4,770,382</u> | <u>(228,524)</u> | <u>(3,205,064)</u> |
| Other financing sources (uses): | | | |
| Operating transfers in | 0 | 768,967 | 2,700,313 |
| Operating transfers (out) | (4,178,506) | 0 | 0 |
| Operating transfers in - component unit | 45,089 | 0 | 0 |
| Proceeds from long-term obligation | 0 | 0 | 2,046,676 |
| Donations | 56,901 | 0 | 24,000 |
| Total other financing sources (uses) | <u>(4,076,516)</u> | <u>768,967</u> | <u>4,770,989</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | 693,866 | 540,443 | 1,565,925 |
| Fund balances, beginning of year | <u>4,050,748</u> | <u>6,985,477</u> | <u>11,161,597</u> |
| FUND BALANCES, END OF YEAR | <u>\$ 4,744,614</u> | <u>\$ 7,525,920</u> | <u>\$ 12,727,522</u> |

See accompanying notes to basic financial statements.

| <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---|
| \$ 418,721 | \$ 22,601,335 |
| 0 | 2,711,935 |
| 252,200 | 293,936 |
| 297,520 | 2,357,875 |
| 167,738 | 755,135 |
| 0 | 2,419,734 |
| 132,086 | 1,215,316 |
| <u>1,268,265</u> | <u>32,355,266</u> |
| 226,344 | 5,226,500 |
| 376,678 | 11,574,693 |
| 666,061 | 10,860,590 |
| 1,657,303 | 2,669,122 |
| 0 | 1,976,721 |
| 0 | 298,000 |
| 0 | 70,967 |
| <u>2,926,386</u> | <u>32,676,593</u> |
| <u>(1,658,121)</u> | <u>(321,327)</u> |
| 1,006,406 | 4,475,686 |
| (297,180) | (4,475,686) |
| 0 | 45,089 |
| 0 | 2,046,676 |
| 1,040,849 | 1,121,750 |
| <u>1,750,075</u> | <u>3,213,515</u> |
| 91,954 | 2,892,188 |
| 944,274 | 23,142,096 |
| <u>\$ 1,036,228</u> | <u>\$ 26,034,284</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, 2005

| | | |
|---|--------------------|-------------------------|
| Net change in fund balances - total governmental funds | \$ | 2,892,188 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Note receivable reported in the government-wide statement of activities not reported in the governmental funds. | | 495,326 |
| 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 | \$ 7,031,568 | |
| Less current year depreciation | <u>(2,694,853)</u> | 4,336,715 |
| The net effect of transactions involving the sale of capital assets is to decrease net assets. | | (199,340) |
| Certain proceeds from the Cahaba Village development agreement are proceeds from long-term obligation in the governmental funds, but considered an obligation under the terms of the agreement and increase long-term liabilities in the statement of net assets. | | (2,046,676) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | | 298,000 |
| Repayment of development fee obligation in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | | 215,718 |
| 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 | 1,206 | |
| Change in accrued interest payable | 3,987 | |
| Change in accrued zoo consortium payable | <u>100,000</u> | <u>105,193</u> |
| Change in net assets of governmental activities | \$ | <u>6,097,124</u> |

See accompanying notes to basic financial statements.

CITY OF MOUNTAIN BROOK, ALABAMA

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2005**

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 is two years and all other terms of office is 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 nor 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 2005, the City reported the following revenues from the Board:

| | <u>General Fund</u> | <u>Special Revenue</u> |
|---|-------------------------|----------------------------|
| Occupational taxes | \$ 119,174 | \$ 0 |
| DARE Program subsidy | 0 | 43,000 |
| Athletic fields shared maintenance | 41,736 | 0 |
| Athletic fields capital and shared maintenance | 0 | 209,200 |
| Sewer service fees | 7,200 | 0 |
| Total | <u>\$ 168,110</u> | <u>\$ 252,200</u> |

At September 30, 2005, the City reported receivables from the Board in the amounts as follows (see note 3):

| | <u>General Fund</u> | <u>Special Revenue</u> |
|-------------|-------------------------|----------------------------|
| Receivables | \$ <u>41,083</u> | \$ <u>100,000</u> |

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

B. Related organizations (continued)

The City receives 36.7 mills of the 99.0 mill property tax (Note 1.R) 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, 2005, the City owed the Board \$57,050 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 (Note 5). The athletic fields are maintained by the City's Parks and Recreation Department. The debt service payments attributable to the Series 1998-A warrants and the routine maintenance 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 (MBSPPF), a non-profit organization. Under the terms of the agreement, MBSPPF was granted the right to use City land to be used primarily for community soccer fields. MBSPPF paid for the construction of such fields from private donations and a \$500,000 loan from the City. At September 30, 2005, the construction costs totaled \$1,528,115 which is presented as a capital expenditure in the City's fund financial statements. The difference between the construction costs and the City's \$500,000 loan has been presented as a donation in the City's fund financial statements. The outstanding loan balance of \$495,326 has been presented as a note receivable in the statement of net assets and the and a donation equal to the total expended for the construction has been presented in the statement of activities.

During 2005, 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:

Revenues

| | |
|----------------------------------|----------------|
| The Board | \$ 100,000 |
| Mountain Brook Athletics, Inc. | 50,000 |
| Mountain Brook Soccer Club, Inc. | 50,000 |
| Investment income | 1,466 |
| Total revenues | <u>201,466</u> |

Expenditures

| | |
|--|------------------|
| Recreational (operating and maintenance) | 129,028 |
| Capital outlay | 1,528,115 |
| Total expenditures | <u>1,657,143</u> |

Other financing sources (uses), net

| | |
|---|------------------|
| Transfers from City General Fund | 600,000 |
| Transfers to City Capital Projects Fund | (19,725) |
| Transfers to Debt Service Fund | (164,814) |
| Donations | 1,040,115 |
| Net other financing sources (uses) | <u>1,455,576</u> |

| | |
|---|-------|
| Excess of revenues and other financing sources over expenditures and other uses | (101) |
|---|-------|

| | |
|--|----------------|
| Fund balance at beginning of the year | <u>139,718</u> |
|--|----------------|

| | |
|--|-------------------|
| Fund balance at end of the year | <u>\$ 139,617</u> |
|--|-------------------|

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

B. Related organizations (continued)

Also in 1998, the City agreed to serve as the fiscal agent for the Board's improvements to its sports facilities located at the high school. The improvements totaling approximately \$1.5 million were financed through the issuance of Series 1998-B general obligation warrants (Note 5). The Series 1998-B warrants are being paid by the City primarily from donations solicited and collected by the Mountain Brook Sports Corporation (MBSC), an unaffiliated not-for-profit organization. In conjunction therewith, the City was issued two irrevocable stand-by letters of credit totaling \$679,000.

In addition, the Board has agreed to pay the City \$109,200 annually through 2005 and the City has agreed to contribute \$15,000 annually through 2005 toward the project. Following are the revenues and expenditures reported in connection with this joint venture which are included in the Special Revenue (Community) Funds in the accompanying financial statements:

| | |
|---|------------------|
| <i>Revenues</i> | |
| The Board | \$ 109,200 |
| Investment income | 915 |
| Total revenues | <u>110,115</u> |
| <i>Expenditures</i> | |
| General Government (operating) | 0 |
| Capital outlay (\$1,598,227 to date) | 0 |
| Total expenditures | <u>0</u> |
| <i>Other financing sources (uses), net</i> | |
| Transfers from City General Fund | 15,000 |
| Transfers to Debt Service Fund | (112,641) |
| Donations (Mountain Brook Sports Corporation) | 0 |
| Net other financing sources | <u>(97,641)</u> |
| Excess of revenues and other financing sources over expenditures and other uses | 12,474 |
| Fund balance at beginning of the year | <u>36,333</u> |
| Fund balance at end of the year | <u>\$ 48,807</u> |

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 citizens 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.

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 (at year end the City had no fiduciary type activity or component units).

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. **Summary of significant accounting policies (continued)**

C. Government-Wide Financial Statements (continued)

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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 or fiduciary 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:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

The funds of the financial reporting entity are described below:

Governmental funds

1. **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.

2. **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.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

D. Fund Financial Statements (continued)

Governmental funds (continued)

3. **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).

4. **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 nonmajor funds

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

The Special Revenue Fund is classified as nonmajor and is 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.

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.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. **Summary of significant accounting policies (continued)**

E. Measurement focus and basis of accounting (continued)

Basis of accounting (continued)

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 \$350,000 for specific claims and up to \$2,000,000 after the first \$783,981 in the aggregate during the two year policy term. Workers' compensation costs charged by the City during 2005 was approximately \$266,000. The accompanying financial statements include an estimated accrual of reported but unpaid workers' compensation claims as of September 30, 2005 in the amount of \$328,969.

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 \$110,490 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 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. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. **Summary of significant accounting policies (continued)**

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 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 notes 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.

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.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

L. Compensated absences (continued)

The current portion of the accrued vacation and sick pay at September 30, 2005 reported in the fund financial statements and the government-wide statements totaled \$188,832. The remaining long-term portion of the accrued vacation and sick pay at September 30, 2005 is reported only in the government-wide statements and totaled \$1,742,510. In prior years, the General Fund has liquidated the annual current portion of this compensated absence liability.

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 \$400,000. 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, 2005 reported in the Government-Wide and Fund financial statements totaled \$393,154.

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. Interfund transactions

During the course of normal operations, the City incurs numerous transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally reported as operating transfers except in instances where the transfer represents the reimbursement to a fund for expenditures incurred for the benefit of another fund. During the current year, the General Fund transferred out \$491,512 to the Debt Service Fund to provide resources for the payment of current and future obligations of the City, \$2,680,588 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 and \$506,406 to other Governmental funds to provide funding for operations and an additional \$500,000 for capital purposes (Note 1.B.). The other Governmental funds transferred \$277,455 to the Debt Service Fund to provide resources for the payment of general obligation warrant issues of the City and \$19,725 to the Capital Projects Fund to provide resources for the future replacement of capital assets.

Remaining fund balances in any discontinued funds and non-recurring, non-routine transfers are accounted for as residual equity transfers.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

P. Interfund transactions (continued)

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. The purpose of the interfund 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 interfund transfers. For the purposes of the Statement of Activities, all interfund 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% |

Property reevaluations have been conducted by the Jefferson County Commission, the most recent of which was conducted during 2005. The 2005 revaluation (to be realized in fiscal 2006) reflects an increase in property values of approximately 8% and is estimated to generate an additional \$900,000 annually.

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

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

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

R. Major revenue sources and taxpayers

The City's primary sources of revenue include ad valorem taxes, sales and use taxes, occupational taxes, and business licenses. Collectively, these taxes and licenses totaled approximately \$21.7 million or 73% of the total General Fund revenues during the year ended September 30, 2005. Of the City's taxpayers, Rich's Department Store, Alabama Power Company, Western Supermarket, Publix grocery store, Energen Corporation (gas company) and the Piggly Wiggly grocery store, collectively, provided approximately \$3.7 million or 13% of the City's total General Fund revenues during the year ended September 30, 2005.

S. Expenditures/Expenses

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

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

Governmental Funds -

| | |
|---------------|--|
| By Character: | Current (further classified by function) |
| | Debt Service |
| | Capital Outlay |

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

T. Inventory

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

U. Comparative Data

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

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.

Government-wide 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.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

V. Fixed Assets (continued)

Government-wide statements (continued)

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.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

5. Long-term debt (continued)

The Series 2003 warrants were issued to finance new construction and renovations of the sports facilities located at the high school which is owned by the Board (Note 1.B.). The City agreed to serve as the fiscal agent with respect to the project.

The Series 1998-A warrants were issued to finance the cost of upgrading the athletic and playing fields at the three elementary and junior high schools. The sports facilities are owned by the Board (Note 1.B.) and are utilized by the students, community and area athletic clubs.

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------------|--------------------------|----------------------------|
| 2006 | \$ 143,000 | \$ 69,915 | \$ 212,915 |
| 2007 | 148,000 | 64,486 | 212,486 |
| 2008 | 148,000 | 58,861 | 206,861 |
| 2009 | 55,000 | 53,236 | 108,236 |
| 2010 | 60,000 | 51,090 | 111,090 |
| Thereafter | <u>1,250,000</u> | <u>426,081</u> | <u>1,676,081</u> |
| Totals | \$ <u>1,804,000</u> | \$ <u>723,669</u> | \$ <u>2,527,669</u> |

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.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

6. Pension plan (continued)

A. Plan description (continued)

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 Commission 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 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, 2005 was 10.90% of covered compensation. The City's matching contribution for the fiscal year ending September 30, 2006 has been actuarially determined to be 10.90% of covered compensation.

For the year ended September 30, 2005, the City's total compensation was approximately \$11.25 million and the City's total covered compensation used to determine the City's pension contribution was approximately \$11.0 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 2001, the City elected to contribute \$2 million more than the actuarially determined required amount.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

6. Pension plan (continued)

B. Funding (continued)

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

| Year Ended September 30 | Employer Contribution | Employer | Employee | Combined |
|-------------------------------|--------------------------|------------|------------|------------|
| 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 |

* 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, 2004:

| 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) |

D. Funding progress

Following is the schedule of funding progress obtained from most recent actuarial valuation prepared as of September 30, 2004:

| 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% |

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

6. Pension plan (continued)

E. Additional information

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

| | |
|---|--------------------------|
| Valuation date | September 30, 2004 |
| Actuarial cost method | Entry age |
| Amortization method | Level percent open |
| Remaining amortization period | 17 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 | 209 |
| Number of retired members and beneficiaries | 50 |
| Annual retirement allowances | \$ 1,522,280 |

7. Post employment benefits

In addition to the pension benefits described in Note 6, the City has periodically elected to provide post employment health insurance coverage to those employees electing early retirement, provided that certain requirements have been met relating to age and length of service. The City's cost related to these post employment benefits are financed from current operations. Such coverage is effective for a maximum of 13 years or until the retiree attains Medicare eligibility. Except for the fiscal year ended September 30, 1994, this plan has been offered in some form each year since its initial offering in 1989. However, there is no assurance that the program will be offered to employees in the future.

As of September 30, 2005, there were thirty-five retirees covered under the City's post employment health insurance plan. The total cost incurred for post employment health benefits was approximately \$205,000 for the year ended September 30, 2005.

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 2005 were as follows:

| | <u>Amount</u> |
|---|---------------|
| Property tax commissions | \$ 167,712 |
| Jefferson County Department of Health | 130,482 |
| Maintenance of maps and appraisals | 151,813 |
| Personnel Board of Jefferson County | 316,538 |
| Birmingham-Jefferson County Transit Authority | 65,588 |
| Birmingham Regional Planning Commission | 9,066 |

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.R.) 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.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

8. Commitments and contingencies (continued)

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, 2005, were \$25.24 per month for single and multiple family residential units and \$31.35 per month for commercial units. The annual cost incurred under this agreement for the year ended September 30, 2005, was approximately \$2,267,000. Total garbage service fee revenues collected by the City from its residents and commercial customers during the year were approximately \$1,574,000. The contract was renewed in October 2004 for a three year term expiring on September 30, 2007. The aforementioned monthly rates which became effective October 1, 2003 are fixed until October 1, 2005. Effective October 1, 2005, the monthly residential and commercial rates were increased to \$25.99 and \$32.28, respectively. The rates are adjustable annually in the amount of 80% of the change in the consumer price index.

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 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's share of the consortium commitment is \$100,000 annually through 2007 and \$16,667 on or before February 1, 2008.

The City has entered into an agreement with a real estate developer constructing a commercial (grocery store) development in the City. In general, the development agreement provides that the City will reimburse the developer for certain costs incurred for the construction of public infrastructure such as roadway improvements and drainage systems. The reimbursement is limited in amount 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. The Government-Wide Statement of Net Assets includes capitalized infrastructure totaling \$501,686 and an unpaid other liability totaling \$285,968 (of which \$216,000 is reported as a current liability) from this development agreement.

In 2005, the City entered into another 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 \$5 million regardless of the actual costs incurred by the developer (which have been estimated to be \$8 million) and payable solely from a portion (50%) of the sales tax receipts realized by the City from the commercial development. Any portion of the \$5 million development agreement obligation not repaid after fifteen (15) years shall be cancelled. The fund financial statements include capital expenditures and other liabilities totaling \$100,000 and proceeds from long-term obligation of \$2,046,676 as of and for the year ended September 30, 2005. The Government-Wide Statement of Net Assets includes capitalized infrastructure costs (construction in progress) of \$2,146,676 and a corresponding other liability (of which \$100,000 is reported as a current liability) from this development agreement.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

8. Commitments and contingencies (continued)

Construction in progress (Note 4) at September 30, 2005 includes the following projects:

| | |
|---|---------------------|
| Development agreement infrastructure projects | \$ 2,146,676 |
| Athletic fields (Note 1.B.) | 1,528,115 |
| Drainage projects | 174,259 |
| Irondale Furnace restoration | 35,951 |
| Building additions | 16,790 |
| Jail study | 12,356 |
| Landfill master plan | 9,422 |
| Park facility relocation | 6,720 |
| Radio repeater | 2,357 |
| New sidewalk construction (Phase 5) | 2,298 |
| Fire training facility | 1,873 |
| | <u>\$ 3,936,817</u> |

Except for the sidewalk project, no contracts have been entered into for any of the aforementioned construction projects. The new sidewalk construction project is being administered by the Alabama Department of Transportation. Construction of the sidewalks (Phase 5) is expected to begin late in fiscal 2005 or 2006. The total cost of the new sidewalks (Phase 5) is estimated to be \$1.05 million of which the City's share is \$210,000 and the remainder to be paid from Congestion Mitigation and Air Quality Improvements Program (CMAQ) federal funds. The remaining projects are estimated to cost \$1 million for a planned infrastructure drainage project, \$500,000 for construction of a new jail (or renovation of the existing jail) and \$130,000 for improvements at the Irondale Furnace park facility of which up to 80% is to be paid by a federal grant. The City has made no plans regarding the landfill site pending completion of the master plan.

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 as of October 1, 2004:

| | |
|--|-----------------------|
| Assessed value of taxable real and personal property as provided by the Jefferson County Tax Assessor | <u>\$ 431,098,366</u> |
| Constitutional debt limit, 20 percent of assessed value | \$ 86,219,673 |
| Outstanding long-term debt as of September 30, 2005 | <u>1,804,000</u> |
| Legal Debt Margin as of September 30, 2005 | <u>\$ 84,415,673</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.

11. Subsequent event

On November 14, 2005, the City Council adopted Ordinance No. 1688 which effectively eliminates the one-half of one percent (1/2%) occupational license fee effective January 1, 2006. In 2005, the City realized \$939,127 from the occupational license fees. The City estimates that the occupational license fees will total \$246,000 in 2006 for the quarter ended December 31, 2005.

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, 2005

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|----------------------------|-------------------------|---------------------|-------------------|
| Revenues | | | | |
| Taxes | \$ 21,925,300 | \$ 22,010,300 | \$ 22,182,614 | \$ 172,314 |
| Licenses and permits | 2,320,100 | 2,543,800 | 2,711,935 | 168,135 |
| Intergovernmental | 7,200 | 36,210 | 41,736 | 5,526 |
| Charges for services | 2,095,405 | 2,000,495 | 2,060,355 | 59,860 |
| Fines and forfeitures | 406,500 | 551,500 | 587,397 | 35,897 |
| Grants | 11,106 | 1,735,249 | 1,907,290 | 172,041 |
| Other operating revenues | 302,000 | 340,200 | 389,754 | 49,554 |
| Total revenues | <u>27,067,611</u> | <u>29,217,754</u> | <u>29,881,081</u> | <u>663,327</u> |
| Expenditures | | | | |
| General government | 4,108,164 | 4,465,448 | 4,811,900 | (346,452) |
| Public safety | 10,423,794 | 10,322,487 | 10,318,891 | 3,596 |
| Street and sanitation | 5,658,693 | 7,157,136 | 7,040,736 | 116,400 |
| Recreational | 1,053,010 | 980,310 | 962,451 | 17,859 |
| Library | 1,944,543 | 1,959,543 | 1,976,721 | (17,178) |
| Total expenditures | <u>23,188,204</u> | <u>24,884,924</u> | <u>25,110,699</u> | <u>(225,775)</u> |
| Excess of revenues over expenditures | <u>3,879,407</u> | <u>4,332,830</u> | <u>4,770,382</u> | <u>437,552</u> |
| Other financing sources (uses) | | | | |
| Operating transfers in - component unit | 0 | 0 | 45,089 | 45,089 |
| Operating transfers (out) | (3,020,380) | (3,849,030) | (4,178,506) | (329,476) |
| Donations | 49,200 | 76,200 | 56,901 | (19,299) |
| Total other financing (uses) | <u>(2,971,180)</u> | <u>(3,772,830)</u> | <u>(4,076,516)</u> | <u>(303,686)</u> |
| Excess of revenues and other financing sources over expenditures | 908,227 | 560,000 | 693,866 | 133,866 |
| Fund balances, beginning of year | <u>4,050,748</u> | <u>4,050,748</u> | <u>4,050,748</u> | <u>0</u> |
| FUND BALANCES, END OF YEAR | <u>\$ 4,958,975</u> | <u>\$ 4,610,748</u> | <u>\$ 4,744,614</u> | <u>\$ 133,866</u> |

See accompanying notes to required supplementary information.

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 amended by the City Council on September 26, 2005.

SUPPLEMENTARY INFORMATION

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CITY OF MOUNTAIN BROOK, ALABAMA

**COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005**

| | <u>State Shared Gasoline Tax Funds</u> | | | |
|--|--|--------------------------|-------------------------|-------------------------|
| | <u>Seven Cent</u> | <u>Four Cent</u> | <u>Five Cent</u> | <u>Two Cent</u> |
| ASSETS | | | | |
| Cash and temporary investments | \$ 133,497 | \$ 186,330 | \$ 32,077 | \$ 17,062 |
| Receivables | 20,270 | 11,782 | 5,791 | 0 |
| Due from other funds | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL ASSETS | \$ <u>153,767</u> | \$ <u>198,112</u> | \$ <u>37,868</u> | \$ <u>17,062</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ <u>66,151</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> |
| TOTAL LIABILITIES | <u>66,151</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| FUND EQUITY | | | | |
| Fund balance: | | | | |
| Unreserved | <u>87,616</u> | <u>198,112</u> | <u>37,868</u> | <u>17,062</u> |
| Total fund equity | <u>87,616</u> | <u>198,112</u> | <u>37,868</u> | <u>17,062</u> |
| TOTAL LIABILITIES AND FUND EQUITY | \$ <u>153,767</u> | \$ <u>198,112</u> | \$ <u>37,868</u> | \$ <u>17,062</u> |

| <u>Emergency Com- munication District</u> | <u>Drug Asset</u> | <u>D.A.R.E. Program</u> | <u>Com- munity Fund</u> | <u>Correc- tions Fund</u> | <u>Totals</u> |
|---|-----------------------|-----------------------------|---------------------------------|-----------------------------------|---------------------|
| \$ 409,511 | \$ 7,300 | 47,939 | \$ 125,518 | \$ 6,700 | \$ 965,934 |
| 11,053 | 0 | 0 | 100,000 | 0 | 148,896 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <u>\$ 420,564</u> | <u>\$ 7,300</u> | <u>\$ 47,939</u> | <u>\$ 225,518</u> | <u>\$ 6,700</u> | <u>\$ 1,114,830</u> |
| <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 5,751</u> | <u>\$ 6,700</u> | <u>\$ 78,602</u> |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>5,751</u> | <u>6,700</u> | <u>78,602</u> |
| <u>420,564</u> | <u>7,300</u> | <u>47,939</u> | <u>219,767</u> | <u>0</u> | <u>1,036,228</u> |
| <u>420,564</u> | <u>7,300</u> | <u>47,939</u> | <u>219,767</u> | <u>0</u> | <u>1,036,228</u> |
| <u>\$ 420,564</u> | <u>\$ 7,300</u> | <u>\$ 47,939</u> | <u>\$ 225,518</u> | <u>\$ 6,700</u> | <u>\$ 1,114,830</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, 2005

| | <u>State Shared Gasoline Tax Funds</u> | | | |
|---|--|----------------------|----------------------|---------------------|
| | <u>Seven Cent</u> | <u>Four Cent</u> | <u>Five Cent</u> | <u>Two Cent</u> |
| Revenues | | | | |
| Taxes | \$ 220,494 | \$ 131,949 | \$ 64,873 | \$ 1,405 |
| Intergovernmental | 0 | 0 | 0 | 0 |
| Charges for services | 0 | 0 | 0 | 0 |
| Fines and forfeitures | 0 | 0 | 0 | 0 |
| Other operating revenues: | | | | |
| Investment earnings | 115,310 | 4,410 | 1,042 | 337 |
| Total revenues | <u>335,804</u> | <u>136,359</u> | <u>65,915</u> | <u>1,742</u> |
| Expenditures | | | | |
| General government | 0 | 0 | 0 | 0 |
| Public safety | 0 | 0 | 0 | 0 |
| Street and sanitation | 493,661 | 112,000 | 60,400 | 0 |
| Recreational | 0 | 0 | 0 | 0 |
| Total expenditures | <u>493,661</u> | <u>112,000</u> | <u>60,400</u> | <u>0</u> |
| Excess (deficiency) of revenues over expenditures | <u>(157,857)</u> | <u>24,359</u> | <u>5,515</u> | <u>1,742</u> |
| Other financing sources (uses) | | | | |
| Operating transfers in | 150,000 | 0 | 0 | 0 |
| Operating transfers out | 0 | 0 | 0 | 0 |
| Donations | 0 | 0 | 0 | 0 |
| Net other financing sources (uses) | <u>150,000</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | <u>(7,857)</u> | <u>24,359</u> | <u>5,515</u> | <u>1,742</u> |
| Fund balances, beginning | <u>95,473</u> | <u>173,753</u> | <u>32,353</u> | <u>15,320</u> |
| FUND BALANCES, ENDING | <u>\$ 87,616</u> | <u>\$ 198,112</u> | <u>\$ 37,868</u> | <u>\$ 17,062</u> |

| Emergency Com- munication District | Drug Asset | D.A.R.E. Program | Com- munity Fund | Correc- tions Fund | Totals |
|---|-----------------|---------------------|------------------------|--------------------------|---------------------|
| \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 418,721 |
| 0 | 0 | 43,000 | 209,200 | 0 | 252,200 |
| 197,520 | 0 | 0 | 100,000 | 0 | 297,520 |
| 2,260 | 3,166 | 0 | 0 | 162,312 | 167,738 |
| 7,891 | 9 | 77 | 3,010 | 0 | 132,086 |
| <u>207,671</u> | <u>3,175</u> | <u>43,077</u> | <u>312,210</u> | <u>162,312</u> | <u>1,268,265</u> |
| 0 | 0 | 0 | 0 | 226,344 | 226,344 |
| 149,651 | 1,778 | 131,188 | 0 | 94,061 | 376,678 |
| 0 | 0 | 0 | 0 | 0 | 666,061 |
| 0 | 0 | 0 | 1,657,303 | 0 | 1,657,303 |
| <u>149,651</u> | <u>1,778</u> | <u>131,188</u> | <u>1,657,303</u> | <u>320,405</u> | <u>2,926,386</u> |
| <u>58,020</u> | <u>1,397</u> | <u>(88,111)</u> | <u>(1,345,093)</u> | <u>(158,093)</u> | <u>(1,658,121)</u> |
| 0 | 0 | 83,313 | 615,000 | 158,093 | 1,006,406 |
| 0 | 0 | 0 | (297,180) | 0 | (297,180) |
| 0 | 0 | 0 | 1,040,849 | 0 | 1,040,849 |
| <u>0</u> | <u>0</u> | <u>83,313</u> | <u>1,358,669</u> | <u>158,093</u> | <u>1,750,075</u> |
| 58,020 | 1,397 | (4,798) | 13,576 | 0 | 91,954 |
| <u>362,544</u> | <u>5,903</u> | <u>52,737</u> | <u>206,191</u> | <u>0</u> | <u>944,274</u> |
| <u>\$ 420,564</u> | <u>\$ 7,300</u> | <u>\$ 47,939</u> | <u>\$ 219,767</u> | <u>\$ 0</u> | <u>\$ 1,036,228</u> |

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CITY OF MOUNTAIN BROOK, ALABAMA

**COMBINING BALANCE SHEET - CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2005**

| | <u>City Capital Projects</u> | <u>Village Improvements (One Cent Sales Tax)</u> | <u>Sewer Projects</u> |
|--|--------------------------------------|--|---------------------------|
| ASSETS | | | |
| Cash and temporary investments | \$ 10,719,884 | \$ 2,163,071 | \$ 94,734 |
| Receivables | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL ASSETS | \$ <u>10,719,884</u> | \$ <u>2,163,071</u> | \$ <u>94,734</u> |
| | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 133,772 | \$ 16,395 | \$ 0 |
| Other liabilities | <u>0</u> | <u>100,000</u> | <u>0</u> |
| TOTAL LIABILITIES | <u>133,772</u> | <u>116,395</u> | <u>0</u> |
| | | | |
| FUND EQUITY | | | |
| Fund balance | <u>10,586,112</u> | <u>2,046,676</u> | <u>94,734</u> |
| TOTAL FUND EQUITY | <u>10,586,112</u> | <u>2,046,676</u> | <u>94,734</u> |
| TOTAL LIABILITIES AND FUND EQUITY | \$ <u>10,719,884</u> | \$ <u>2,163,071</u> | \$ <u>94,734</u> |

| <u>Village Trail System (ISTEA)</u> | <u>Totals</u> |
|---|----------------------|
| \$ (8,670) | \$ 12,969,019 |
| <u>12,671</u> | <u>12,671</u> |
| \$ <u>4,001</u> | \$ <u>12,981,690</u> |

| | |
|-----------------|----------------------|
| \$ 4,001 | \$ 154,168 |
| <u>0</u> | <u>100,000</u> |
| <u>4,001</u> | <u>254,168</u> |
| <u>0</u> | <u>12,727,522</u> |
| <u>0</u> | <u>12,727,522</u> |
| \$ <u>4,001</u> | \$ <u>12,981,690</u> |

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CITY OF MOUNTAIN BROOK, ALABAMA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

| | <u>City Capital Projects</u> | <u>Village Improvements (One Cent) Sales Tax</u> | <u>Sewer Projects</u> |
|---|--------------------------------------|--|---------------------------|
| Revenues | | | |
| Revenues - grants | \$ 87,312 | \$ 0 | \$ 0 |
| Intergovernmental | 0 | 0 | 0 |
| Investment earnings | 219,154 | 29,197 | 1,928 |
| Miscellaneous | 302,754 | 0 | 0 |
| Total revenues | <u>609,220</u> | <u>29,197</u> | <u>1,928</u> |
| Expenditures | | | |
| General government | 188,256 | 0 | 0 |
| Public safety | 879,124 | 0 | 0 |
| Street and sanitation | 374,462 | 2,185,856 | 0 |
| Recreational | 11,787 | 10,946 | 0 |
| Library | 0 | 0 | 0 |
| Total expenditures | <u>1,453,629</u> | <u>2,196,802</u> | <u>0</u> |
| Excess (deficiency) of revenues over expenditures | <u>(844,409)</u> | <u>(2,167,605)</u> | <u>1,928</u> |
| Other financing sources (uses) | | | |
| Operating transfers in | 1,843,279 | 662,056 | 0 |
| Proceeds from long-term obligation | 0 | 2,046,676 | 0 |
| Donations | 24,000 | 0 | 0 |
| Net other financing sources (uses) | <u>1,867,279</u> | <u>2,708,732</u> | <u>0</u> |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | 1,022,870 | 541,127 | 1,928 |
| Fund balances, beginning | <u>9,563,242</u> | <u>1,505,549</u> | <u>92,806</u> |
| FUND BALANCES, ENDING | \$ <u><u>10,586,112</u></u> | \$ <u><u>2,046,676</u></u> | \$ <u><u>94,734</u></u> |

| <u>Village Trail System (ISTEA)</u> | <u>Totals</u> |
|---|-----------------------------|
| \$ 425,132 | \$ 512,444 |
| 0 | 0 |
| 0 | 250,279 |
| 0 | 302,754 |
| <u>425,132</u> | <u>1,065,477</u> |
| 0 | 188,256 |
| 0 | 879,124 |
| 593,475 | 3,153,793 |
| 26,635 | 49,368 |
| 0 | 0 |
| <u>620,110</u> | <u>4,270,541</u> |
| <u>(194,978)</u> | <u>(3,205,064)</u> |
| 194,978 | 2,700,313 |
| 0 | 2,046,676 |
| 0 | 24,000 |
| <u>194,978</u> | <u>4,770,989</u> |
| 0 | 1,565,925 |
| <u>0</u> | <u>11,161,597</u> |
| \$ <u><u>0</u></u> | \$ <u><u>12,727,522</u></u> |

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CITY OF MOUNTAIN BROOK, ALABAMA

SCHEDULE OF GENERAL FUND REVENUES BY SOURCE
FOR THE YEARS ENDED SEPTEMBER 30, 1992 to 2005

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Taxes | | | | | | |
| Real property | \$ 4,330,842 | \$ 4,300,663 | \$ 4,385,241 | \$ 5,926,376 | \$ 6,015,502 | \$ 6,155,288 |
| Sales and use | 2,470,595 | 2,542,968 | 2,953,502 | 3,084,886 | 4,740,066 | 5,283,280 |
| Occupational | 940,614 | 1,109,570 | 1,132,443 | 1,334,116 | 1,314,454 | 1,590,230 |
| Utility | 717,036 | 712,827 | 759,087 | 748,829 | 741,847 | 782,496 |
| Personal property (automobiles) | 364,173 | 314,397 | 447,380 | 474,995 | 500,853 | 561,643 |
| Road and bridge | 168,903 | 167,748 | 0 | 407,135 | 239,535 | 245,851 |
| Other | 287,934 | 367,643 | 429,459 | 363,926 | 566,339 | 534,258 |
| Total taxes | <u>9,280,097</u> | <u>9,515,816</u> | <u>10,107,112</u> | <u>12,340,263</u> | <u>14,118,596</u> | <u>15,153,046</u> |
| Licenses and permits | | | | | | |
| Business | 748,685 | 900,484 | 857,850 | 1,236,821 | 1,298,425 | 1,459,497 |
| Construction permits | 242,300 | 261,363 | 365,168 | 296,569 | 320,791 | 353,329 |
| Cable TV franchise fees | 81,063 | 86,830 | 90,161 | 81,039 | 89,604 | 91,055 |
| Waterworks Board | 68,904 | 79,957 | 88,481 | 78,877 | 99,506 | 90,157 |
| Other | 42,898 | 43,241 | 44,763 | 45,225 | 49,168 | 48,440 |
| Total licenses and permits | <u>1,183,850</u> | <u>1,371,875</u> | <u>1,446,423</u> | <u>1,738,531</u> | <u>1,857,494</u> | <u>2,042,478</u> |
| Intergovernmental | <u>38,798</u> | <u>30,090</u> | <u>30,922</u> | <u>30,000</u> | <u>30,000</u> | <u>33,803</u> |
| Charges for services | | | | | | |
| Garbage fees | 1,166,595 | 1,232,587 | 1,311,763 | 1,182,621 | 1,206,168 | 1,273,898 |
| Other | 154,692 | 149,942 | 145,216 | 147,625 | 248,213 | 366,782 |
| Total charges for services | <u>1,321,287</u> | <u>1,382,529</u> | <u>1,456,979</u> | <u>1,330,246</u> | <u>1,454,381</u> | <u>1,640,680</u> |
| Fines and forfeitures - court | <u>231,162</u> | <u>240,321</u> | <u>217,468</u> | <u>211,791</u> | <u>272,985</u> | <u>292,448</u> |
| Grants | <u>0</u> | <u>327,100</u> | <u>116,214</u> | <u>0</u> | <u>0</u> | <u>13,000</u> |
| Other operating revenue | | | | | | |
| Investment earnings | 126,566 | 66,163 | 97,091 | 190,478 | 189,367 | 271,571 |
| Other | 56,061 | 87,457 | 102,080 | 47,039 | 53,777 | 49,943 |
| Total other operating revenue | <u>182,627</u> | <u>153,620</u> | <u>199,171</u> | <u>237,517</u> | <u>243,144</u> | <u>321,514</u> |
| TOTAL REVENUES | <u>\$ 12,237,821</u> | <u>\$ 13,021,351</u> | <u>\$ 13,574,289</u> | <u>\$ 15,888,348</u> | <u>\$ 17,976,600</u> | <u>\$ 19,496,969</u> |

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|----|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ | 6,171,581 | \$ 6,316,472 | \$ 8,003,594 | \$ 8,100,952 | \$ 8,177,532 | \$ 8,422,094 | \$ 10,244,362 | \$ 11,094,902 |
| | 5,514,754 | 5,603,635 | 5,671,220 | 5,564,912 | 5,506,591 | 5,701,970 | 6,086,944 | 6,534,289 |
| | 1,649,459 | 1,769,634 | 1,184,120 | 938,199 | 945,302 | 905,432 | 929,454 | 939,127 |
| | 786,231 | 822,806 | 813,776 | 885,880 | 1,007,657 | 941,086 | 953,228 | 992,143 |
| | 651,542 | 735,010 | 845,199 | 940,088 | 967,329 | 1,054,267 | 1,076,449 | 1,108,807 |
| | 250,543 | 260,666 | 327,986 | 334,790 | 340,021 | 351,477 | 425,985 | 460,216 |
| | 660,409 | 624,280 | 548,064 | 700,188 | 931,057 | 974,690 | 1,072,439 | 1,053,130 |
| | <u>15,684,519</u> | <u>16,132,503</u> | <u>17,393,959</u> | <u>17,465,009</u> | <u>17,875,489</u> | <u>18,351,016</u> | <u>20,788,861</u> | <u>22,182,614</u> |
| | 1,727,688 | 1,694,072 | 1,598,265 | 1,565,134 | 1,632,925 | 1,567,743 | 1,647,641 | 1,756,226 |
| | 397,665 | 348,737 | 469,291 | 478,476 | 380,206 | 413,416 | 667,971 | 519,277 |
| | 192,935 | 178,655 | 185,652 | 192,000 | 218,235 | 223,181 | 245,986 | 257,695 |
| | 92,039 | 105,794 | 119,827 | 118,368 | 96,938 | 124,717 | 115,220 | 123,202 |
| | 49,784 | 51,138 | 48,622 | 48,608 | 47,100 | 51,380 | 55,717 | 55,535 |
| | <u>2,460,111</u> | <u>2,378,396</u> | <u>2,421,657</u> | <u>2,402,586</u> | <u>2,375,404</u> | <u>2,380,437</u> | <u>2,732,535</u> | <u>2,711,935</u> |
| | 115,895 | 30,383 | 71,288 | 70,132 | 36,297 | 37,248 | 40,430 | 41,736 |
| | 1,323,450 | 1,305,134 | 1,329,942 | 1,414,817 | 1,459,625 | 1,443,383 | 1,526,500 | 1,573,788 |
| | 377,131 | 377,442 | 582,955 | 997,159 | 711,632 | 508,902 | 481,656 | 486,567 |
| | <u>1,700,581</u> | <u>1,682,576</u> | <u>1,912,897</u> | <u>2,411,976</u> | <u>2,171,257</u> | <u>1,952,285</u> | <u>2,008,156</u> | <u>2,060,355</u> |
| | 306,312 | 294,946 | 256,604 | 287,425 | 298,824 | 364,031 | 496,457 | 587,397 |
| | 0 | 0 | 0 | 12,500 | 5,738 | 32,748 | 172,338 | 1,907,290 |
| | 354,697 | 284,592 | 405,151 | 428,710 | 268,893 | 235,998 | 126,245 | 141,783 |
| | <u>241,407</u> | <u>141,117</u> | <u>243,628</u> | <u>283,182</u> | <u>238,153</u> | <u>245,403</u> | <u>241,746</u> | <u>247,971</u> |
| | 596,104 | 425,709 | 648,779 | 711,892 | 507,046 | 481,401 | 367,991 | 389,754 |
| \$ | <u>20,863,522</u> | <u>20,944,513</u> | <u>22,705,184</u> | <u>23,361,520</u> | <u>23,270,055</u> | <u>23,599,166</u> | <u>26,606,768</u> | <u>29,881,081</u> |

CITY OF MOUNTAIN BROOK, ALABAMA

COMPARATIVE BALANCE SHEET - GENERAL FUND
SEPTEMBER 30, 2005
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2004)

| | <u>2005</u> | <u>2004</u> |
|--|--------------------------------|--------------------------------|
| ASSETS | | |
| Cash and temporary investments | \$ 6,079,211 | \$ 5,023,319 |
| Receivables | 1,668,176 | 1,490,390 |
| Due from related organizations | 41,083 | 39,218 |
| Inventory and prepaid expenses | <u>28,918</u> | <u>29,484</u> |
| TOTAL ASSETS | \$ <u>7,817,388</u> | \$ <u>6,582,411</u> |
| | | |
| LIABILITIES | | |
| Accounts payable | \$ 1,224,689 | \$ 771,044 |
| Accrued salaries and wages | 753,987 | 690,086 |
| Due to related organizations | 57,050 | 98,081 |
| Other liabilities | 848,216 | 773,106 |
| Accrued compensated absences | <u>188,832</u> | <u>199,346</u> |
| TOTAL LIABILITIES | <u>3,072,774</u> | <u>2,531,663</u> |
| | | |
| FUND EQUITY | | |
| Fund balance: | | |
| Reserve for inventory and prepaid expense | 28,918 | 29,484 |
| Reserved | 110,490 | 108,248 |
| Unreserved | <u>4,605,206</u> | <u>3,913,016</u> |
| TOTAL FUND EQUITY | <u>4,744,614</u> | <u>4,050,748</u> |
| TOTAL LIABILITIES AND FUND EQUITY | \$ <u>7,817,388</u> | \$ <u>6,582,411</u> |

CITY OF MOUNTAIN BROOK, ALABAMA

COMPARATIVE BALANCE SHEET - DEBT SERVICE FUND
SEPTEMBER 30, 2005
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2004)

| | <u>2005</u> | <u>2004</u> |
|--|---------------------|----------------------|
| ASSETS | | |
| Cash and temporary investments | \$ 7,525,920 | \$ 11,090,337 |
| Receivables | <u>0</u> | <u>166,788</u> |
| TOTAL ASSETS | <u>\$ 7,525,920</u> | <u>\$ 11,257,125</u> |
| | | |
| LIABILITIES | | |
| Accounts payable | <u>0</u> | <u>95,528</u> |
| TOTAL LIABILITIES | <u>0</u> | <u>95,528</u> |
| | | |
| FUND EQUITY | | |
| Fund balance: | | |
| Unreserved | <u>7,525,920</u> | <u>11,161,597</u> |
| TOTAL FUND EQUITY | <u>7,525,920</u> | <u>11,161,597</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 7,525,920</u> | <u>\$ 11,257,125</u> |

CITY OF MOUNTAIN BROOK, ALABAMA

**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2004)**

| | <u>2005</u> | <u>2004</u> |
|--|---------------------|---------------------|
| Revenues | | |
| Taxes | \$ 22,182,614 | \$ 20,788,861 |
| Licenses and permits | 2,711,935 | 2,732,535 |
| Intergovernmental | 41,736 | 40,430 |
| Charges for services | 2,060,355 | 2,008,156 |
| Fines and forfeitures | 587,397 | 496,457 |
| Grants | 1,907,290 | 172,338 |
| Other operating revenues | 389,754 | 367,991 |
| Total revenues | <u>29,881,081</u> | <u>26,606,768</u> |
| Expenditures | | |
| Current (operating): | | |
| General government | 4,811,900 | 3,665,209 |
| Public safety | 10,318,891 | 9,789,099 |
| Street and sanitation | 7,040,736 | 5,148,158 |
| Recreational | 962,451 | 923,230 |
| Library | 1,976,721 | 1,814,252 |
| Total expenditures | <u>25,110,699</u> | <u>21,339,948</u> |
| Excess of revenues over expenditures | <u>4,770,382</u> | <u>5,266,820</u> |
| Other financing sources (uses) | | |
| Operating transfers out | (4,178,506) | (4,678,368) |
| Operating transfers in - component unit | 45,089 | 54,813 |
| Donations | 56,901 | 50,205 |
| Total other financing (uses) | <u>(4,076,516)</u> | <u>(4,573,350)</u> |
| Excess of revenues and other financing sources over expenditures and other financing uses | 693,866 | 693,470 |
| Fund balances, beginning of year | <u>4,050,748</u> | <u>3,357,278</u> |
| FUND BALANCES, END OF YEAR | <u>\$ 4,744,614</u> | <u>\$ 4,050,748</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, 2005
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2004)**

| | <u>2005</u> | <u>2004</u> |
|---|----------------------|----------------------|
| Revenues | | |
| Intergovernmental | \$ 0 | \$ 25,924 |
| Grants | 512,444 | 1,170,671 |
| Other operating revenues | 553,033 | 313,420 |
| Total revenues | <u>1,065,477</u> | <u>1,510,015</u> |
| | | |
| Expenditures | | |
| General government | 188,256 | 95,975 |
| Public safety | 879,124 | 854,707 |
| Street and sanitation | 3,153,793 | 2,368,413 |
| Recreational | 49,368 | 1,880,151 |
| Library | 0 | 7,218 |
| Total expenditures | <u>4,270,541</u> | <u>5,206,464</u> |
| | | |
| Excess (deficiency) of revenues over expenditures | <u>(3,205,064)</u> | <u>(3,696,449)</u> |
| | | |
| Other financing sources (uses) | | |
| Proceeds from the issuance of debt | 0 | 1,550,000 |
| Operating transfers in | 2,700,313 | 3,089,358 |
| Proceeds from long-term obligation | 2,046,676 | 0 |
| Donations | 24,000 | 290,000 |
| Total other financing sources | <u>4,770,989</u> | <u>4,929,358</u> |
| | | |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | 1,565,925 | 1,232,909 |
| | | |
| Fund balances, beginning of year | <u>11,161,597</u> | <u>9,928,688</u> |
| | | |
| FUND BALANCES, END OF YEAR | <u>\$ 12,727,522</u> | <u>\$ 11,161,597</u> |