

CITY OF MOUNTAIN BROOK, ALABAMA

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2004**

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

SEPTEMBER 30, 2004

MAYOR

The Honorable Lawrence T. Oden

CITY COUNCIL

Mr. Thomas C. Clark, Jr., President

Ms. Virginia C. Smith

Mr. William S. Pritchard, III

Mr. Philip C. Jackson, Jr.

Ms. Alice M. Williams

CITY MANAGER

Mr. Sam S. Gaston

DEPARTMENT SUPERVISORS

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

CITY OF MOUNTAIN BROOK, ALABAMA

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R.D. RIGGS & INGRAM, LLC

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mountain Brook, Alabama (the City) as of and for the year ended September 30, 2004, 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.

Except as discussed in the following paragraph, 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 *Governmental 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.

The financial statements of The Mountain Brook Library Foundation (the Foundation) have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the City's basic financial statements. The Foundation's activities are included in the City's basic financial statements as the only discretely presented component unit.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had the Foundation's financial statements been audited, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2004, 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.

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The Management's Discussion and Analysis beginning on page 6.1 and budgetary comparison information on page 36, is not a required part of the basic financial statements but is 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 it.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 16, 2004, 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 *Governmental 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.

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

November 16, 2004

CITY OF MOUNTAIN BROOK

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Mountain Brook (City) adopted the new reporting model required by the Governmental Accounting Standards Board (GASB) as of and for the year ended September 30, 2003. The management of the City has prepared this narrative overview and analysis of the City's 2004 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, 2004, by \$66 million (Total Net Assets). Of this amount, \$21 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, \$45 million represents the net book value of the City's capital assets including infrastructure, and \$108,000 is restricted for the benefit of the library.
- The Total Net Assets increased by \$5.3 million in 2004 which includes the net cost of providing core City services of \$15.3 million plus \$20.7 million in General Revenues.
- As of September 30, 2004, the City reported \$23 million in unreserved fund balances, an increase of \$3.3 million from 2003. Of the \$23 million unreserved fund balance, \$4 million (17%) is reported in the General Fund, \$7 million (30%) in the Debt Service Fund, \$11 million (48%) in the Capital Projects Fund, and \$1 million 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 2004. Revenues and expenses reported in the Statement of Activities are recorded when the underlying event that gave rise to the change occurred as opposed to the timing of the related cash flow. The focus of the Statement of Activities

CITY OF MOUNTAIN BROOK

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 is provided in the other supplementary information.

Infrastructure Capital Assets

A major accounting and reporting change required by the new GASB 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:

CITY OF MOUNTAIN BROOK

MANAGEMENT'S DISCUSSION AND ANALYSIS

	<u>Useful Life</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Accumulated Depreciation</u>
Land	N/A	\$15,888,592	N/A	N/A
Streets and alleys	20	12,613,146	421,109	7,819,478
Storm sewers	20	1,660,064	65,172	444,938
Sidewalks	15	7,216,145	384,121	2,882,799
Park facilities	10-75	5,430,392	186,903	2,161,842
Street lights and signs	15	738,053	28,207	390,553
Library reference materials	5	<u>2,448,700</u>	<u>211,545</u>	<u>1,841,576</u>
Total cost		<u>\$45,995,092</u>	<u>\$ 1,297,057</u>	<u>\$15,541,186</u>

Government-wide Financial Analysis

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

	<u>2004</u>	<u>2003</u>
Current and other assets	\$25,885,219	\$22,321,311
Capital assets	<u>47,180,830</u>	<u>43,225,749</u>
Total assets	<u>73,066,049</u>	<u>65,547,060</u>
Current and other liabilities	3,215,483	2,829,509
Long-term liabilities	<u>4,113,069</u>	<u>2,329,129</u>
Total liabilities	<u>7,328,552</u>	<u>5,158,638</u>
Net assets:		
Invested in capital assets, net of related debt	45,078,830	42,420,749
Restricted	108,248	115,033
Unrestricted	<u>20,550,419</u>	<u>17,852,640</u>
Total net assets	<u>\$65,737,497</u>	<u>\$60,388,422</u>

CITY OF MOUNTAIN BROOK

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	<u>2004</u>	<u>2003</u>
Revenues		
Program revenues		
Fees, fines and charges for services	\$5,663,925	\$5,023,773
Operating grants and contributions	1,064,466	930,105
Capital grants and contributions	2,330,949	1,033,410
General revenues		
Ad valorem taxes	11,320,811	9,476,360
Sales and use taxes	6,402,746	6,005,138
Other taxes	188,052	193,222
Occupational license fees	929,454	905,432
Utility taxes	953,228	941,086
Franchise fees	361,206	347,898
Investment earnings	382,822	454,425
Gain on sale of capital assets	87,190	15,046
Miscellaneous revenue	24,212	22,634
Other operating grants and contributions	-0-	4,831
Transfers from component unit	<u>54,813</u>	<u>21,234</u>
Total revenues	<u>29,763,874</u>	<u>25,374,594</u>
Expenses		
General government	3,958,868	3,812,094
Public safety	10,825,297	10,034,225
Street and sanitation	6,420,547	5,807,496
Recreational	1,133,519	1,140,285
Library	<u>2,076,568</u>	<u>1,950,649</u>
Total expenses	<u>24,414,799</u>	<u>22,744,749</u>
Increase in net assets from operating activities	5,349,075	2,629,845
Net assets, beginning of year	<u>60,388,422</u>	<u>57,758,577</u>
Net assets, end of year	<u>\$65,737,497</u>	<u>\$60,388,422</u>

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

The City's primary source of revenue is real estate ad valorem taxes which comprise 39% of total General Fund revenues in 2004. Real estate ad valorem taxes increased by \$1.8 million (22%) during 2004 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 23% of the total General

CITY OF MOUNTAIN BROOK

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund revenues in 2004. Sales and use tax increased by \$385,000 (7 %) during 2004 as compared to a 4% increase in 2003. Prior to 2003, 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 \$80,000 (5%) in 2004 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>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>
Real estate ad valorem tax	\$10,244,362	\$8,422,094	\$1,822,268
Sales and use tax	6,086,944	5,701,970	384,974
Business licenses	1,647,641	1,567,743	79,898
Personal property ad valorem tax	1,076,449	1,054,267	22,182
Garbage service fees	1,526,500	1,443,383	83,117
Occupational tax	929,454	905,432	24,022
Utility taxes	953,228	941,086	12,142
All other General Fund revenues	<u>4,142,190</u>	<u>3,563,191</u>	<u>578,999</u>
 Total	 <u>\$26,606,768</u>	 <u>\$23,599,166</u>	 <u>\$3,007,602</u>

Expenditures

Salaries and benefits increased \$1.1 million (8%) in 2004 to \$14.1 million. Labor-related costs make up almost 50% of the City's total budget.

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

	<u>2004</u>	<u>2003</u>
Salaries and benefits	\$14,056,392	\$12,990,855
Garbage contract fees	2,262,683	2,322,700
Capital outlay	5,925,162	2,440,824
Intergovernmental services	686,104	644,260
City School Board subsidy	850,000	850,000
Birmingham Zoo, Inc., subsidy	100,000	100,000
Debt service	283,376	475,341
All other	<u>3,870,470</u>	<u>3,355,445</u>
 Total	 <u>\$28,034,187</u>	 <u>\$23,179,425</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 revenue exceeded budgeted revenue by \$1.2 million (5%). The favorable budget variance was comprised largely of the following categories:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Sales and use tax	\$ 5,742,383	\$ 6,086,944	\$ 344,561
Construction permits	388,500	667,971	279,471
Road and bridge tax	340,000	425,985	85,985
State bank excise tax	-0-	66,998	66,998
Garbage fees	1,496,500	1,526,500	30,000
Cable franchise	218,400	245,986	27,586
All other categories	<u>17,269,910</u>	<u>17,586,384</u>	<u>316,474</u>
Total Revenues	<u>\$25,455,693</u>	<u>\$26,606,768</u>	<u>\$ 1,151,075</u>

- Total expenditures were \$1.7 million (7%) less than budgeted. The favorable budget variance was comprised largely of the following categories:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Labor-related costs	\$14,093,021	\$14,056,392	\$ 36,629
Infrastructure projects	1,663,550	421,364	1,242,186
All other	<u>7,329,699</u>	<u>6,862,192</u>	<u>467,507</u>
General Fund Expenditures	<u>\$23,086,270</u>	<u>\$21,339,948</u>	<u>\$1,746,322</u>

A drainage infrastructure project, originally budgeted in fiscal 2004, has been carried-over to fiscal 2005 (Capital Projects Fund) (Note 8).

- The operating transfers out exceeded the amount budgeted by \$2,608,545. The excess surplus over that originally anticipated/budgeted was transferred to the following funds resulting in most of the budget variance:

Capital Projects (Note 8)	\$1,100,000
Debt Service (pension reserve)	1,200,000

- The excess of revenues and other financing sources under expenditures was \$323,270 more than budgeted.
- The original and final General Fund budgets differed by \$3,118.

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, 2003.

As of September 30, 2003, the RSA reported an unfunded actuarial accrued liability of \$8.4 million. However, the actuarial valuation of the plan assets (\$28.2 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 \$3.3 million due to the exclusion of unamortized net market losses (realized and unrealized) over the preceding five years.

Due to growing concerns about the \$11.7 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, 2004, the City has accumulated \$7 million in the Debt Service Fund for such purpose.

Cash and Temporary Investments

As of September 30, 2004, the City reported cash and temporary investments of \$24.1 million which consists of unrestricted and donor-restricted cash and temporary investments of \$23.9 million and \$178,000, respectively. Following is a summary of the carrying value of the cash and investments by fund:

	<u>Unrestricted</u>	<u>Restricted</u>
General Fund	\$ 4,845,162	\$ 178,157
Debt Service Fund	6,985,477	-0-
Capital Projects Fund	11,090,337	-0-
Other Governmental Funds	986,123	-0-
Component unit	<u>-0-</u>	<u>1,819,361</u>
 Totals	 <u>\$23,907,099</u>	 <u>\$ 1,997,518</u>

The Council has expressed its goal to maintain a cash reserve in the General Fund equivalent to six months of operating expenses. The \$4.8 million dollar General Fund cash and investment balance as of September 30, 2004, represents approximately 2.7 months of General Fund expenditures.

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, 2004, the City had accumulated approximately \$11 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 \$24 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>2004</u>	<u>2003</u>
Capital expenditures	<u>\$5,946,152</u>	<u>\$2,271,864</u>
Depreciation expense	<u>\$2,485,011</u>	<u>\$2,344,475</u>
Transfers to the Capital Projects Fund:		
Funded depreciation policy	\$1,037,197	\$1,048,132
Other transfers to fund current year acquisitions	<u>2,052,161</u>	<u>1,075,688</u>
Total	<u>\$3,089,358</u>	<u>\$2,123,820</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>2004</u>	<u>2003</u>
<i>Revenues</i>		
State shared gasoline tax revenues	\$409,037	\$397,179
Alabama Trust Fund Earnings	88,901	80,828
Transfers from the City's General Fund	100,000	100,000
Investment earnings	<u>6,007</u>	<u>6,234</u>
<i>Total Revenues</i>	603,945	584,241
Street paving expenditures (included in capital expenditures reported in the preceding section)	<u>550,321</u>	<u>691,087</u>
<i>Deficiency of Revenues Over Expenditures</i>	53,624	(106,846)
Fund balances, beginning of the year	<u>263,275</u>	<u>370,121</u>
<i>Fund Balances, end of the year</i>	<u>\$316,899</u>	<u>\$263,275</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>2004</u>	<u>2003</u>
Streets and alleys (cost)	<u>\$12,613,146</u>	<u>\$12,413,294</u>
Accumulated depreciation	\$ 7,819,478	\$ 7,398,369
Depreciation expense	<u>421,109</u>	<u>393,587</u>
Average age of streets and alleys (years)	<u>18.6</u>	<u>18.8</u>

CITY OF MOUNTAIN BROOK

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt

During 2004, the City issued \$1,550,000 General Obligation Warrants, Series 2004 (Note 5). The proceeds from the warrant issue were used to reimburse the City for costs previously paid by the City to acquire some vacant land. The land was acquired from an unrelated, non-profit organization that is attempting to raise private donations to be used to construct a new community center. The City agreed to acquire the land during the organization's fund-raising campaign. Should the capital campaign not generate sufficient funds within five years to construct the community center, the City will consider whether to continue to hold the land or sell it. If sold, the City has agreed to grant a first right-of-refusal to the non-profit organization who previously owned the land.

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.

City of Mountain Brook, Alabama
Government-Wide Statement of Net Assets
September 30, 2004

	Governmental Activities	Component Unit (Library Foundation) (Unaudited)
	<u> </u>	<u> </u>
ASSETS		
Cash and temporary investments	\$ 24,085,256	\$ 0
Receivables	1,731,261	0
Due from related organization	39,218	0
Inventory and prepaid expenses	29,484	0
Cash and temporary investments - restricted	0	1,819,361
Property and equipment, net	<u>47,180,830</u>	<u>0</u>
TOTAL ASSETS	<u>73,066,049</u>	<u>1,819,361</u>
 LIABILITIES		
Accounts payable	982,504	0
Accrued salaries and wages	690,086	0
Accrued interest payable	21,360	0
Due to related organization	98,081	0
Other current liabilities	773,106	0
Non-current liabilities		
Due within one year:		
Compensated absences	199,346	0
Long-term debt	298,000	0
Other liabilities	153,000	0
Due in more than one year:		
Compensated absences	1,743,716	0
Long-term debt	1,804,000	0
Other liabilities	<u>565,353</u>	<u>0</u>
Total Liabilities	<u>7,328,552</u>	<u>0</u>
 Pension obligation (see note 6)		
 NET ASSETS		
Invested in capital assets (net of related debt)	45,078,830	0
Restricted	108,248	1,819,361
Unrestricted	<u>20,550,419</u>	<u>0</u>
TOTAL NET ASSETS	<u>\$ 65,737,497</u>	<u>\$ 1,819,361</u>

City of Mountain Brook, Alabama
Government-Wide Statement of Activities
For the Years Ended September 30, 2004

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Net (Expense) Revenue and Changes in Net Assets	Component Unit (Library Foundation) (Unaudited)
Governmental activities:						
General government	\$ 3,958,868	\$ 2,033,960	\$ 832,078	\$ 0	\$ (1,092,830)	\$ 0
Public safety	10,825,297	1,855,213	43,000	166,789	(8,760,295)	0
Street and sanitation	6,420,547	1,600,530	45,315	1,641,440	(3,133,262)	0
Recreational	1,133,519	102,716	130,745	499,200	(400,858)	0
Library	2,076,568	71,506	13,328	23,520	(1,968,214)	0
Total Primary Government	\$ 24,414,799	\$ 5,663,925	\$ 1,064,466	\$ 2,330,949	\$ (15,355,459)	0
Component unit:						
Library Foundation	\$ 5,270	\$ 1,793	\$ 463,422	\$ 0		459,945

General revenues:

Taxes:			
Ad Valorem (real and personal property)	\$ 11,320,811	\$	0
Sales and use	6,402,746		0
Other taxes	188,052		0
Occupational license fees	929,454		0
Utility taxes	953,228		0
Franchise Fees	361,206		0
Investment earnings	382,822		40,164
Gain on sale of capital asset	87,190		0
Miscellaneous revenues	24,212		0
Transfers	54,813		(54,813)
Total general revenues and transfers	<u>20,704,534</u>		<u>(14,649)</u>
Change in net assets	5,349,075		445,296
Net assets at beginning of year	60,388,422		1,374,065
Net assets at end of year	\$ 65,737,497	\$	1,819,361

**City of Mountain Brook, Alabama
Balance Sheet
Governmental Funds
September 30, 2004**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and temporary investments	\$ 4,845,162	\$ 6,985,477	\$ 11,090,337	\$ 986,123	\$ 23,907,099
Cash and temporary investments - restricted	178,157	0	0	0	178,157
Receivables	1,529,608	0	166,788	74,083	1,770,479
Inventory and prepaid expenses	29,484	0	0	0	29,484
TOTAL ASSETS	\$ 6,582,411	\$ 6,985,477	\$ 11,257,125	\$ 1,060,206	\$ 25,885,219
LIABILITIES					
Accounts payable	\$ 771,044	\$ 0	\$ 95,528	\$ 115,932	\$ 982,504
Accrued salaries and wages	690,086	0	0	0	690,086
Other liabilities	871,187	0	0	0	871,187
Accrued compensated absences	199,346	0	0	0	199,346
Total Liabilities	2,531,663	0	95,528	115,932	2,743,123
Pension obligation (see note 6)					
FUND EQUITY					
Fund balance:					
Reserve for inventory and prepaid expense	29,484	0	0	0	29,484
Reserved	108,248	0	0	0	108,248
Unreserved	3,913,016	6,985,477	11,161,597	944,274	23,004,364
Total fund equity	4,050,748	6,985,477	11,161,597	944,274	23,142,096
TOTAL LIABILITIES AND FUND EQUITY	\$ 6,582,411	\$ 6,985,477	\$ 11,257,125	\$ 1,060,206	\$ 25,885,219

City of Mountain Brook, Alabama
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2004

Fund balance - total governmental funds \$ 23,142,096

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

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

Property and equipment	\$ 71,415,729	
Less accumulated depreciation	<u>(24,234,899)</u>	47,180,830

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

Governmental bonds payable	(2,102,000)	
Compensated absences	(1,743,716)	
Accrued interest payable	(21,360)	
Accrued zoo consortium payable	(216,667)	
Accrued development agreement obligations	<u>(501,686)</u>	<u>(4,585,429)</u>

Net assets of governmental activities **\$ 65,737,497**

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City of Mountain Brook, Alabama
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:			
Taxes	\$ 20,788,861	\$ 0	\$ 0
Licenses and permits	2,732,535	0	0
Intergovernmental	40,430	0	25,924
Charges for services	2,008,156	0	0
Fines and forfeitures	496,457	0	0
Grants	172,338	0	1,170,671
Other operating revenues	367,991	24,974	313,420
Total revenues	<u>26,606,768</u>	<u>24,974</u>	<u>1,510,015</u>
Expenditures:			
Current (operating):			
General government	3,665,209	0	95,975
Public safety	9,789,099	0	854,707
Street and sanitation	5,148,158	0	2,368,413
Recreational	923,230	0	1,880,151
Library	1,814,252	0	7,218
Debt service:			
Principal	0	253,000	0
Interest	0	30,376	0
Total expenditures	<u>21,339,948</u>	<u>283,376</u>	<u>5,206,464</u>
Excess of revenues over expenditures	<u>5,266,820</u>	<u>(258,402)</u>	<u>(3,696,449)</u>
Other financing sources (uses):			
Proceeds from the issuance of debt	0	0	1,550,000
Operating transfers in	0	1,483,376	3,089,358
Operating transfers (out)	(4,678,368)	0	0
Operating transfers in - component unit	54,813	0	0
Donations	50,205	0	290,000
Total other financing sources (uses)	<u>(4,573,350)</u>	<u>1,483,376</u>	<u>4,929,358</u>
Excess of revenues and other sources over expenditures and other uses	693,470	1,224,974	1,232,909
Fund balances, beginning of year	<u>3,357,278</u>	<u>5,760,503</u>	<u>9,928,688</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,050,748</u>	<u>\$ 6,985,477</u>	<u>\$ 11,161,597</u>

See accompanying notes to basic financial statements.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 409,037	\$ 21,197,898
0	2,732,535
256,260	322,614
295,494	2,303,650
172,031	668,488
0	1,343,009
<u>102,023</u>	<u>808,408</u>
<u>1,234,845</u>	<u>29,376,602</u>
185,455	3,946,639
351,963	10,995,769
550,321	8,066,892
116,660	2,920,041
0	1,821,470
0	253,000
<u>0</u>	<u>30,376</u>
<u>1,204,399</u>	<u>28,034,187</u>
<u>30,446</u>	<u>1,342,415</u>
0	1,550,000
417,235	4,989,969
(311,601)	(4,989,969)
0	54,813
<u>0</u>	<u>340,205</u>
<u>105,634</u>	<u>1,945,018</u>
136,080	3,287,433
<u>808,194</u>	<u>19,854,663</u>
<u>\$ 944,274</u>	<u>\$ 23,142,096</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, 2004

Net change in fund balances - total governmental funds	\$	3,287,433
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Expenditures for capital assets	\$ 5,946,152	
Less current year depreciation	<u>(2,485,011)</u>	3,461,141
<p>The net effect of transactions involving the sale of capital assets is to decrease net assets.</p>		
		(7,746)
<p>Proceeds from the issuance of bonds is a revenue in the governmental funds, but the borrowing increases long-term liabilities in the statement of net assets.</p>		
		(1,550,000)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		253,000
<p>Some expenses reported in the government-wide statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Change in long-term compensated absences	(283,254)	
Change in accrued interest payable	(11,499)	
Change in accrued zoo consortium payable	<u>200,000</u>	<u>(94,753)</u>
Change in net assets of governmental activities	\$	<u>5,349,075</u>

See accompanying notes to basic financial statements.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The City of Mountain Brook, Alabama (the City) was incorporated on March 24, 1942. The City operates under 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 are 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 2004, the City reported the following revenues from the Board:

	General Fund	Special Revenue
Occupational taxes	\$ 116,670	\$ 0
DARE Program subsidy	0	43,000
Athletic fields shared maintenance	40,430	0
Athletic fields capital and shared maintenance	0	209,200
Sewer service fees	7,200	0
Total	\$ 164,300	\$ 252,200

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

B. Related organizations (continued)

At September 30, 2004, the City reported receivables from the Board in the amounts as follows (see note 3):

	General Fund
Receivables	\$ <u>39,218</u>

The City receives 36.7 mill of the 99.0 mill property tax (Note 1.R) from Jefferson County. From the 36.7 mill, the City transfers 10.6 mill to the Board. For financial reporting purposes, the City includes the net property tax of 26.1 mill in its General Fund revenues. At September 30, 2004, the City owed the Board \$98,081 for its share of property taxes which is included in other liabilities of the General Fund and due to related organizations in the government wide-statements.

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). During 2004, the City reported the following transactions in conjunction with the above joint venture which are included in the Other Governmental Funds in the accompanying fund financial statements:

Revenues

The Board	\$ 104,060
Mountain Brook Athletics, Inc.	50,000
Mountain Brook Soccer Club, Inc.	50,000
Investment income	1,613
Total revenues	<u>205,673</u>

Expenditures

Recreational (operating and maintenance)	115,660
Capital outlay (\$1,069,300 cumulative)	0
Total expenditures	<u>115,660</u>

Other financing sources (uses), net

Transfers from City General Fund	100,000
Transfers to City Capital Projects Fund	(19,725)
Transfers to Debt Service Fund	(166,520)
Donations	0
Net other financing sources (uses)	<u>(86,245)</u>

Excess of revenues and other financing sources over expenditures and other uses	3,768
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Fund balance at beginning of the year	<u>135,950</u>
Fund balance at end of the year	<u>\$ 139,718</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). These warrants were refinanced in 2003 and 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 2007 and the City has agreed to contribute \$15,000 annually through 2007 toward the project. Following are the revenues and expenditures reported in connection with this joint venture which are included in the Other Governmental Funds (Special Revenue Community Funds) in the accompanying financial statements:

<i>Revenues</i>	
The Board	\$ 109,200
Investment income	541
Total revenues	<u>109,741</u>
<i>Expenditures</i>	
General Government (operating)	1,000
Capital outlay (\$1,598,227 to date)	0
Total expenditures	<u>1,000</u>
<i>Other financing sources (uses), net</i>	
Transfers from City General Fund	15,000
Transfers to Debt Service Fund	(116,857)
Donations (Mountain Brook Sports Corporation)	0
Net other financing sources	<u>(101,857)</u>
Excess of revenues and other financing sources over expenditures and other uses	6,884
Fund balance at beginning of the year	<u>29,449</u>
Fund balance at end of the year	<u>\$ 36,333</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 government-wide financial statements. Copies of the financial statements may be obtained at the Emmet O'Neal Library.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

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

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).

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

D. Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for in a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary (the City had no proprietary 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.

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

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

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

F. 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 27, 2004.

G. 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.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

H. 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 \$726,851 in the aggregate during the two-year policy term. Workers' compensation cost charged by the City during 2004 was approximately \$422,000. The accompanying financial statements include an estimated accrual of reported but unpaid workers' compensation claims as of September 30, 2004 in the amount of \$318,576.

I. Cash and temporary investments

Cash resources of various funds are combined to form a cash and investment pool. Interest from this pool is allocated monthly to each fund based on their respective month-end cash and investment balances.

J. Receivables

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

K. 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.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

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

K. Equity classifications (continued)

Government-wide Statements (continued)

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.

L. 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.

M. 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)**

M. Compensated absences (continued)

The current portion of the accrued vacation and sick pay at September 30, 2004 reported in the fund financial statements and the government-wide statements totaled \$199,346. The remaining long-term portion of the accrued vacation and sick pay at September 30, 2004 is reported only in the government-wide statements and totaled \$1,743,716. In prior years, the General Fund has liquidated the annual current portion of this compensated absence liability.

N. Longevity pay plan

The City has a longevity pay plan which covers all full-time employees that have completed a minimum of six years of service as of September 30. Longevity pay for a qualifying employee is the product of the percentage factor (which is based on the number of years of completed service) and their annual rate of pay. The percentage factor is 1.5% after six years and increases 0.5% per year to a maximum rate of 8.5% which is attained after twenty years of service. The plan also limits the City's maximum annual longevity pay liability 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, 2004 reported in the Government-Wide and Fund financial statements totaled \$385,831.

O. Holiday pay

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

P. Pension 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).

Q. 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 \$1,200,000 to the Debt Service Fund to provide resources for the payment of future obligations of the City, \$3,061,133 to the Capital Projects Fund to provide resources for the payment of current year asset acquisitions and \$417,235 to Other Governmental Funds to provide funding for operations. The other Governmental funds transferred \$283,376 to the Debt Service Fund to provide resources for the payment of future obligations of the City and \$28,225 to the Capital Projects Fund to provide resources for the payment of current year asset acquisition.

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)

Q. 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.

R. 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.

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 2004. The 2004 revaluation (to be realized in fiscal 2005) reflects an increase in property values of approximately 9% and is estimated to generate an estimated \$800,000 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)**

S. 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 \$18.9 million or 71% of the total General Fund revenues during the year ended September 30, 2004. Of the City's taxpayers, Rich's Department Store, Alabama Power Company, Western Supermarket, Energen Corporation and the Piggly Wiggly grocery store, collectively, provided approximately \$3.4 million or 13% of the City's total General Fund revenues during the year ended September 30, 2004.

T. 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.

U. Inventory

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

V. 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 the previous year's presentation to conform with the current year presentation. Such reclassifications have had no net effects on the statements previously reported.

W. 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.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

W. Fixed Assets (continued)

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, including infrastructure, 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.

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.

X. Management estimates

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

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

2. Deposits and investments

The carrying value of cash and investments at September 30, 2004, was as follows:

	<u>Balance</u>
Pooled cash and equivalents:	
General Fund	\$ 3,488,551
Special Revenue Funds	986,123
Debt Service Fund	1,238,287
Capital Projects Funds	1,632,539
Cash on-hand and other cash and equivalents:	
General fund	228,742
Temporarily Restricted	57,536
Permanently Restricted	11,683
Investments:	
General Fund	1,198,331
Debt Service Fund	5,747,190
Capital Projects Funds	9,457,798
Temporarily Restricted	698
Permanently Restricted	<u>37,778</u>
Total cash and temporary investments	\$ <u>24,085,256</u>

At September 30, 2004, the bank balance or cost, carrying value, and fair value of the cash and temporary investments was as follows:

	<u>Bank Balance or Cost</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Pooled cash and equivalents	\$ 7,554,955	\$ 7,345,500	\$ 7,345,500
Cash on-hand	3,030	3,030	3,030
Other cash and equivalents	149,424	153,722	153,722
Investments:			
Cash and money accounts	272,376	267,915	267,915
Certificates of deposit	8,209,834	8,093,402	8,093,402
U.S. government and agency obligations	8,201,433	8,192,340	8,192,340
Donated equity investment	<u>0</u>	<u>29,347</u>	<u>29,347</u>
Total cash and temporary investments	\$ <u>24,391,052</u>	\$ <u>24,085,256</u>	\$ <u>24,085,256</u>

The Mountain Brook Library Foundation's cash account had a carrying amount of \$141,209 at September 30, 2004. The Foundation's investments, consisting of equity mutual funds, had a carrying amount of \$1,678,152 at that date.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

2. Deposits and investments (continued)

Act No. 2000-748 of the Code of Alabama requires that all public funds deposits held in banks be secured by collateral pledged to the Security for Alabama Funds Enhancement (SAFE) collateral pool established in the Office of the State Treasurer. The City's bank deposits were insured by Federal Depository Insurance (FDIC) or collateralized in accordance with Act 2000-748. The City had no uninsured bank deposits at September 30, 2004.

3. Receivables

Receivables at September 30, 2004, consisted of the following:

	General Fund	Capital Projects	Special Revenue	Total
Taxes	\$ 1,448,750	\$ 0	\$ 37,774	\$ 1,486,524
Emergency Communication				
District (E-911) surcharge	0	0	11,309	11,309
Board of Education (Note 1.B.)	39,218	0	0	39,218
Grants	0	166,788	0	166,788
Other	41,640	0	25,000	66,640
Totals	<u>\$ 1,529,608</u>	<u>\$ 166,788</u>	<u>\$ 74,083</u>	<u>\$ 1,770,479</u>

4. Capital assets

Following is a summary of the changes in the City's capital assets for the year ended September 30, 2004:

	Balance at September 30, 2003	Additions	Disposals/ Retirements/ Completed	Balance at September 30, 2004
Capital assets, not being depreciated:				
Land	\$ 17,083,655	\$ 2,032,197	\$ 2,000	\$ 19,117,852
Construction in progress	39,883	67,359	(16,784)	90,458
Total capital assets, not being depreciated	<u>17,123,538</u>	<u>2,099,556</u>	<u>(14,784)</u>	<u>19,208,310</u>
Capital assets, being depreciated:				
Land improvements	2,850,284	0	0	2,850,284
Buildings and improvements	7,743,610	30,346	(21,888)	7,752,068
Machinery and equipment	10,631,122	1,830,775	(1,004,071)	11,457,826
Infrastructure	27,658,761	2,487,161	1,319	30,147,241
Total capital assets, being depreciated	<u>48,883,777</u>	<u>4,348,282</u>	<u>(1,024,640)</u>	<u>52,207,419</u>
Less accumulated depreciated for:				
Land improvements	165,773	15,611	0	181,384
Buildings and improvements	1,750,426	290,804	(21,888)	2,019,342
Machinery and equipment	6,621,178	881,539	(1,009,790)	6,492,927
Infrastructure	14,244,189	1,297,057	0	15,541,246
Total accumulated depreciation	<u>22,781,566</u>	<u>2,485,011</u>	<u>(1,031,678)</u>	<u>24,234,899</u>
Total capital assets, being depreciated, net	<u>26,102,211</u>	<u>1,863,271</u>	<u>7,038</u>	<u>27,972,520</u>
Governmental activities capital assets, net	<u>\$ 43,225,749</u>	<u>\$ 3,962,827</u>	<u>\$ (7,746)</u>	<u>\$ 47,180,830</u>

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

4. Capital assets (continued)

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

Governmental activities:

General government	\$	87,724
Public safety		495,163
Street and sanitation		1,110,624
Recreational		240,318
Library		<u>551,182</u>

Total depreciation expense \$ 2,485,011

5. Long-term debt

Long-term debt outstanding as of September 30, 2004, consisted of the following:

	<u>Balance</u>
\$1,550,000 General Obligation Warrants, Series 2004 dated August 24, 2004 maturing annually on July 1 through the year 2024 plus interest payable on January 1 and July 1 at a rate of 3.90% which is subject to repricing on July 2, 2009 and every five years thereafter.	\$ 1,550,000
\$490,000 General Obligation Warrants, Series 2003 dated October 29, 2003 maturing annually on July 15 through the year 2008 plus interest payable on January 15 and July 15 at a rate of 3.75%.	392,000
\$1,000,000 General Obligation Warrants, Series 1998-A dated November 30, 1998 with semiannual principal and interest payments due each January 15 and July 15 through the year 2005 plus interest at 4.2%.	<u>160,000</u>
Total	\$ <u>2,102,000</u>

The total interest paid by the City during 2004 relative to the above general obligation warrants was \$30,376. The current debt of the City supports the recreational function and, as such, all interest expense has been charged to this function in the Government-Wide Statement of Activities. The total amount of interest charged to expense of the recreational function for the year ended September 30, 2004 was \$41,875.

Following is a summary of long-term debt principal transactions for the year ended September 30, 2004:

General obligation warrant balances at October 1, 2003	\$ 805,000
Proceeds from the issuance of debt, \$1,550,000 General Obligation Warrants, Series 2004	1,550,000
Principal payments:	
\$1,550,000 General Obligation Warrants, Series 2004	0
\$490,000 General Obligation Warrants, Series 2003	(98,000)
\$1,000,000 General Obligation Warrants, Series 1998-A	<u>(155,000)</u>
General obligation warrant balances at September 30, 2004	\$ <u>2,102,000</u>

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

5. Long-term debt (continued)

The Series 2004 warrants were issued to finance the cost of acquiring land on which a community center is planned which, if constructed, is to be paid from donations solicited by a private, non-profit group. The City has agreed to hold the land during the fund-raising campaign. If, after five years, the private group has not raised sufficient funds to construct the community center, the City may sell the land. The City has agreed to provide the private group the first right-of-refusal to re-purchase the land from the City if the City elects to sell it.

The Series 2003 warrants were issued to refinance the Series 1998-B warrants, whose proceeds were used 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>
2005	\$ 298,000	\$ 80,190	\$ 378,190
2006	143,000	69,915	212,915
2007	148,000	64,485	212,485
2008	148,000	58,860	206,860
2009	55,000	53,235	108,235
Thereafter	<u>1,310,000</u>	<u>529,915</u>	<u>1,839,915</u>
Totals	<u>\$ 2,102,000</u>	<u>\$ 856,600</u>	<u>\$ 2,958,600</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, 2004 was 9.83% of covered compensation. The City's matching contribution for the fiscal year ending September 30, 2005 has been actuarially determined to be 10.9% of covered compensation.

For the year ended September 30, 2004, the City's total compensation was approximately \$10.7 million and the City's total covered compensation used to determine the City's pension contribution was approximately \$10.4 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	9.83%	996,000	583,000	1,579,000

* 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, 2003:

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)

D. Funding progress

Following is the schedule of funding progress obtained from most recent actuarial valuation prepared as of September 30, 2003:

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%

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, 2003
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	20 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	204
Number of retired members and beneficiaries	43
Annual retirement allowances	\$ 1,195,053

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, 2004, 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 \$224,000 for the year ended September 30, 2004.

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 2004 were as follows:

	<u>Amount</u>
Property tax commissions	\$ 150,317
Jefferson County Department of Health	130,482
Maintenance of maps and appraisals	95,924
Personnel Board of Jefferson County	222,229
Birmingham-Jefferson County Transit Authority	76,994
Birmingham Regional Planning Commission	15,275

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

8. Commitments and contingencies (continued)

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.

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, 2004, 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, 2004, was approximately \$2,263,000. Total garbage service fee revenues collected by the City from its residents and commercial customers during the year were approximately \$1,527,000. The contract was renewed in October 2003 for a three year term expiring on September 30, 2006. The aforementioned monthly rates which became effective October 1, 2003 are fixed until October 1, 2006. The rates for the final year of the contract will increase or decrease by 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 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 a corresponding other liability (of which \$153,000 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, 2004 includes the following projects:

New sidewalk construction project (Phase 5)	\$ 2,298
Drainage project	57,066
Jail	12,356
Irondale Furnace	9,317
Public Works facility master plan	<u>9,421</u>
	<u>\$ 90,458</u>

Except for the sidewalk construction 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 former public works facility 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, 2004	<u>2,102,000</u>
Legal Debt Margin as of October 1, 2004	<u>\$ 84,117,673</u>

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

10. Litigation

The City is a defendant in two related lawsuits where the plaintiffs are seeking damages. The City believes these suits are without merit and the City's liability insurance carrier is vigorously defending the City's position.

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 Events

In October 2004, the City entered into a development agreement with a real estate developer who plans to construct a mixed use development in the City. The development agreement provides that the City will reimburse the developer up to \$5 million in costs the developer expects to incur constructing right-of-way, drainage, and certain other public infrastructure improvements. The \$5 million commitment will be paid solely from a portion (50%) of the sales tax receipts realized by the City from the development.

In December 2004, the City entered into another development agreement with a real estate developer who plans to construct a grocery store in the City. The development agreement provides that the City will reimburse the developer up to \$687,500 in costs the developer expects to incur constructing storm water drainage infrastructure and right-of-way improvements. Again, the City's commitment will be paid solely from a portion (50%) of the sales tax receipts realized by the City from the development.

The infrastructure improvements constructed by the real estate developers will be capitalized by the City as completed and depreciated over their estimated useful lives as described in Note 4. The corresponding liabilities will be accrued as the infrastructure costs are incurred by the developers. To the extent, if any, that the infrastructure costs incurred by the developer exceeds the City's commitment as specified in the respective development agreement, such excess shall be recognized as an other financing source (donation) in the City's financial statements. To date, no costs have been incurred by either of the aforementioned developers.

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, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Taxes	\$ 20,241,738	\$ 20,147,383	\$ 20,788,861	\$ 641,478
Licenses and permits	2,287,612	2,403,112	2,732,535	329,423
Intergovernmental	43,110	35,910	40,430	4,520
Charges for services	2,040,345	2,006,995	2,008,156	1,161
Fines and forfeitures	310,000	354,500	496,457	141,957
Grants	2,500	14,793	172,338	157,545
Other operating revenues	448,200	493,000	367,991	(125,009)
Total revenues	<u>25,373,505</u>	<u>25,455,693</u>	<u>26,606,768</u>	<u>1,151,075</u>
Expenditures				
General government	3,706,620	3,768,283	3,665,209	103,074
Public safety	10,071,829	10,071,828	9,789,099	282,729
Street and sanitation	6,548,632	6,486,132	5,148,158	1,337,974
Recreational	949,774	951,374	923,230	28,144
Library	1,686,510	1,808,653	1,814,252	(5,599)
Total expenditures	<u>22,963,365</u>	<u>23,086,270</u>	<u>21,339,948</u>	<u>1,746,322</u>
Excess of revenues over expenditures	<u>2,410,140</u>	<u>2,369,423</u>	<u>5,266,820</u>	<u>2,897,397</u>
Other financing sources (uses)				
Operating transfers in - component unit	0	0	54,813	54,813
Operating transfers (out)	(2,069,822)	(2,069,823)	(4,678,368)	(2,608,545)
Donations	33,000	70,600	50,205	(20,395)
Total other financing sources (uses)	<u>(2,036,822)</u>	<u>(1,999,223)</u>	<u>(4,573,350)</u>	<u>(2,574,127)</u>
Excess of revenues and other financing sources over expenditures	373,318	370,200	693,470	323,270
Fund balances, beginning of year	<u>2,936,732</u>	<u>3,357,278</u>	<u>3,357,278</u>	<u>0</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,310,050</u>	<u>\$ 3,727,478</u>	<u>\$ 4,050,748</u>	<u>\$ 323,270</u>

See accompanying notes to basic financial statements.

SUPPLEMENTARY INFORMATION

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CITY OF MOUNTAIN BROOK, ALABAMA

**COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004**

State Shared Gasoline Tax Funds

	<u>Seven Cent</u>	<u>Four Cent</u>	<u>Five Cent</u>	<u>Two Cent</u>
ASSETS				
Cash and temporary investments	\$ 76,832	\$ 161,972	\$ 125,281	\$ 15,320
Receivables	<u>20,216</u>	<u>11,781</u>	<u>5,776</u>	<u>0</u>
TOTAL ASSETS	\$ <u><u>97,048</u></u>	\$ <u><u>173,753</u></u>	\$ <u><u>131,057</u></u>	\$ <u><u>15,320</u></u>
LIABILITIES				
Accounts payable	\$ <u>1,575</u>	\$ <u>0</u>	\$ <u>98,704</u>	\$ <u>0</u>
Total liabilities	<u>1,575</u>	<u>0</u>	<u>98,704</u>	<u>0</u>
FUND EQUITY				
Fund balance:				
Unreserved	<u>95,473</u>	<u>173,753</u>	<u>32,353</u>	<u>15,320</u>
Total fund equity	<u>95,473</u>	<u>173,753</u>	<u>32,353</u>	<u>15,320</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u><u>97,048</u></u>	\$ <u><u>173,753</u></u>	\$ <u><u>131,057</u></u>	\$ <u><u>15,320</u></u>

See notes to financial statements.

<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>
\$ 357,210	\$ 5,903	52,737	\$ 185,911	\$ 4,957	\$ 986,123
<u>11,310</u>	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>0</u>	<u>74,083</u>
<u>\$ 368,520</u>	<u>\$ 5,903</u>	<u>\$ 52,737</u>	<u>\$ 210,911</u>	<u>\$ 4,957</u>	<u>\$ 1,060,206</u>
\$ 5,976	\$ 0	\$ 0	\$ 4,720	\$ 4,957	\$ 115,932
<u>5,976</u>	<u>0</u>	<u>0</u>	<u>4,720</u>	<u>4,957</u>	<u>115,932</u>
<u>362,544</u>	<u>5,903</u>	<u>52,737</u>	<u>206,191</u>	<u>0</u>	<u>944,274</u>
<u>362,544</u>	<u>5,903</u>	<u>52,737</u>	<u>206,191</u>	<u>0</u>	<u>944,274</u>
<u>\$ 368,520</u>	<u>\$ 5,903</u>	<u>\$ 52,737</u>	<u>\$ 210,911</u>	<u>\$ 4,957</u>	<u>\$ 1,060,206</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, 2004**

	<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	\$ 214,814	\$ 129,348	\$ 63,376	\$ 1,499
Intergovernmental	0	0	0	0
Charges for services	0	0	0	0
Fines and forfeitures	0	0	0	0
Other operating revenues:				
Investment earnings	91,092	2,876	739	201
Total revenues	<u>305,906</u>	<u>132,224</u>	<u>64,115</u>	<u>1,700</u>
Expenditures				
General government	0	0	0	0
Public safety	0	0	0	0
Street and sanitation	342,921	147,000	60,400	0
Recreational	0	0	0	0
Total expenditures	<u>342,921</u>	<u>147,000</u>	<u>60,400</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>(37,015)</u>	<u>(14,776)</u>	<u>3,715</u>	<u>1,700</u>
Other financing sources (uses)				
Operating transfers in	100,000	0	0	0
Operating transfers out	0	0	0	0
Donations	0	0	0	0
Net other financing sources (uses)	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	62,985	(14,776)	3,715	1,700
Fund balances, beginning	<u>32,488</u>	<u>188,529</u>	<u>28,638</u>	<u>13,620</u>
FUND BALANCES, ENDING	<u>\$ 95,473</u>	<u>\$ 173,753</u>	<u>\$ 32,353</u>	<u>\$ 15,320</u>

See notes to financial statements.

Emergency Com- munication District	Drug Asset	D.A.R.E. Program	Com- munity Fund	Correc- tions Fund	Totals
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 409,037
0	0	43,000	213,260	0	256,260
195,494	0	0	100,000	0	295,494
0	4,557	0	0	167,474	172,031
<u>4,056</u>	<u>49</u>	<u>454</u>	<u>2,519</u>	<u>37</u>	<u>102,023</u>
<u>199,550</u>	<u>4,606</u>	<u>43,454</u>	<u>315,779</u>	<u>167,511</u>	<u>1,234,845</u>
0	0	0	0	185,455	185,455
143,895	28	120,592	0	87,448	351,963
0	0	0	0	0	550,321
0	0	0	116,660	0	116,660
<u>143,895</u>	<u>28</u>	<u>120,592</u>	<u>116,660</u>	<u>272,903</u>	<u>1,204,399</u>
<u>55,655</u>	<u>4,578</u>	<u>(77,138)</u>	<u>199,119</u>	<u>(105,392)</u>	<u>30,446</u>
0	0	88,343	115,000	113,892	417,235
0	0	0	(303,101)	(8,500)	(311,601)
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>88,343</u>	<u>(188,101)</u>	<u>105,392</u>	<u>105,634</u>
55,655	4,578	11,205	11,018	0	136,080
<u>306,889</u>	<u>1,325</u>	<u>41,532</u>	<u>195,173</u>	<u>0</u>	<u>808,194</u>
<u>\$ 362,544</u>	<u>\$ 5,903</u>	<u>\$ 52,737</u>	<u>\$ 206,191</u>	<u>\$ 0</u>	<u>\$ 944,274</u>

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CITY OF MOUNTAIN BROOK, ALABAMA

**COMBINING BALANCE SHEET - CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2004**

	<u>City Capital Projects</u>	<u>Village Improvements (One Cent Sales Tax)</u>	<u>Sewer Projects</u>
ASSETS			
Cash and temporary investments	\$ 9,487,888	\$ 1,505,549	\$ 92,806
Receivables	<u>166,788</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	\$ <u><u>9,654,676</u></u>	\$ <u><u>1,505,549</u></u>	\$ <u><u>92,806</u></u>
LIABILITIES			
Accounts payable	\$ <u>91,434</u>	\$ <u>0</u>	\$ <u>0</u>
Total liabilities	<u>91,434</u>	<u>0</u>	<u>0</u>
FUND EQUITY			
Fund balance	<u>9,563,242</u>	<u>1,505,549</u>	<u>92,806</u>
Total fund equity	<u>9,563,242</u>	<u>1,505,549</u>	<u>92,806</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u><u>9,654,676</u></u>	\$ <u><u>1,505,549</u></u>	\$ <u><u>92,806</u></u>

See notes to financial statements.

<u>Village Trail System (ISTEA)</u>	<u>Totals</u>
\$ 4,094	\$ 11,090,337
<u>0</u>	<u>166,788</u>
\$ <u>4,094</u>	\$ <u>11,257,125</u>

\$ <u>4,094</u>	\$ <u>95,528</u>
<u>4,094</u>	<u>95,528</u>
<u>0</u>	<u>11,161,597</u>
<u>0</u>	<u>11,161,597</u>
\$ <u>4,094</u>	\$ <u>11,257,125</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, 2004**

	<u>City Capital Projects</u>	<u>Village Improvements (One Cent) Sales Tax</u>	<u>Sewer Projects</u>
Revenues			
Revenues - grants	\$ 166,789	\$ 0	\$ 0
Intergovernmental	0	0	0
Investment earnings	213,186	4,141	1,127
Miscellaneous	94,936	0	0
Total revenues	<u>474,911</u>	<u>4,141</u>	<u>1,127</u>
Expenditures			
General government	95,975	0	0
Public safety	854,707	0	0
Street and sanitation	820,970	0	0
Recreational	33,994	1,843,197	0
Library	7,218	0	0
Total expenditures	<u>1,812,864</u>	<u>1,843,197</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>(1,337,953)</u>	<u>(1,839,056)</u>	<u>1,127</u>
Other financing sources (uses)			
Proceeds from the issuance of debt	0	1,550,000	0
Operating transfers in	1,478,805	1,100,000	0
Donations	0	290,000	0
Net other financing sources (uses)	<u>1,478,805</u>	<u>2,940,000</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	140,852	1,100,944	1,127
Fund balances, beginning	<u>9,422,390</u>	<u>404,605</u>	<u>91,679</u>
FUND BALANCES, ENDING	<u>\$ 9,563,242</u>	<u>\$ 1,505,549</u>	<u>\$ 92,806</u>

See notes to financial statements.

<u>Village Trail System (ISTEA)</u>	<u>Totals</u>
\$ 1,003,882	\$ 1,170,671
25,924	25,924
30	218,484
0	94,936
<u>1,029,836</u>	<u>1,510,015</u>
0	95,975
0	854,707
1,547,443	2,368,413
2,960	1,880,151
0	7,218
<u>1,550,403</u>	<u>5,206,464</u>
<u>(520,567)</u>	<u>(3,696,449)</u>
0	1,550,000
510,553	3,089,358
0	290,000
<u>510,553</u>	<u>4,929,358</u>
(10,014)	1,232,909
<u>10,014</u>	<u>9,928,688</u>
\$ <u><u>0</u></u>	\$ <u><u>11,161,597</u></u>

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CITY OF MOUNTAIN BROOK, ALABAMA

**SCHEDULE OF GENERAL FUND REVENUES BY SOURCE
FOR THE YEARS ENDED SEPTEMBER 30, 1994 to 2004**

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Taxes					
Real property	\$ 4,385,241	\$ 5,926,376	\$ 6,015,502	\$ 6,155,288	\$ 6,171,581
Sales and use	2,953,502	3,084,886	4,740,066	5,283,280	5,514,754
Occupational	1,132,443	1,334,116	1,314,454	1,590,230	1,649,459
Utility	759,087	748,829	741,847	782,496	786,231
Personal property (automobiles)	447,380	474,995	500,853	561,643	651,542
Road and bridge	0	407,135	239,535	245,851	250,543
Other	429,459	363,926	566,339	534,258	660,409
Total taxes	<u>10,107,112</u>	<u>12,340,263</u>	<u>14,118,596</u>	<u>15,153,046</u>	<u>15,684,519</u>
Licenses and permits					
Business	857,850	1,236,821	1,298,425	1,459,497	1,727,688
Construction permits	365,168	296,569	320,791	353,329	397,665
Cable TV franchise fees	90,161	81,039	89,604	91,055	192,935
Waterworks Board	88,481	78,877	99,506	90,157	92,039
Other	44,763	45,225	49,168	48,440	49,784
Total licenses and permits	<u>1,446,423</u>	<u>1,738,531</u>	<u>1,857,494</u>	<u>2,042,478</u>	<u>2,460,111</u>
Intergovernmental	<u>30,922</u>	<u>30,000</u>	<u>30,000</u>	<u>33,803</u>	<u>115,895</u>
Charges for services					
Garbage fees	1,311,763	1,182,621	1,206,168	1,273,898	1,323,450
Other	145,216	147,625	248,213	366,782	377,131
Total charges for services	<u>1,456,979</u>	<u>1,330,246</u>	<u>1,454,381</u>	<u>1,640,680</u>	<u>1,700,581</u>
Fines and forfeitures - court	<u>217,468</u>	<u>211,791</u>	<u>272,985</u>	<u>292,448</u>	<u>306,312</u>
Grants	<u>116,214</u>	<u>0</u>	<u>0</u>	<u>13,000</u>	<u>0</u>
Other operating revenue					
Investment earnings	97,091	190,478	189,367	271,571	354,697
Other	102,080	47,039	53,777	49,943	241,407
Total other operating revenue	<u>199,171</u>	<u>237,517</u>	<u>243,144</u>	<u>321,514</u>	<u>596,104</u>
TOTAL REVENUES	<u>\$ 13,574,289</u>	<u>\$ 15,888,348</u>	<u>\$ 17,976,600</u>	<u>\$ 19,496,969</u>	<u>\$ 20,863,522</u>

See notes to financial statements.

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
\$	6,316,472	\$ 8,003,594	\$ 8,100,952	\$ 8,177,532	\$ 8,422,094	\$ 10,244,362
	5,603,635	5,671,220	5,564,912	5,506,591	5,701,970	6,086,944
	1,769,634	1,184,120	938,199	945,302	905,432	929,454
	822,806	813,776	885,880	1,007,657	941,086	953,228
	735,010	845,199	940,088	967,329	1,054,267	1,076,449
	260,666	327,986	334,790	340,021	351,477	425,985
	624,280	548,064	700,188	931,057	974,690	1,072,439
	<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>
	1,694,072	1,598,265	1,565,134	1,632,925	1,567,743	1,647,641
	348,737	469,291	478,476	380,206	413,416	667,971
	178,655	185,652	192,000	218,235	223,181	245,986
	105,794	119,827	118,368	96,938	124,717	115,220
	51,138	48,622	48,608	47,100	51,380	55,717
	<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>30,383</u>	<u>71,288</u>	<u>70,132</u>	<u>36,297</u>	<u>37,248</u>	<u>40,430</u>
	1,305,134	1,329,942	1,414,817	1,459,625	1,443,383	1,526,500
	377,442	582,955	997,159	711,632	508,902	481,656
	<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>294,946</u>	<u>256,604</u>	<u>287,425</u>	<u>298,824</u>	<u>364,031</u>	<u>496,457</u>
	<u>0</u>	<u>0</u>	<u>12,500</u>	<u>5,738</u>	<u>32,748</u>	<u>172,338</u>
	284,592	405,151	428,710	268,893	235,998	126,245
	<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>425,709</u>	<u>648,779</u>	<u>711,892</u>	<u>507,046</u>	<u>481,401</u>	<u>367,991</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>

CITY OF MOUNTAIN BROOK, ALABAMA
COMPARATIVE BALANCE SHEET - GENERAL FUND
SEPTEMBER 30, 2004
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2003)

	<u>2004</u>	<u>2003</u>
ASSETS		
Cash and temporary investments	\$ 5,023,319	\$ 4,243,833
Receivables	1,490,390	1,386,629
Due from related organizations	39,218	37,248
Inventory and prepaid expenses	<u>29,484</u>	<u>12,403</u>
TOTAL ASSETS	\$ <u>6,582,411</u>	\$ <u>5,680,113</u>
LIABILITIES		
Accounts payable	\$ 771,044	\$ 776,981
Accrued salaries and wages	690,086	613,515
Due to related organizations	98,081	51,102
Other liabilities	773,106	709,407
Due to other funds	0	6,212
Accrued compensated absences	<u>199,346</u>	<u>165,618</u>
Total liabilities	<u>2,531,663</u>	<u>2,322,835</u>
FUND EQUITY		
Fund balance:		
Reserve for inventory and prepaid expense	29,484	0
Reserved	108,248	115,033
Unreserved	<u>3,913,016</u>	<u>3,242,245</u>
Total fund equity	<u>4,050,748</u>	<u>3,357,278</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>6,582,411</u>	\$ <u>5,680,113</u>

CITY OF MOUNTAIN BROOK, ALABAMA

COMPARATIVE BALANCE SHEET - CAPITAL PROJECTS FUND
 SEPTEMBER 30, 2004
 (WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2003)

	<u>2004</u>	<u>2003</u>
ASSETS		
Cash and temporary investments	\$ 11,090,337	\$ 9,992,252
Receivables	<u>166,788</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 11,257,125</u>	<u>\$ 9,992,252</u>
 LIABILITIES		
Accounts payable	\$ <u>95,528</u>	\$ <u>63,564</u>
Total liabilities	<u>95,528</u>	<u>63,564</u>
 FUND EQUITY		
Fund balance: Unreserved	<u>11,161,597</u>	<u>9,928,688</u>
Total fund equity	<u>11,161,597</u>	<u>9,928,688</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 11,257,125</u>	<u>\$ 9,992,252</u>

See notes to financial statements.

CITY OF MOUNTAIN BROOK, ALABAMA

**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2003)**

	<u>2004</u>	<u>2003</u>
Revenues		
Taxes	\$ 20,788,861	\$ 18,351,016
Licenses and permits	2,732,535	2,380,437
Intergovernmental	40,430	37,248
Charges for services	2,008,156	1,952,285
Fines and forfeitures	496,457	364,031
Grants	172,338	32,748
Other operating revenues	367,991	481,401
Total revenues	<u>26,606,768</u>	<u>23,599,166</u>
Expenditures		
Current (operating):		
General government	3,665,209	3,567,118
Public safety	9,789,099	9,296,302
Street and sanitation	5,148,158	4,867,624
Recreational	923,230	872,860
Library	1,814,252	1,619,857
Total expenditures	<u>21,339,948</u>	<u>20,223,761</u>
Excess (deficiency) of revenues over expenditures	<u>5,266,820</u>	<u>3,375,405</u>
Other financing sources (uses)		
Operating transfers out	(4,678,368)	(7,271,076)
Operating transfers in - component unit	54,813	0
Donations	50,205	40,248
Total other financing sources (uses)	<u>(4,573,350)</u>	<u>(7,230,828)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	693,470	(3,855,423)
Fund balances, beginning of year	<u>3,357,278</u>	<u>7,212,701</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,050,748</u>	<u>\$ 3,357,278</u>

See notes to financial statements.

CITY OF MOUNTAIN BROOK, ALABAMA

**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2003)**

	<u>2004</u>	<u>2003</u>
Revenues		
Intergovernmental	\$ 25,924	\$ 0
Grants	1,170,671	46,213
Other operating revenues	313,420	215,197
Total revenues	<u>1,510,015</u>	<u>261,410</u>
Expenditures		
General government	95,975	78,880
Public safety	854,707	652,749
Street and sanitation	2,368,413	452,160
Recreational	1,880,151	61,184
Library	7,218	0
Total expenditures	<u>5,206,464</u>	<u>1,244,973</u>
Excess (deficiency) of revenues over expenditures	<u>(3,696,449)</u>	<u>(983,563)</u>
Other financing sources		
Proceeds from the issuance of debt	1,550,000	0
Operating transfers in	3,089,358	2,123,820
Donations	290,000	0
Total other financing sources	<u>4,929,358</u>	<u>2,123,820</u>
Excess of revenues and other financing sources over expenditures and other financing uses	1,232,909	1,140,257
Fund balances, beginning of year	<u>9,928,688</u>	<u>8,788,431</u>
FUND BALANCES, END OF YEAR	<u>\$ 11,161,597</u>	<u>\$ 9,928,688</u>

See notes to financial statements.