

**CITY OF MOUNTAIN BROOK, ALABAMA**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2009**

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

**September 30, 2009**

**MAYOR**

The Honorable Lawrence T. Oden

**CITY COUNCIL**

Ms. Virginia C. Smith, President

Mr. Jack D. Carl

Mr. William S. (Billy) Pritchard, III

Mr. John R. (Bob) Moody

Mr. Jesse S. Vogtle, Jr.

**CITY MANAGER**

Mr. Sam S. Gaston

**DEPARTMENT SUPERVISORS**

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

# City of Mountain Brook, Alabama

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Birmingham, Alabama 35205

## Independent Auditors' Report

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

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We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mountain Brook, Alabama (the City) as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The prior year comparative information has been derived from the City's 2008 financial statements and, in our report dated March 11, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

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

The Management's Discussion and Analysis beginning on page 6.0 and budgetary comparison information on page 41, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Birmingham, Alabama  
February 4, 2010

## CITY OF MOUNTAIN BROOK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the City's financial activities as of and for the year ended September 30, 2009, prepared by the management of the City, is presented to facilitate the users' understanding of the annual report and draw attention to items of interest.

#### FINANCIAL HIGHLIGHTS

- Assets of the City exceeded its liabilities at September 30, 2009, by \$86 million (Total Net Assets). Of this amount, \$32 million (Unrestricted Net Assets) is available for use by the City to fund future municipal services and to meet its obligations to employees and creditors. Of the remaining amount, \$53 million represents the net book value of the City's capital assets including infrastructure net of outstanding long-term debt, and \$751,000 is restricted for the benefit of the library (\$99,000) and road improvements (\$652,000 for the State Shared Gasoline Tax special revenue funds).
- The Total Net Assets increased by \$2.5 million in 2009 which includes the net cost of providing core City services of \$24.6 million plus \$27.1 million in General Revenues.
- As of September 30, 2009, the City reported \$38.6 million in unreserved fund balances, an increase of \$1.5 million from 2008. Of the \$38.6 million unreserved fund balance, \$7.7 million (20%) is reported in the General Fund, \$27.5 million (71%) in the Capital Projects Fund, and \$3.4 million (9%) in the Other Governmental Funds.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

##### ***Government-wide Financial Statements***

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

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

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

## CITY OF MOUNTAIN BROOK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### ***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 and Capital Projects Fund (which is comprised of four "sub-funds") to be major funds and their respective balance sheets and statements of revenues, expenditures, and changes in fund balance are separately reported. Information from the remaining funds (Debt Service and Special Revenue) have been aggregated and reported in a single column title Other Governmental Funds. Additional information about these aggregated non-major funds and the major funds is provided in the other supplementary information.

#### ***Infrastructure Capital Assets***

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

	<b>Useful</b>			<b>Accumulated</b>
	<b><u>Life</u></b>	<b><u>Cost</u></b>	<b><u>Depreciation</u></b>	<b><u>Depreciation</u></b>
Land	N/A	\$16,525,671	N/A	N/A
Streets and alleys	20	16,894,470	\$565,418	\$10,241,668
Storm sewers	20	5,833,057	281,533	1,291,274
Sidewalks	15	9,276,923	615,221	5,634,697
Park facilities	20	7,806,612	343,821	3,464,221
Street lights and signs	15	1,149,171	59,941	623,992
Library reference materials	5	<u>3,953,084</u>	<u>205,540</u>	<u>3,059,672</u>
<b>Totals</b>		<b><u>\$61,438,988</u></b>	<b><u>\$2,071,474</u></b>	<b><u>\$24,315,524</u></b>

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

***Government-wide Financial Analysis***

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

	<u>2009</u>	<u>2008</u>
Current assets	\$42,123,437	\$40,689,497
Other assets	59,900	373,277
Capital assets	<u>57,879,485</u>	<u>57,556,279</u>
<b>Total assets</b>	<u>100,062,822</u>	<u>98,619,053</u>
Current and other liabilities	3,965,320	4,224,435
Long-term liabilities	<u>10,025,542</u>	<u>10,841,144</u>
<b>Total liabilities</b>	<u>13,990,862</u>	<u>15,065,579</u>
Net assets:		
Invested in capital assets, net of related debt	53,049,485	52,556,279
Restricted	751,335	729,555
Unrestricted	<u>32,271,140</u>	<u>30,267,640</u>
<b>Total net assets</b>	<u>\$86,071,960</u>	<u>\$83,553,474</u>

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

	<u>2009</u>	<u>2008</u>
<b>Revenues</b>		
Program revenues		
Fees, fines and charges for services	\$4,627,718	\$5,096,685
Operating grants and contributions	1,241,469	1,040,710
Capital grants and contributions	671,001	1,157,942
General revenues		
Ad valorem taxes	15,615,303	15,049,420
Sales and use taxes	7,923,179	8,696,938
Other taxes	146,738	164,516
Occupational license fees	0	0
Utility taxes	1,413,759	1,336,420

## CITY OF MOUNTAIN BROOK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

	<u>2009</u>	<u>2008</u>
<b>Revenues</b>		
Franchise fees	\$486,435	\$490,423
Investment earnings	1,350,656	1,438,808
Gain on sale of capital assets	134,976	21,780
Miscellaneous revenue	21,470	14,889
Transfers from component unit	<u>17,625</u>	<u>45,843</u>
<b>Total revenues</b>	<b><u>33,650,329</u></b>	<b><u>34,554,374</u></b>
<b>Expenses</b>		
General government	4,888,805	4,479,745
Public safety	13,130,373	12,645,077
Street and sanitation	8,660,591	7,526,598
Recreational	1,755,816	1,714,772
Library	<u>2,696,258</u>	<u>2,588,507</u>
<b>Total expenses</b>	<b><u>31,131,843</u></b>	<b><u>28,954,699</u></b>
<b>Increase in net assets</b>	<b>2,518,486</b>	<b>5,599,675</b>
Net assets, beginning of year	<u>83,553,474</u>	<u>77,953,799</u>
<b>Net assets, end of year</b>	<b><u>\$86,071,960</u></b>	<b><u>\$83,553,474</u></b>

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

The City's primary source of revenue is real estate ad valorem taxes which comprised 47% of total General Fund revenues in 2009. Real estate ad valorem taxes increased by \$673,000 (4.8%) during 2009 due principally to the annual county-wide property revaluation conducted by the Jefferson County Commission. While real estate tax collections increased in 2009, the amount realized fell short of the amount budgeted by \$231,000.

The second largest source of revenue for the City is sales and use tax which totaled 25% of the total General Fund revenues in 2009. Sales and use tax decreased by \$745,000 (8.9%) during 2009 due largely to the recession.

## CITY OF MOUNTAIN BROOK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	<u>2009</u>	<u>2008</u>	<b>Increase (Decrease)</b>
Real estate ad valorem tax	\$14,592,638	\$13,919,181	\$673,457
Sales and use tax	7,666,594	8,412,007	(\$745,413)
Business licenses	1,998,980	1,994,039	4,941
Personal property ad valorem tax	1,022,666	1,130,239	(\$107,573)
Garbage service fees	39,094	71,252	(32,158)
Utility taxes	1,413,759	1,336,420	77,339
Investment earnings	271,734	428,304	(156,570)
All other General Fund revenues	<u>4,282,892</u>	<u>4,534,397</u>	<u>(251,505)</u>
<b>Totals</b>	<b><u>\$31,288,357</u></b>	<b><u>\$31,825,839</u></b>	<b><u>(\$537,482)</u></b>

**Expenditures**

Salaries and benefits increased \$555,000 (3%) in 2009 to \$17.1 million. Labor-related costs made up 56% of the City's total budget in 2009. Following is comparative summary of the major expenditure categories (all funds combined) of the City as reported in the Governmental Funds financial statements:

	<u>2009</u>	<u>2008</u>	<b>Increase (Decrease)</b>
Salaries and benefits	\$17,119,843	\$16,564,637	\$555,206
Pension payment to reduce the City's unfunded actuarial accrued liability	0	300,000	(300,000)
Garbage contract fees	2,576,442	2,469,500	106,942
Capital outlay	4,320,579	5,008,150	(687,571)
Intergovernmental services	850,537	710,454	140,083
Utilities and communication	684,839	702,050	(17,211)
Development agreement payments	722,392	516,246	206,146
Property and casualty insurance	324,205	333,455	(9,250)
Legal and accounting	419,323	369,050	50,273
Fuel and lubricants	238,442	340,157	(101,715)
Debt service	361,331	198,810	162,521
Birmingham Zoo, Inc. subsidy	75,000	91,667	(16,667)
All other	<u>4,546,167</u>	<u>3,109,400</u>	<u>1,436,767</u>
<b>Totals</b>	<b><u>\$32,239,100</u></b>	<b><u>\$30,713,576</u></b>	<b><u>\$1,525,524</u></b>

## CITY OF MOUNTAIN BROOK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

- Actual General Fund revenue exceeded the final budgeted revenue by \$70,444 (0.2%). The favorable (unfavorable) budget variance was comprised of the following:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Real estate ad valorem taxes	\$14,824,000	\$14,592,638	\$231,362
Sales and use tax	7,760,000	7,666,594	93,406
Utility taxes	1,413,000	1,413,759	( 759)
Road and bridge tax	542,900	596,000	(53,100)
State bank excise tax	0	175,401	(175,401)
Construction permits	617,408	634,059	(16,651)
Fines and forfeitures	444,000	443,400	600
Fees for road repairs	80,000	147,370	(67,370)
Grants	17,361	50,799	(33,438)
Investment earnings	335,000	271,734	63,266
All other	<u>5,325,132</u>	<u>5,296,603</u>	<u>28,529</u>
<b>Totals</b>	<b><u>\$31,358,801</u></b>	<b><u>\$31,288,357</u></b>	<b><u>\$70,444</u></b>

- Total General Fund expenditures were \$687,264 (2.5%) less than the final budget. The General Fund budget variance was comprised largely of the following categories:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Salaries and benefits	\$17,269,556	\$17,119,843	\$149,713
Garbage contract fees	2,576,500	2,576,442	58
Intergovernmental services - Note 8	983,043	850,537	132,506
Utilities and communication	620,550	684,839	(64,289)
Development agreement payments	596,000	722,392	(126,392)
Fuel and lubricants	314,900	238,442	76,458
Legal and accounting	311,700	419,323	(107,623)
Street striping	145,500	167,968	(22,468)
Street cut repairs	125,000	68,552	56,448
Park and recreation special projects	150,829	63,527	87,302
Paid to the Section 115 medical trust	300,000	215,118	84,882

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

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
All other	<u>\$ 3,567,890</u>	<u>\$ 3,147,221</u>	<u>\$ 420,669</u>
<b>Totals</b>	<b><u>\$26,961,468</u></b>	<b><u>\$26,274,204</u></b>	<b><u>\$ 687,264</u></b>

- The operating transfers out exceeded the amount budgeted by approximately \$303,000. This variance resulted from a) the Council's decision to move \$300,000 from the General Fund to the Debt Service Fund for the accumulation of monies for future obligations (instead of paying down the unfunded pension liability) and b) the transfer of \$215,118 to the Section 115 irrevocable, retiree medical trust originally budgeted at \$300,000.
- The excess of General Fund revenues and other financing sources over expenditures in the amount of \$312,459 was \$247,923 more than budgeted.
- The final General Fund budgeted surplus of \$64,536 was reduced from the amount originally budgeted in the amount of \$602,219. The reduction resulted primarily from revenue coming in less than originally projected due to the recession. The differences were attributable largely to real estate tax, sales tax, and construction permit fees.

***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, 2008.

As of September 30, 2008, the RSA reported an unfunded actuarial accrued liability of \$8.7 million. However, the actuarial valuation of the plan assets (\$44.9 million) used to determine the unfunded actuarial accrued liability does not include actual investment gains and losses but rather employs the 5-year smoothed market approach. Accordingly, the actuarial valuation of the assets is less than the actual value by \$6.2 million due to the exclusion of unamortized net market losses (realized and unrealized) over the preceding five years.

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

	<u>2009</u>	<u>2008</u>
Capital expenditures	<u>\$4,427,511</u>	<u>\$5,008,150</u>
Depreciation expense	<u>\$4,080,650</u>	<u>\$3,675,378</u>
Transfers to the Capital Projects Fund:		
Funded depreciation policy	\$2,227,690	\$1,953,312
Other transfers to fund current and future capital acquisitions	<u>1,506,061</u>	<u>3,182,923</u>
<b>Totals</b>	<u>\$3,733,751</u>	<u>\$5,136,235</u>

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

	<u>2009</u>	<u>2008</u>
<b>Revenues</b>		
State shared gasoline tax revenues	\$418,000	\$412,671
Alabama Trust Fund Earnings	176,243	148,143
Transfers from the City's General Fund	55,000	150,000
Investment earnings	<u>2,399</u>	<u>20,317</u>
<b>Total Revenues</b>	651,642	731,131
Street paving expenditures (included in capital expenditures reported in the preceding section)	<u>631,252</u>	<u>659,851</u>
<b>Excess of Revenues Over Expenditures</b>	20,390	71,280
Fund balance, beginning of the year	<u>632,043</u>	<u>560,763</u>
<b>Fund Balance, end of year</b>	<u>\$652,433</u>	<u>\$632,043</u>

## CITY OF MOUNTAIN BROOK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### ***Residential Garbage Service Fee Elimination***

In 2007, the City adopted an ordinance (No. 1732) lowering the residential garbage service fees by more than 70% effective January 1, 2007. In 2008, the City adopted another ordinance (No. 1769) eliminating the residential garbage service fees. The City realized \$71,252 and \$463,608 from garbage service fees in 2008 and 2007, respectively. In 2009, the City realized \$39,094 in garbage service fees collected from its commercial garbage accounts.

#### ***Requests for Additional Information***

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

**City of Mountain Brook, Alabama**  
**Government-Wide Statement of Net Assets**  
**September 30, 2009 with Comparative Data**

	<b>Governmental Activities</b>		<b>Component Unit</b>
	<b>2009</b>	<b>2008</b>	<b>Library Foundation 2009</b>
<b>ASSETS</b>			
Cash and temporary investments	\$ 39,892,516	\$ 38,399,053	\$ 0
Receivables	1,625,590	1,918,401	0
Notes receivable (\$378,623 current)	438,523	408,279	0
Due from related organization	53,944	189,514	0
Inventory and prepaid expenses	73,862	50,015	0
Cash and temporary investments - restricted	98,902	97,512	2,782,680
Capital assets, net of accumulated depreciation	35,686,365	37,051,822	0
Land	18,597,923	18,586,368	0
Construction in progress	3,595,197	1,918,089	0
<b>TOTAL ASSETS</b>	<b>100,062,822</b>	<b>98,619,053</b>	<b>2,782,680</b>
<b>LIABILITIES</b>			
Accounts payable	1,325,414	1,714,314	0
Accrued salaries and wages	985,817	908,438	0
Accrued interest payable	94,019	97,313	0
Due to related organization	37,259	101,123	0
Other current liabilities	747,811	749,247	0
Noncurrent liabilities			
Due within one year:			
Long-term debt	175,000	170,000	0
Other liabilities	600,000	484,000	0
Due in more than one year:			
Compensated absences	2,348,669	2,267,327	0
Long-term debt	4,655,000	4,830,000	0
Other liabilities	3,021,873	3,743,817	0
Total Liabilities	13,990,862	15,065,579	0
<b>Pension obligation (see Note 6)</b>			
<b>NET ASSETS</b>			
Invested in capital assets (net of related debt)	53,049,485	52,556,279	0
Restricted	751,335	749,945	2,782,680
Unrestricted	32,271,140	30,247,250	0
<b>TOTAL NET ASSETS</b>	<b>\$ 86,071,960</b>	<b>\$ 83,553,474</b>	<b>\$ 2,782,680</b>

See accompanying notes to basic financial statements.

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**City of Mountain Brook, Alabama**  
**Government-Wide Statement of Activities**  
**For the Year Ended September 30, 2009 with Comparative Data**

<u>Program Activities</u>	<u>Program Revenues</u>			
<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:				
General government	\$ 4,888,805	\$ 2,421,349	\$ 1,100,579	\$ 0
Public safety	13,130,373	1,804,712	19,422	0
Street and sanitation	8,660,591	213,417	36,070	594,243
Recreational	1,755,816	115,152	69,941	40,739
Library	2,696,258	73,088	15,457	36,019
<b>Total</b>	<b>\$ 31,131,843</b>	<b>\$ 4,627,718</b>	<b>\$ 1,241,469</b>	<b>\$ 671,001</b>
Component unit:				
Library Foundation	\$ 12,554	\$ 0	\$ 75,654	\$ 0

**General revenues:**

Taxes:

Ad Valorem (real and personal property)

Sales and use

Other taxes

Occupational license fees

Utility taxes

Franchise fees

Investment earnings (loss)

Gain on sale of capital asset

Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

**Net assets at end of year**

See accompanying notes to basic financial statements.

	2009	2008	2009	2008
	Total Net (Expense) Revenue and Changes in Net Assets	Total Net (Expense) Revenue and Changes in Net Assets	Component Unit (Library Foundation)	Component Unit (Library Foundation)
\$	(1,366,877)	(1,167,322)	0	\$ 0
	(11,306,239)	(10,372,642)	0	0
	(7,816,861)	(6,337,962)	0	0
	(1,529,984)	(1,309,428)	0	0
	(2,571,694)	(2,472,008)	0	0
	<u>(24,591,655)</u>	<u>(21,659,362)</u>		
			<u>63,100</u>	<u>140,714</u>
	15,615,303	15,049,420	0	0
	7,923,179	8,696,938	0	0
	146,738	164,516	0	0
	0	0	0	0
	1,413,759	1,336,420	0	0
	486,435	490,423	0	0
	1,350,656	1,438,808	57,211	(462,995)
	134,976	21,780	0	0
	21,470	14,889	0	0
	17,625	45,843	(17,625)	(45,843)
	<u>27,110,141</u>	<u>27,259,037</u>	<u>39,586</u>	<u>(508,838)</u>
	2,518,486	5,599,675	102,686	(368,124)
	83,553,474	77,953,799	2,679,994	3,048,118
\$	<u><u>86,071,960</u></u>	<u><u>83,553,474</u></u>	<u><u>2,782,680</u></u>	<u><u>2,679,994</u></u>

**City of Mountain Brook, Alabama  
Balance Sheet  
Governmental Funds  
September 30, 2009**

	<b>General</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and temporary investments	\$ 8,662,631	\$ 27,979,002	\$ 3,250,883	\$ 39,892,516
Cash and temporary investments - restricted	98,902	0	0	98,902
Receivables	1,548,722	0	130,812	1,679,534
Inventory and prepaid expenses	73,862	0	0	73,862
<b>TOTAL ASSETS</b>	<b>\$ 10,384,117</b>	<b>\$ 27,979,002</b>	<b>\$ 3,381,695</b>	<b>\$ 41,744,814</b>
 <b>LIABILITIES</b>				
Accounts payable	\$ 884,110	\$ 434,704	\$ 6,600	\$ 1,325,414
Accrued salaries and wages	985,817	0	0	985,817
Other liabilities	785,070	0	0	785,070
<b>TOTAL LIABILITIES</b>	<b>2,654,997</b>	<b>434,704</b>	<b>6,600</b>	<b>3,096,301</b>
<b>Pension obligation (see Note 6)</b>				
<b>FUND EQUITY</b>				
Fund balance:				
Reserve for inventory and prepaid expense	73,862	0	0	73,862
Reserved	98,902	0	0	98,902
Unreserved	7,556,356	27,544,298	3,375,095	38,475,749
<b>TOTAL FUND EQUITY</b>	<b>7,729,120</b>	<b>27,544,298</b>	<b>3,375,095</b>	<b>38,648,513</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 10,384,117</b>	<b>\$ 27,979,002</b>	<b>\$ 3,381,695</b>	<b>\$ 41,744,814</b>

**City of Mountain Brook, Alabama**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Assets**  
**September 30, 2009**

Fund balance - total governmental funds	\$	38,648,513
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Note receivable charged to capital outlay in the fund financial statements less principal recoveries.</p>		
		438,523
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.</p>		
Governmental capital assets	\$ 96,845,879	
Less accumulated depreciation	<u>(38,966,394)</u>	57,879,485
<p>Long-term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet.</p>		
Governmental bonds payable	(4,830,000)	
Compensated absences	(2,348,669)	
Accrued interest payable	(94,019)	
Accrued development agreement obligations	<u>(3,621,873)</u>	<u>(10,894,561)</u>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u><u>86,071,960</u></u></b>

See accompanying notes to basic financial statements.

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**City of Mountain Brook, Alabama**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended September 30, 2009**

	<u>General</u>	<u>Capital Projects</u>
<b>Revenues:</b>		
Taxes	\$ 26,367,333	\$ 0
Licenses and permits	3,177,440	0
Intergovernmental	43,984	0
Charges for services	562,141	0
Fines and forfeitures	443,400	0
Grants	50,799	19,422
Other operating revenues	643,260	1,193,205
<b>Total revenues</b>	<u>31,288,357</u>	<u>1,212,627</u>
<b>Expenditures:</b>		
<b>Current (operating):</b>		
General government	4,924,388	591,323
Public safety	11,819,363	1,822,270
Street and sanitation	5,995,273	1,587,906
Recreational	1,079,313	141,833
Library	2,455,867	3,393
Debt service:		
Principal	0	0
Interest	0	0
<b>Total expenditures</b>	<u>26,274,204</u>	<u>4,146,725</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>5,014,153</u>	<u>(2,934,098)</u>
<b>Other financing sources (uses):</b>		
Operating transfers in	0	3,733,751
Operating transfers (out)	(4,785,268)	(116)
Operating transfers in - component unit	17,625	0
Donations	65,949	0
<b>Total other financing sources (uses)</b>	<u>(4,701,694)</u>	<u>3,733,635</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	312,459	799,537
<b>Fund balances, beginning of year</b>	<u>7,416,661</u>	<u>26,744,761</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 7,729,120</u>	<u>\$ 27,544,298</u>

See accompanying notes to basic financial statements.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 418,000	\$ 26,785,333
0	3,177,440
40,738	84,722
281,005	843,146
129,091	572,491
0	70,221
<u>204,848</u>	<u>2,041,313</u>
<u>1,073,682</u>	<u>33,574,666</u>
222,452	5,738,163
357,849	13,999,482
631,252	8,214,431
245,287	1,466,433
0	2,459,260
170,000	170,000
<u>191,331</u>	<u>191,331</u>
<u>1,818,171</u>	<u>32,239,100</u>
<u>(744,489)</u>	<u>1,335,566</u>
1,052,983	4,786,734
(1,350)	(4,786,734)
0	17,625
<u>48,000</u>	<u>113,949</u>
<u>1,099,633</u>	<u>131,574</u>
355,144	1,467,140
<u>3,019,951</u>	<u>37,181,373</u>
<u>\$ 3,375,095</u>	<u>\$ 38,648,513</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, 2009**

Net change in fund balances - total governmental funds	\$	1,467,140
Amounts reported for governmental activities in the statement of activities are different because:		
Construction loan principal receipts charged to other operating revenues in the governmental funds and as a reduction in the note receivable in the statement of activities.		(32,256)
Loan to the Mountain Brook Sports Park Foundation to finance their constructing a concession facility at the sports fields.		62,500
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Expenditures for capital assets	\$ 4,427,511	
Less current year depreciation	<u>(4,080,650)</u>	346,861
Net book value of assets disposed during the year.		(23,655)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		170,000
Repayment of development fee obligation in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		605,944
Some expenses reported in the government-wide statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in long-term compensated absences	(81,342)	
Change in accrued interest payable	3,294	
Change in accrued zoo consortium payable	<u>0</u>	<u>(78,048)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u><u>2,518,486</u></u></b>

See accompanying notes to basic financial statements.

**City of Mountain Brook, Alabama  
Statement of Fiduciary Net Assets  
OPEB Trust Fund  
September 30, 2009**

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

See accompanying notes to basic financial statements.

**City of Mountain Brook, Alabama**  
**Statement of Changes in Fiduciary Net Assets**  
**OPEB Trust Fund**  
**Year Ended September 30, 2009**

	<u>OPEB Trust Fund</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 215,118
Plan members	21,294
Investment earnings	<u>320</u>
<b>TOTAL ADDITIONS</b>	<u>236,732</u>
<b>DEDUCTIONS</b>	
Benefits	25,720
Administrative expense	<u>14,692</u>
<b>TOTAL DEDUCTIONS</b>	<u>40,412</u>
<b>NET INCREASE</b>	196,320
Net assets held in trust for other post-employment benefits, beginning of year	<u>0</u>
<b>NET ASSETS HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS, END OF YEAR</b>	<u>\$ 196,320</u>

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

**1. Summary of significant accounting policies**

The City of Mountain Brook, Alabama (the City) was incorporated on March 24, 1942. The City operates under a Council-Manager form of government organized to comply with the provisions of Title 11, Chapter 43, Sections 20-22 of the Code of Alabama 1975, as amended. The City Council is composed of five officials elected at-large. Beginning in October 2004, the initial term of office for persons holding odd numbered council seats is two years and all other terms of office four years. Upon the expiration of the initial two-year terms of office, each person elected to such seats shall hold office for four years so that all elected officials shall serve four-year terms of office with the terms staggered. The City Manager is appointed by the City Council as the executive officer to serve at the will and pleasure of that body. The Mayor and members of the City Council receive no salary or other compensation for their service to the City.

**A. Accounting and reporting**

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

**B. Related organizations**

The City is also responsible for appointing the Board of Trustees of the Mountain Brook Board of Education (the Board). However, the City has no control 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 2009, the City reported the following revenues from the Board:

	<b>General Fund</b>	<b>Special Revenue</b>
Athletic fields shared maintenance	\$ <u>43,984</u>	\$ <u>40,739</u>

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

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

**B. Related organizations (continued)**

At September 30, 2009, the City reported receivables from the Board in the amounts as follows (see Note 3):

	<b>General Fund</b>	<b>Special Revenue</b>
Receivables	\$ <u>13,205</u>	\$ <u>40,739</u>

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

In 1998, the City agreed to serve as the fiscal agent for the third phase of the Board's improvements to the community athletic fields. The improvements totaling approximately \$1 million were financed through the issuance of Series 1998-A general obligation warrants (Note 5). The athletic fields are maintained by the City's Parks and Recreation Department. The debt service payments attributable to the Series 1998-A warrants and the routine maintenance are shared by the City (1/3), the Board (1/3), two unaffiliated local athletic groups - Mountain Brook Athletics, Inc. (1/6), and Mountain Brook Soccer Club, Inc. (1/6).

In 2005, the City entered into a long-term lease agreement with the Mountain Brook Sports Park Foundation (MBSPF), a non-profit organization. Under the terms of the agreement, MBSPF was granted the right to use City land to be used primarily for community soccer fields. MBSPF paid for the construction of such fields from private donations and a \$500,000 loan from the City. The construction costs totaled \$1,952,936. In 2009, MBSPF constructed a restroom/concession stand at the complex which was financed from private donations including a contribution from the City in the amount of \$62,500 and a loan from the City in the amount of \$62,500. The outstanding loan balance of \$438,523 has been presented as a note receivable in the statement of net assets.

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

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

**B. Related organizations (continued)**

During 2009, the City reported the following transactions in conjunction with the above joint ventures which are included in the Other Governmental Funds in the accompanying financial statements:

**Revenues**

The Board	\$	40,739
Mountain Brook Athletics, Inc.		20,369
Mountain Brook Soccer Club, Inc.		20,369
Investment income		0
<b>Total revenues</b>		<u>81,477</u>

**Expenditures**

Recreational (operating and maintenance)	120,287
Capital outlay (\$1,952,936 cumulative)	0
<b>Total expenditures</b>	<u>120,287</u>

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

Transfers to City General Fund	55,387
Transfers to City Capital Projects Fund	(1,350)
Loan to Mountain Brook Sports Park Foundation	(62,500)
Donations, net of collections of note receivable of \$48,000	(14,500)
<b>Net other financing sources</b>	<u>(22,963)</u>

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

(61,773)

Fund balance (deficit) at beginning of the year (579)

**Fund balance (deficit) at end of the year** \$ (62,352)

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

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

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

**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.

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

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

**D. Fund Financial Statements**

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

The Special Revenue Fund and Debt Service Fund are classified as nonmajor and are described above.

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

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

**Measurement focus**

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

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

City of Mountain Brook, Alabama

Notes to Financial Statements

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. Encumbrances

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

G. Worker's compensation

The City provides workers' compensation coverage to its employees as required by law. The City has elected to self-insure with respect to its workers' compensation claims risk and has contracted with a third-party administrator to provide claims management services. In order to limit its exposure to claims risk, the City has purchased excess loss insurance coverage. The excess loss insurance pays the remainder of statutory obligations over the first \$400,000 for specific claims and up to \$2,000,000 after the first \$1,293,051 in the aggregate during the two year policy term. Workers' compensation cost charged by the City during 2009 was approximately \$245,000. The accompanying financial statements include an estimated accrual of reported but unpaid workers' compensation claims as of September 30, 2009 in the amount of \$279,500.

H. Cash and temporary investments

Cash resources of various funds are combined to form a cash and investment pool. Interest from this pool is allocated monthly to each fund based on their respective month-end cash and investment balances. Restricted cash and temporary investments of \$98,902 represent temporary and permanently restricted funds donated to the Emmet O'Neal Library, a department of the City.

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

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

**I. Receivables**

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

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

**J. Equity classifications**

**Government-wide Statements**

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

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

**Fund Statements**

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

**K. Long-term debt**

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

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

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

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

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

**L. Compensated absences**

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

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

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

**M. Longevity pay plan**

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

**N. Holiday pay**

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

**O. Pension expense**

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

**P. Intrafund transactions**

During the course of normal operations, the City incurs numerous transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally reported as operating transfers except in instances where 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 \$3,732,401 to the Capital Projects Fund to provide resources for the payment of current year asset acquisitions as well as the future replacement of capital assets, \$391,652 to Other Governmental Funds to provide funding for operations, and \$661,215 to the Debt Service (Other Governmental) Fund for the payment of general obligation warrants and the accumulation of funds for future obligations. The Other Governmental Funds transferred \$1,350 to the Capital Projects Fund to provide resources for the future replacement of capital assets. The Capital Projects Fund transferred \$116 to the Debt Service (Other Governmental) Fund for the payment of general obligation warrants.

City of Mountain Brook, Alabama

Notes to Financial Statements

1. Summary of significant accounting policies (continued)

P. Interfund transactions (continued)

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

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

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.

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

Residential owner occupant	10%
All other	20%

Property reevaluations have been conducted by the Jefferson County Commission, the most recent of which was conducted during 2009. The 2009 revaluation (to be realized in fiscal 2010) reflects a decrease in property values of approximately 7% representing a reduction of \$1.1 million in 2010.

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, and business licenses. Collectively, these taxes and licenses totaled approximately \$25.7 million or 82% of the total General Fund revenues during the year ended September 30, 2009. Of the City's taxpayers, Macy's Department Store, Alabama Power Company, Western Supermarket, Publix grocery store, Whole Foods, Energen Corporation (gas company) and the Piggly Wiggly grocery stores, collectively, provided approximately \$5.3 million or 21% of the City's total General Fund revenues during the year ended September 30, 2009.

**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 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 are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Historical cost was used to value the majority of the assets.

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

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

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

Fund financial statements

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

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, interest rate risk, credit risk, and custodial risk

At September 30, 2009, the City had the following cash and investments and maturities:

	Investment Maturities in Years			
	Fair Value	Less Than 1	1 - 2	3 - 5
Cash on-hand	\$ 2,960	\$ 2,960	\$ 0	\$ 0
Bank deposits	15,852,012	15,852,012	0	0
Investments:				
Cash and money market accounts	394,630	394,630	0	0
Certificates of deposit	22,157,474	7,284,976	6,659,805	8,212,693
U. S. Treasury bonds/notes	1,553,198	794,675	0	758,523
576 shares VMC common stock (donated)	31,144	0	0	31,144
<b>Total portfolio</b>	<b>\$ 39,991,418</b>	<b>\$ 24,329,253</b>	<b>\$ 6,659,805</b>	<b>\$ 9,002,360</b>

At September 30, 2009, the discretely presented component unit had the following cash and investments and maturities:

	Investment Maturities in Years			
	Fair Value	Less Than 1	1 - 2	3 - 5
Bank deposits	\$ 94,389	\$ 94,389	\$ 0	\$ 0
Money market	351,933	351,933	0	0
Certificate of deposit	150,000	150,000	0	0
Mutual funds	2,186,358	2,186,358	0	0
<b>Total portfolio</b>	<b>\$ 2,782,680</b>	<b>\$ 2,782,680</b>	<b>\$ 0</b>	<b>\$ 0</b>

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy restricts General Fund investments to those with maturities of two years or less and Capital Project and Debt Service Fund investments to those with maturities of five years or less. Investment maturities (excluding the discretely presented component unit) as of September 30, 2009, were as follows:

Maturity	Portion of Portfolio
Less than one year	60.84%
1 - 2 years	16.65%
3 - 5 years	22.51%
	<u>100.00%</u>

City of Mountain Brook, Alabama

Notes to Financial Statements

2. Deposits and investments, interest rate risk, credit risk, and custodial risk (continued)

**Credit Risk.** Act No. 2000-748 of the Code of Alabama requires that all public deposits held in banks be secured by collateral pledged to the Security for Alabama Funds Enhancement (SAFE) collateral pool established in the Office of the State Treasurer. The City's policy is to deposit funds only in financial institutions that are qualified public depositories of the State of Alabama SAFE program. All of the City's bank deposits are either insured by Federal Depository Insurance (FDIC) or collateralized in accordance with Act 2000-748. The City had no uninsured bank deposits at September 30, 2009. The discretely presented component unit had bank deposits in excess of insurance limits at September 30, 2009 in the amount of \$101,933.

The City's investment policy allows for up to 100% of the portfolio to be invested in direct obligations of the U.S. government or federal agencies thereof in accordance with Sec. 11-81-19 and 11-81-21 of the Code of Alabama. At September 30, 2009, the City had invested \$22.2 million in certificates of deposit and \$1.6 million in direct obligations of the U. S. Treasury. Of the City's \$22.2 million investment in certificates of deposit, the City had not invested more than \$250,000 with any financial institution located outside of the State of Alabama. Accordingly, the City had no uninsured certificates of deposit at September 30, 2009. Following is a summary of the City's top holdings in it's cash and investment portfolio:

Description/Creditor	Fair Value	Portion of Portfolio
Federal Nation Mortgage Association (callable)	\$ 1,553,198	3.88%
Various financial institutions - certificates of deposit	22,157,474	55.41%
	<u>\$ 23,710,672</u>	<u>59.29%</u>

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

Description	CUSIP	Fair Value	Portion of Portfolio
Bank demand deposit accounts		\$ 94,389	3.39%
Certificate of deposit		150,000	5.39%
Goldman Sachs FS Money Market Fund		351,933	12.65%
Chase Growth Fund (30,810.143 shares)	CHASX	453,217	16.29%
Dodge & Cox International Stock (8,160.226 shares)	DODFX	258,027	9.27%
Longleaf Partner Family Value Tr #133 (18,692.367 shares)	LLPFX	429,738	15.44%
PIMCO All Asset Fund Institutional Class (32,581.832 shares)	PAAIX	383,814	13.79%
PIMCO Low Duration Fund Institutional Class (27,889.221 shares)	PTLDX	284,748	10.23%
Vanguard Convert Securities (30,962.555 shares)	VCVSX	376,814	13.55%
		<u>\$ 2,782,680</u>	<u>100.00%</u>

**Custodial Risk.** For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments in Federal National Mortgage Association, Federal Home Loan Bank, and the certificates of deposit are held in trust by the City's custodian in the name of the custodian. The discretely presented component unit's investments are held in book entry form and in trust by it's custodian in the name of the custodian.

## City of Mountain Brook, Alabama

## Notes to Financial Statements

## 3. Receivables

Receivables at September 30, 2009, consisted of the following:

	General Fund	Other Governmental Funds	Total
Taxes	\$ 1,477,828	\$ 38,474	\$ 1,516,302
Emergency Communication District (E-911) surcharge	0	10,861	10,861
Board of Education (Note 1.B.)	13,205	40,739	53,944
Other	57,689	40,738	98,427
<b>Totals</b>	<b>\$ 1,548,722</b>	<b>\$ 130,812</b>	<b>\$ 1,679,534</b>

The City loaned the Mountain Brook Sports Park Foundation (MBSPF), a nonprofit organization established to raise funds for the exclusive benefit of Mountain Brook Soccer Club, \$500,000 for their construction of athletic playing fields (Note 1.B.). The loan is to be repaid in monthly installments of \$4,000 including interest at 4% beginning in August 2005 plus the net cash flows of Mountain Brook Soccer Club which are to be remitted to MBSPF beginning in April 2007 with the unpaid balance due July 1, 2010. In August 2009, the City loaned MBSPF an additional \$62,500 to partially finance their construction of a concessions facility at the sports facility. This additional loan is scheduled to be repaid over a twenty-four month period commencing after the initial loan is repaid. The outstanding balance reported in the statement of net assets at September 30, 2009 totaled \$438,523 of which \$378,623 is scheduled to be repaid within the next fiscal year. The City collected \$15,744 in interest during 2009.

## 4. Capital assets

Following is a summary of the changes in the City's capital assets for the year ended September 30, 2009:

	Balance at September 30, 2008	Additions	Disposals/ Retirements/ Completed	Balance at September 30, 2009
<b>Capital assets, not being depreciated:</b>				
Land	\$ 18,586,368	\$ 11,555	\$ 0	\$ 18,597,923
Construction in progress	1,918,089	1,690,818	(13,710)	3,595,197
<b>Total capital assets, not being depreciated</b>	<b>20,504,457</b>	<b>1,702,373</b>	<b>(13,710)</b>	<b>22,193,120</b>
<b>Capital assets, being depreciated:</b>				
Land improvements	2,896,693	0	0	2,896,693
Buildings and improvements	8,614,746	18,502	(143,483)	8,489,765
Machinery and equipment	16,458,057	2,388,940	(494,013)	18,352,984
Infrastructure	44,595,621	317,696	0	44,913,317
<b>Total capital assets, being depreciated</b>	<b>72,565,117</b>	<b>2,725,138</b>	<b>(637,496)</b>	<b>74,652,759</b>
<b>Less accumulated depreciated for:</b>				
Land improvements	250,171	24,983	0	275,154
Buildings and improvements	3,232,632	319,907	(133,538)	3,419,001
Machinery and equipment	9,784,985	1,664,288	(494,013)	10,955,260
Infrastructure	22,245,507	2,071,472	0	24,316,979
<b>Total accumulated depreciation</b>	<b>35,513,295</b>	<b>4,080,650</b>	<b>(627,551)</b>	<b>38,966,394</b>
<b>Total capital assets, being depreciated, net</b>	<b>37,051,822</b>	<b>(1,355,512)</b>	<b>(9,945)</b>	<b>35,686,365</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 57,556,279</b>	<b>\$ 346,861</b>	<b>\$ (23,655)</b>	<b>\$ 57,879,485</b>

**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	\$ 153,469
Public safety	900,390
Street and sanitation	1,948,641
Recreational	489,852
Library	<u>588,298</u>
<b>Total depreciation expense</b>	<b>\$ <u>4,080,650</u></b>

**5. Long-term debt**

Long-term debt outstanding as of September 30, 2009, consisted of the following:

	<u>Balance</u>
\$5,000,000 General Obligation Warrants, Series 2007 dated October 1, 2007 maturing annually on October 1 through the year 2027 plus interest payable on April 1 and October 1 at rate rates ranging from 3.875% to 4.0% (Note 9)	\$ <u>4,830,000</u>
<b>Total</b>	<b>\$ <u>4,830,000</u></b>

The total interest paid by the City during 2009 relative to general obligation warrants was \$191,331. The current debt of the City supports the general government function and, as such, all interest expense has been charged to this function in the Government-Wide Statement of Activities. The total amount of interest charged to expense of the general government function for the year ended September 30, 2009 was \$188,038.

Following is a summary of long-term debt principal transactions for the year ended September 30, 2009:

General obligation warrant balances at October 1, 2008	\$ 5,000,000
Principal payments:	
\$5,000,000 General Obligation Warrants, Series 2007	<u>(170,000)</u>
General obligation warrant balances at September 30, 2009	<b>\$ <u>4,830,000</u></b>

The Series 2007 warrants were issued to partially finance construction and infrastructure capital improvement projects estimated (at the time of issuing the warrants) to cost \$11 million (Note 8 ).

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

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

**5. Long-term debt (continued)**

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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 175,000	\$ 184,647	\$ 359,647
2011	180,000	177,769	357,769
2012	190,000	170,600	360,600
2013	195,000	163,141	358,141
2014	205,000	155,391	360,391
Thereafter	3,885,000	1,163,516	5,048,516
<b>Totals</b>	<b>\$ 4,830,000</b>	<b>\$ 2,015,064</b>	<b>\$ 6,845,064</b>

**6. Pension plan**

**A. Plan description**

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

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

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

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

**6. Pension plan (continued)**

**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, 2009 was 9.06.% of covered compensation. The City's matching contribution for the fiscal year ending September 30, 2009 has been actuarially determined to be 9.00% of covered compensation.

For the year ended September 30, 2009, the City's total compensation was approximately \$13.3 million and the City's total covered compensation used to determine the City's pension contribution was approximately \$12.9 million. The City's policy is to fund the required contribution as actuarially determined by the RSA and stated as a percentage of eligible compensation; however, during 2008, 2007 and 2001, the City elected to contribute \$300,000, \$7 million and \$2 million, respectively, more than the actuarially determined required amount.

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

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

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

## City of Mountain Brook, Alabama

## Notes to Financial Statements

## 6. Pension plan (continued)

## C. Trend information

Following is the trend information from the most recent actuarial valuation dated September 30, 2008:

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

## D. Funding progress

Following is the schedule of funding progress obtained from most recent actuarial valuation prepared as of September 30, 2008:

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

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, 2008
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	223
Number of retired members and beneficiaries	68
Annual retirement allowances	\$ 2,397,569

7. Post-employment benefits

**Plan Description.** The City of Mountain Brook participates in the Local Government Health Insurance Plan (LGHIP) administered by the State Employees' Insurance Board (SEIB). Legislative Act 93-303 established the LGHIP to provide group health insurance coverage for employees (and retirees if so elected by each participating agency) of local government units and other organizations in Alabama. The LGHIP is a self-insured, group health insurance program funded from the premiums of the participating local government units and their subscribers. The SEIB issues a publicly available financial report of the LGHIP that includes financial statements and required supplementary information. That report may be obtained by writing to State Employees' Insurance Board, Post Office Box 304900, Montgomery, Alabama 35130-4900.

Generally on an annual basis, the City Council considers extending post employment medical insurance benefits to qualifying employees. Employees of the City who participate in the LGHIP become eligible for post employment medical and dental insurance benefits if they reach normal retirement age and meet certain minimum years of service with the City of Mountain Brook. An employee qualifies once they have worked thirty (30) years with the City (any age). Periodically, the City allows other employees to qualify provided they have worked a minimum of 20 years with the City, any age, or a minimum of ten (10) years with the City for those who are age 60 and over. In all cases, coverage is limited to the lesser of thirteen (13) years or until the retiree becomes eligible for Medicare coverage. Currently the City provides post employment benefits to thirty-three (33) retired employees. This post employment benefits plan, an agent multi-employer defined benefit plan, provides employees with a preferred provider organization (PPO) plan administered by Blue Cross and Blue Shield of Alabama.

Employees with thirty (30) years of City service (any age) or fifteen (15) years of service (if age 60 or older) may retire anytime without a special resolution being adopted by the City Council (Resolution No. 02-072).

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

**7. Post-employment benefits (continued)**

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

**Funding Policy.** Until 2006, the City recognized the cost of providing post-employment medical benefits (the City's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. Effective with the fiscal year beginning October 1, 2006, the City implemented Government Accounting Standards Board Statement Number 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions (GASB 45). The funding policy is not to fund the annual required contribution (ARC) except to the extent of the current year's retiree funding costs.

In 2009, the City's portion of health care funding cost for retired workers totaled \$283,392. These amounts were applied toward the Net OPEB Benefit Obligation as shown in the table below.

**Annual Required Contribution.** The City of Mountain Brook's annual required contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the normal cost plus the contribution to amortize the actuarial accrued liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning October 1, 2008 is \$239,683, as set forth below:

	<b>Medical</b>
Normal Cost	\$ 74,315
30-year UAL amortization amount	<u>165,368</u>
Annual required contribution (ARC)	\$ <u><u>239,683</u></u>

**Net post-employment benefit obligation (asset).** The table below shows the City's net other post-employment benefit (OPEB) obligation (asset) for fiscal year ending September 30, 2009:

	<b>Medical</b>
1 Net OPEB obligation (asset) on September 1, 2008	\$ <u>(87,558)</u>
2 Annual required contribution (ARC)	239,683
3 Interest on net OPEB obligation (asset) (line 1 multiplied by 4%)	(3,502)
4 ARC adjustment (line 1 divided by 17.292)	<u>(5,063)</u>
5 OPEB cost (sum of lines 2 and 3 minus line 4)	241,244
6 Contribution	0
7 Current year retiree premium	<u>283,392</u>
8 Change in net OPEB obligation (asset) (line 5 minus sum of lines 6 and 7)	<u>(42,148)</u>
9 Ending net OPEB obligation (asset) on August 31, 2009 (line 1 plus line 8)	\$ <u><u>(129,706)</u></u>

City of Mountain Brook, Alabama

Notes to Financial Statements

7. Post-employment benefits (continued)

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

Fiscal Year Ended September 30	Annual OPEB Cost	Percentage Annual Cost Contributed	Net OPEB Obligation (Asset)
2006	\$ 198,994	108%	\$ (15,808)
2007	198,994	114%	(43,849)
2008	239,683	108%	(87,558)
2009	241,244	117%	(129,706)

**Funded Status and Funding Progress.** In the fiscal year ending September 30, 2009, the City of Mountain Brook made two lump sum contributions of \$98,000 to its post-employment benefits plan by a transfer of assets within the meaning of paragraph 141 of GASB 45 as of the end of the fiscal year. The plan, with accrued interest and unrealized gains/losses, thus had assets of \$196,320 as of September 30, 2009. As of October 1, 2008, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$2,859,543, which is defined as that portion, as determined by a particular actuarial cost method (the City of Mountain Brook uses the Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. The development of the funded ratio and UAAL as a percentage of valuation payroll as of September 30, 2009 are set forth in the following table:

Actuarial accrued liability (AAL)	\$ 2,859,543
Actuarial value of plan assets	196,320
Unfunded actuarial accrued liability (UAAL)	2,663,223
Funded ratio (actuarial value of assets/AAL)	6.87%
Covered payroll (active plan members)	\$ 13,285,976
UAAL as a percentage of covered payroll	20.05%

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

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

City of Mountain Brook, Alabama

Notes to Financial Statements

7. Post-employment benefits (continued)

Actuarial Methods and Assumptions (continued). The amount of the current employer portion of the health care premiums for retiree coverage has been used as the basis for calculating the actuarial present value of benefits to be paid. It has been assumed that enrollees will retain the same coverage levels after retirement as before.

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

Actuarial Value of Plan Assets. Since this is the first actuarial valuation and assets were established as of the end of the fiscal year, the actuarial value of assets is the market value. It is anticipated that in future valuations a smoothed market value consistent with Actuarial Standards Board ASOP 6 and with the adopted investment policy, as provided in paragraph number 125 of GASB Statement 45, will be used.

Annual Turnover Rate. The following annual age related turnover scale was used:

Age	Annual Turnover Turnover
15 - 25	15.0%
26 - 40	12.0%
41 +	10.0%

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

Investment Return Assumption (Discount Rate). GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation. This is a conservative estimate of the rate of return on City funds used in the course of its financial activity.

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

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

**7. Post-employment benefits (continued)**

**Mortality Rate.** The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is the mortality table which the Internal Revenue Service requires to be used in determining the value of accrued benefits in defined benefit pension plans. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described above to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance.

**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 2009 were as follows:

	<u>Amount</u>
Property tax commissions	\$ 198,193
Maintenance of maps and appraisals	335,183
Jefferson County Department of Health	130,482
Birmingham-Jefferson County Transit Authority	89,862
Personnel Board of Jefferson County	84,764
Birmingham Regional Planning Commission	12,053

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, 2009, were \$27.48 per month for single and multiple family residential units and \$34.14 per month for commercial units. The annual cost incurred under this agreement for the year ended September 30, 2009, was approximately \$2,576,500. Total garbage service fee revenues collected by the City from its commercial customers during the year were approximately \$39,094.

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.

City of Mountain Brook, Alabama

Notes to Financial Statements

8. Commitments and contingencies (continued)

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 fulfilled its financial commitment under the purchase agreement in 2008.

In 2005, the City entered into a development agreement with a real estate developer constructing a mixed use development in the City. The development agreement provides that the City will reimburse the developer for certain costs incurred for the construction of public infrastructure including a roadway relocation and improvements, construction of an acceleration lane, sidewalks, curbing, and drainage systems. The reimbursement is limited to \$4.9 million regardless of the actual costs incurred by the developer (which have been estimated to be \$8 million) and payable solely from a portion (50%) of the sales tax receipts realized by the City from the commercial development. Any portion of the \$4.9 million development agreement obligation not repaid after fifteen (15) years shall be cancelled.

The cumulative infrastructure costs incurred as of September 30, 2009 was \$5,332,981 which have been capitalized. As of September 30, 2009, the City's obligation under the terms of the development agreement totaled \$3,621,873 of which \$600,000 is reported as a current liability in the Government-Wide Statement of Net Assets. During 2009, the City paid \$605,944 under the terms of the development agreement.

The City has entered into another development agreement with a real estate developer constructing a small shopping center whose principal tenant is a grocery store. Under the terms of the development agreement, the City agreed to pay the developer the sum of \$687,500 for the purpose of promoting economic development within the City as provided by Amendment No. 772 adopted by the Alabama Legislature. In addition, the City agreed to abate the City's portion of property taxes for a period of fifteen (15) years provided the annual retail sales equal or exceed \$5 million. The City's \$687,500 commitment will be paid from 50% of the sales tax generated by the stores in the development. During 2009, the City paid \$116,448 under the terms of the agreement.

Construction in progress (Note 4) at September 30, 2009 includes the following projects:

Drainage projects	\$ 870,107
Public buildings	2,621,820
Sidewalks	103,270
	<u>\$ 3,595,197</u>

**City of Mountain Brook, Alabama**

**Notes to Financial Statements**

**8. Commitments and contingencies (continued)**

The drainage projects include a flood hazard mitigation project estimated to cost \$10.1 million of which the City has secured a Federal Emergency Management Agency (FEMA) grant in the amount of \$4.375 million. This project is expected to be performed in three construction phases the first of which commenced in 2009. The City has entered into a construction contract in the amount of \$888,000 for the first phase of construction of the FEMA flood hazard mitigation project. The public buildings include the razing and reconstruction of the Public Works facility, the construction of a new Park and Recreation building, and construction of a new municipal complex . The City has executed construction contracts for the Public Works building totaling \$1.7 million. The City has incurred \$1,890,896 towards the Public Works building which is expected to be completed in the winter of 2010. The City has incurred \$86,382 towards its Park and Recreation building which is expected to be completed during fiscal 2011. The municipal complex, which includes city hall and public safety, is estimated to cost up to \$14.4 million. The City has incurred costs of \$537,610 in design and planning costs with respect to the municipal complex. The City has entered into separate contracts with its architects and construction manager for design and planning services in the combined amount of \$1.5 million. There are no construction contracts or commitments for the municipal complex, sidewalks, and other projects.

**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:

Assessed value of taxable real and personal property as provided by the Jefferson County Tax Assessor	<u>\$ 567,437,519</u>
Constitutional debt limit, 20 percent of assessed value	\$ 113,487,504
Outstanding long-term debt as of September 30, 2009	<u>4,830,000</u>
Legal Debt Margin	<u>\$ 108,657,504</u>

**10. Litigation**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Mountain Brook, Alabama**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Taxes	\$ 27,086,800	\$ 26,539,800	\$ 26,367,333	\$ (172,467)
Licenses and permits	3,507,072	3,185,980	3,177,440	(8,540)
Intergovernmental	40,900	40,900	43,984	3,084
Charges for services	550,060	550,060	562,141	12,081
Fines and forfeitures	483,400	444,000	443,400	(600)
Grants	17,361	17,361	50,799	33,438
Other operating revenues	<u>743,155</u>	<u>580,700</u>	<u>643,260</u>	<u>62,560</u>
<b>Total revenues</b>	<u>32,428,748</u>	<u>31,358,801</u>	<u>31,288,357</u>	<u>(70,444)</u>
<b>Expenditures:</b>				
General government	5,052,957	5,241,915	4,924,388	317,527
Public safety	12,353,585	12,006,285	11,819,363	186,922
Street and sanitation	6,101,424	6,007,824	5,995,273	12,551
Recreational	1,255,091	1,217,591	1,079,313	138,278
Library	<u>2,589,399</u>	<u>2,487,853</u>	<u>2,455,867</u>	<u>31,986</u>
<b>Total expenditures</b>	<u>27,352,456</u>	<u>26,961,468</u>	<u>26,274,204</u>	<u>687,264</u>
<b>Excess of revenues over expenditures</b>	<u>5,076,292</u>	<u>4,397,333</u>	<u>5,014,153</u>	<u>616,820</u>
<b>Other financing sources (uses):</b>				
Operating transfers (out)	(4,631,323)	(4,482,047)	(4,785,268)	(303,221)
Operating transfers in - component unit	44,000	44,000	17,625	(26,375)
Donations	<u>113,250</u>	<u>105,250</u>	<u>65,949</u>	<u>(39,301)</u>
<b>Total other financing (uses)</b>	<u>(4,474,073)</u>	<u>(4,332,797)</u>	<u>(4,701,694)</u>	<u>(368,897)</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	602,219	64,536	312,459	247,923
<b>Fund balances, beginning of year</b>	<u>7,416,661</u>	<u>7,416,661</u>	<u>7,416,661</u>	<u>0</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 8,018,880</u>	<u>\$ 7,481,197</u>	<u>\$ 7,729,120</u>	<u>\$ 247,923</u>

See accompanying notes to basic financial statements and notes to required supplementary information.

**City of Mountain Brook, Alabama**

**Notes to Required Supplementary Information**

**1. Summary of significant accounting policies**

**A. Budgets and budgetary accounting**

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

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

Budget information presented in the financial statements is based on the budget as adopted by the City Council on September 22, 2008 (Resolution 08-141) and subsequently revised on June 8, 2009 (Resolution No. 09-079).

## **SUPPLEMENTARY INFORMATION**

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**City of Mountain Brook, Alabama**

**Combining Balance Sheet  
Other Governmental Funds  
September 30, 2009**

	<u>State Shared Gasoline Tax Funds</u>			
	<u>Seven Cent</u>	<u>Four Cent</u>	<u>Five Cent</u>	<u>Two Cent</u>
<b>ASSETS</b>				
Cash and temporary investments	\$ 127,768	\$ 366,881	\$ 101,804	\$ 17,506
Receivables	<u>20,624</u>	<u>11,957</u>	<u>5,893</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u>\$ 148,392</u>	<u>\$ 378,838</u>	<u>\$ 107,697</u>	<u>\$ 17,506</u>
 <b>LIABILITIES</b>				
Accounts payable	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<b>Total liabilities</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 <b>FUND EQUITY</b>				
Fund balance:				
Unreserved	<u>148,392</u>	<u>378,838</u>	<u>107,697</u>	<u>17,506</u>
<b>Total fund equity</b>	<u>148,392</u>	<u>378,838</u>	<u>107,697</u>	<u>17,506</u>
 <b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 148,392</u>	<u>\$ 378,838</u>	<u>\$ 107,697</u>	<u>\$ 17,506</u>

<u>Drug Asset</u>	<u>School Resource Officer Program</u>	<u>Correc-tions Fund</u>	<u>Other Funds</u>	<u>Debt Service Fund</u>	<u>Totals</u>
\$ 35,920	\$ 3,905	\$ 4,673	\$ 579,881	\$ 2,012,545	\$ 3,250,883
<u>0</u>	<u>0</u>	<u>0</u>	<u>92,338</u>	<u>0</u>	<u>130,812</u>
<u>\$ 35,920</u>	<u>\$ 3,905</u>	<u>\$ 4,673</u>	<u>\$ 672,219</u>	<u>\$ 2,012,545</u>	<u>\$ 3,381,695</u>
\$ 0	\$ 0	\$ 4,673	\$ 1,927	\$ 0	\$ 6,600
<u>0</u>	<u>0</u>	<u>4,673</u>	<u>1,927</u>	<u>0</u>	<u>6,600</u>
<u>35,920</u>	<u>3,905</u>	<u>0</u>	<u>670,292</u>	<u>2,012,545</u>	<u>3,375,095</u>
<u>35,920</u>	<u>3,905</u>	<u>0</u>	<u>670,292</u>	<u>2,012,545</u>	<u>3,375,095</u>
<u>\$ 35,920</u>	<u>\$ 3,905</u>	<u>\$ 4,673</u>	<u>\$ 672,219</u>	<u>\$ 2,012,545</u>	<u>\$ 3,381,695</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, 2009**

	<u>State Shared Gasoline Tax Funds</u>			
	<u>Seven Cent</u>	<u>Four Cent</u>	<u>Five Cent</u>	<u>Two Cent</u>
<b>Revenues:</b>				
Taxes	\$ 222,883	\$ 129,708	\$ 63,943	\$ 1,466
Intergovernmental	0	0	0	0
Charges for services	0	0	0	0
Fines and forfeitures	0	0	0	0
Other operating revenues:				
Investment earnings	176,971	1,221	392	58
<b>Total revenues</b>	<u>399,854</u>	<u>130,929</u>	<u>64,335</u>	<u>1,524</u>
<b>Expenditures:</b>				
General government	0	0	0	0
Public safety	0	0	0	0
Street and sanitation	470,000	95,252	66,000	0
Recreational	0	0	0	0
Debt service	0	0	0	0
<b>Total expenditures</b>	<u>470,000</u>	<u>95,252</u>	<u>66,000</u>	<u>0</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(70,146)</u>	<u>35,677</u>	<u>(1,665)</u>	<u>1,524</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	55,000	0	0	0
Operating transfers (out)	0	0	0	0
Donations	0	0	0	0
<b>Total other financing sources</b>	<u>55,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u>(15,146)</u>	<u>35,677</u>	<u>(1,665)</u>	<u>1,524</u>
<b>Fund balances, beginning of year</b>	<u>163,538</u>	<u>343,161</u>	<u>109,362</u>	<u>15,982</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 148,392</u>	<u>\$ 378,838</u>	<u>\$ 107,697</u>	<u>\$ 17,506</u>

<u>Emergency Com- munication District</u>	<u>Drug Asset</u>	<u>School Resource Officer Program</u>	<u>Com- munity Fund</u>	<u>Correc- tions Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 418,000
0	0	0	40,738	0	0	40,738
240,267	0	0	40,738	0	0	281,005
3,710	0	0	0	125,381	0	129,091
<u>2,267</u>	<u>0</u>	<u>0</u>	<u>54</u>	<u>0</u>	<u>23,885</u>	<u>204,848</u>
<u>246,244</u>	<u>0</u>	<u>0</u>	<u>81,530</u>	<u>125,381</u>	<u>23,885</u>	<u>1,073,682</u>
0	0	0	4,622	217,043	787	222,452
162,845	5,128	91,568	0	98,308	0	357,849
0	0	0	0	0	0	631,252
0	0	0	245,287	0	0	245,287
0	0	0	0	0	361,331	361,331
<u>162,845</u>	<u>5,128</u>	<u>91,568</u>	<u>249,909</u>	<u>315,351</u>	<u>362,118</u>	<u>1,818,171</u>
<u>83,399</u>	<u>(5,128)</u>	<u>(91,568)</u>	<u>(168,379)</u>	<u>(189,970)</u>	<u>(338,233)</u>	<u>(744,489)</u>
0	0	91,295	55,387	189,970	661,331	1,052,983
0	0	0	(1,350)	0	0	(1,350)
0	0	0	48,000	0	0	48,000
<u>0</u>	<u>0</u>	<u>91,295</u>	<u>102,037</u>	<u>189,970</u>	<u>661,331</u>	<u>1,099,633</u>
83,399	(5,128)	(273)	(66,342)	0	323,098	355,144
<u>637,970</u>	<u>41,048</u>	<u>4,178</u>	<u>15,265</u>	<u>0</u>	<u>1,689,447</u>	<u>3,019,951</u>
<u>\$ 721,369</u>	<u>\$ 35,920</u>	<u>\$ 3,905</u>	<u>\$ (51,077)</u>	<u>\$ 0</u>	<u>\$ 2,012,545</u>	<u>\$ 3,375,095</u>

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**City of Mountain Brook, Alabama**

**Combining Balance Sheet - Capital Projects Funds  
September 30, 2009**

	<u>City Capital Projects</u>	<u>Village Improvement Projects</u>
<b>ASSETS</b>		
Cash and temporary investments	\$ <u>20,181,469</u>	\$ <u>7,263,827</u>
<b>TOTAL ASSETS</b>	\$ <u><u>20,181,469</u></u>	\$ <u><u>7,263,827</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ <u>428,572</u>	\$ <u>284</u>
<b>Total liabilities</b>	<u>428,572</u>	<u>284</u>
<b>FUND EQUITY</b>		
Fund balance	<u>19,752,897</u>	<u>7,263,543</u>
<b>Total fund equity</b>	<u>19,752,897</u>	<u>7,263,543</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	\$ <u><u>20,181,469</u></u>	\$ <u><u>7,263,827</u></u>

<u>Village Trail System (ISTEA)</u>	<u>Totals</u>
\$ <u>533,706</u>	\$ <u>27,979,002</u>
\$ <u><u>533,706</u></u>	\$ <u><u>27,979,002</u></u>
\$ <u>5,848</u>	\$ <u>434,704</u>
<u>5,848</u>	<u>434,704</u>
<u>527,858</u>	<u>27,544,298</u>
<u>527,858</u>	<u>27,544,298</u>
\$ <u><u>533,706</u></u>	\$ <u><u>27,979,002</u></u>

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**City of Mountain Brook, Alabama**

**Combining Statement of Revenues, Expenditures, and Changes  
Changes in Fund Balances - Capital Projects Funds  
For the Year Ended September 30, 2009**

	<u>City Capital Projects</u>	<u>Village Improvement Projects</u>
<b>Revenues:</b>		
Revenues - grants	\$ 19,422	\$ 0
Investment earnings	865,534	168,969
Miscellaneous	158,631	0
<b>Total revenues</b>	<u>1,043,587</u>	<u>168,969</u>
<b>Expenditures:</b>		
General government	591,323	0
Public safety	1,822,270	0
Street and sanitation	1,337,707	172,111
Recreational	141,833	0
Library	3,393	0
<b>Total expenditures</b>	<u>3,896,526</u>	<u>172,111</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,852,939)</u>	<u>(3,142)</u>
<b>Other financing sources (uses):</b>		
Operating transfers in	2,889,414	238,462
Operating transfers (out)	0	(116)
<b>Total other financing sources</b>	<u>2,889,414</u>	<u>238,346</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	36,475	235,204
<b>Fund balances, beginning of year</b>	<u>19,716,422</u>	<u>7,028,339</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 19,752,897</u>	<u>\$ 7,263,543</u>

<b>Village Trail System (ISTEA)</b>	<b>Totals</b>
\$ 0	\$ 19,422
0	1,034,503
<u>71</u>	<u>158,702</u>
<u>71</u>	<u>1,212,627</u>
0	591,323
0	1,822,270
78,088	1,587,906
0	141,833
0	3,393
<u>78,088</u>	<u>4,146,725</u>
<u>(78,017)</u>	<u>(2,934,098)</u>
605,875	3,733,751
0	(116)
<u>605,875</u>	<u>3,733,635</u>
527,858	799,537
0	26,744,761
<u>\$ 527,858</u>	<u>\$ 27,544,298</u>

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**City of Mountain Brook, Alabama**

**Schedule of General Fund Revenues by Source  
For the Years Ended September 30, 2000 to 2009**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Taxes</b>				
Real property	\$ 8,003,594	\$ 8,100,952	\$ 8,177,532	\$ 8,422,094
Sales and use	5,671,220	5,564,912	5,506,591	5,701,970
Occupational	1,184,120	938,199	945,302	905,432
Utility	813,776	885,880	1,007,657	941,086
Personal property (automobiles)	845,199	940,088	967,329	1,054,267
Road and bridge	327,986	334,790	340,021	351,477
Other	548,064	700,188	931,057	974,690
<b>Total taxes</b>	<u>17,393,959</u>	<u>17,465,009</u>	<u>17,875,489</u>	<u>18,351,016</u>
<b>Licenses and permits</b>				
Business	1,598,265	1,565,134	1,632,925	1,567,743
Construction permits	469,291	478,476	380,206	413,416
Cable TV franchise fees	185,652	192,000	218,235	223,181
Waterworks Board	119,827	118,368	96,938	124,717
Other	48,622	48,608	47,100	51,380
<b>Total licenses and permits</b>	<u>2,421,657</u>	<u>2,402,586</u>	<u>2,375,404</u>	<u>2,380,437</u>
<b>Intergovernmental</b>	<u>71,288</u>	<u>70,132</u>	<u>36,297</u>	<u>37,248</u>
<b>Charges for services</b>				
Garbage fees	1,329,942	1,414,817	1,459,625	1,443,383
Other	582,955	997,159	711,632	508,902
<b>Total charges for services</b>	<u>1,912,897</u>	<u>2,411,976</u>	<u>2,171,257</u>	<u>1,952,285</u>
<b>Fines and forfeitures - court</b>	<u>256,604</u>	<u>287,425</u>	<u>298,824</u>	<u>364,031</u>
<b>Grants</b>	<u>0</u>	<u>12,500</u>	<u>5,738</u>	<u>32,748</u>
<b>Other operating revenue</b>				
Investment earnings	405,151	428,710	268,893	235,998
Other	243,628	283,182	238,153	245,403
<b>Total other operating revenue</b>	<u>648,779</u>	<u>711,892</u>	<u>507,046</u>	<u>481,401</u>
<b>TOTAL REVENUES</b>	<u>\$ 22,705,184</u>	<u>\$ 23,361,520</u>	<u>\$ 23,270,055</u>	<u>\$ 23,599,166</u>

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$	10,244,362	\$ 11,094,902	\$ 11,976,292	\$ 13,181,868	\$ 13,919,181	\$ 14,592,638
	6,086,944	6,534,289	7,033,452	7,829,375	8,412,007	7,666,594
	929,454	939,127	248,283	1,475	0	0
	953,228	992,143	1,088,234	1,266,253	1,336,420	1,413,759
	1,076,449	1,108,807	1,131,386	1,139,952	1,130,239	1,022,666
	425,985	460,216	497,326	543,682	572,272	596,000
	1,072,439	1,053,130	1,316,806	1,275,315	985,588	1,075,676
	<u>20,788,861</u>	<u>22,182,614</u>	<u>23,291,779</u>	<u>25,237,920</u>	<u>26,355,707</u>	<u>26,367,333</u>
	1,647,641	1,756,226	1,729,727	1,872,058	1,994,039	1,998,980
	667,971	519,277	893,161	851,266	1,036,354	634,059
	245,986	257,695	282,379	300,204	323,082	328,641
	115,220	123,202	137,964	161,961	167,341	157,794
	55,717	55,535	60,966	60,985	63,382	57,966
	<u>2,732,535</u>	<u>2,711,935</u>	<u>3,104,197</u>	<u>3,246,474</u>	<u>3,584,198</u>	<u>3,177,440</u>
	<u>40,430</u>	<u>41,736</u>	<u>50,517</u>	<u>40,544</u>	<u>149,710</u>	<u>43,984</u>
	1,526,500	1,573,788	1,604,281	462,747	71,252	39,094
	481,656	486,567	486,385	517,251	498,576	523,047
	<u>2,008,156</u>	<u>2,060,355</u>	<u>2,090,666</u>	<u>979,998</u>	<u>569,828</u>	<u>562,141</u>
	<u>496,457</u>	<u>587,397</u>	<u>623,579</u>	<u>597,961</u>	<u>470,020</u>	<u>443,400</u>
	<u>172,338</u>	<u>1,907,290</u>	<u>73,278</u>	<u>51,434</u>	<u>37,355</u>	<u>50,799</u>
	126,245	141,783	235,866	653,609	428,304	271,734
	241,746	247,971	325,757	161,303	230,717	371,526
	<u>367,991</u>	<u>389,754</u>	<u>561,623</u>	<u>814,912</u>	<u>659,021</u>	<u>643,260</u>
\$	<u><u>26,606,768</u></u>	<u><u>29,881,081</u></u>	<u><u>29,795,639</u></u>	<u><u>30,969,243</u></u>	<u><u>31,825,839</u></u>	<u><u>31,288,357</u></u>

## City of Mountain Brook, Alabama

**Comparative Balance Sheet - General Fund**  
**September 30, 2009**  
**(With Comparative Totals for September 30, 2008)**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and temporary investments	\$ 8,761,533	\$ 8,162,795
Receivables	1,494,778	1,784,310
Due from related organizations	53,944	189,514
Inventory and prepaid expenses	<u>73,862</u>	<u>50,015</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,384,117</u></b>	<b><u>\$ 10,186,634</u></b>
<b>LIABILITIES</b>		
Accounts payable	\$ 884,110	\$ 1,011,165
Accrued salaries and wages	985,817	908,438
Due to related organizations	37,259	101,123
Other liabilities	<u>747,811</u>	<u>749,247</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,654,997</u></b>	<b><u>2,769,973</u></b>
<b>FUND EQUITY</b>		
Fund balance:		
Reserve for inventory and prepaid expense	73,862	50,015
Reserved	98,902	97,512
Unreserved	<u>7,556,356</u>	<u>7,269,134</u>
<b>TOTAL FUND EQUITY</b>	<b><u>7,729,120</u></b>	<b><u>7,416,661</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 10,384,117</u></b>	<b><u>\$ 10,186,634</u></b>

City of Mountain Brook, Alabama

Comparative Balance Sheet - Debt Service Fund  
September 30, 2009  
(With Comparative Totals for September 30, 2008)

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and temporary investments	\$ 2,012,545	\$ 1,689,447
Receivables	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,012,545</u>	<u>\$ 1,689,447</u>
<b>LIABILITIES</b>	<u>\$ 0</u>	<u>\$ 0</u>
<b>FUND EQUITY</b>		
Fund balance:		
Unreserved	<u>2,012,545</u>	<u>1,689,447</u>
<b>TOTAL FUND EQUITY</b>	<u>2,012,545</u>	<u>1,689,447</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 2,012,545</u>	<u>\$ 1,689,447</u>

## City of Mountain Brook, Alabama

**Comparative Statement of Revenues, Expenditures and  
Changes in Fund Balances - General Fund  
For the year ended September 30, 2009  
(With Comparative Totals for September 30, 2008)**

	<u>2009</u>	<u>2008</u>
<b>Revenues:</b>		
Taxes	\$ 26,367,333	\$ 26,355,707
Licenses and permits	3,177,440	3,584,198
Intergovernmental	43,984	149,710
Charges for services	562,141	569,828
Fines and forfeitures	443,400	470,020
Grants	50,799	37,355
Other operating revenues	643,260	659,021
<b>Total revenues</b>	<u>31,288,357</u>	<u>31,825,839</u>
<b>Expenditures:</b>		
<b>Current (operating):</b>		
General government	4,924,388	4,237,084
Public safety	11,819,363	11,610,872
Street and sanitation	5,995,273	5,761,496
Recreational	1,079,313	1,361,043
Library	2,455,867	2,370,086
<b>Total expenditures</b>	<u>26,274,204</u>	<u>25,340,581</u>
<b>Excess of revenues over expenditures</b>	<u>5,014,153</u>	<u>6,485,258</u>
<b>Other financing sources (uses):</b>		
Operating transfers in	0	13,278
Operating transfers out	(4,785,268)	(5,667,441)
Operating transfers in - component unit	17,625	45,843
Donations	65,949	57,332
<b>Total other financing sources (uses)</b>	<u>(4,701,694)</u>	<u>(5,550,988)</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	312,459	934,270
<b>Fund balances, beginning of year</b>	<u>7,416,661</u>	<u>6,482,391</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 7,729,120</u>	<u>\$ 7,416,661</u>

## City of Mountain Brook, Alabama

**Comparative Statement of Revenues, Expenditures and  
Changes in Fund Balances - Capital Projects Fund  
For the Year Ended September 30, 2009  
(With Comparative Totals for September 30, 2008)**

	<u>2009</u>	<u>2008</u>
<b>Revenues:</b>		
Grants	\$ 19,422	\$ 256,323
Other operating revenues	1,193,205	922,124
<b>Total revenues</b>	<u>1,212,627</u>	<u>1,178,447</u>
<b>Expenditures:</b>		
General government	591,323	116,540
Public safety	1,822,270	1,165,749
Street and sanitation	1,587,906	2,462,455
Recreational	141,833	45,315
Library	3,393	0
<b>Total expenditures</b>	<u>4,146,725</u>	<u>3,790,059</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,934,098)</u>	<u>(2,611,612)</u>
<b>Other financing sources (uses):</b>		
Proceeds from the issuance of debt	0	5,009,366
Operating transfers in	3,733,751	5,136,235
Operating transfers (out)	(116)	(787)
Donations	0	107,843
<b>Total other financing sources</b>	<u>3,733,635</u>	<u>10,252,657</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	799,537	7,641,045
<b>Fund balances, beginning of year</b>	<u>26,744,761</u>	<u>19,103,716</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 27,544,298</u>	<u>\$ 26,744,761</u>

