

CITY OF MOUNTAIN BROOK, ALABAMA

SEPTEMBER 30, 1987

OFFICIALS OF THE CITY OF MOUNTAIN BROOK, ALABAMA

Mayor

The Honorable William M. Given, Jr.

CITY COUNCIL

Mr. J. David Higgins, President

Mr. Laurens W. Jones, Jr.

Mr. John A. McNeil, Jr.

Mrs. Margaret Porter

Mr. Bradford Kidd

City Manager

Mr. Axel Bolvig, Jr.

DEPARTMENT HEADS

Building Inspection

Mr. Jerry N. Weems

City Clerk

Mrs. Ann R. McCutcheon

Finance Officer

Mr. J. Sam Collins

Fire Chief

Mr. Charles T. Oakley

Police Chief

Mr. C. M. Keely

Street and Sanitation Department,
Superintendent

Mr. Cecil W. Amason

CITY OF MOUNTAIN BROOK, ALABAMA
SEPTEMBER 30, 1987

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The Honorable Mayor and Members of the City Council
City of Mountain Brook, Alabama

I have examined the general purpose financial statements of the City of Mountain Brook, Alabama (the "City"), and the combining, individual fund, and account group financial statements of the City as of and for the year ended September 30, 1987, as listed in the table of contents. My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

As more fully described in Note 9 to the financial statements, the City is involved in certain legal proceedings. The amount of damages, if any, resulting from these legal proceedings cannot be reasonably estimated at this time.

In my opinion, subject to the effect, if any, of the resolution of the legal proceedings referred to in the preceding paragraph, the general purpose financial statements referred to above present fairly the financial position of the City of Mountain Brook, Alabama, as of September 30, 1987, and the results of its operations and changes in fund balances for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in my opinion, the combining, individual fund, and account group financial statements referred to above present fairly the financial position of each of the individual funds and account groups of the City of Mountain Brook, Alabama, as of September 30, 1987, and the results of operations of such funds and changes in fund balances for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

My examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining, individual fund, and individual account group financial statements. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of

The Honorable Mayor and Members of the City Council
City of Mountain Brook, Alabama
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the financial statements of the City. Such information has been subjected to the auditing procedures applied in the examination of the general purpose, combining, individual fund, and individual account group financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account groups, taken as a whole.

John P. Wheeler

January 8, 1988

CITY OF MOUNTAIN BROOK, ALABAMA
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 SEPTEMBER 30, 1987

-ASSETS-	Governmental Fund Types					Account Groups		(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Special Assessment	General Fixed Assets	Long-Term Obligations	
Cash and temporary cash investments.....	\$1,289,365	\$30,416	\$7,697	\$2,145,461	\$14,147			\$3,487,086
Marketable securities.....	1,488							1,488
Receivables.....	180,573	24,316		7,132	8,002			220,023
Due from other funds.....				9,489				9,489
Inventory, at cost.....	6,973							6,973
Property and equipment, net.....						\$2,815,837		2,815,837
Amount available in Debt Service Funds..							\$ 7,697	7,697
Amount to be provided for retirement of general long-term debt and accrued vacation pay.....								
							1,519,689	1,519,689
Total assets.....	<u>\$1,478,399</u>	<u>\$54,732</u>	<u>\$7,697</u>	<u>\$2,162,082</u>	<u>\$22,149</u>	<u>\$2,815,837</u>	<u>\$1,527,386</u>	<u>\$8,068,282</u>
-LIABILITIES-								
Cash overdraft.....		\$ 9,574						
Accounts payable.....	\$ 291,684	2,261			\$21,555			\$ 31,129
Note payable.....				\$ 8,550				302,495
Due to other funds.....	9,489			120,000				120,000
Accrued salaries and wages.....	174,131							9,489
Other liabilities.....	43,434							174,131
Accrued vacation pay.....	4,153							43,434
Long-term debt.....							\$ 327,386	331,539
							1,200,000	1,200,000
Total liabilities.....	<u>522,891</u>	<u>11,835</u>		<u>128,550</u>	<u>21,555</u>		<u>1,527,386</u>	<u>2,212,217</u>
-FUND EQUITY-								
Investment in general fixed assets.....						\$2,815,837		2,815,837
Fund balance (deficit):								
Reserved.....	97,599		\$7,697					105,296
Unreserved.....	857,909	42,897		2,033,532	594			2,934,932
Total fund equity.....	<u>955,508</u>	<u>42,897</u>	<u>7,697</u>	<u>2,033,532</u>	<u>594</u>	<u>2,815,837</u>		<u>5,856,065</u>
Total liabilities and fund equity.....	<u>\$1,478,399</u>	<u>\$54,732</u>	<u>\$7,697</u>	<u>\$2,162,082</u>	<u>\$22,149</u>	<u>\$2,815,837</u>	<u>\$1,527,386</u>	<u>\$8,068,282</u>

The accompanying notes are an integral part of this statement.

CITY OF MOUNTAIN BROOK, ALABAMA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 1987

	Governmental Fund Types					1987 Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Special Assessment	
REVENUES:						
Taxes.....	\$7,258,564	\$252,584				\$7,511,148
Licenses and permits.....	750,548					750,548
Intergovernmental.....	23,289	1,200				24,489
Charges for services.....	684,330					684,330
Fines and forfeitures.....	250,337			-		250,337
Other operating revenues.....	155,161	3,121	\$ 215	\$ 61,262	\$1,206	220,965
Total revenues.....	9,122,229	256,905	215	61,262	1,206	9,441,817
EXPENDITURES:						
General government.....	2,433,542					2,433,542
Public safety.....	3,425,320					3,425,320
Streets and sanitation.....	2,198,993	231,824				2,430,817
Cultural and recreational.....	581,187					581,187
Capital outlay.....		34,125		133,927		168,052
Debt service.....			139,775	5,716		145,491
Total expenditures.....	8,639,042	265,949	139,775	139,643		9,184,409
Excess (deficiency) of revenues over expenditures.....	483,187	(9,044)	(139,560)	(78,381)	1,206	257,408
OTHER FINANCING SOURCES (USES):						
Operating transfers in.....			142,762	161,516		304,278
Operating transfers (out).....	(304,278)					(304,278)
Donations.....	38,943			216,751		255,694
Loan proceeds.....				1,000,000		1,000,000
Total other financing services (uses).....	(265,335)		142,762	1,378,267		1,255,694
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES.....	217,852	9,044	3,202	1,299,886	1,206	1,513,102
FUND BALANCE - September 30, 1986.....	887,656	51,941	4,495	583,646	(612)	1,527,126
RESIDUAL EQUITY TRANSFER.....	(150,000)			150,000		-0-
FUND BALANCE - September 30, 1987.....	\$ 955,508	\$ 42,897	\$ 7,697	\$2,033,532	\$ 594	\$3,040,228

The accompanying notes are an integral part of this statement.

CITY OF MOUNTAIN BROOK, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 1987

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes.....	\$7,317,000	\$7,258,564	\$(58,436)
Licenses and permits.....	719,000	750,548	31,548
Intergovernmental.....	23,000	23,289	289
Charges for services.....	678,000	684,330	6,330
Fines and forfeitures.....	300,000	250,337	(49,663)
Other operating revenues.....	166,359	155,161	(11,198)
Total revenues.....	9,203,359	9,122,229	(81,130)
EXPENDITURES:			
General government.....	2,634,940	2,433,542	201,398
Public safety.....	3,555,490	3,425,320	130,170
Streets and sanitation.....	2,459,000	2,198,993	260,007
Cultural and recreation.....	474,998	581,187	(106,189)
Total expenditures.....	9,124,428	8,639,042	485,386
Excess of revenues over expenditures.....	78,931	483,187	404,256
OTHER FINANCING SOURCES (USES):			
Operating transfers (out).....	(374,070)	(304,278)	69,792
Donations.....		38,943	38,943
Total other financing sources (uses).....	(374,070)	(265,335)	108,735
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPEN- DITURES AND OTHER USES.....	(295,139)	217,852	512,991
FUND BALANCE - September 30, 1986	887,656	887,656	
RESIDUAL EQUITY TRANSFER.....	(150,000)	(150,000)	
FUND BALANCE - September 30, 1987	\$ 442,517	\$ 955,508	\$512,991

The accompanying notes are an integral part of this statement.

CITY OF MOUNTAIN BROOK, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1987

1. ORGANIZATION

The City of Mountain Brook was incorporated on March 24, 1942. The City operates under a Council-Manager form of government (organized to comply with provisions of Title 11 Chapter 43 Sections 20-22 of the Code of Alabama 1975 as amended). This form of government was the first such plan adopted in the State of Alabama. The City Council is composed of five officials elected at-large for concurrent four-year terms. The Mayor is elected at the same time as Council members, and serves as the political leader of the community. The City Manager is appointed by the governing authority 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 services to the City.

The City provides the following services: public safety (police and fire); streets; sanitation; cultural and recreational (library and park); public improvements; planning and zoning; and general administrative services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Mountain Brook conform to generally accepted accounting principles as applicable to municipal governments. The following is a summary of the more significant policies:

A. REPORTING ENTITY

For financial reporting purposes and in conformance with the criteria set forth by; the National Council on Governmental Accounting (NCGA) Statement 3, Defining the Governmental Reporting Entity, the City includes those funds, account groups, agencies, boards, commissions and authorities for which the City has the ability to exercise its oversight responsibility and provides financial and managerial assistance, which influence operations and tend to indicate control by or dependence on the City. Control by; or dependence on the City are evidenced through budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, responsibility for the funding of any operating deficits that may occur and the scope of services provided to the City. Based on these criteria, this report includes financial statements of the funds and account groups required to account for those financial activities for which the City has the ability

CITY OF MOUNTAIN BROOK, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1987

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

to influence and control through its legislative processes. Excluded from the financial statements is the following board for which a lack of influence, control and dependency exist: Mountain Brook City Board of Education. This board is governed by its own board of directors, prepares and adopts an annual operating budget which is not influenced by the City, has the authority to issue debt securities which are not an obligation of the City and are not secured by City revenues, has responsibility for any operating deficits which may occur and must fund such deficits through prior year surplus or other financing sources.

These financial statements do not include other boards, agencies and authorities that operate within the boundaries of Mountain Brook and Jefferson County. The establishment of these boards, agencies and authorities is provided in the statutes and codes of the State of Alabama.

B. FUND ACCOUNTING

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The City utilizes the following funds and account groups:

GOVERNMENTAL FUNDS

1. GENERAL FUND

The General Fund 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 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.

CITY OF MOUNTAIN BROOK, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1987

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, related costs, as well as any other non-current obligations.

4. CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of designated fixed assets (other than those financed by Special Assessment Funds).

5. SPECIAL ASSESSMENT FUND

The Special Assessment Fund is used to account for the financing of public improvements or services deemed to benefit the properties against which special assessments are levied.

C. FIXED ASSETS AND LONG-TERM LIABILITIES

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by; its measurement focus. All governmental funds are accounted for on a spending of "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are no longer capitalized along with other general fixed assets.

CITY OF MOUNTAIN BROOK, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 1987

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All expenditures which materially increase values or extend useful lives are capitalized while replacements, maintenance and repairs which do not extend the useful lives of the respective assets are charged against revenue as incurred. Donated fixed assets are valued at their estimated fair value on the date donated.

Depreciation has been provided on general fixed assets utilizing the straight-line method of depreciation over the estimated useful life of the asset and is reflected as a reduction on the investment in general fixed assets.

The City has not capitalized interest assets incurred during construction.

The following schedule is a summary of changes in net General Fixed assets during the year:

	Balance September 30, 1986	<u>Additions</u>	<u>Deductions</u>	Depreci- ation	Balance September 30, 1987
Land.....	\$ 192,591				\$ 192,591
Buildings	1,732,179	\$ 56,207		\$ 67,795	1,720,591
Equipment	1,036,891	163,831	\$34,112	292,503	873,907
Construc- tion in progress		<u>28,748</u>			<u>28,748</u>
	<u>\$2,961,661</u>	<u>\$248,586</u>	<u>\$34,112</u>	<u>\$360,298</u>	<u>\$2,815,837</u>

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

CITY OF MOUNTAIN BROOK, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1987

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, that is when they become both "measurable" and "available" to finance expenditures of the current period. Taxes collected by an intermediary are considered "measurable" when in the hands of the intermediary collecting governments and are recognized as revenue at that time. Expenditures other than accrued interest on general long-term debt are recorded at the time liabilities are incurred.

E. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer's comments.
3. The budget is legally enacted through 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 Fund and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
6. Budgets for the General and Special Revenue Funds are adopted using the cash method of accounting.
7. At the end of the year, unencumbered appropriations automatically lapse.

CITY OF MOUNTAIN BROOK, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1987

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. ENCUMBRANCE ACCOUNTING

Encumbrance accounting is utilized to assure effective budgetary control and accountability and to facilitate effective cash planning control. Encumbrances outstanding at year end represent the estimated amount of the expenditures ultimately to result if unperformed contracts in process at year end are completed. Outstanding encumbrances at year end do not constitute expenditures or liabilities. When performance on an executory contract is complete, or virtually complete, an expenditure and liability are recognized rather than an encumbrance.

G. CASH AND TEMPORARY CASH INVESTMENTS

Cash resources of certain individual funds are combined to form a pool of cash and temporary cash investments which is managed by the City Finance Officer. Investments in the pooled cash account consist primarily of certificates of deposit, repurchase agreements, and federal bonds and are carried at cost or accreted cost which approximates market value. Interest from these temporary cash investments is allocated monthly to each fund based on month end balances of cash and investments.

H. INVENTORY

Inventory consists of gasoline held in the General Fund. The cost is recorded as an expenditure at the time individual items are consumed. Even though reported inventories are a component of net current assets, they do not constitute "available spendable resources". Inventory is carried at the lower of first-in, first-out (FIFO) cost or market.

I. 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. 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). Up to forty days of unused leave may be carried over to the following calendar year.

CITY OF MOUNTAIN BROOK, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1987

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A permanent employee may retire after twenty years of service or attaining sixty-five years of age. A retiring employee (or otherwise separating employee in good standing) receives termination pay equivalent to his unused vacation pay not to exceed forty days. In addition, a retiring employee receives termination pay based on fifty percent of his accrued sick leave. The amount of sick leave payment cannot exceed thirty days pay.

The amount of vacation pay recorded as expenditures during the year represents those amounts that would normally be liquidated with expendable available financial resources. The current portion of this liability is reported in the General Fund and totalled \$4,153 as of September 30, 1987. The remainder of this liability totalled \$327,386 and is reported in the General Long-Term Debt Account Group. Because sick pay does not vest and will only be paid to retiring employees or employees on approved sick leave, no accrued liability has been recorded in the accompanying financial statements.

J. PENSION EXPENSE

Substantially all City employees participate in the City's retirement plan. The City funds pension expense as required by the plan.

K. TOTAL COLUMNS ON COMBINED STATEMENTS

Included in certain of the combined financial statements is a "Total Memorandum Only" column that aggregates the columnar statements by fund type and account group. These totals are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

L. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally reflected as operating transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. These transactions are recorded as expenditures in the receiving fund. Remaining fund balances in discontinued funds and non-recurring, non-routine transfers are accounted for as residual equity transfers.

CITY OF MOUNTAIN BROOK, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1987

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. PROPERTY TAXES

The City's property taxes are assessed by the County Tax Assessor and collected by the County Tax Collector. Assessed values are calculated by multiplying the 1983 market values (as adjusted) by the following percentages:

10%..... Residential owner occupant
20%..... All other

The next property revaluation is scheduled in 1988.

The current tax rate which is available for general municipal purposes is \$2.61 per one hundred dollars of assessed value.

Taxes are due October 1 and delinquent after December 31. Collections are remitted to the City from the Tax Collector on a monthly basis and are recorded as revenue when received. Taxes collected by the Tax Collector within the fiscal year but remitted to the City after the fiscal year are accrued.

N. SALES AND USE TAX

Taxpayers file the City of Mountain Brook sales and use tax report directly with the City. The City allows a 1-1/2% discount for timely payments. October 1, 1981, the City's sales and use tax was increased from 1% to 2%.

3. MARKETABLE SECURITIES

The marketable securities (Vulcan Materials common stock) held in the Park and Recreation fund at September 30, 1987, was donated in December 1977 and is carried at the market value at the time of donation of \$1,488. The market value as of September 30, 1987 was \$7,400.

CITY OF MOUNTAIN BROOK, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 1987

4. RECEIVABLES

Receivables at September 30, 1987, consist of the following:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Special Assessments</u>
Beer tax.....	\$ 133			
County gas tax.....	4,042			
Automobile tax.....	40,426			
Automobile license.....	4,805			
Tobacco tax.....	2,963			
Road and bridge tax.....	109,278			
Board of Education.....	1,060			
Assessments.....				\$5,184
Interest.....	16,756		\$7,132	2,818
State gas tax.....		\$24,316		
Ad valorem property tax.	1,060			
Other.....	50			
	<u>\$180,573</u>	<u>\$24,316</u>	<u>\$7,132</u>	<u>\$8,002</u>

5. PENSION PLAN

The City has a defined benefit pension plan (the "Plan") which covers substantially all permanent employees. Although Plan assets are held in a group annuity contract, the City's Plan Committee is responsible for administration of the Plan. All permanent employees hired prior to age 60 are covered by the Plan. Normal retirement date is the first day of the month coinciding with or next following the participant's 62nd birthday or the completion of 27 years of service, if earlier. A participant is fully vested after 10 years of service or upon reaching the normal retirement date. A retirants benefit is determined by multiplying 2.2% of final earnings times years of credit service. Census date as of October 1, 1986 (date of the last actuarial valuation) is as follows:

Active eligible.....	156
Vested terminations.....	5
Disabled.....	2
Retired.....	<u>22</u>
Total number of lives included in funding...	<u>185</u>

The required contribution rate for participating City employees is 5% of the employee's earnings. Under terms of the Plan, earnings do not include overtime, bonuses, commissions, or any other additional compensation. The City's contribution rate has varied over the years. For the year ended September 30, 1987, the City contributed 12.1% of the covered

CITY OF MOUNTAIN BROOK, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 1987

5. PENSION PLAN (CONTINUED)

payroll rather than the 14.9% as recommended by the actuarial study. The total contributed by the City for the Plan year ended September 30, 1987, was \$511,574 or \$39,071 less than the actuaries recommended contribution of \$550,645.

The Frozen Entry Age Actuarial Cost Method is used to determine funding requirements. Fundamental actuarial assumptions include the following:

1. Retirement: age 60 with 27 years of service
2. Mortality: the 1951 Group Annuity Table projected for 25 years
3. Employee turnover/termination: Connecticut General Scale T-2
4. Investment return: 7.5% per annum
5. Salary scale: salaries are assumed to increase at an annual rate of 5.5%

The most recent actuarial valuation report was prepared as of October 1, 1986, and provided the following information.

Actual present value of accumulated plan benefits:

Vested.....	\$5,446,757
Nonvested.....	<u>823,805</u>
Net assets available for benefits.....	<u>\$6,803,794</u>

6. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended September 30, 1987:

Balance payable as of September 30, 1986.....	\$ 321,559
Principal payments.....	121,559
New debt.....	<u>1,000,000</u>
Balance payable as of September 30, 1987.....	<u>\$1,200,000</u>

Long-term debt outstanding as of September 30, 1987, is comprised of the following:

CITY OF MOUNTAIN BROOK, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 1987

6. LONG-TERM DEBT (CONTINUED)

<u>Original Amount</u>	<u>Description</u>	<u>September 30, 1987</u>
\$1,055,000	1978 General Obligation Refunding School Warrants ; dated April 1, 1978; interest rate 4.375 - 5%; principal and interest paying dates April 1 and October 1; final payment April 1, 1988.....	\$ 125,000
75,000	Note payable, interest rate 5.85%.....	75,000
1,000,000	1987 G. O. Warrant for athletic field; dated May 15, 1987; interest rate 6.75%; principal paying dates May 1 beginning 1989 through 2002; interest paying dates November 1, 1987, and every 6 months thereafter; final payment principal and interest May 1, 2002.....	<u>1,000,000</u>
	Total.....	<u>\$1,200,000</u>

The annual requirements to amortize general long-term debt outstanding as of September 30, 1987, including interest are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1988.....	\$ 200,000	\$ 75,512	\$ 275,512
1989.....	50,000	67,500	117,500
1990.....	55,000	64,125	119,125
1991.....	55,000	60,413	115,413
1992.....	60,000	56,700	116,700
1993-1997.....	340,000	219,712	559,712
1998-2002.....	<u>440,000</u>	<u>92,813</u>	<u>532,813</u>
Total.....	<u>\$1,200,000</u>	<u>\$636,775</u>	<u>\$1,836,775</u>

7. COMMITMENTS AND CONTINGENCIES

The net prorata portion of costs that the City of Mountain Brook is required to absorb for various services received at the county level is as follows:

	<u>Year Ended September 30, 1987</u>
Birmingham Jefferson County Transit Authority.....	\$144,292
Maintenance of Maps and Appraisals.....	55,552
Jefferson County Board of Health.....	48,661

CITY OF MOUNTAIN BROOK, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1987

7. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The preceding costs are deducted from the ad valorem property taxes remitted by the Jefferson County Tax Collector to the City of Mountain Brook. For financial reporting purposes the City includes these amounts in property tax revenues and expenses a like amount.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for any expenditures that might be disallowed under the terms of the grant. City management believes such disallowances, if any, will be immaterial.

The City has arranged for an independent contractor (BFI) to provide for the collection and disposal of residential solid waste within the City. The term of the contract extends through September 30, 1989. The base rate for the year ended September 30, 1987, was \$15.25 per residential unit per month. Annual cost for the year ended September 30, 1987, was \$1,304,607.

The base rate per residential unit per month for the year beginning October 1, 1987, is \$15.84.

The City has arranged for an independent contractor (CPGS) to provide for commercial refuse collection within the City. The term of the contract extends through September 30, 1989. The annual base rate for the year ended September 30, 1987, of \$78,221 has been increased to \$81,585 for the year ending September 30, 1988.

The City leases certain office equipment at an annual rate of \$2,545. This lease expires July 20, 1989.

The City leases the land on which the Street and Sanitation buildings are located, as well as adjacent land used for debris disposal at an annual rate of \$12,000. The lease is scheduled to expire September 30, 2002. The Lessee can terminate the leases prior to the scheduled expiration date.

8. RESIDUAL EQUITY TRANSFER

Residual equity interfund transfers are non-recurring or non-routine transfers of equity between funds. During the year ended September 30, 1987, a residual equity transfer of \$150,000 was made from the General Fund to the Sewer Capital Project Fund.

CITY OF MOUNTAIN BROOK, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1987

9. LITIGATION

The City is a defendant in a lawsuit seeking damages of \$1,000,000 arising out of an incident which occurred July 5, 1984, in which the plaintiff was accidentally shot by one of two of the City's police officers who went to plaintiff's home to question him about obscene telephone calls to residents of the City and that had been traced to his telephone.

The City is a defendant in a lawsuit seeking damages of \$2,000,000 arising out of an incident alleged to have occurred in July 1986. The plaintiffs' claims for damages are based on alleged actions of the defendants, which plaintiffs claim constituted assault and battery, false arrest and imprisonment, malicious prosecution and deprivation of their rights guaranteed by the constitution and laws of the United States.

The City is a defendant in a lawsuit seeking damages, approximating \$100,000 for alleged humiliation and emotional distress as a result of a warrant issued by the City for his asset on a traffic violation.

The City is a defendant in two lawsuits seeking damages of \$5,000,000 and \$1,000,000. These cases were filed by plaintiffs in an attempt to override denials by the City Council of the plaintiff's application to rezone a parcel of real estate. These claims for damages made against the City based on 42 U. S. C. Section 1983 were dismissed by the Court. These cases are awaiting trial on the rezoning issues after which plaintiffs may appeal these dismissals of their claims for damages under Section 1983.

The City is a defendant in a lawsuit seeking damages of \$1,000,000 because of the City's not approving the issuance of certain bonds by the City of Mountain Brook Downtown Redevelopment Authority.

Various other claims, suits, and complaints, common to municipalities, have been filed or are pending against the City.

At the present time it is not possible for the City's Attorney to predict whether these matters will result in any liability which could adversely effect the City's financial statements. The damages sought by the preceding actions significantly exceeds the City's insurance coverage.

CITY OF MOUNTAIN BROOK, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 1987

	Federal Revenue Sharing	Seven Cent Gasoline Tax	Four Cent Gasoline Tax	Two Cent Gasoline Tax	Total
-ASSETS-					
Cash.....	\$27,124			\$3,292	\$30,416
Receivable.....		\$16,011	\$8,305		24,316
Total assets.....	<u>\$27,124</u>	<u>\$16,011</u>	<u>\$8,305</u>	<u>\$3,292</u>	<u>\$54,732</u>
-LIABILITIES AND FUND BALANCE-					
Accounts payable.....		\$ 2,261			\$ 2,261
Cash overdraft.....		5,362	\$4,212		9,574
Fund balances.....	\$27,124	8,388	4,093	\$3,292	42,897
Total liabilities and fund balances.....	<u>\$27,124</u>	<u>\$16,011</u>	<u>\$8,305</u>	<u>\$3,292</u>	<u>\$54,732</u>

The accompanying notes are an integral part of this statement.

CITY OF MOUNTAIN BROOK, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 1987

	Federal Revenue Sharing	Seven Cent Gasoline Tax	Four Cent Gasoline Tax	Two Cent Gasoline Tax	Total
REVENUES:					
State shared gasoline taxes.....		\$163,109	\$83,924	\$5,551	\$252,584
Revenue sharing entitlement.....	\$ 1,200				1,200
Interest income.....	2,685	211	182	43	3,121
Total revenues.....	3,885	163,320	84,106	5,594	256,905
EXPENDITURES:					
Street maintenance.....		138,085	90,989	2,750	231,824
Capital outlay.....	34,125				34,125
Total expenditures.....	34,125	138,085	90,989	2,750	265,949
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES.....					
	(30,240)	25,235	(6,883)	2,844	(9,044)
FUND BALANCE - September 30, 1986.....	57,364	(16,847)	10,976	448	51,941
FUND BALANCE - September 30, 1987.....	\$27,124	\$ 8,388	\$ 4,093	\$3,292	\$ 42,897

The accompanying notes are an integral part of this statement.

CITY OF MOUNTAIN BROOK, ALABAMA
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - FEDERAL REVENUE SHARING
 FOR THE YEAR ENDED SEPTEMBER 30, 1987

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Revenue sharing entitlement.....	\$ 2,000	\$ 1,200	\$ (800)
Interest income.....	<u> </u>	<u>2,685</u>	<u>2,685</u>
Total revenue.....	<u>2,000</u>	<u>3,885</u>	<u>1,885</u>
EXPENDITURES:			
Capital outlay.....	<u>52,000</u>	<u>34,125</u>	<u>17,875</u>
Excess of revenues over expenditures.....	(50,000)	(30,240)	19,760
FUND BALANCE - September 30, 1986.	<u>57,364</u>	<u>57,364</u>	<u> </u>
FUND BALANCE - September 30, 1987.	<u>\$ (7,364)</u>	<u>\$ 27,124</u>	<u>\$ 19,760</u>

The accompanying notes are an integral part of this statement.

CITY OF MOUNTAIN BROOK, ALABAMA
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SEVEN CENT GASOLINE TAX
FOR THE YEAR ENDED SEPTEMBER 30, 1987

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
State shared gasoline taxes.....	\$170,000	\$163,109	\$(6,891)
Interest income.....	<u> </u>	<u>211</u>	<u>211</u>
Total revenue.....	<u>170,000</u>	<u>163,320</u>	<u>(6,680)</u>
EXPENDITURES:			
Street maintenance.....	<u>170,000</u>	<u>138,085</u>	<u>31,915</u>
Excess of revenues over expenditures.....		25,235	25,235
FUND BALANCE - September 30, 1986.	<u>(16,847)</u>	<u>(16,847)</u>	<u> </u>
FUND BALANCE - September 30, 1987.	<u>\$(16,847)</u>	<u>\$ 8,388</u>	<u>\$25,235</u>

The accompanying notes are an integral part of this statement.

CITY OF MOUNTAIN BROOK, ALABAMA
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - FOUR CENT GASOLINE TAX
 FOR THE YEAR ENDED SEPTEMBER 30, 1987

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
State shared gasoline taxes.....	\$93,000	\$83,924	\$(9,076)
Interest income.....	<u> </u>	<u>182</u>	<u>182</u>
Total revenue.....	<u>93,000</u>	<u>84,106</u>	<u>(8,894)</u>
EXPENDITURES:			
Street maintenance.....	<u>93,000</u>	<u>90,989</u>	<u>2,011</u>
Excess of revenues over expenditures.....		(6,883)	(6,883)
FUND BALANCE - September 30, 1986..	<u>10,976</u>	<u>10,976</u>	<u> </u>
FUND BALANCE - September 30, 1987..	<u>\$10,976</u>	<u>\$ 4,093</u>	<u>\$(6,883)</u>

The accompanying notes are an integral part of this statement.

CITY OF MOUNTAIN BROOK, ALABAMA
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - TWO CENT GASOLINE TAX
 FOR THE YEAR ENDED SEPTEMBER 30, 1987

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
State shared gasoline tax.....	\$3,000	\$5,551	\$2,551
Interest.....	<u> </u>	<u> 43</u>	<u> 43</u>
Total revenue.....	<u> 3,000</u>	<u> 5,594</u>	<u> 2,594</u>
EXPENDITURES:			
Street maintenance.....	<u> 3,000</u>	<u> 2,750</u>	<u> 250</u>
Excess of revenues over expenditures.....		2,844	2,844
FUND BALANCE - September 30, 1986....	<u> 448</u>	<u> 448</u>	<u> </u>
FUND BALANCE - September 30, 1987....	<u> \$ 448</u>	<u> \$3,292</u>	<u> \$2,844</u>

The accompanying notes are an integral part of this statement.

CITY OF MOUNTAIN BROOK, ALABAMA
DEBT SERVICE FUND
BALANCE SHEET AND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1987

BALANCE SHEET

-ASSETS-

Cash.....	\$ <u>7,697</u>
Total assets.....	\$ <u><u>7,697</u></u>

-FUND BALANCE-

Reserved for debt service.....	\$ <u><u>7,697</u></u>
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STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

REVENUES:	
Interest.....	\$ <u>215</u>
EXPENDITURES:	
Debt service.....	<u>139,775</u>
Excess (deficiency) of revenues over expenditures.....	(139,560)
OTHER FINANCING SERVICES:	
Operating transfers in.....	<u>142,762</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses.....	3,202
FUND BALANCE - September 30, 1986.....	<u>4,495</u>
FUND BALANCE - September 30, 1987.....	\$ <u><u>7,697</u></u>

The accompanying notes are an integral part of this statement.

CITY OF MOUNTAIN BROOK, ALABAMA
 COMBINING BALANCE SHEET - CAPITAL PROJECT FUNDS
 SEPTEMBER 30, 1987

	City Capital Projects	Park and Recreation Capital Projects	Athletic Park Fund	Sewer Capital Project	Total
-ASSETS-					
Cash and time deposits.....	\$281,454	\$18,931	\$1,231,708	\$150,157	\$1,682,250
Temporary cash investments.....	463,211				463,211
Interest receivable.....	7,132				7,132
Due from General Fund.....	9,489				9,489
Total assets.....	<u>\$761,286</u>	<u>\$18,931</u>	<u>\$1,231,708</u>	<u>\$150,157</u>	<u>\$2,162,082</u>
-LIABILITIES AND FUND BALANCE-					
Accounts payable.....	\$ 8,550				\$ 8,550
Notes payable.....	120,000				120,000
Total liabilities.....	<u>128,550</u>				<u>128,550</u>
Fund balance.....	<u>632,736</u>	<u>\$18,931</u>	<u>\$1,231,708</u>	<u>\$150,157</u>	<u>2,033,532</u>
Total liabilities and fund balances.....	<u>\$761,286</u>	<u>\$18,931</u>	<u>\$1,231,708</u>	<u>\$150,157</u>	<u>\$2,162,082</u>

The accompanying notes are an integral part of this statement.

CITY OF MOUNTAIN BROOK, ALABAMA
 CAPITAL PROJECTS FUND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 1987

	<u>City</u>	<u>Park and Recreation</u>	<u>Athletic Park</u>	<u>Sewer Capital Project</u>	<u>Total</u>
REVENUE:					
Investment earnings.....	\$ 41,560	\$ 620	\$ 18,925	\$ 157	\$ 61,262
Total revenue.....	<u>41,560</u>	<u>620</u>	<u>18,925</u>	<u>157</u>	<u>61,262</u>
EXPENDITURES:					
Capital expenditures:					
General government.....	7,982				7,982
Public safety.....	69,461				69,461
Streets and sanitation.....	52,516				52,516
Cultural and recreational.....			3,968		3,968
Interest expense.....	<u>5,716</u>				<u>5,716</u>
Total expenditures.....	<u>135,675</u>		<u>3,968</u>		<u>139,643</u>
Excess (deficiency) of revenues over expenditures.....	<u>(94,115)</u>	<u>620</u>	<u>14,957</u>	<u>157</u>	<u>(78,381)</u>
OTHER FINANCING SOURCES:					
Loan proceeds.....			1,000,000		1,000,000
Transfers in.....	157,904	3,612			161,516
Donations.....			<u>216,751</u>		<u>216,751</u>
	<u>157,904</u>	<u>3,612</u>	<u>1,216,751</u>		<u>1,378,267</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses.....	63,789	4,232	1,231,708	157	1,299,886
FUND BALANCE - September 30, 1986.....	568,947	14,699			583,646
RESIDUAL EQUITY TRANSFER IN.....				<u>150,000</u>	<u>150,000</u>
FUND BALANCE - September 30, 1987.....	<u>\$632,736</u>	<u>\$18,931</u>	<u>\$1,231,708</u>	<u>\$150,157</u>	<u>\$2,033,532</u>

The accompanying notes are an integral part of this statement.

CITY OF MOUNTAIN BROOK, ALABAMA
SPECIAL ASSESSMENT FUND
BALANCE SHEET AND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1987

BALANCE SHEET

	<u>Total</u>
-ASSETS-	
Cash and temporary cash investments.....	\$14,147
Assessments receivable.....	5,184
Interest receivable.....	2,818
Total assets.....	\$22,149
-LIABILITIES AND FUND BALANCE-	
Cash overdraft.....	\$21,555
Fund balance.....	594
Total liabilities and fund equity.....	\$22,149

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE

REVENUE:	
Interest.....	\$ 1,206
FUND BALANCE - September 30, 1986.....	(612)
FUND BALANCE - September 30, 1987.....	\$ 594

The accompanying notes are an integral part of this statement.

CITY OF MOUNTAIN BROOK, ALABAMA
STATEMENT OF GENERAL FIXED ASSETS
SEPTEMBER 30, 1987

GENERAL FIXED ASSETS:

Land.....	\$ 192,591
Buildings.....	2,320,959
Equipment.....	2,795,104
Construction in progress.....	<u>28,748</u>
Total.....	5,337,402
Less: Accumulated depreciation.....	<u>2,521,565</u>
INVESTMENT IN GENERAL FIXED ASSETS, NET.....	<u>\$2,815,837</u>

The accompanying notes are an integral part of this statement.

CITY OF MOUNTAIN BROOK, ALABAMA
STATEMENT OF LONG-TERM OBLIGATIONS
SEPTEMBER 30, 1987

	1987
AMOUNT AVAILABLE AND TO BE PROVIDED FOR THE PAYMENT OF LONG-TERM OBLIGATIONS:	
Amount available in sinking funds:	
Debt service fund.....	\$ 7,697
To be provided in future years.....	<u>1,519,689</u>
Total available and to be provided.....	<u><u>\$1,527,386</u></u>
LONG-TERM OBLIGATIONS:	
General capital debt:	
School warrants payable.....	\$ 125,000
G. O. Warrants.....	1,000,000
Note payable, library.....	75,000
Compensated absences (vacations).....	<u>327,386</u>
Total long-term obligations.....	<u><u>\$1,527,386</u></u>

The accompanying notes are an integral part of this statement.

SUPPLEMENTARY DATA

CITY OF MOUNTAIN BROOK, ALABAMA
 SCHEDULE OF COMPUTATION OF LEGAL DEBT MARGIN
 SEPTEMBER 30, 1987

Assessed value of real and personal property.....		<u>\$116,194,443*</u>
Debt limit, 20 percent of assessed value (A).....		\$ 23,238,889
Outstanding long-term debt.....	\$1,200,000	
Less warrants exempted from legal debt:		
School building warrants.....	<u>(125,000)</u>	<u>1,075,000</u>
Legal debt margin as of October 1, 1987....		<u>\$ 22,163,889</u>

(A) Section 225, as amended, Constitution of State of Alabama, limits debt for cities having a population 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.

* Source: Jefferson County Tax Assessor.