

**CITY OF MOUNTAIN BROOK, ALABAMA**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2003**

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

**SEPTEMBER 30, 2003**

**MAYOR**

The Honorable Lawrence T. Oden

**CITY COUNCIL**

Mr. Thomas C. Clark, Jr., President

Ms. Alice M. Williams

Mr. William J. Long

Mr. William S. Pritchard, III

Ms. Virginia C. Smith

**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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**Mackle  
Splawn  
Tindall &  
McDonald, LLP**  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Mountain Brook, Alabama (the City) as of and for the year ended September 30, 2003, 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 *Governmental Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of September 30, 2003.

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 and budgetary comparison information on pages 6 through 13 and page 43, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 21, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

## CITY OF MOUNTAIN BROOK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Mountain Brook (City) has adopted the new reporting model required by the Governmental Accounting Standards Board (GASB) as of and for the year ended September 30, 2003. The management of the City has prepared this narrative overview and analysis of the City's financial activities to facilitate the users' understanding of the annual report and draw attention to items of interest.

### FINANCIAL HIGHLIGHTS

- Assets of the City exceeded its liabilities at September 30, 2003, by \$60 million (Total Net Assets). Of this amount, \$18 million (Unrestricted Net Assets) is available to be used by the City to fund future municipal services and to meet its obligations to employees and creditors. Virtually all of the remaining \$42 million represents the net book value of the City's capital assets including infrastructure.
- The Total Net Assets increased by \$2.6 million in 2003 which includes the net cost of providing core City services of \$15.8 million plus \$18.4 million in General Revenues.
- As of September 30, 2003, the City reported \$20 million in unreserved fund balance, an increase of \$2.2 million in comparison with 2002. Of the \$20 million unreserved fund balance, \$3.2 million (17%) is reported in the General Fund, \$5.8 million (29%) in the Debt Service Fund, and \$9.9 million (50%) in the Capital Projects Fund.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The Statement of Activities illustrates how the City's net assets changed during fiscal 2003. 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 twofold—namely the gross and net cost of the various governmental activities which are funded by the City's general tax and other revenues. The purpose of this statement is to simplify the analysis of the cost of various governmental services.

**CITY OF MOUNTAIN BROOK**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

***Fund Financial Statements***

The fund financial statements have been prepared under the modified cash 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 thirteen (13) governmental funds. The City considers the General Fund, Debt Service, and Capital Projects (which is comprised of four “sub-funds”) funds all to be major funds and their respective balance sheets and statements of revenues, expenditures, and changes in fund balance are separately reported. Information from the remaining funds have been aggregated and reported in a single column. Additional information about these aggregated non-major funds and the major funds is provided in the other supplementary information.

***Infrastructure Capital Assets***

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

	Useful <u>Life</u>	<u>Cost</u>	2003 <u>Depreciation</u>	Accumulated <u>Depreciation</u>
Land	N/A	\$15,699,592	\$ N/A	\$ N/A
Streets and alleys	20	12,413,294	393,587	7,398,369
Storm sewers	20	1,313,461	56,271	379,768
Sidewalks	15	5,666,799	371,960	2,498,677
Park facilities	10-75	5,426,291	177,235	1,974,939
Street lights and signs	15	656,628	24,511	362,346
Library reference materials	5	<u>2,182,288</u>	<u>203,716</u>	<u>1,630,030</u>
Total cost		<u>\$43,358,353</u>	<u>\$ 1,227,280</u>	<u>\$14,244,129</u>

**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>2003</u>	<u>2002</u>
Current and other assets	\$22,321,311	\$19,891,477
Capital assets	<u>43,225,749</u>	<u>43,133,787</u>
Total assets	65,547,060	63,025,264
Current and other liabilities	2,829,509	2,607,047
Long-term liabilities	<u>2,329,129</u>	<u>2,659,640</u>
Total liabilities	<u>5,158,638</u>	<u>5,266,687</u>
Net assets:		
Invested in capital assets, net of related debt	42,420,749	41,903,787
Restricted	115,033	125,962
Unrestricted	<u>17,852,640</u>	<u>15,728,828</u>
Total net assets	<u>\$60,388,422</u>	<u>\$57,758,577</u>

This being the year of implementing GASB Statement No. 34, comparative revenues and expenses are not presented. In future years, a comparative analysis of the government-wide data will be presented.

	<u>2003</u>
Revenues	
Program revenues	
Fees, fines and charges for services	\$ 5,023,773
Operating grants and contributions	951,339
Capital grants and contributions	1,033,410
General revenues	
Ad valorem taxes	9,476,360
Sales and use taxes	6,005,138
Other taxes	193,222
Occupational license fees	905,432
Utility taxes	941,086
Franchise fees	347,898
Investment earnings	454,425
Gain on sale of capital assets	15,046
Miscellaneous revenue	22,634
Other operating grants and contributions	<u>4,831</u>
Total revenues	<u>\$25,374,594</u>

## CITY OF MOUNTAIN BROOK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses	
General government	3,812,094
Public safety	10,034,225
Street and sanitation	5,807,496
Recreational	1,140,285
Library	<u>1,950,649</u>
Total expenses	<u>22,744,749</u>
Increase in net assets from operating activities	2,629,845
Net assets, beginning of year	<u>57,758,577</u>
Net assets, end of year	<u>\$60,388,422</u>

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

##### **Revenues**

The City's primary source of revenue is real estate ad valorem taxes which comprise 36% of total General Fund revenues. Real estate ad valorem taxes increased by \$245,000 (3%) during 2003 due to 1) the annexation of certain properties during the year, and 2) increased property valuations due to redevelopment. The City estimates that real estate ad valorem taxes will increase by 25% in fiscal 2004 as a result of the county-wide property reassessments conducted by the Jefferson County Commission. The last such reassessment occurred in 2000.

The second largest source of revenue for the City is sales and use tax which totals 24% of the total General Fund revenues. Sales and use tax increased by \$195,000 (4%) during 2003 breaking a four-year trend of relatively no growth. Sales tax revenue growth has been stalled in recent years due largely to the development of competing shopping areas in adjoining communities and, in more recent years, the state of the economy.

Business license fees make up 7% of the City's General Fund revenues. Business license fees decreased by \$65,000 in 2003 due largely to the recognition in 2002 of certain business license fees spanning several fiscal years which had been held in escrow pending the successful settlement of a legal dispute.

**CITY OF MOUNTAIN BROOK**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Following is a comparative summary of the major revenues:

	<u>2003</u>	<u>2002</u>	Increase (Decrease)
Real estate ad valorem tax	\$ 8,422,094	\$ 8,177,532	\$ 244,562
Sales and use tax	5,701,970	5,506,591	195,379
Business licenses	1,567,743	1,632,925	(65,182)
Personal property ad valorem tax	1,054,267	967,329	86,938
Garbage service fees	1,443,383	1,459,625	(16,242)
Occupational tax	905,432	945,302	(39,870)
Utility taxes	941,086	1,007,657	(66,571)
All other General Fund revenues	<u>3,563,191</u>	<u>3,573,094</u>	<u>(9,903)</u>
 Total	 <u>\$ 23,599,166</u>	 <u>\$23,270,055</u>	 <u>\$ 329,111</u>

***Expenditures***

Salaries and benefits increased \$723,000 (6%) in 2003 to \$13.1 million. Labor-related costs make up almost 60% of the City's total budget.

The City has two general obligation warrant issues outstanding as of September 30, 2003, totaling \$805,000 (See note 5). In 2002, the City repaid the balance of the \$2 million General Obligation Warrants, Series 2000, which had been issued to finance the construction of the City's new library building. The debt service payments applicable to the Series 2000 issue were paid largely from donations to the City from the Mountain Brook Library Foundation which administered a capital fund-raising campaign for the benefit of the City's library board.

Following is comparative summary of the major expenditure categories (all funds combined) of the City:

	<u>2003</u>	<u>2002</u>	<u>Percentage</u>
Salaries and benefits	\$13,110,365	\$12,387,796	57%
Garbage contract fees	2,322,700	2,216,659	10
Capital outlay	2,347,096	2,063,389	10
Intergovernmental services	644,260	581,946	3
City School Board subsidy	850,000	850,000	4
Birmingham Zoo, Inc., subsidy	100,000	100,000	0
Debt service	475,341	2,266,233	2
All other	<u>3,329,663</u>	<u>3,355,860</u>	<u>14</u>
 Total	 <u>\$23,179,425</u>	 <u>\$23,821,883</u>	 <u>100%</u>

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

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

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

- Actual revenue exceeded budgeted revenue by \$482,000 (2%).
- Actual expenditures were \$229,000 (1%) less than finally budgeted.
- The deficiency of revenues and other financing sources under expenditures was \$761,000 less than budgeted.
- The original and final General Fund budgets differed (by \$3.9 million) due largely to the following:
  - 1) City Council's decision during 2003 to transfer from the General Fund to the Debt Service Fund \$5 million as a reserve for the \$7.1 million actuarial unfunded pension liability (Note 6). With the 2003 transfer, the City has reserved in the Debt Service Fund \$5.8 million for such purpose.
  - 2) A delay of certain state-administered, grant-funded sidewalk construction projects (Note 8) which required a 20% matching contribution was originally scheduled to be done and budgeted in fiscal 2003. The delay of such matching contributions resulted in a budget change of \$226,000.
  - 3) Revisions to certain revenue and expense projections later in the fiscal year when more information was available.

***Other Matters of Interest***

***Pension Plan***

As more fully described in Note 6 (pages 35-38), 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, 2002.

As of September 30, 2002, the RSA reported an unfunded actuarial accrued liability of \$7.1 million (page 37). However, the actuarial valuation of the plan assets (\$26.6 million) used to determine the unfunded actuarial accrued liability includes the accumulation of net market losses (realized and unrealized) over the preceding five years of \$5.1 million due to the 5-year smoothed market approach of valuing such assets (page 38).

Due to growing concerns about the \$12.2 million unfunded pension obligation, the City Council has authorized the accumulation of cash reserves in the Debt Service Fund which may ultimately be necessary to pay toward the unfunded pension obligation. As of September 30, 2003, the City has accumulated \$5.8 million in the Debt Service Fund (page 16) for such purpose.

**CITY OF MOUNTAIN BROOK**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

***Cash and Temporary Investments***

As of September 30, 2003, the City reported cash and temporary investments of \$20.8 million (page 14) which consists of unrestricted and donor-restricted cash and temporary investments of \$20.7 million and \$103,000, respectively. Following is a summary of the carrying value of the cash and investments by fund (see also Note 2, page 32):

	<b>Unrestricted</b>	<b>Restricted</b>
General Fund	\$ 4,140,985	\$ 102,848
Debt Service Fund	5,760,503	0
Capital Projects Fund	9,992,252	0
Other Governmental Funds (see also page 45)	<u>810,108</u>	<u>0</u>
<b>Total</b>	<b>\$ <u>20,703,848</u></b>	<b>\$ <u>102,848</u></b>

The Council has expressed its goal to maintain a cash reserve in the General Fund equivalent to six months of operating expenses. The \$4.1 million dollar cash and investment balance as of September 30, 2003, represents approximately 2-1/2 months of operating expenses.

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

Regarding capital assets, the City Council has adopted the policy of funding its depreciation expense in order to accumulate monies for the eventual replacement of property, plant and equipment. As of September 30, 2003, the City had accumulated approximately \$10 million in the Capital Projects Fund for such purpose (see also page 47). Accumulated depreciation (considered by management to be the benchmark with respect to measuring the funding status of the property, plant and equipment replacement reserve) totaled \$23 million as of year end. Following is a summary of the capital expenditures, depreciation expense and transfers to the Capital Projects for the year ended September 30, 2003:

Capital expenditures and annexation (pages 19 and 33)	\$ <u>2,440,824</u>
Depreciation expense (pages 19 and 34)	\$ <u>2,344,475</u>
Transfers to the Capital Projects Fund:	
Funded depreciation policy	\$ 1,048,132
Other transfers to fund current year acquisitions	<u>1,075,688</u>
<b>Total (page 18)</b>	<b>\$ <u>2,123,820</u></b>

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

**Revenues**

State shared gasoline tax revenues	\$ 397,179
Alabama Trust Fund Earnings	80,828

CITY OF MOUNTAIN BROOK

MANAGEMENT'S DISCUSSION AND ANALYSIS

Transfers from the City's General Fund	100,000
Investment earnings	<u>6,234</u>
<b>Total Revenues</b>	<b>584,241</b>
Street paving expenditures incurred for the year (included in capital expenditures reported in the preceding section)	<u>691,087</u>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(106,846)</b>
Fund balances, beginning of the year	<u>370,121</u>
<b>Fund Balances, end of the year</b>	<b>\$ <u>263,275</u></b>

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

Streets and alleys (cost)	\$ <u>12,413,294</u>
Accumulated depreciation	\$ 7,398,369
Depreciation expense	<u>393,587</u>
Average age of streets and alleys (years)	<u>18.8</u>

**Requests for Additional Information**

The financial report is designed to provide the residents of the City, investors, creditors and other users with a general overview of the City's finances. Inquiries about this report or requests for additional information may be directed to the City Clerk at P. O. Box 130009, Mountain Brook, Alabama 35213.

**City of Mountain Brook, Alabama**  
**Government-Wide Statement of Net Assets**  
**September 30, 2003**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and temporary investments	\$ 20,806,696
Receivables	1,464,964
Due from related organization	37,248
Inventory and prepaid expenses	12,403
Property and equipment, net	<u>43,225,749</u>
<b>TOTAL ASSETS</b>	<u>65,547,060</u>
<b>LIABILITIES</b>	
Accounts payable	927,006
Accrued salaries and wages	613,515
Accrued interest payable	9,861
Due to related organization	51,102
Other current liabilities	809,407
Non-current liabilities	
Due within one year:	
Compensated absences	165,618
Long-term debt	253,000
Due in more than one year:	
Compensated absences	1,460,462
Long-term debt	552,000
Other liabilities	<u>316,667</u>
Total Liabilities	<u>5,158,638</u>
<b>Pension obligation (see note 6)</b>	
<b>NET ASSETS</b>	
Invested in capital assets (net of related debt)	42,420,749
Restricted	115,033
Unrestricted	<u>17,852,640</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 60,388,422</u>

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**City of Mountain Brook, Alabama**  
**Government-Wide Statement of Activities**  
**For the Year Ended September 30, 2003**

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 3,812,094	\$ 1,925,556	\$ 708,319	\$ 0
Public safety	10,034,225	1,433,548	43,194	36,213
Street and sanitation	5,807,496	1,499,912	18,592	646,967
Recreational	1,140,285	101,906	125,520	350,230
Library	1,950,649	62,851	55,714	0
<b>Total</b>	<b>\$ 22,744,749</b>	<b>\$ 5,023,773</b>	<b>\$ 951,339</b>	<b>\$ 1,033,410</b>

**General revenues:**

Taxes:

    Ad Valorem (real and personal property)

    Sales and use

    Other taxes

Occupational license fees

Utility taxes

Franchise Fees

Investment earnings

Gain on sale of capital asset

Miscellaneous revenues

Other operating grants and contributions

    Total general revenues and transfers

    Change in net assets

Net assets at beginning of year

**Net assets at end of year**

**Total Net  
(Expense)  
Revenue and  
Changes in Net  
Assets**

---

\$ (1,178,219)  
(8,521,270)  
(3,642,025)  
(562,629)  

---

(1,832,084)  

---

(15,736,227)

9,476,360  
6,005,138  
193,222  
905,432  
941,086  
347,898  
454,425  
15,046  
22,634  
4,831  

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18,366,072  

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2,629,845  

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57,758,577  

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**\$ 60,388,422**

**City of Mountain Brook, Alabama**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2003**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and temporary investments	\$ 4,140,985	\$ 5,760,503	\$ 9,992,252	\$ 810,108	\$ 20,703,848
Cash and temporary investments - restricted	102,848	0	0	0	102,848
Receivables	1,386,629	0	0	78,335	1,464,964
Due from related organization	37,248	0	0	0	37,248
Due from other funds	0	0	0	6,212	6,212
Inventory and prepaid expenses	12,403	0	0	0	12,403
<b>TOTAL ASSETS</b>	<b><u>\$ 5,680,113</u></b>	<b><u>\$ 5,760,503</u></b>	<b><u>\$ 9,992,252</u></b>	<b><u>\$ 894,655</u></b>	<b><u>\$ 22,327,523</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$ 776,981	\$ 0	\$ 63,564	\$ 86,461	\$ 927,006
Accrued salaries and wages	613,515	0	0	0	613,515
Due to related organization	51,102	0	0	0	51,102
Other liabilities	709,407	0	0	0	709,407
Due to other funds	6,212	0	0	0	6,212
Accrued compensated absences	165,618	0	0	0	165,618
<b>Total Liabilities</b>	<b><u>2,322,835</u></b>	<b><u>0</u></b>	<b><u>63,564</u></b>	<b><u>86,461</u></b>	<b><u>2,472,860</u></b>
<b>Pension obligation (see note 6)</b>					
<b>FUND EQUITY</b>					
Fund balance:					
Reserved	115,033	0	0	0	115,033
Unreserved	3,242,245	5,760,503	9,928,688	808,194	19,739,630
<b>Total fund equity</b>	<b><u>3,357,278</u></b>	<b><u>5,760,503</u></b>	<b><u>9,928,688</u></b>	<b><u>808,194</u></b>	<b><u>19,854,663</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 5,680,113</u></b>	<b><u>\$ 5,760,503</u></b>	<b><u>\$ 9,992,252</u></b>	<b><u>\$ 894,655</u></b>	<b><u>\$ 22,327,523</u></b>

**City of Mountain Brook, Alabama**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**September 30, 2003**

Fund balance - total governmental funds	\$	19,854,663
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Governmental capital assets	\$ 66,007,315	
Less accumulated depreciation	<u>(22,781,566)</u>	43,225,749

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

Governmental bonds payable	(805,000)	
Compensated absences	(1,460,462)	
Accrued interest payable	(9,861)	
Accrued zoo consortium payable	<u>(416,667)</u>	<u>(2,691,990)</u>

<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u><u>60,388,422</u></u></b>
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**City of Mountain Brook, Alabama**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended September 30, 2003**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Revenues:</b>			
Taxes	\$ 18,351,016	\$ 0	\$ 0
Licenses and permits	2,380,437	0	0
Intergovernmental	37,248	0	0
Charges for services	1,952,285	0	0
Fines and forfeitures	364,031	0	0
Grants	32,748	0	46,213
Other operating revenues	481,401	5,381	215,197
<b>Total revenues</b>	<u>23,599,166</u>	<u>5,381</u>	<u>261,410</u>
<b>Expenditures:</b>			
<b>Current (operating):</b>			
General government	3,567,118	0	78,880
Public safety	9,296,302	0	652,749
Street and sanitation	4,867,624	0	452,160
Recreational	872,860	0	61,184
Library	1,619,857	0	0
Debt service:			
Principal	0	425,000	0
Interest	0	50,341	0
<b>Total expenditures</b>	<u>20,223,761</u>	<u>475,341</u>	<u>1,244,973</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>3,375,405</u>	<u>(469,960)</u>	<u>(983,563)</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	0	5,475,718	2,123,820
Operating transfers out	(7,271,076)	0	0
Donations	40,248	0	0
<b>Total other financing sources (uses)</b>	<u>(7,230,828)</u>	<u>5,475,718</u>	<u>2,123,820</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<u>(3,855,423)</u>	<u>5,005,758</u>	<u>1,140,257</u>
<b>Fund balances, beginning of year</b>	<u>7,212,701</u>	<u>754,745</u>	<u>8,788,431</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 3,357,278</u>	<u>\$ 5,760,503</u>	<u>\$ 9,928,688</u>

See accompanying notes to basic financial statements.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 397,179	\$ 18,748,195
0	2,380,437
252,394	289,642
303,648	2,255,933
116,626	480,657
0	78,961
98,106	800,085
<u>1,167,953</u>	<u>25,033,910</u>
165,064	3,811,062
281,169	10,230,220
691,087	6,010,871
98,030	1,032,074
0	1,619,857
0	425,000
0	50,341
<u>1,235,350</u>	<u>23,179,425</u>
<u>(67,397)</u>	<u>1,854,485</u>
347,350	7,946,888
(675,812)	(7,946,888)
135,861	176,109
<u>(192,601)</u>	<u>176,109</u>
(259,998)	2,030,594
<u>1,068,192</u>	<u>17,824,069</u>
\$ <u>808,194</u>	\$ <u>19,854,663</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, 2003**

Net change in fund balances - total governmental funds \$ 2,030,594

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

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	\$ 2,440,824	
Less current year depreciation	<u>(2,344,475)</u>	96,349

The net effect of transactions involving the sale of capital assets is to decrease net assets. (4,385)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 425,000

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	(22,491)	
Change in accrued interest payable	4,778	
Change in accrued zoo consortium payable	<u>100,000</u>	<u>82,287</u>

**Change in net assets of governmental activities \$ 2,629,845**

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 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 terms of the current administration are scheduled to expire September 30, 2004. 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. For the fiscal year ended September 30, 2003, the City implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial presentation format has been implemented.

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 2003, the City reported the following revenues from the Board:

	<u>General Fund</u>	<u>Special Revenue</u>
Occupational taxes	\$ 113,100	\$ 0
DARE Program subsidy	0	43,194
Athletic fields shared maintenance	37,248	0
Athletic fields capital and shared maintenance	0	209,200
Sewer service fees	7,200	0
<b>Total</b>	<u>\$ 157,548</u>	<u>\$ 252,394</u>

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

B. Related organizations (continued)

At September 30, 2003, the City reported receivables from the Board in the amounts as follows (see note 3):

	General Fund	Special Revenue
Receivables	\$ <u>37,248</u>	\$ <u>0</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, 2003, the City owed the Board \$51,102 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). During 2002, the City reported the following transactions in conjunction with the above joint venture which are included in the Other Governmental Funds in the accompanying financial statements:

Revenues

The Board	\$ 100,000
Mountain Brook Athletics, Inc.	50,000
Mountain Brook Soccer Club, Inc.	50,000
Investment income	<u>2,304</u>
<b>Total revenues</b>	<u>202,304</u>

Expenditures

Recreational (operating and maintenance)	124,852
Capital outlay (\$1,069,300 cumulative)	<u>0</u>
<b>Total expenditures</b>	<u>124,852</u>

Other financing sources (uses), net

Transfers from City General Fund	100,000
Transfers to City Capital Projects Fund	(22,279)
Transfers to Debt Service Fund	(167,811)
Donations	<u>0</u>
<b>Net other financing sources (uses)</b>	<u>(90,090)</u>

Excess of revenues and other financing sources over expenditures and other uses	(12,638)
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<b>Fund balance at beginning of the year</b>	<u>148,588</u>
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<b>Fund balance at end of the year</b>	<u>\$ 135,950</u>
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**CITY OF MOUNTAIN BROOK, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS**

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

**B. Related organizations (continued)**

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

In addition, the Board has agreed to pay the City \$109,200 annually through 2007 and the City has agreed to contribute \$15,000 annually through 2007 toward the project. Following are the revenues and expenditures reported in connection with this joint venture which are included in the Special Revenue (Community) Funds in the accompanying financial statements:

<i>Revenues</i>	
The Board	\$ 109,200
Investment income	644
<b>Total revenues</b>	<u>109,844</u>
<i>Expenditures</i>	
Capital outlay (\$1,598,227 to date)	<u>0</u>
<i>Other financing sources (uses), net</i>	
Transfers from City General Fund	15,000
Transfers to Debt Service Fund	(255,030)
Donations (Mountain Brook Sports Corporation)	<u>131,030</u>
Net other financing sources	<u>(109,000)</u>
Excess of revenues and other financing sources over expenditures and other uses	844
<b>Fund balance at beginning of the year</b>	<u>28,605</u>
<b>Fund balance at end of the year</b>	<u><u>\$ 29,449</u></u>

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

**C. Government-wide Financial Statements**

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds and component units that are fiduciary in nature (at year end the City had no fiduciary type activity or component units).

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

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

C. Government-wide Financial Statements

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

D. Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental funds

1. **General Fund**

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

2. **Special Revenue Funds**

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

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

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

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

D. Fund Financial Statements (continued)

Governmental funds (continued)

**3. Debt Service Funds**

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

**4. Capital Project Funds**

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

Major and nonmajor funds

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

The Special Revenue Fund is classified as nonmajor and is described above.

E. Measurement focus and basis of accounting

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

Measurement focus

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

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

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

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

E. Measurement focus and basis of accounting (continued)

Basis of accounting

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

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

F. Budgets and budgetary accounting

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

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

Budget information presented in the financial statements is based on the budget as amended by the City Council on September 22, 2003.

G. Encumbrances

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

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

H. Worker's compensation

The City provides workers' compensation coverage to its employees as required by law. The City has elected to self-insure with respect to its workers' compensation claims risk and has contracted with a third-party administrator to provide claims management services. In order to limit its exposure to claims risk, the City has purchased excess loss insurance coverage. The excess loss insurance pays the remainder of statutory obligations over the first \$250,000 for specific claims and up to \$2,000,000 after the first \$569,900 in the aggregate during the two year policy term. Workers' compensation cost charged by the City and its component unit during 2003 was approximately \$239,000. The accompanying financial statements include an estimated accrual of reported but unpaid workers' compensation claims as of September 30, 2003 in the amount of \$300,000.

I. Cash and temporary investments

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

J. Receivables

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

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

K. Equity classifications

Government-wide Statements

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

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

K. Equity classifications (continued)

Government-wide Statements (continued)

2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

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

L. Long-term debt

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

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

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

M. Compensated absences

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

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

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

M. Compensated absences (continued)

The current portion of the accrued vacation and sick pay at September 30, 2003 reported in the fund financial statements and the government-wide statements totaled \$165,618. The remaining long-term portion of the accrued vacation and sick pay at September 30, 2003 is reported only in the government-wide statements and totaled \$1,460,462. In prior years, the General Fund has liquidated the annual current portion of this compensated absence liability.

N. Longevity pay plan

The City has a longevity pay plan which covers all full-time employees that have completed a minimum of six years of service as of September 30. Longevity pay for a qualifying employee is the product of the percentage factor (which is based on the number of years of completed 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 liability to a total of \$400,000. The City has adopted the informal policy of liquidating the liability for longevity pay in November of each year. The liability for longevity pay as of September 30, 2003 reported in the Government-Wide and Fund financial statements totaled \$390,665.

O. Holiday pay

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

P. Pension expense

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

Q. Interfund transactions

During the course of normal operations, the City incurs numerous transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally reported as operating transfers except in instances where the transfer represents the reimbursement to a fund for expenditures incurred for the benefit of another fund. During the current year, the General Fund transferred out \$5,052,877 to the Debt Service Fund to provide resources for the payment of future obligations of the City, \$1,870,849 to the Capital Projects Fund to provide resources for the payment of current year asset acquisitions and \$347,350 to other Governmental funds to provide funding for operations. The other Governmental funds transferred \$422,841 to the Debt Service Fund to provide resources for the payment of future obligations of the City and \$252,971 to the Capital Projects Fund to provide resources for the payment of current year asset acquisition.

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

**CITY OF MOUNTAIN BROOK, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS**

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

**Q. Interfund transactions (continued)**

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. In the funds financial statements, a \$6,212 receivable exists in non-major governmental funds for an amount due from the General fund. The purpose of the interfund receivable balance 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 every five years and the most recent revaluation was conducted during 1999. The 2003 revaluation (to be realized in fiscal 2004) reflects an increase in property values of approximately 25% which will generate an estimated \$2 million annually.

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

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

**CITY OF MOUNTAIN BROOK, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS**

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

**S. Major revenue sources and taxpayers**

The City's primary sources of revenue include ad valorem taxes, sales and use taxes, occupational taxes, and business licenses. Collectively, these taxes and licenses totaled approximately \$17.9 million or 76% of the total General Fund revenues during the year ended September 30, 2003. Of the City's taxpayers, Rich's Department Store, Alabama Power Company, Western Supermarket, Energen Corporation and the Piggly Wiggly grocery store, collectively, provided approximately \$3.4 million or 14% of the City's total General Fund revenues during the year ended September 30, 2003.

**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**

The carrying value of cash and investments at September 30, 2003, was as follows:

	<u>Balance</u>
Pooled cash and equivalents:	
General Fund	\$ 1,388,107
Special Revenue Funds	810,108
Debt Service Fund	5,380,869
Capital Projects Funds	(265,444)
Cash on-hand and other cash and equivalents:	
General fund	127,138
Temporarily Restricted	51,708
Permanently Restricted	12,235
Investments:	
General Fund	2,625,740
Debt Service Fund	379,634
Capital Projects Funds	10,257,696
Temporarily Restricted	952
Permanently Restricted	<u>37,953</u>
<b>Total cash and temporary investments</b>	<b>\$ <u>20,806,696</u></b>

At September 30, 2003, the bank balance or cost, carrying value, and fair value of the cash and temporary investments was as follows:

	<u>Bank Balance or Cost</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Pooled cash and equivalents	\$ 8,531,475	\$ 7,313,640	\$ 7,313,640
Cash on-hand	3,030	3,030	3,030
Other cash and equivalents	221,229	188,051	188,051
Investments:			
Cash and money accounts	130,534	130,534	130,534
Certificates of deposit	6,771,779	6,778,702	6,778,702
U.S. government and agency obligations	6,228,453	6,369,751	6,369,751
Donated equity investment	<u>0</u>	<u>22,988</u>	<u>22,988</u>
<b>Total cash and temporary investments</b>	<b>\$ <u>21,886,500</u></b>	<b>\$ <u>20,806,696</u></b>	<b>\$ <u>20,806,696</u></b>

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

2. Deposits and investments (continued)

Act No. 2000-748 of the Code of Alabama requires that all public funds deposits held in banks be secured by collateral pledged to the Security for Alabama Funds Enhancement (SAFE) collateral pool established in the Office of the State Treasurer. The City's bank deposits were insured by Federal Depository Insurance (FDIC) or collateralized in accordance with Act 2000-748. The City had no uninsured bank deposits at September 30, 2003.

3. Receivables

Receivables at September 30, 2003, consisted of the following:

	General Fund	Special Revenue	Total
Taxes	\$ 1,341,276	\$ 37,154	\$ 1,378,430
Emergency Communication			
District (E-911) surcharge	0	16,181	16,181
Board of Education (Note 1.B.)	37,248	0	37,248
State of Alabama - grants	5,818	0	5,818
Other	39,535	25,000	64,535
<b>Totals</b>	<b>\$ 1,423,877</b>	<b>\$ 78,335</b>	<b>\$ 1,502,212</b>

4. Capital assets

Following is a summary of the changes in the City's capital assets for the year ended September 30, 2003:

	Balance at September 30, 2002	Additions	Disposals/ Retirements/ Completed	Balance at September 30, 2003
<b>Capital assets, not being depreciated:</b>				
Land	\$ 16,557,103	\$ 168,960	\$ 0	\$ 16,726,063
Construction in progress	12,356	27,527	0	39,883
<b>Total capital assets, not being depreciated</b>	<b>16,569,459</b>	<b>196,487</b>	<b>0</b>	<b>16,765,946</b>
<b>Capital assets, being depreciated:</b>				
Land improvements	2,850,284	0	0	2,850,284
Buildings and improvements	7,570,395	173,158	0	7,743,553
Machinery and equipment	9,672,045	1,032,474	(73,342)	10,631,177
Infrastructure	26,977,650	1,038,705	0	28,016,355
<b>Total capital assets, being depreciated</b>	<b>47,070,374</b>	<b>2,244,337</b>	<b>(73,342)</b>	<b>49,241,369</b>
<b>Less accumulated depreciated for:</b>				
Land improvements	145,913	19,860	0	165,773
Buildings and improvements	1,464,578	285,848	0	1,750,426
Machinery and equipment	5,878,708	811,427	(68,957)	6,621,178
Infrastructure	13,016,849	1,227,340	0	14,244,189
<b>Total accumulated depreciation</b>	<b>20,506,048</b>	<b>2,344,475</b>	<b>(68,957)</b>	<b>22,781,566</b>
<b>Total capital assets, being depreciated, net</b>	<b>26,564,326</b>	<b>(100,138)</b>	<b>(4,385)</b>	<b>26,459,803</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 43,133,785</b>	<b>\$ 96,349</b>	<b>\$ (4,385)</b>	<b>\$ 43,225,749</b>

**CITY OF MOUNTAIN BROOK, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS**

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

The Series 2000 warrants were issued to finance a portion of the cost of the construction of a new 38,000 square foot library building. The 2000 warrants were paid off in 2002.

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

The Series 1998-B warrants were issued to finance new construction and renovations of the sports facilities located at the high school which is owned by the Board (Note 1.B.). The City agreed to serve as the fiscal agent with respect to the project. The City refinanced the Series 1998-B warrants after year end (Note 11).

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

<b>Fiscal Year</b>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 253,000	\$ 30,581	\$ 283,581
2005	258,000	19,740	277,740
2006	98,000	11,025	109,025
2007	98,000	7,350	105,350
2008	98,000	3,675	101,675
<b>Totals</b>	<u>\$ 805,000</u>	<u>\$ 72,371</u>	<u>\$ 877,371</u>

**6. Pension plan**

**A. Plan description**

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

Substantially all employees are members of the Employees' Retirement System of Alabama (RSA). Membership is mandatory for covered or eligible employees of the City and its component unit. 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 (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members with more than one year of creditable service or \$5,000 for those with less than one year of service.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

6. Pension plan (continued)

A. Plan description (continued)

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

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

B. Funding

The RSA requires that covered employees contribute to the pension plan at the rate of 5% of compensation (6% for sworn police officers and firefighters). In addition, the RSA requires that the City remit monthly matching contributions to the pension plan. The City's matching contributions are actuarially determined annually and stated as a percentage of covered compensation. The City's actuarially determined matching contribution for the year ended September 30, 2003 was 8.31% of covered compensation. The City's matching contribution for the fiscal year ending September 30, 2004 has been actuarially determined to be 9.83% of covered compensation.

For the year ended September 30, 2003, the City's total compensation was approximately \$10.3 million and the City's total covered compensation used to determine the City's pension contribution was approximately \$9.9 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 2001, the City elected to contribute \$2 million more than the actuarially determined required amount.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

6. Pension plan (continued)  
 B. Funding (continued)

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

Year Ended September 30	Employer Contribution	Employer	Employee	Combined
1995*	5.48%	\$ 254,000	\$ 232,000	\$ 486,000
1996	5.48%	368,000	336,000	704,000
1997	6.70%	515,000	390,000	905,000
1998	8.25%	624,000	390,000	1,014,000
1999	9.45%	729,000	394,000	1,123,000
2000	9.45%	828,000	447,000	1,275,000
2001	9.45%	2,853,000	509,000	3,362,000
2002	9.45%	898,000	537,000	1,435,000

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

C. Trend information

Following is the trend information from the most recent actuarial valuation dated September 30, 2002:

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)

D. Funding progress

Following is the schedule of funding progress obtained from most recent actuarial valuation prepared as of September 30, 2002:

Actuarial Valuation Date Sept. 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Ratio of UAAL to Covered Payroll (b-a)/c
1996	\$11,432,073	\$15,123,539	\$3,691,466	75.6%	\$7,197,023	51.3%
1997	14,482,615	18,815,172	4,332,557	77.0%	7,745,713	55.9%
1998	16,250,881	20,474,800	4,223,919	79.4%	7,901,352	53.5%
1999	18,366,682	21,750,075	3,383,393	84.4%	7,965,312	42.5%
2000	20,708,080	25,584,241	4,876,161	80.9%	8,980,574	54.3%
2001	24,842,909	29,636,890	4,793,981	83.8%	9,282,996	51.6%
2002	26,589,001	33,716,032	7,127,031	78.9%	9,935,345	71.7%

## 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, 2002
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	207
Number of retired members and beneficiaries	36
Annual retirement allowances	\$ 857,861

**7. Post employment benefits**

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

As of September 30, 2003, there were forty retirees covered under the City's post employment health insurance plan. The total cost incurred for post employment health benefits was approximately \$132,000 for the year ended September 30, 2003.

**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 2003 were as follows:

	<u>Amount</u>
Property tax commissions	\$ 169,905
Jefferson County Department of Health	127,076
Maintenance of maps and appraisals	115,924
Personnel Board of Jefferson County	163,944
Birmingham-Jefferson County Transit Authority	59,169
Birmingham Regional Planning Commission	8,242

**CITY OF MOUNTAIN BROOK, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS**

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

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

The City has arranged for an independent contractor, Waste Management Company, Inc., to provide for the collection and disposal of refuse and recyclable materials. The base rates for this service for the year ended September 30, 2003, were \$24.95 per month for single and multiple family residential units and \$30.97 per month for commercial units. The annual cost incurred under this agreement for the year ended September 30, 2003, was approximately \$2,234,000. Total garbage service fee revenues collected by the City from its residents and commercial customers during the year were approximately \$1,443,400. The contract was renewed after September 30, 2003 for a three year term expiring on September 30, 2006 (Note 11). The monthly rates effective October 1, 2003 through September 30, 2006, are \$25.24 and \$31.35 for residential and commercial units, respectively.

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

In connection with the Consortium's purchase of the property and adoption of restrictive covenants, the City of Birmingham (Birmingham) agreed to lease the adjoining zoo property to Birmingham Zoo, Inc. (BZI), a newly formed non-profit private corporation, for a period twenty-five (25) years with two, twenty-five year renewal options. In consideration of Birmingham's agreement to subsidize the operations of BZI and its commitment to leave the zoo at its present location, the Consortium agreed to pay Birmingham annual installments of \$300,000 commencing in fiscal 1999 for a period of 9-1/2 years. The City's share of the consortium commitment is \$100,000 annually through 2007 and \$16,667 on or before February 1, 2008.

## CITY OF MOUNTAIN BROOK, ALABAMA

## NOTES TO FINANCIAL STATEMENTS

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

Construction in progress (Note 4) at September 30, 2003 includes the following projects:

Jail	\$	12,356
Radio repeater		2,000
Sewer package plant improvements		13,465
Landfill master plan		4,386
New sidewalk construction (Phase 3 and 4)		1,319
Irondale furnace		6,357
	\$	<u>39,883</u>

Of the projects above, the City has entered into contracts for only the sewer package plant improvements and sidewalk construction. The improvements to the sewer package plant which serves only the local high school facility are expected to be completed in fiscal 2004 at a cost of \$207,000. Phases 3 and 4 of the new sidewalk construction projects which are being constructed and administered by the Alabama Department of Transportation are also expected to be completed in fiscal 2004. The total cost of the new sidewalks (Phases 3 and 4) are estimated to be \$1.9 million of which the City's share is \$375,000 and remainder to be paid from Congestion Mitigation and Air Quality Improvements Program (CMAQ) federal funds. Contracts have not been executed for the remainder of the above construction projects being considered. These projects are estimated to cost \$500,000 for construction of a new jail (or renovation of the existing jail), \$150,000 for the erection of a radio repeater tower, and \$130,000 for improvements at the Irondale Furnace park facility of which up to 80% is to be paid by a federal grant award. The City has made no plans regarding the landfill site pending completion of the master plan.

**9. Constitutional debt limit**

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

Following are the constitution debt limit and legal debt margin as of October 1, 2003:

Assessed value of taxable real and personal property as provided by the Jefferson County Tax Assessor	\$	<u>322,976,875</u>
Constitutional debt limit, 20 percent of assessed value	\$	64,595,375
Outstanding long-term debt as of September 30, 2003		<u>805,000</u>
Legal Debt Margin as of October 1, 2003	\$	<u>63,790,375</u>

**CITY OF MOUNTAIN BROOK, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS**

**10. Litigation**

The City is a defendant in several related lawsuits where the plaintiffs are seeking damages. The City believes these suits are without merit and the City's liability insurance carrier is vigorously defending the City's position; however, the City may incur costs in the amount of \$125,000 related to these suits. This amount has been accrued in accounts payable of the government- wide and fund financial statements.

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

**11. Subsequent Events**

On October 14, 2003, the City Council adopted an ordinance authorizing the refinancing of the \$490,000 outstanding balance of the Series 1998-B General Obligation Warrants (Note 5). The \$490,000 General Obligation Warrants, Series 2003 are payable annually on July 15 in the amount of \$98,000 beginning July 15, 2004 through July 15, 2008 plus interest. Interest at the rate of 3.75% is payable semiannually on January 15 and July 15.

On November 24, 2003, the City Council adopted a resolution authorizing a three year extension of the solid waste and recycling contract with Waste Management Company, Inc. (Note 8) under the same terms and conditions with respect to the level and frequency of services. Effective October 1, 2003, the City's monthly rates for residential and commercial units will be \$25.24 and \$31.35, respectively. The rates beginning October 1, 2005 (the final year of the three year contract) will increase or decrease by 80% of the change in the consumer price index.

**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, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Taxes	\$ 18,131,750	\$ 18,066,976	\$ 18,351,016	\$ 284,040
Licenses and permits	2,200,400	2,309,900	2,380,437	70,537
Intergovernmental	35,710	35,710	37,248	1,538
Charges for services	2,035,395	1,944,145	1,952,285	8,140
Fines and forfeitures	310,000	320,000	364,031	44,031
Grants	20,162	20,162	32,748	12,586
Other operating revenues	408,300	420,550	481,401	60,851
<b>Total revenues</b>	<u>23,141,717</u>	<u>23,117,443</u>	<u>23,599,166</u>	<u>481,723</u>
<b>Expenditures</b>				
General government	3,510,944	3,590,244	3,567,118	23,126
Public safety	9,523,921	9,508,276	9,296,302	211,974
Street and sanitation	4,901,694	4,918,294	4,867,624	50,670
Recreational	923,983	923,983	872,860	51,123
Library	1,511,629	1,511,629	1,619,857	(108,228)
Debt service	0	0	0	0
<b>Total expenditures</b>	<u>20,372,171</u>	<u>20,452,426</u>	<u>20,223,761</u>	<u>228,665</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>2,769,546</u>	<u>2,665,017</u>	<u>3,375,405</u>	<u>710,388</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	0	0	0	0
Operating transfers (out)	(2,497,617)	(7,281,617)	(7,271,076)	10,541
Donations	33,000	0	40,248	40,248
<b>Total other financing sources (uses)</b>	<u>(2,464,617)</u>	<u>(7,281,617)</u>	<u>(7,230,828)</u>	<u>50,789</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures</b>	304,929	(4,616,600)	(3,855,423)	761,177
Fund balances, beginning of year	<u>7,133,658</u>	<u>7,086,060</u>	<u>7,212,701</u>	<u>0</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 7,438,587</u>	<u>\$ 2,469,460</u>	<u>\$ 3,357,278</u>	<u>\$ 761,177</u>

**SUPPLEMENTARY INFORMATION**

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**CITY OF MOUNTAIN BROOK, ALABAMA**

**COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2003**

	<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	\$ 78,750	\$ 176,920	\$ 22,961	\$ 13,620
Receivables	19,868	11,609	5,677	0
Due from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u>\$ 98,618</u>	<u>\$ 188,529</u>	<u>\$ 28,638</u>	<u>\$ 13,620</u>
<b>LIABILITIES</b>				
Accounts payable	\$ <u>66,130</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<b>Total liabilities</b>	<u>66,130</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND EQUITY</b>				
Fund balance:				
Unreserved	<u>32,488</u>	<u>188,529</u>	<u>28,638</u>	<u>13,620</u>
<b>Total fund equity</b>	<u>32,488</u>	<u>188,529</u>	<u>28,638</u>	<u>13,620</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 98,618</u>	<u>\$ 188,529</u>	<u>\$ 28,638</u>	<u>\$ 13,620</u>

See notes to financial statements.

<u>Emergency Com- munication District</u>	<u>Drug Asset</u>	<u>D.A.R.E. Program</u>	<u>Com- munity Fund</u>	<u>Correc- tions Fund</u>	<u>Totals</u>
\$ 298,882	\$ 1,325	41,532	\$ 176,118	\$ 0	\$ 810,108
16,181	0	0	25,000	0	78,335
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,212</u>	<u>6,212</u>
<u>\$ 315,063</u>	<u>\$ 1,325</u>	<u>\$ 41,532</u>	<u>\$ 201,118</u>	<u>\$ 6,212</u>	<u>\$ 894,655</u>
<u>\$ 8,174</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,945</u>	<u>\$ 6,212</u>	<u>\$ 86,461</u>
<u>8,174</u>	<u>0</u>	<u>0</u>	<u>5,945</u>	<u>6,212</u>	<u>86,461</u>
<u>306,889</u>	<u>1,325</u>	<u>41,532</u>	<u>195,173</u>	<u>0</u>	<u>808,194</u>
<u>306,889</u>	<u>1,325</u>	<u>41,532</u>	<u>195,173</u>	<u>0</u>	<u>808,194</u>
<u>\$ 315,063</u>	<u>\$ 1,325</u>	<u>\$ 41,532</u>	<u>\$ 201,118</u>	<u>\$ 6,212</u>	<u>\$ 894,655</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, 2003**

	<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	\$ 210,629	\$ 124,636	\$ 61,168	\$ 746
Intergovernmental	0	0	0	0
Charges for services	0	0	0	0
Fines and forfeitures	0	0	0	0
Other operating revenues:				
Investment earnings	83,115	3,199	517	231
<b>Total revenues</b>	<u>293,744</u>	<u>127,835</u>	<u>61,685</u>	<u>977</u>
<b>Expenditures</b>				
General government	0	0	0	0
Public safety	0	0	0	0
Street and sanitation	503,833	127,254	60,000	0
Recreational	0	0	0	0
<b>Total expenditures</b>	<u>503,833</u>	<u>127,254</u>	<u>60,000</u>	<u>0</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(210,089)</u>	<u>581</u>	<u>1,685</u>	<u>977</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	100,000	0	0	0
Operating transfers out	0	0	0	0
Donations	0	0	0	0
<b>Net other financing sources (uses)</b>	<u>100,000</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>(110,089)</u>	<u>581</u>	<u>1,685</u>	<u>977</u>
<b>Fund balances, beginning</b>	<u>142,577</u>	<u>187,948</u>	<u>26,953</u>	<u>12,643</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 32,488</u>	<u>\$ 188,529</u>	<u>\$ 28,638</u>	<u>\$ 13,620</u>

See notes to financial statements.

<u>Emergency Com- munication District</u>	<u>Drug Asset</u>	<u>D.A.R.E. Program</u>	<u>Com- munity Fund</u>	<u>Correc- tions Fund</u>	<u>Totals</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 397,179
0	0	43,194	209,200	0	252,394
203,648	0	0	100,000	0	303,648
0	0	0	0	116,626	116,626
<u>6,925</u>	<u>36</u>	<u>642</u>	<u>3,441</u>	<u>0</u>	<u>98,106</u>
<u>210,573</u>	<u>36</u>	<u>43,836</u>	<u>312,641</u>	<u>116,626</u>	<u>1,167,953</u>
0	0	0	0	165,064	165,064
151,723	2,534	43,000	0	83,912	281,169
0	0	0	0	0	691,087
0	0	0	98,030	0	98,030
<u>151,723</u>	<u>2,534</u>	<u>43,000</u>	<u>98,030</u>	<u>248,976</u>	<u>1,235,350</u>
<u>58,850</u>	<u>(2,498)</u>	<u>836</u>	<u>214,611</u>	<u>(132,350)</u>	<u>(67,397)</u>
0	0	0	115,000	132,350	347,350
(203,870)	0	0	(471,942)	0	(675,812)
0	0	0	135,861	0	135,861
<u>(203,870)</u>	<u>0</u>	<u>0</u>	<u>(221,081)</u>	<u>132,350</u>	<u>(192,601)</u>
(145,020)	(2,498)	836	(6,470)	0	(259,998)
<u>451,909</u>	<u>3,823</u>	<u>40,696</u>	<u>201,643</u>	<u>0</u>	<u>1,068,192</u>
<u>\$ 306,889</u>	<u>\$ 1,325</u>	<u>\$ 41,532</u>	<u>\$ 195,173</u>	<u>\$ 0</u>	<u>\$ 808,194</u>

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**CITY OF MOUNTAIN BROOK, ALABAMA**  
**COMBINING BALANCE SHEET - CAPITAL PROJECTS FUNDS**  
**SEPTEMBER 30, 2003**

	<u>City Capital Projects</u>	<u>Village Improvements (One Cent Sales Tax)</u>	<u>Sewer Projects</u>
<b>ASSETS</b>			
Cash and temporary investments	\$ <u>9,485,954</u>	\$ <u>404,605</u>	\$ <u>91,679</u>
<b>TOTAL ASSETS</b>	<b>\$ <u><u>9,485,954</u></u></b>	<b>\$ <u><u>404,605</u></u></b>	<b>\$ <u><u>91,679</u></u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ <u>63,564</u>	\$ <u>0</u>	\$ <u>0</u>
<b>Total liabilities</b>	<b><u>63,564</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>FUND EQUITY</b>			
Fund balance	<u>9,422,390</u>	<u>404,605</u>	<u>91,679</u>
<b>Total fund equity</b>	<b><u>9,422,390</u></b>	<b><u>404,605</u></b>	<b><u>91,679</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ <u><u>9,485,954</u></u></b>	<b>\$ <u><u>404,605</u></u></b>	<b>\$ <u><u>91,679</u></u></b>

See notes to financial statements.

<u>Village Trail System (ISTEA)</u>	<u>Totals</u>
\$ <u>10,014</u>	\$ <u>9,992,252</u>
\$ <u><u>10,014</u></u>	\$ <u><u>9,992,252</u></u>
\$ <u>0</u>	\$ <u>63,564</u>
<u>0</u>	<u>63,564</u>
<u>10,014</u>	<u>9,928,688</u>
<u>0</u>	<u>9,928,688</u>
\$ <u><u>10,014</u></u>	\$ <u><u>9,992,252</u></u>

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**CITY OF MOUNTAIN BROOK, ALABAMA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	<b>City Capital Projects</b>	<b>Village Improvements (One Cent) Sales Tax</b>	<b>Sewer Projects</b>
<b>Revenues</b>			
Revenues - grants	\$ 36,213	\$ 0	\$ 0
Investment earnings	187,210	6,963	1,579
Miscellaneous	19,431	0	0
<b>Total revenues</b>	<u>242,854</u>	<u>6,963</u>	<u>1,579</u>
<b>Expenditures</b>			
General government	78,880	0	0
Public safety	652,749	0	0
Street and sanitation	428,284	0	0
Recreational	61,184	0	0
<b>Total expenditures</b>	<u>1,221,097</u>	<u>0</u>	<u>0</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(978,243)</u>	<u>6,963</u>	<u>1,579</u>
<b>Other financing sources (uses)</b>			
Operating transfers in	2,099,944	0	0
<b>Net other financing sources (uses)</b>	<u>2,099,944</u>	<u>0</u>	<u>0</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	1,121,701	6,963	1,579
<b>Fund balances, beginning</b>	<u>8,300,689</u>	<u>397,642</u>	<u>90,100</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 9,422,390</u>	<u>\$ 404,605</u>	<u>\$ 91,679</u>

See notes to financial statements.

<u>Village Trail System (ISTEA)</u>	<u>Totals</u>
\$ 10,000	\$ 46,213
14	195,766
0	19,431
<u>10,014</u>	<u>261,410</u>
0	78,880
0	652,749
23,876	452,160
0	61,184
<u>23,876</u>	<u>1,244,973</u>
<u>(13,862)</u>	<u>(983,563)</u>
<u>23,876</u>	<u>2,123,820</u>
<u>23,876</u>	<u>2,123,820</u>
10,014	1,140,257
<u>0</u>	<u>8,788,431</u>
<u>\$ 10,014</u>	<u>\$ 9,928,688</u>

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**CITY OF MOUNTAIN BROOK, ALABAMA**

**SCHEDULE OF GENERAL FUND REVENUES BY SOURCE  
FOR THE YEARS ENDED SEPTEMBER 30, 1992 to 2003**

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

See notes to financial statements.

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
\$	6,155,288	\$ 6,171,581	\$ 6,316,472	\$ 8,003,594	\$ 8,100,952	\$ 8,177,532	\$ 8,422,094
	5,283,280	5,514,754	5,603,635	5,671,220	5,564,912	5,506,591	5,701,970
	1,590,230	1,649,459	1,769,634	1,184,120	938,199	945,302	905,432
	782,496	786,231	822,806	813,776	885,880	1,007,657	941,086
	561,643	651,542	735,010	845,199	940,088	967,329	1,054,267
	245,851	250,543	260,666	327,986	334,790	340,021	351,477
	534,258	660,409	624,280	548,064	700,188	931,057	974,690
	<u>15,153,046</u>	<u>15,684,519</u>	<u>16,132,503</u>	<u>17,393,959</u>	<u>17,465,009</u>	<u>17,875,489</u>	<u>18,351,016</u>
	1,459,497	1,727,688	1,694,072	1,598,265	1,565,134	1,632,925	1,567,743
	353,329	397,665	348,737	469,291	478,476	380,206	413,416
	91,055	192,935	178,655	185,652	192,000	218,235	223,181
	90,157	92,039	105,794	119,827	118,368	96,938	124,717
	48,440	49,784	51,138	48,622	48,608	47,100	51,380
	<u>2,042,478</u>	<u>2,460,111</u>	<u>2,378,396</u>	<u>2,421,657</u>	<u>2,402,586</u>	<u>2,375,404</u>	<u>2,380,437</u>
	<u>33,803</u>	<u>115,895</u>	<u>30,383</u>	<u>71,288</u>	<u>70,132</u>	<u>36,297</u>	<u>37,248</u>
	1,273,898	1,323,450	1,305,134	1,329,942	1,414,817	1,459,625	1,443,383
	366,782	377,131	377,442	582,955	997,159	711,632	508,902
	<u>1,640,680</u>	<u>1,700,581</u>	<u>1,682,576</u>	<u>1,912,897</u>	<u>2,411,976</u>	<u>2,171,257</u>	<u>1,952,285</u>
	<u>292,448</u>	<u>306,312</u>	<u>294,946</u>	<u>256,604</u>	<u>287,425</u>	<u>298,824</u>	<u>364,031</u>
	<u>13,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,500</u>	<u>5,738</u>	<u>32,748</u>
	271,571	354,697	284,592	405,151	428,710	268,893	235,998
	49,943	241,407	141,117	243,628	283,182	238,153	245,403
	<u>321,514</u>	<u>596,104</u>	<u>425,709</u>	<u>648,779</u>	<u>711,892</u>	<u>507,046</u>	<u>481,401</u>
\$	<u>19,496,969</u>	<u>20,863,522</u>	<u>20,944,513</u>	<u>22,705,184</u>	<u>23,361,520</u>	<u>23,270,055</u>	<u>23,599,166</u>

CITY OF MOUNTAIN BROOK, ALABAMA

COMPARATIVE BALANCE SHEET - GENERAL FUND  
SEPTEMBER 30, 2003

(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2003 AND 2002)

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Cash and temporary investments	\$ 4,243,833	\$ 7,477,996
Receivables	1,386,629	1,397,869
Due from related organizations	37,248	0
Due from other funds	0	9,132
Inventory and prepaid expenses	<u>12,403</u>	<u>142,449</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>5,680,113</u></b>	<b>\$ <u>9,027,446</u></b>
<b>LIABILITIES</b>		
Accounts payable	776,981	512,354
Accrued salaries and wages	613,515	557,075
Due to related organizations	51,102	0
Other liabilities	709,407	702,569
Due to other funds	6,212	2,876
Accrued compensated absences	<u>165,618</u>	<u>166,512</u>
<b>Total liabilities</b>	<b><u>2,322,835</u></b>	<b><u>1,941,386</u></b>
<b>FUND EQUITY</b>		
Fund balance:		
Reserved	115,033	151,581
Unreserved	<u>3,242,245</u>	<u>6,934,479</u>
<b>Total fund equity</b>	<b><u>3,357,278</u></b>	<b><u>7,086,060</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ <u>5,680,113</u></b>	<b>\$ <u>9,027,446</u></b>

See notes to financial statements.

CITY OF MOUNTAIN BROOK, ALABAMA

COMPARATIVE BALANCE SHEET - CAPITAL PROJECTS FUND  
SEPTEMBER 30, 2003  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2003 AND 2002)

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Cash and temporary investments	\$ 9,992,252	\$ 8,811,802
<b>TOTAL ASSETS</b>	<u>\$ 9,992,252</u>	<u>\$ 8,811,802</u>
<b>LIABILITIES</b>		
Accounts payable	<u>63,564</u>	<u>23,371</u>
<b>Total liabilities</b>	<u>63,564</u>	<u>23,371</u>
<b>FUND EQUITY</b>		
Fund balance:		
Unreserved	<u>9,928,688</u>	<u>8,788,431</u>
<b>Total fund equity</b>	<u>9,928,688</u>	<u>8,788,431</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 9,992,252</u>	<u>\$ 8,811,802</u>

See notes to financial statements.

## CITY OF MOUNTAIN BROOK, ALABAMA

**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2003  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2003 AND 2002)**

	2003	2002
<b>Revenues</b>		
Taxes	\$ 18,351,016	\$ 17,875,489
Licenses and permits	2,380,437	2,375,404
Intergovernmental	37,248	36,297
Charges for services	1,952,285	2,171,257
Fines and forfeitures	364,031	345,592
Grants	32,748	22,945
Other operating revenues	481,401	513,146
<b>Total revenues</b>	23,599,166	23,340,130
<b>Expenditures</b>		
<b>Current (operating):</b>		
General government	3,567,118	3,408,784
Public safety	9,296,302	9,212,804
Street and sanitation	4,867,624	4,726,776
Recreational	872,860	2,394,828
Library	1,619,857	0
<b>Total expenditures</b>	20,223,761	19,743,192
<b>Excess (deficiency) of revenues   over expenditures</b>	3,375,405	3,596,938
<b>Other financing sources (uses)</b>		
Operating transfers in	0	885,051
Operating transfers out	(7,271,076)	(3,976,662)
Donations	40,248	33,818
<b>Total other financing sources (uses)</b>	(7,230,828)	(3,057,793)
<b>Excess (deficiency) of revenues and other   financing sources over expenditures   and other financing uses</b>	(3,855,423)	539,145
<b>Fund balances, beginning of year</b>	7,212,701	6,673,556
<b>FUND BALANCES, END OF YEAR</b>	\$ 3,357,278	\$ 7,212,701

See notes to financial statements.

CITY OF MOUNTAIN BROOK, ALABAMA

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2003  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2003 AND 2002)

	<u>2003</u>	<u>2002</u>
<b>Revenues</b>		
Grants	\$ 46,213	\$ 58,959
Other operating revenues	215,197	517,436
<b>Total revenues</b>	<u>261,410</u>	<u>576,395</u>
<b>Expenditures</b>		
General government	78,880	176,568
Public safety	652,749	276,318
Street and sanitation	452,160	275,930
Recreational	61,184	77,664
<b>Total expenditures</b>	<u>1,244,973</u>	<u>806,480</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(983,563)</u>	<u>(230,085)</u>
<b>Other financing sources (uses)</b>		
Operating transfers in	2,123,820	1,824,781
Operating transfers out	0	(1,688,010)
Donations	0	1,688,010
<b>Total other financing sources (uses)</b>	<u>2,123,820</u>	<u>1,824,781</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	1,140,257	1,594,696
<b>Fund balances, beginning of year</b>	<u>8,788,431</u>	<u>7,193,735</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 9,928,688</u>	<u>\$ 8,788,431</u>

See notes to financial statements.