

CITY OF MOUNTAIN BROOK, ALABAMA
GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

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

SEPTEMBER 30, 2002

MAYOR

The Honorable Lawrence T. Oden

CITY COUNCIL

Ms. Alice M. Williams, President

Mr. Thomas C. Clark, Jr.

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

CITY OF MOUNTAIN BROOK, ALABAMA

TABLE OF CONTENTS

	<u>Page</u>
Independent auditors' report	4
General purpose financial statements:	
Combined balance sheet - All governmental fund types, account groups and discretely presented component unit	5
Combined statement of revenues, expenditures and changes in fund balances - All governmental fund types and discretely presented component unit	6
Combined statement of revenues, expenditures and changes in fund balances - Budget and actual	7-8
Notes to financial statements	9-28
Supplementary information:	
Combining balance sheet - special revenue funds	30
Combining statement of revenues, expenditures, and changes in fund balances - special revenue funds	31
Combining balance sheet - capital project funds	32
Combining statement of revenues, expenditures, and changes in fund balances - capital project funds	33
Schedule of general fund revenues by source	34
Comparative balance sheet - general fund	35
Comparative balance sheet - capital projects fund	36
Comparative statement of revenues, expenditures, and changes in fund balances - general fund	37
Comparative statement of revenues, expenditures, and changes in fund balances - capital projects fund	38



Mackle
Splawn
Tindall &
McDonald, LLP
Certified Public Accountants

Independent Auditors' Report

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

We have audited the accompanying general purpose financial statements of the City of Mountain Brook, Alabama, as of and for the year ended September 30, 2002, as listed in the table of contents. These general purpose 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 general purpose 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Mountain Brook, Alabama, as of September 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2002, on our consideration of the City of Mountain Brook's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City of Mountain Brook. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

December 6, 2002

Mackle, Splawn, Tindall & McDonald, LLP

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CITY OF MOUNTAIN BROOK, ALABAMA

**COMBINED BALANCE SHEET - ALL GOVERNMENTAL FUND TYPES, ACCOUNT
GROUPS, AND DISCRETELY PRESENTED COMPONENT UNIT
SEPTEMBER 30, 2002**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
ASSETS			
Cash and temporary investments	\$ 7,477,996	\$ 1,018,082	\$ 754,745
Receivables	1,397,869	124,279	0
Due from other funds	0	2,876	0
Inventory	9,132	0	0
Prepaid expenses	142,449	0	0
Property and equipment, net	0	0	0
Amount to be provided for debts	0	0	0
Amount available in Debt Service Fund	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 9,027,446</u>	<u>\$ 1,145,237</u>	<u>\$ 754,745</u>
LIABILITIES			
Accounts payable	\$ 512,354	\$ 77,045	\$ 0
Accrued salaries and wages	557,075	0	0
Other liabilities	702,569	0	0
Due to other funds	2,876	0	0
Accrued compensated absences	166,512	0	0
Long-term debt	0	0	0
Total liabilities	<u>1,941,386</u>	<u>77,045</u>	<u>0</u>
PENSION OBLIGATION (SEE NOTES 1-C-3 AND 6)			
FUND EQUITY			
Investment in general fixed assets	0	0	0
Fund balance:			
Reserve for prepayments and inventories	151,581	0	0
Reserved	0	0	0
Unreserved	6,934,479	1,068,192	754,745
Total fund equity	<u>7,086,060</u>	<u>1,068,192</u>	<u>754,745</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 9,027,446</u>	<u>\$ 1,145,237</u>	<u>\$ 754,745</u>

See notes to financial statements.

		Account Groups			
Capital Projects	General Fixed Assets	General Long-term Debt	Totals (Memo Only) Primary Government	Component Unit	Totals (Memo Only) Reporting Entity
\$ 8,811,802	\$ 0	\$ 0	\$ 18,062,625	\$ 152,247	\$ 18,214,872
0	0	0	1,522,148	0	1,522,148
0	0	0	2,876	0	2,876
0	0	0	9,132	0	9,132
0	0	0	142,449	0	142,449
0	13,237,759	0	13,237,759	0	13,237,759
0	0	1,913,227	1,913,227	0	1,913,227
0	0	754,745	754,745	0	754,745
<u>\$ 8,811,802</u>	<u>\$ 13,237,759</u>	<u>\$ 2,667,972</u>	<u>\$ 35,644,961</u>	<u>\$ 152,247</u>	<u>\$ 35,797,208</u>
\$ 23,371	\$ 0	\$ 0	\$ 612,770	\$ 25,606	\$ 638,376
0	0	0	557,075	0	557,075
0	0	0	702,569	0	702,569
0	0	0	2,876	0	2,876
0	0	1,437,972	1,604,484	0	1,604,484
0	0	1,230,000	1,230,000	0	1,230,000
<u>23,371</u>	<u>0</u>	<u>2,667,972</u>	<u>4,709,774</u>	<u>25,606</u>	<u>4,735,380</u>
0	13,237,759	0	13,237,759	0	13,237,759
0	0	0	151,581	0	151,581
0	0	0	0	125,962	125,962
8,788,431	0	0	17,545,847	679	17,546,526
<u>8,788,431</u>	<u>13,237,759</u>	<u>0</u>	<u>30,935,187</u>	<u>126,641</u>	<u>31,061,828</u>
<u>\$ 8,811,802</u>	<u>\$ 13,237,759</u>	<u>\$ 2,667,972</u>	<u>\$ 35,644,961</u>	<u>\$ 152,247</u>	<u>\$ 35,797,208</u>

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CITY OF MOUNTAIN BROOK, ALABAMA

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND
TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Revenues			
Taxes	\$ 17,875,489	\$ 399,651	\$ 0
Licenses and permits	2,375,404	0	0
Intergovernmental	36,297	249,430	0
Charges for services	2,171,257	312,144	0
Fines and forfeitures	298,824	122,520	0
Grants	5,738	0	0
Other operating revenues	507,046	87,180	56
Total revenues	<u>23,270,055</u>	<u>1,170,925</u>	<u>56</u>
Expenditures			
General government	3,408,784	152,479	500
Public safety	9,212,804	203,361	0
Street and sanitation	4,726,776	531,232	0
Recreational	945,127	115,412	0
Debt service	0	0	2,265,732
Total expenditures	<u>18,293,491</u>	<u>1,002,484</u>	<u>2,266,232</u>
Excess (deficiency) of revenues over expenditures	<u>4,976,564</u>	<u>168,441</u>	<u>(2,266,176)</u>
Other financing sources (uses)			
Operating transfers in	870,957	401,486	3,016,232
Operating transfers out	(3,861,343)	(462,878)	0
Donations	0	136,218	0
Operating transfers (to)/from component unit	(1,451,002)	0	0
Total other financing sources (uses)	<u>(4,441,388)</u>	<u>74,826</u>	<u>3,016,232</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	535,176	243,267	750,056
Fund balances, beginning of year	<u>6,550,884</u>	<u>824,925</u>	<u>4,689</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,086,060</u>	<u>\$ 1,068,192</u>	<u>\$ 754,745</u>

See notes to financial statements.

<u>Capital Projects</u>	Totals (Memo Only) Primary Government	<u>Component Unit</u>	Totals (Memo Only) Reporting Entity
\$ 0	\$ 18,275,140	\$ 0	\$ 18,275,140
0	2,375,404	0	2,375,404
0	285,727	0	285,727
0	2,483,401	0	2,483,401
0	421,344	46,768	468,112
58,959	64,697	17,207	81,904
517,436	1,111,718	6,100	1,117,818
<u>576,395</u>	<u>25,017,431</u>	<u>70,075</u>	<u>25,087,506</u>
176,568	3,738,331	0	3,738,331
276,318	9,692,483	0	9,692,483
275,930	5,533,938	0	5,533,938
77,664	1,138,203	1,449,701	2,587,904
0	2,265,732	0	2,265,732
<u>806,480</u>	<u>22,368,687</u>	<u>1,449,701</u>	<u>23,818,388</u>
<u>(230,085)</u>	<u>2,648,744</u>	<u>(1,379,626)</u>	<u>1,269,118</u>
1,723,556	6,012,231	14,094	6,026,325
(1,688,010)	(6,012,231)	(14,094)	(6,026,325)
1,688,010	1,824,228	33,818	1,858,046
101,225	(1,349,777)	1,349,777	0
<u>1,824,781</u>	<u>474,451</u>	<u>1,383,595</u>	<u>1,858,046</u>
1,594,696	3,123,195	3,969	3,127,164
<u>7,193,735</u>	<u>14,574,233</u>	<u>122,672</u>	<u>14,696,905</u>
<u>\$ 8,788,431</u>	<u>\$ 17,697,428</u>	<u>\$ 126,641</u>	<u>\$ 17,824,069</u>

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CITY OF MOUNTAIN BROOK, ALABAMA

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$ 17,836,366	\$ 17,875,489	\$ 39,123
Licenses and permits	2,336,110	2,375,404	39,294
Intergovernmental	33,325	36,297	2,972
Charges for services	2,071,850	2,171,257	99,407
Fines and forfeitures	261,700	298,824	37,124
Grants	0	5,738	5,738
Other operating revenues	526,175	507,046	(19,129)
Total revenues	<u>23,065,526</u>	<u>23,270,055</u>	<u>204,529</u>
Expenditures			
General government	3,433,582	3,408,784	24,798
Public safety	9,324,539	9,212,804	111,735
Street and sanitation	4,977,907	4,726,776	251,131
Recreational	972,177	945,127	27,050
Debt service	0	0	0
Total expenditures	<u>18,708,205</u>	<u>18,293,491</u>	<u>414,714</u>
Excess (deficiency) of revenues over expenditures	<u>4,357,321</u>	<u>4,976,564</u>	<u>619,243</u>
Other financing sources (uses)			
Operating transfers in	908,950	870,957	(37,993)
Operating transfers out	(3,346,661)	(3,861,343)	(514,682)
Donations	0	0	0
Operating transfers to/from component unit	(1,316,616)	(1,451,002)	(134,386)
Total other financing sources (uses)	<u>(3,754,327)</u>	<u>(4,441,388)</u>	<u>(687,061)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	602,994	535,176	(67,818)
Fund balances, beginning of year	<u>6,516,055</u>	<u>6,550,884</u>	<u>34,829</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,119,049</u>	<u>\$ 7,086,060</u>	<u>\$ (32,989)</u>

See notes to financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 410,500	\$ 399,651	\$ (10,849)
0	0	0
252,500	249,430	(3,070)
300,500	312,144	11,644
110,000	122,520	12,520
30,000	0	(30,000)
83,150	87,180	4,030
<u>1,186,650</u>	<u>1,170,925</u>	<u>(15,725)</u>
146,740	152,479	(5,739)
313,010	203,361	109,649
650,500	531,232	119,268
130,229	115,412	14,817
0	0	0
<u>1,240,479</u>	<u>1,002,484</u>	<u>237,995</u>
<u>(53,829)</u>	<u>168,441</u>	<u>222,270</u>
409,454	401,486	(7,968)
(665,060)	(462,878)	202,182
129,560	136,218	6,658
0	0	0
<u>(126,046)</u>	<u>74,826</u>	<u>200,872</u>
(179,875)	243,267	423,142
<u>603,275</u>	<u>824,925</u>	<u>221,650</u>
<u>\$ 423,400</u>	<u>\$ 1,068,192</u>	<u>\$ 644,792</u>

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CITY OF MOUNTAIN BROOK, ALABAMA

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

	<u>Capital Projects Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$ 0	\$ 0	\$ 0
Licenses and permits	0	0	0
Intergovernmental	0	0	0
Charges for services	0	0	0
Fines and forfeitures	0	0	0
Grants	664,400	58,959	(605,441)
Other operating revenues	364,000	517,436	153,436
Total revenues	<u>1,028,400</u>	<u>576,395</u>	<u>(452,005)</u>
Expenditures			
General government	207,798	176,568	31,230
Public safety	1,047,200	276,318	770,882
Street and sanitation	1,290,994	275,930	1,015,064
Recreational	94,250	77,664	16,586
Debt service	0	0	0
Total expenditures	<u>2,640,242</u>	<u>806,480</u>	<u>1,833,762</u>
Excess (deficiency) of revenues over expenditures	<u>(1,611,842)</u>	<u>(230,085)</u>	<u>1,381,757</u>
Other financing sources (uses)			
Operating transfers in	1,911,512	1,723,556	(187,956)
Operating transfers out	(487,550)	(1,688,010)	(1,200,460)
Donations	487,550	1,688,010	1,200,460
Operating transfers from component unit	101,225	101,225	0
Total other financing sources (uses)	<u>2,012,737</u>	<u>1,824,781</u>	<u>(187,956)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	400,895	1,594,696	1,193,801
Fund balances, beginning of year	<u>6,362,273</u>	<u>7,193,735</u>	<u>831,462</u>
FUND BALANCES, END OF YEAR	<u>\$ 6,763,168</u>	<u>\$ 8,788,431</u>	<u>\$ 2,025,263</u>

See notes to financial statements.

Debt Service Fund

<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 0	\$ 0	\$ 0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
60	56	(4)
<u>60</u>	<u>56</u>	<u>(4)</u>
1,600	500	1,100
0	0	0
0	0	0
0	0	0
<u>1,065,365</u>	<u>2,265,732</u>	<u>(1,200,367)</u>
<u>1,066,965</u>	<u>2,266,232</u>	<u>(1,199,267)</u>
<u>(1,066,905)</u>	<u>(2,266,176)</u>	<u>(1,199,271)</u>
1,066,905	3,016,232	1,949,327
0	0	0
0	0	0
0	0	0
<u>1,066,905</u>	<u>3,016,232</u>	<u>1,949,327</u>
0	750,056	750,056
<u>4,561</u>	<u>4,689</u>	<u>128</u>
<u>\$ 4,561</u>	<u>\$ 754,745</u>	<u>\$ 750,184</u>

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. **Summary of significant accounting policies**

The City of Mountain Brook, Alabama (the City) was incorporated on March 24, 1942. The City operates under a Council-Manager form of government organized to comply with the provisions of Title 11, Chapter 43, Sections 20-22 of the Code of Alabama 1975, as amended. The City Council is composed of five officials elected at-large 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.

The financial statements of the City have been prepared in conformity with Generally Accepted Accounting Principles as applied to governmental units.

A. Reporting entity

The accompanying financial statements present the City's primary government and component unit (The Emmet O'Neal Library) over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The City appoints a voting majority of the Board of Trustees of The Emmet O'Neal Library (the Library) and provides most of the financial support of the Library. Accordingly, the component unit is discretely reported in the accompanying financial statements to emphasize that although legally separate from the City, the City remains financially accountable.

During 2002, the City transferred \$1,451,002 to the Library to subsidize its operations and for the purchase of books and related materials. Also, the Library transferred \$101,225 to the City for its equipment replacement savings program.

A portion of the Library's fund balance is reported as "reserved" due to donor-imposed restrictions on the usage of the Funds.

The values of existing collections, including research books, are not readily determinable and therefore, the Library has not capitalized them. Books used in the circulating library have not been capitalized because of their relatively short estimated useful lives. The Library charges the costs of books, videos, collections, etc., to the operations at the time of purchase.

The Library's financial statements may be viewed at the Library's administrative offices.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

B. Related organization

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 2002, the City reported the following revenues from the Board:

	General Fund	Special Revenue
Occupational taxes	\$ 106,860	\$ 0
DARE Program subsidy	0	40,230
Athletic fields shared maintenance	36,297	0
Athletic fields capital and shared maintenance	0	209,200
Sewer service fees	7,800	0
Total	\$ 150,957	\$ 249,430

At September 30, 2002, the City reported receivables from the Board in the amounts as follows (see note 3):

	General Fund	Special Revenue
Receivables	\$ 36,297	\$ 44,897

The City receives 36.7 mills of the 99.0 mill property tax (Note 1.P) 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, 2002, the City owed the Board \$47,165 for its share of property taxes which is included in other liabilities of the General Fund.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

B. Related organization (continued)

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 Special Revenue (Community) Funds in the accompanying financial statements:

Revenues

The Board	\$ 100,000
Mountain Brook Athletics, Inc.	50,000
Mountain Brook Soccer Club, Inc.	50,000
Investment income	1,970
Total revenues	<u>201,970</u>

Expenditures

Recreational (operating and maintenance)	91,015
Capital outlay (\$1,069,300 cumulative)	24,397
Total expenditures	<u>115,412</u>

Other financing sources (uses), net

Transfers from City General Fund	100,000
Transfers to City Capital Projects Fund	(20,200)
Transfers to Debt Service Fund	(169,103)
Donations	1,500
Net other financing sources (uses)	<u>(87,803)</u>

Excess of revenues and other financing sources over expenditures and other uses	(1,245)
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Fund balance at beginning of the year	<u>156,148</u>
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Fund balance at end of the year	<u>\$ 154,903</u>
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CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

B. Related organization (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	542
Total revenues	<u>109,742</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	(254,014)
Donations (Mountain Brook Sports Corporation)	<u>129,514</u>
Net other financing sources	<u>(109,500)</u>
Excess of revenues and other financing sources over expenditures and other uses	242
Fund balance at beginning of the year	<u>28,363</u>
Fund balance at end of the year	<u>\$ 28,605</u>

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

C. Fund accounting

The City utilizes funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Governmental funds are accounted for using the current financial resources focus. Only current assets and current liabilities are generally recorded in the balance sheet of a governmental fund. The reported fund balance (net assets) is considered a measure of available spendable resources. Accordingly, these operating statements present a summary of sources and uses of available spendable resources during the year. The City utilizes the following governmental funds:

Governmental funds

1. General Fund

The General Fund is the principal fund of the City and 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.

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).

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

C. Fund accounting (continued)

Governmental funds (continued)

4. Capital Project Funds

The 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.

Account Groups

An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in funds because they do not directly affect net expendable available financial resources. Account groups are concerned only with the measurement of financial position. They do not measure nor report results of operations. The City uses the following account groups:

1. General fixed assets

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group rather than in governmental funds. The City has adopted the accounting policy of not capitalizing infrastructure general fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and other similar assets that are immovable and considered to be of value only to the City.

2. General long-term debt

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

D. Basis of accounting

Basis of accounting refers to the timing of the recognition of revenues and expenditures in the accounts and financial statements. All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when measurable and available or collected within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded upon the impairment of an asset provided the obligation is reasonably determinable, except in the case of general obligation warrants payable where principal and interest payments are reported as expenditures when paid.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

E. 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 Manger 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 Project 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 August 12, 2002.

F. Encumbrances

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

G. Worker's compensation

The City provides workers' compensation coverage to its employees as required by law. The City has elected to self-insure with respect to its workers' compensation claims risk and has contracted with a third-party administrator to provide claims management services. In order to limit its exposure to claims risk, the City has purchased excess loss insurance coverage. The excess loss insurance pays the remainder of statutory obligations over the first \$250,000 for specific claims and up to \$2,000,000 after the first \$465,500 in the aggregate during the two year policy term. Workers' compensation cost charged by the City and its component unit during 2002 was approximately \$303,550. The accompanying financial statements include an estimated accrual of reported but unpaid workers' compensation claims as of September 30, 2002 in the amount of \$275,000.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

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

H. Cash and temporary investments

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

I. Fund equity

The unreserved fund balances for governmental funds represent spendable resources available to fund future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes.

J. Compensated absences

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

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

The current portion of the accrued vacation and sick pay at September 30, 2002 reported in the General Fund totaled \$166,512. The remaining portion of the accrued vacation and sick pay at September 30, 2002, reported in the General Long-Term Debt Account Group totaled \$1,437,972.

K. 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 \$390,000. 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, 2002 reported in the General Fund totaled \$389,220.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

L. 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.

M. 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).

N. Total columns on combined statements

Included in certain of the combined financial statements is a "Totals (Memo Only)" column that aggregates the columnar statements. These totals are presented to facilitate financial analysis. Data in these columns does not present financial position in conformity with generally accepted accounting principles nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

P. 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.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

P. Property taxes (continued)

For the year beginning October 1, 1996, assessed values were calculated by multiplying the 1993 market value (as adjusted) by the following percentages:

Residential owner occupant	10%
All other	20%

Property revaluations have been conducted by the Jefferson County Commission every five years. The most recent revaluation was conducted during 1999, the effect of which increased the City's property tax revenues by approximately \$1.7 million, which was realized in fiscal 2000.

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>

Q. 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 \$17.6 million or 76% of the total General Fund revenues during the year ended September 30, 2002. 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 \$3.7 million or 16% of the City's total General Fund revenues during the year ended September 30, 2002.

R. Inventory

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

S. 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.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

2. Deposits and investments

The carrying value of cash and investments at September 30, 2002, was as follows:

	<u>City</u>	<u>Component Unit</u>	<u>Total</u>
Pooled cash and equivalents:			
General Fund	\$ 1,977,046	\$ 24,819	\$ 2,001,865
Special Revenue Funds	1,018,082	0	1,018,082
Debt Service Fund	750,193	0	750,193
Capital Projects Funds	1,365,125	0	1,365,125
Temporarily Restricted	0	0	0
Cash on-hand and other cash and equivalents:			
General fund	1,348,373	12,255	1,360,628
Debt Service Fund	4,429	0	4,429
Temporarily Restricted	0	64,137	64,137
Permanently Restricted	0	12,235	12,235
Investments:			
General Fund	4,152,577	0	4,152,577
Capital Projects Funds	7,446,677	0	7,446,677
Temporarily Restricted	0	952	952
Permanently Restricted	0	37,849	37,849
Cash held by trustee -			
Debt Service Fund	123	0	123
Total cash and temporary investments	\$ <u>18,062,625</u>	\$ <u>152,247</u>	\$ <u>18,214,872</u>

At September 30, 2002, 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	\$ 5,360,976	\$ 5,135,265	\$ 5,135,265
Cash on-hand	3,030	3,030	3,030
Other cash and equivalents	1,507,067	1,438,399	1,438,399
Investments:			
Cash and money accounts	28,238	28,238	28,238
Certificates of deposit	4,477,873	4,554,678	4,554,678
U.S. government and agency obligations	6,746,345	7,034,311	7,034,311
Donated equity investment	0	20,828	20,828
Cash held by trustees under debt indenture agreements			
	123	123	123
Total cash and temporary investments	\$ <u>18,123,652</u>	\$ <u>18,214,872</u>	\$ <u>18,214,872</u>

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.

3. Receivables

Receivables at September 30, 2002, consisted of the following:

	General Fund	Special Revenue	Total
Taxes	\$ 1,272,938	\$ 37,546	\$ 1,310,484
Emergency Communication District (E-911) surcharge	0	16,836	16,836
Board of Education (Note 1.B.)	36,297	44,897	81,194
Component unit	0	0	0
State of Alabama - grants	0	0	0
Other	88,634	25,000	113,634
Totals	\$ 1,397,869	\$ 124,279	\$ 1,522,148

4. General fixed assets

Following is a summary of the changes in the City's investment in general fixed assets for the year ended September 30, 2002:

	Balance at September 30, 2001	Additions	Disposals/ Retirements/ Completed	Balance at September 30, 2002
General fixed assets				
Land	\$ 694,730	\$ 0	\$ 0	\$ 694,730
Land improvements	2,850,284	0	0	2,850,284
Buildings	7,471,158	94,917	(4,448)	7,561,627
Furniture and equipment	9,178,147	673,169	(269,135)	9,582,181
Construction in progress	10,001	2,355	0	12,356
Total cost	20,204,320	770,441	(273,583)	20,701,178
Accumulated depreciation				
Land improvements	126,053	19,860	0	145,913
Buildings	1,191,958	275,932	(3,970)	1,463,920
Furniture and equipment	5,330,112	786,701	(263,227)	5,853,586
Total accumulated depreciation	6,648,123	1,082,493	(267,197)	7,463,419
Net investment in general fixed assets	\$ 13,556,197	\$ (312,052)	\$ (6,386)	\$ 13,237,759

CITY OF MOUNTAIN BROOK, ALABAMA
NOTES TO FINANCIAL STATEMENTS

5. Long-term debt

Long-term debt outstanding as of September 30, 2002, consisted of the following:

	Balance
\$1,000,000 General Obligation Warrants, Series 1998-A dated November 30, 1998 with semiannual principal and interest payments due each January 15 and July 15 through the year 2005 plus interest at 4.2%	465,000
\$1,500,000 General Obligation Warrants, Series 1998-B dated November 30, 1998 maturing annually on July 15 through the year 2005 plus interest payable on January 15 and July 15 at a rate of 4.2%	715,000
\$1,130,000 General Obligation Warrants, Series 1993 dated May 1, 1993 maturing annually on May 1 through the year 2003 plus interest payable on May 1 and November 1 at rates ranging from 5.75% to 6.00%	50,000
Total	\$ 1,230,000

The total interest paid by the City during 2002 relative to the above general obligation warrants was \$160,732.

Following is a summary of long-term debt principal transactions for the year ended September 30, 2002:

General obligation warrant balances at October 1, 2001	\$ 3,335,000
Principal payments:	
\$2,000,000 General Obligation Warrants, Series 2000	(1,600,000)
\$1,000,000 General Obligation Warrants, Series 1998-A	(145,000)
\$1,500,000 General Obligation Warrants, Series 1998-B	(215,000)
\$1,130,000 General Obligation Warrants, Series 1993	(145,000)
General obligation warrant balances at September 30, 2002	\$ 1,230,000

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 Series 1993 warrants were issued for the purpose of retiring and redeeming the \$500,000 General Obligation Warrants, Series 1988 and the \$1,000,000 General Obligation Warrants, Series 1987. The Series 1988 and 1987 warrants were issued to finance improvement projects at the City's athletic parks.

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

Fiscal Year	Principal	Interest	Total
2003	\$ 425,000	\$ 50,485	\$ 475,485
2004	395,000	32,235	427,235
2005	<u>410,000</u>	<u>15,540</u>	<u>425,540</u>
Totals	<u>\$ 1,230,000</u>	<u>\$ 98,260</u>	<u>\$ 1,328,260</u>

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

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 ten years of creditable service or \$5,000 for those with less than ten years of service.

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

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

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

6. Pension plan (continued)

B. Funding

The RSA requires that covered employees contribute to the pension plan at the rate of 5% of compensation (6% for sworn police officers and firefighters). In addition, the RSA requires that the City remit monthly matching contributions to the pension plan. The City's matching contributions are actuarially determined annually and stated as a percentage of covered compensation. The City's actuarially determined matching contribution for the year ended September 30, 2002 was 9.45% of covered compensation. The City's matching contribution for the fiscal year ending September 30, 2003 has been actuarially determined to be 8.31% of covered compensation.

For the year ended September 30, 2002, the City's total compensation was approximately \$9.8 million and the City's total covered compensation used to determine the City's pension contribution was approximately \$9.6 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. Following are the approximate pension contributions for each fiscal year since January 1, 1995:

<u>Year Ended September 30</u>	<u>Employer Contribution</u>	<u>Employer</u>	<u>Employee</u>	<u>Combined</u>
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, 2001:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Negative)</u>
1999	730,197	100%	0
2000	827,411	100%	0
2001	858,468	233%	(2,000,000)

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

6. Pension plan (continued)

D. Funding progress

Following is the schedule of funding progress obtained from most recent actuarial valuation prepared as of September 30, 2001:

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

E. Additional information

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

Valuation date	September 30, 2001
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	19 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	206
Number of retired members and beneficiaries	30
Annual retirement allowances	\$ 526,145

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

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, 2002, there were thirty-seven retirees covered under the City's post employment health insurance plan. The total cost incurred for post employment health benefits was approximately \$92,000 for the year ended September 30, 2002.

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 2002 were as follows:

	<u>Amount</u>
Maintenance of maps and appraisals	\$ 143,816
Jefferson County Department of Health	130,475
Property tax commissions	130,173
Personnel Board of Jefferson County	130,173
Birmingham-Jefferson County Transit Authority	66,961
Birmingham Regional Planning Commission	7,830

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.P.) 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 to provide for the collection and disposal of refuse. The base rates for this service for the year ended September 30, 2002, 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, 2002, was approximately \$2,213,000. Total revenues collected by the City during the year were approximately \$1,460,000. The contract was renewed during 2001 for a three year term expiring on September 30, 2004. The rates for 2003 will remain the same as those charged in 2001 and 2002. In 2004, the rates will increase by amount equal to 80% of the change in the consumer price index for 2002 and 2003.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

8. Commitments and contingencies (continued)

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 addition, the consortium agreed to share the costs of razing the buildings on the property and certain other improvements. 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.

9. Constitutional debt limit

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

Following are the constitutional debt limit and legal debt margin as of October 1, 2002:

Assessed value of taxable real and personal property as provided by the Jefferson County Tax Assessor	\$ <u>327,832,614</u>
Constitutional debt limit, 20 percent of assessed value	65,566,523
Outstanding long-term debt as of September 30, 2002	<u>1,230,000</u>
Legal Debt Margin as of October 1, 2002	\$ <u>64,336,523</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 caused by flooding. The City believes these suits are without merit and the City's liability insurance carrier is vigorously defending the City's position; however, the probable outcome of the cases cannot be determined.

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.

SUPPLEMENTARY INFORMATION

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CITY OF MOUNTAIN BROOK, ALABAMA

**COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2002**

	<u>State Shared Gasoline Tax Funds</u>			
	<u>Seven Cent</u>	<u>Four Cent</u>	<u>Five Cent</u>	<u>Two Cent</u>
ASSETS				
Cash and temporary investments	\$ 184,538	\$ 180,928	\$ 21,211	\$ 12,643
Receivables	20,096	11,708	5,742	0
Due from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 204,634</u>	<u>\$ 192,636</u>	<u>\$ 26,953</u>	<u>\$ 12,643</u>
LIABILITIES				
Accounts payable	\$ <u>62,057</u>	\$ <u>4,688</u>	\$ <u>0</u>	\$ <u>0</u>
Total liabilities	<u>62,057</u>	<u>4,688</u>	<u>0</u>	<u>0</u>
FUND EQUITY				
Fund balance:				
Unreserved	<u>142,577</u>	<u>187,948</u>	<u>26,953</u>	<u>12,643</u>
Total fund equity	<u>142,577</u>	<u>187,948</u>	<u>26,953</u>	<u>12,643</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 204,634</u>	<u>\$ 192,636</u>	<u>\$ 26,953</u>	<u>\$ 12,643</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>
\$ 437,598	\$ 3,823	\$ 29,132	\$ 148,209	\$ 0	\$ 1,018,082
16,836	0	11,564	58,333	0	124,279
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,876</u>	<u>2,876</u>
<u>\$ 454,434</u>	<u>\$ 3,823</u>	<u>\$ 40,696</u>	<u>\$ 206,542</u>	<u>\$ 2,876</u>	<u>\$ 1,145,237</u>
<u>\$ 2,525</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,899</u>	<u>\$ 2,876</u>	<u>\$ 77,045</u>
<u>2,525</u>	<u>0</u>	<u>0</u>	<u>4,899</u>	<u>2,876</u>	<u>77,045</u>
<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>451,909</u>	<u>3,823</u>	<u>40,696</u>	<u>201,643</u>	<u>0</u>	<u>1,068,192</u>
<u>\$ 454,434</u>	<u>\$ 3,823</u>	<u>\$ 40,696</u>	<u>\$ 206,542</u>	<u>\$ 2,876</u>	<u>\$ 1,145,237</u>

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CITY OF MOUNTAIN BROOK, ALABAMA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

	<u>State Shared Gasoline Tax Funds</u>			
	<u>Seven Cent</u>	<u>Four Cent</u>	<u>Five Cent</u>	<u>Two Cent</u>
Revenues				
Taxes	\$ 210,290	\$ 126,876	\$ 61,875	\$ 610
Intergovernmental	0	0	0	0
Charges for services	0	0	0	0
Fines and forfeitures	0	0	0	0
Other operating revenues:				
Investment earnings	70,820	4,915	506	229
Total revenues	<u>281,110</u>	<u>131,791</u>	<u>62,381</u>	<u>839</u>
Expenditures				
General government	0	0	0	0
Public safety	0	0	0	0
Street and sanitation	337,132	144,187	49,913	0
Recreational	0	0	0	0
Total expenditures	<u>337,132</u>	<u>144,187</u>	<u>49,913</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>(56,022)</u>	<u>(12,396)</u>	<u>12,468</u>	<u>839</u>
Other financing sources (uses)				
Operating transfers in	175,000	0	0	0
Operating transfers out	0	0	0	0
Donations	0	0	0	0
Net other financing sources (uses)	<u>175,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	118,978	(12,396)	12,468	839
Fund balances, beginning	<u>23,599</u>	<u>200,344</u>	<u>14,485</u>	<u>11,804</u>
FUND BALANCES, ENDING	<u>\$ 142,577</u>	<u>\$ 187,948</u>	<u>\$ 26,953</u>	<u>\$ 12,643</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	\$ 399,651
0	0	40,230	209,200	0	249,430
212,144	0	0	100,000	0	312,144
0	5,725	0	0	116,795	122,520
<u>7,185</u>	<u>61</u>	<u>583</u>	<u>2,873</u>	<u>8</u>	<u>87,180</u>
<u>219,329</u>	<u>5,786</u>	<u>40,813</u>	<u>312,073</u>	<u>116,803</u>	<u>1,170,925</u>
0	0	0	0	152,479	152,479
85,141	2,180	40,230	0	75,810	203,361
0	0	0	0	0	531,232
0	0	0	115,412	0	115,412
<u>85,141</u>	<u>2,180</u>	<u>40,230</u>	<u>115,412</u>	<u>228,289</u>	<u>1,002,484</u>
<u>134,188</u>	<u>3,606</u>	<u>583</u>	<u>196,661</u>	<u>(111,486)</u>	<u>168,441</u>
0	0	0	115,000	111,486	401,486
(13,246)	0	0	(449,632)	0	(462,878)
0	0	0	136,218	0	136,218
<u>(13,246)</u>	<u>0</u>	<u>0</u>	<u>(198,414)</u>	<u>111,486</u>	<u>74,826</u>
120,942	3,606	583	(1,753)	0	243,267
<u>330,967</u>	<u>217</u>	<u>40,113</u>	<u>203,396</u>	<u>0</u>	<u>824,925</u>
<u>\$ 451,909</u>	<u>\$ 3,823</u>	<u>\$ 40,696</u>	<u>\$ 201,643</u>	<u>\$ 0</u>	<u>\$ 1,068,192</u>

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CITY OF MOUNTAIN BROOK, ALABAMA

**COMBINING BALANCE SHEET - CAPITAL PROJECT FUNDS
SEPTEMBER 30, 2002**

	<u>City Capital Projects</u>	<u>Village Improvements (One Cent Sales Tax)</u>	<u>Other</u>
ASSETS			
Cash and temporary investments	\$ <u>8,324,060</u>	\$ <u>397,642</u>	\$ <u>90,100</u>
TOTAL ASSETS	\$ <u><u>8,324,060</u></u>	\$ <u><u>397,642</u></u>	\$ <u><u>90,100</u></u>
LIABILITIES			
Accounts payable	\$ <u>23,371</u>	\$ <u>0</u>	\$ <u>0</u>
Total liabilities	<u>23,371</u>	<u>0</u>	<u>0</u>
FUND EQUITY			
Fund balance	<u>8,300,689</u>	<u>397,642</u>	<u>90,100</u>
Total fund equity	<u>8,300,689</u>	<u>397,642</u>	<u>90,100</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u><u>8,324,060</u></u>	\$ <u><u>397,642</u></u>	\$ <u><u>90,100</u></u>

See notes to financial statements.

<u>Village Trail System (ISTEA)</u>	<u>Totals</u>
\$ <u>0</u>	\$ <u>8,811,802</u>
\$ <u><u>0</u></u>	\$ <u><u>8,811,802</u></u>

\$ <u>0</u>	\$ <u>23,371</u>
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<u>0</u>	<u>23,371</u>
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<u>0</u>	<u>8,788,431</u>
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<u>0</u>	<u>8,788,431</u>
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\$ <u><u>0</u></u>	\$ <u><u>8,811,802</u></u>
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CITY OF MOUNTAIN BROOK, ALABAMA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

	City Capital Projects	Village Improvements (One Cent) Sales Tax	Other
Revenues			
Revenues - grants	\$ 58,959	\$ 0	\$ 0
Investment earnings	469,739	6,977	1,666
Miscellaneous	39,054	0	0
Total revenues	<u>567,752</u>	<u>6,977</u>	<u>1,666</u>
Expenditures			
General government	176,568	0	0
Public safety	276,318	0	0
Street and sanitation	262,797	0	0
Recreational	77,664	0	0
Total expenditures	<u>793,347</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>(225,595)</u>	<u>6,977</u>	<u>1,666</u>
Other financing sources (uses)			
Donations	0	1,688,010	0
Operating transfers in	1,710,423	0	0
Operating transfers out	0	(1,688,010)	0
Operating transfers from (to) component unit	101,225	0	0
Net other financing sources (uses)	<u>1,811,648</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,586,053	6,977	1,666
Fund balances, beginning	<u>6,714,636</u>	<u>390,665</u>	<u>88,434</u>
FUND BALANCES, ENDING	<u>\$ 8,300,689</u>	<u>\$ 397,642</u>	<u>\$ 90,100</u>

See notes to financial statements.

<u>Village Trail System (ISTEA)</u>	<u>Totals</u>
\$ 0	\$ 58,959
0	478,382
0	39,054
<u>0</u>	<u>576,395</u>
0	176,568
0	276,318
13,133	275,930
0	77,664
<u>13,133</u>	<u>806,480</u>
<u>(13,133)</u>	<u>(230,085)</u>
0	1,688,010
13,133	1,723,556
0	(1,688,010)
0	101,225
<u>13,133</u>	<u>1,824,781</u>
0	1,594,696
<u>0</u>	<u>7,193,735</u>
<u>\$ 0</u>	<u>\$ 8,788,431</u>

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CITY OF MOUNTAIN BROOK, ALABAMA

**SCHEDULE OF GENERAL FUND REVENUES BY SOURCE
FOR THE YEARS ENDED SEPTEMBER 30, 1991 to 2002**

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Taxes					
Real property	\$ 4,126,279	\$ 4,330,842	\$ 4,300,663	\$ 4,385,241	\$ 5,926,376
Sales and use	2,273,681	2,470,595	2,542,968	2,953,502	3,084,886
Occupational	940,448	940,614	1,109,570	1,132,443	1,334,116
Utility	692,184	717,036	712,827	759,087	748,829
Personal property (automobiles)	378,733	364,173	314,397	447,380	474,995
Road and bridge	161,705	168,903	167,748	0	407,135
Other	264,845	287,934	367,643	429,459	363,926
Total taxes	<u>8,837,875</u>	<u>9,280,097</u>	<u>9,515,816</u>	<u>10,107,112</u>	<u>12,340,263</u>
Licenses and permits					
Business	752,214	748,685	900,484	857,850	1,236,821
Construction permits	254,382	242,300	261,363	365,168	296,569
Cable TV franchise fees	78,329	81,063	86,830	90,161	81,039
Waterworks Board	77,705	68,904	79,957	88,481	78,877
Other	48,864	42,898	43,241	44,763	45,225
Total licenses and permits	<u>1,211,494</u>	<u>1,183,850</u>	<u>1,371,875</u>	<u>1,446,423</u>	<u>1,738,531</u>
Intergovernmental	<u>135,747</u>	<u>38,798</u>	<u>30,090</u>	<u>30,922</u>	<u>30,000</u>
Charges for services					
Garbage fees	700,051	1,166,595	1,232,587	1,311,763	1,182,621
Other	91,479	154,692	149,942	145,216	147,625
Total charges for services	<u>791,530</u>	<u>1,321,287</u>	<u>1,382,529</u>	<u>1,456,979</u>	<u>1,330,246</u>
Fines and forfeitures - court	<u>208,950</u>	<u>231,162</u>	<u>240,321</u>	<u>217,468</u>	<u>211,791</u>
Grants	<u>0</u>	<u>0</u>	<u>327,100</u>	<u>116,214</u>	<u>0</u>
Other operating revenue					
Investment earnings	186,825	126,566	66,163	97,091	190,478
Other	57,975	56,061	87,457	102,080	47,039
Total other operating revenue	<u>244,800</u>	<u>182,627</u>	<u>153,620</u>	<u>199,171</u>	<u>237,517</u>
TOTAL REVENUES	<u>\$ 11,430,396</u>	<u>\$ 12,237,821</u>	<u>\$ 13,021,351</u>	<u>\$ 13,574,289</u>	<u>\$ 15,888,348</u>

See notes to financial statements.

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
\$	6,015,502	\$ 6,155,288	\$ 6,171,581	\$ 6,316,472	\$ 8,003,594	\$ 8,100,952	\$ 8,177,532
	4,740,066	5,283,280	5,514,754	5,603,635	5,671,220	5,564,912	5,506,591
	1,314,454	1,590,230	1,649,459	1,769,634	1,184,120	938,199	945,302
	741,847	782,496	786,231	822,806	813,776	885,880	1,007,657
	500,853	561,643	651,542	735,010	845,199	940,088	967,329
	239,535	245,851	250,543	260,666	327,986	334,790	340,021
	566,339	534,258	660,409	624,280	548,064	700,188	931,057
	<u>14,118,596</u>	<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>
	1,298,425	1,459,497	1,727,688	1,694,072	1,598,265	1,565,134	1,632,925
	320,791	353,329	397,665	348,737	469,291	478,476	380,206
	89,604	91,055	192,935	178,655	185,652	192,000	218,235
	99,506	90,157	92,039	105,794	119,827	118,368	96,938
	49,168	48,440	49,784	51,138	48,622	48,608	47,100
	<u>1,857,494</u>	<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>30,000</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>
	1,206,168	1,273,898	1,323,450	1,305,134	1,329,942	1,414,817	1,459,625
	248,213	366,782	377,131	377,442	582,955	997,159	711,632
	<u>1,454,381</u>	<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>272,985</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>0</u>	<u>13,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,500</u>	<u>5,738</u>
	189,367	271,571	354,697	284,592	405,151	428,710	268,893
	53,777	49,943	241,407	141,117	243,628	283,182	238,153
	<u>243,144</u>	<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>17,976,600</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>

CITY OF MOUNTAIN BROOK, ALABAMA
COMPARATIVE BALANCE SHEET - GENERAL FUND
SEPTEMBER 30, 2002
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001 AND 2000)

	<u>2000</u>	<u>2001</u>	<u>2002</u>
ASSETS			
Cash and temporary investments	\$ 7,065,045	\$ 6,834,189	\$ 7,477,996
Receivables	1,363,432	2,066,147	1,397,869
Due from other funds	3,525	0	0
Inventory	9,100	10,995	9,132
Prepaid expenses	<u>96,800</u>	<u>137,593</u>	<u>142,449</u>
TOTAL ASSETS	<u>\$ 8,537,902</u>	<u>\$ 9,048,924</u>	<u>\$ 9,027,446</u>
LIABILITIES			
Bank overdraft	\$ 9,208	\$ 0	\$ 0
Accounts payable	1,191,745	896,812	512,354
Accrued salaries and wages	484,336	539,226	557,075
Other liabilities	437,266	897,485	702,569
Due to other funds	511	2,825	2,876
Accrued compensated absences	<u>120,895</u>	<u>161,692</u>	<u>166,512</u>
Total liabilities	<u>2,243,961</u>	<u>2,498,040</u>	<u>1,941,386</u>
FUND EQUITY			
Fund balance:			
Reserve for prepayments and inventories	105,900	148,588	151,581
Unreserved	<u>6,188,041</u>	<u>6,402,296</u>	<u>6,934,479</u>
Total fund equity	<u>6,293,941</u>	<u>6,550,884</u>	<u>7,086,060</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 8,537,902</u>	 <u>\$ 9,048,924</u>	 <u>\$ 9,027,446</u>

See notes to financial statements.

CITY OF MOUNTAIN BROOK, ALABAMA
COMPARATIVE BALANCE SHEET - CAPITAL PROJECTS FUND
SEPTEMBER 30, 2002
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001 AND 2000)

	<u>2000</u>	<u>2001</u>	<u>2002</u>
ASSETS			
Cash and temporary investments	\$ 9,292,582	\$ 9,187,688	\$ 8,811,802
Receivables	702,802	5,462	0
Prepaid expenses	34,503	0	0
TOTAL ASSETS	<u>\$ 10,029,887</u>	<u>\$ 9,193,150</u>	<u>\$ 8,811,802</u>
LIABILITIES			
Bank overdraft	\$ 11,924	\$ 1,911,212	\$ 0
Accounts payable	900,680	88,203	23,371
Other liabilities	8,944	0	0
Total liabilities	<u>921,548</u>	<u>1,999,415</u>	<u>23,371</u>
FUND EQUITY			
Fund balance:			
Reserved	34,503	0	0
Unreserved	9,073,836	7,193,735	8,788,431
Total fund equity	<u>9,108,339</u>	<u>7,193,735</u>	<u>8,788,431</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 10,029,887</u>	<u>\$ 9,193,150</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, 2002
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001 AND 2000)**

	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues			
Taxes	\$ 17,393,959	\$ 17,465,009	\$ 17,875,489
Licenses and permits	2,421,657	2,402,586	2,375,404
Intergovernmental	71,288	70,132	36,297
Charges for services	1,912,897	2,411,976	2,171,257
Fines and forfeitures	256,604	287,425	298,824
Grants	0	12,500	5,738
Other operating revenues	648,779	711,892	507,046
Total revenues	<u>22,705,184</u>	<u>23,361,520</u>	<u>23,270,055</u>
Expenditures			
General government	2,565,414	5,164,701	3,408,784
Public safety	8,700,294	8,875,560	9,212,804
Street and sanitation	5,129,288	5,131,042	4,726,776
Recreational	1,533,424	870,289	945,127
Total expenditures	<u>17,928,420</u>	<u>20,041,592</u>	<u>18,293,491</u>
Excess (deficiency) of revenues over expenditures	<u>4,776,764</u>	<u>3,319,928</u>	<u>4,976,564</u>
Other financing sources (uses)			
Operating transfers in	592,294	1,218,435	870,957
Operating transfers out	(3,411,762)	(3,008,152)	(3,861,343)
Operating transfers to component unit	(1,045,414)	(1,273,268)	(1,451,002)
Total other financing sources (uses)	<u>(3,864,882)</u>	<u>(3,062,985)</u>	<u>(4,441,388)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	911,882	256,943	535,176
Fund balances, beginning of year	<u>5,382,059</u>	<u>6,293,941</u>	<u>6,550,884</u>
FUND BALANCES, END OF YEAR	<u>\$ 6,293,941</u>	<u>\$ 6,550,884</u>	<u>\$ 7,086,060</u>

See notes to financial statements.

CITY OF MOUNTAIN BROOK, ALABAMA

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2002
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001 AND 2000)

	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues			
Grants	\$ 178,403	\$ 206,844	\$ 58,959
Other operating revenues	451,408	844,708	517,436
Total revenues	<u>629,811</u>	<u>1,051,552</u>	<u>576,395</u>
 Expenditures			
General government	1,825,650	2,026,569	176,568
Public safety	610,661	615,235	276,318
Street and sanitation	420,892	534,997	275,930
Recreational	27,712	8,322	77,664
Total expenditures	<u>2,884,915</u>	<u>3,185,123</u>	<u>806,480</u>
 Excess (deficiency) of revenues over expenditures	<u>(2,255,104)</u>	<u>(2,133,571)</u>	<u>(230,085)</u>
 Other financing sources (uses)			
Proceeds from sale of warrants	2,000,000	0	0
Operating transfers in	1,227,188	860,643	1,723,556
Operating transfers out	0	(976,346)	(1,688,010)
Donations	0	251,818	1,688,010
Operating transfers to component unit	15,100	82,852	101,225
Total other financing sources (uses)	<u>3,242,288</u>	<u>218,967</u>	<u>1,824,781</u>
 Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	987,184	(1,914,604)	1,594,696
 Fund balances, beginning of year	<u>8,121,155</u>	<u>9,108,339</u>	<u>7,193,735</u>
 FUND BALANCES, END OF YEAR	<u>\$ 9,108,339</u>	<u>\$ 7,193,735</u>	<u>\$ 8,788,431</u>

See notes to financial statements.