

CITY OF MOUNTAIN BROOK, ALABAMA
GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

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

SEPTEMBER 30, 1999

MAYOR

The Honorable Lawrence T. Oden

CITY COUNCIL

Mr. William J. Grayson, Jr., President

Mr. Thomas C. Clark, Jr.

Mr. William J. Long

Ms. Helene S. Elkus

Ms. Alice Williams

CITY MANAGER

Mr. Sam S. Gaston

DEPARTMENT SUPERVISORS

Building Inspections.....	Mr. Jerry Weems
City Clerk.....	Ms. Ann R. McCutcheon
Finance.....	Mr. Steven Boone
Fire Department.....	Mr. Robert W. (Zeke) Ezekiel
Police Department.....	Mr. C. M. Keely
Street and Sanitation.....	Mr. Lowell H. Shipp



CITY OF MOUNTAIN BROOK, ALABAMA

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**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 (the City) as of and for the year ended September 30, 1999, 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 generally accepted 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 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, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Mountain Brook, Alabama. 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.

Mackle, Splawn, Tindall & McDonald, LLP

December 21, 1999 (except for
the last paragraph of Note 12, as to
which the date is January 12, 2000)

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CITY OF MOUNTAIN BROOK, ALABAMA

**COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT
GROUPS, AND DISCRETELY PRESENTED COMPONENT UNIT
SEPTEMBER 30, 1999**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
ASSETS			
Cash and temporary investments	\$ 5,622,545	\$ 704,771	\$ 4,724
Investments	0	0	0
Receivables	1,418,796	79,733	0
Due from other funds	3,525	1,348	0
Prepaid expenses	32,750	0	0
Property and equipment, net	0	0	0
Amount to be provided for debt	0	0	0
Amount available in Debt Service Fund	0	0	0
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 7,077,616	\$ 785,852	\$ 4,724
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Bank overdraft	\$ 0	\$ 1,078	\$ 0
Accounts payable	368,134	38,668	0
Accrued salaries and wages	734,555	0	0
Other liabilities	471,832	0	0
Due to other funds	1,348	3,525	0
Accrued compensated absences	119,688	0	0
Long-term debt	0	0	0
	<hr/>	<hr/>	<hr/>
Total liabilities	1,695,557	43,271	0
	<hr/>	<hr/>	<hr/>
FUND EQUITY			
Investment in general fixed assets	0	0	0
Fund balance:			
Reserved	0	0	4,724
Unreserved	5,382,059	742,581	0
	<hr/>	<hr/>	<hr/>
Total fund equity	5,382,059	742,581	4,724
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	\$ 7,077,616	\$ 785,852	\$ 4,724
	<hr/>	<hr/>	<hr/>

See notes to financial statements.

<u>Capital Projects</u>	<u>Account Groups</u>		<u>Totals (Memo Only) Primary Government</u>	<u>Component Unit</u>	<u>Totals (Memo Only) Reporting Entity</u>
	<u>General Fixed Assets</u>	<u>General Long-term Debt</u>			
\$ 8,144,075	\$ 0	\$ 0	\$ 14,476,115	\$ 177,315	\$ 14,653,430
0	0	0	0	205,886	205,886
0	0	0	1,498,529	0	1,498,529
0	0	0	4,873	0	4,873
0	0	0	32,750	0	32,750
0	6,828,889	0	6,828,889	0	6,828,889
0	0	5,637,931	5,637,931	0	5,637,931
0	0	4,724	4,724	0	4,724
<u>\$ 8,144,075</u>	<u>\$ 6,828,889</u>	<u>\$ 5,642,655</u>	<u>\$ 28,483,811</u>	<u>\$ 383,201</u>	<u>\$ 28,867,012</u>
\$ 0	\$ 0	\$ 0	\$ 1,078	\$ 0	\$ 1,078
22,920	0	0	429,722	4,120	433,842
0	0	0	734,555	0	734,555
0	0	0	471,832	29,357	501,189
0	0	0	4,873	0	4,873
0	0	1,017,655	1,137,343	0	1,137,343
0	0	4,625,000	4,625,000	0	4,625,000
<u>22,920</u>	<u>0</u>	<u>5,642,655</u>	<u>7,404,403</u>	<u>33,477</u>	<u>7,437,880</u>
0	6,828,889	0	6,828,889	0	6,828,889
0	0	0	4,724	323,275	327,999
<u>8,121,155</u>	<u>0</u>	<u>0</u>	<u>14,245,795</u>	<u>26,449</u>	<u>14,272,244</u>
<u>8,121,155</u>	<u>6,828,889</u>		<u>21,079,408</u>	<u>349,724</u>	<u>21,429,132</u>
<u>\$ 8,144,075</u>	<u>\$ 6,828,889</u>	<u>\$ 5,642,655</u>	<u>\$ 28,483,811</u>	<u>\$ 383,201</u>	<u>\$ 28,867,012</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, 1999**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Revenues			
Taxes	\$ 16,132,503	\$ 412,581	\$ 0
Licenses and permits	2,378,396	0	0
Intergovernmental	30,383	252,500	0
Charges for services	1,682,576	279,526	0
Fines and forfeitures	294,946	119,898	0
Grants	0	0	0
Other operating revenues	425,709	83,705	366
Total revenues	<u>20,944,513</u>	<u>1,148,210</u>	<u>366</u>
Expenditures			
General government	2,155,825	131,775	2,647
Public safety	7,895,173	203,431	0
Street and sanitation	4,323,430	696,728	0
Recreational	788,218	1,728,385	0
Debt service	0	0	1,917,271
Total expenditures	<u>15,162,646</u>	<u>2,760,319</u>	<u>1,919,918</u>
Excess (deficiency) of revenues over expenditures	<u>5,781,867</u>	<u>(1,612,109)</u>	<u>(1,919,552)</u>
Other financing sources (uses)			
Proceeds from sale of warrants	0	2,500,000	0
Operating transfers in	0	394,218	1,919,918
Operating transfers out	(3,822,134)	(442,663)	0
Donations	0	96,196	0
Operating transfers to component unit	(985,401)	0	0
Total other financing sources (uses)	<u>(4,807,535)</u>	<u>2,547,751</u>	<u>1,919,918</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	974,332	935,642	366
Fund balances, beginning of year	<u>4,407,727</u>	<u>(193,061)</u>	<u>4,358</u>
FUND BALANCES, END OF YEAR	<u>\$ 5,382,059</u>	<u>\$ 742,581</u>	<u>\$ 4,724</u>

See notes to financial statements.

<u>Capital Projects</u>	<u>Totals (Memo Only) Primary Government</u>	<u>Component Unit</u>	<u>Totals (Memo Only) Reporting Entity</u>
\$ 0	\$ 16,545,084	\$ 0	\$ 16,545,084
0	2,378,396	0	2,378,396
0	282,883	975,734	1,258,617
0	1,962,102	0	1,962,102
0	414,844	45,713	460,557
0	0	18,050	18,050
<u>376,671</u>	<u>886,451</u>	<u>26,638</u>	<u>913,089</u>
<u>376,671</u>	<u>22,469,760</u>	<u>1,066,135</u>	<u>23,535,895</u>
1,129,689	3,419,936	0	3,419,936
365,565	8,464,169	0	8,464,169
29,881	5,050,039	0	5,050,039
144,699	2,661,302	1,072,917	3,734,219
0	1,917,271	0	1,917,271
<u>1,669,834</u>	<u>21,512,717</u>	<u>1,072,917</u>	<u>22,585,634</u>
<u>(1,293,163)</u>	<u>957,043</u>	<u>(6,782)</u>	<u>950,261</u>
0	2,500,000	0	2,500,000
1,950,661	4,264,797	0	4,264,797
0	(4,264,797)	0	(4,264,797)
13,600	109,796	22,987	132,783
9,667	(975,734)	0	(975,734)
<u>1,973,928</u>	<u>1,634,062</u>	<u>22,987</u>	<u>1,657,049</u>
680,765	2,591,105	16,205	2,607,310
<u>7,440,390</u>	<u>11,659,414</u>	<u>333,519</u>	<u>11,992,933</u>
<u>\$ 8,121,155</u>	<u>\$ 14,250,519</u>	<u>\$ 349,724</u>	<u>\$ 14,600,243</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, 1999**

	<u>General Fund</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Revenues			
Taxes	\$ 15,938,900	\$ 16,132,503	\$ 193,603
Licenses and permits	2,338,600	2,378,396	39,796
Intergovernmental	57,803	30,383	(27,420)
Charges for services	1,695,767	1,682,576	(13,191)
Fines and forfeitures	320,000	294,946	(25,054)
Grants	0	0	0
Other operating revenues	402,084	425,709	23,625
Total revenues	<u>20,753,154</u>	<u>20,944,513</u>	<u>191,359</u>
Expenditures			
General government	2,154,697	2,155,825	(1,128)
Public safety	7,993,767	7,895,173	98,594
Street and sanitation	4,398,176	4,323,430	74,746
Recreational	810,169	788,217	21,952
Debt service	0	0	0
Total expenditures	<u>15,356,809</u>	<u>15,162,645</u>	<u>194,164</u>
Excess (deficiency) of revenues over expenditures	<u>5,396,345</u>	<u>5,781,868</u>	<u>385,523</u>
Other financing sources (uses)			
Proceeds from sale of warrants	0	0	0
Operating transfers in	0	0	0
Operating transfers out	(3,848,962)	(3,822,135)	26,827
Donations	0	0	0
Operating transfers to/from component unit	(985,333)	(985,401)	(68)
Total other financing sources (uses)	<u>(4,834,295)</u>	<u>(4,807,536)</u>	<u>26,759</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	562,050	974,332	412,282
Fund balances, beginning of year	<u>4,407,727</u>	<u>4,407,727</u>	<u>0</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,969,777</u>	<u>\$ 5,382,059</u>	<u>\$ 412,282</u>

See notes to financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 405,000	\$ 412,581	\$ 7,581
0	0	0
220,000	252,500	32,500
250,000	279,526	29,526
104,700	119,898	15,198
0	0	0
46,450	83,705	37,255
<u>1,026,150</u>	<u>1,148,210</u>	<u>122,060</u>
138,054	131,775	6,279
214,715	203,431	11,284
700,000	696,728	3,272
2,035,117	1,728,385	306,732
0	0	0
<u>3,087,886</u>	<u>2,760,319</u>	<u>327,567</u>
<u>(2,061,736)</u>	<u>(1,612,109)</u>	<u>449,627</u>
2,500,000	2,500,000	0
418,869	394,218	(24,651)
(447,200)	(442,663)	4,537
171,000	96,196	(74,804)
0	0	0
<u>2,642,669</u>	<u>2,547,751</u>	<u>(94,918)</u>
580,933	935,642	354,709
193,061	193,061	0
<u>\$ 387,872</u>	<u>\$ 742,581</u>	<u>\$ 354,709</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, 1999**

	<u>Capital Project 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	350,000	0	(350,000)
Other operating revenues	413,076	376,671	(36,405)
Total revenues	<u>763,076</u>	<u>376,671</u>	<u>(386,405)</u>
Expenditures			
General government	1,760,285	1,129,689	630,596
Public safety	498,651	365,565	133,086
Street and sanitation	146,605	29,881	116,724
Recreational	163,210	144,699	18,511
Debt service	0	0	0
Total expenditures	<u>2,568,751</u>	<u>1,669,834</u>	<u>898,917</u>
Excess (deficiency) of revenues over expenditures	<u>(1,805,675)</u>	<u>(1,293,163)</u>	<u>512,512</u>
Other financing sources (uses)			
Proceeds from sale of warrants	0	0	0
Operating transfers in	1,954,727	1,950,661	(4,066)
Operating transfers out	0	0	0
Donations	0	13,600	13,600
Operating transfers to component unit	0	9,667	9,667
Total other financing sources (uses)	<u>1,954,727</u>	<u>1,973,928</u>	<u>19,201</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	149,052	680,765	531,713
Fund balances, beginning of year	<u>7,440,390</u>	<u>7,440,390</u>	<u>0</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 7,589,442</u></u>	<u><u>\$ 8,121,155</u></u>	<u><u>\$ 531,713</u></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
0	366	366
<u>0</u>	<u>366</u>	<u>366</u>
4,000	2,647	1,353
0	0	0
0	0	0
0	0	0
1,918,565	1,917,271	1,294
<u>1,922,565</u>	<u>1,919,918</u>	<u>2,647</u>
<u>(1,922,565)</u>	<u>(1,919,552)</u>	<u>3,013</u>
0	0	0
1,922,565	1,919,918	(2,647)
0	0	0
0	0	0
0	0	0
<u>1,922,565</u>	<u>1,919,918</u>	<u>(2,647)</u>
0	366	366
4,358	4,358	0
<u>\$ 4,358</u>	<u>\$ 4,724</u>	<u>\$ 366</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, 2000. 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 1999, the City transferred \$985,401 to the Library to subsidize its operations and for the purchase of books and related materials. Also, the Library transferred \$9,667 to the City for its equipment replacement system.

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.

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;

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

B. Related organization (continued)

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 1999, the City reported the following revenues from the Board:

	General Fund	Special Revenue
Occupational taxes	\$ 190,597	\$ 0
DARE Program subsidy	0	43,000
Athletic fields shared maintenance	30,383	0
Athletic fields capital and shared maintenance	0	209,500
Sewer service fees	6,600	0
Total	<u>\$ 227,580</u>	<u>\$ 252,500</u>

At September 30, 1999, the City reported a receivable from the Board in the amount of \$30,383 (see note 3).

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, 1999, the City owed the Board \$30,335 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 are being financed through the issuance of Series 1998-A general obligation warrants (Note 6). 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 1999, 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:



CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

B. Related organization (continued)

Revenues	
The Board	\$ 100,000
Mountain Brook Athletics, Inc.	50,000
Mountain Brook Soccer Club, Inc.	50,000
Investment income	11,931
Total revenues	<u>211,931</u>
Expenditures	
Recreational (maintenance)	59,864
Capital outlay (\$856,217 to date)	364,787
Total expenditures	<u>424,651</u>
Other financing sources (uses), net	
Proceeds from the issuance of debt	1,000,000
Transfers from City General Fund	100,000
Transfers to City Capital Projects Fund	(77,412)
Transfers to Debt Service Fund	(144,910)
Donations	5,000
Net other financing sources (uses)	<u>882,678</u>
Excess of revenues and other financing sources over expenditures and other uses	669,958
Fund balance (deficit) at beginning of the year	<u>(491,430)</u>
Fund balance at end of the year	<u>\$ 178,528</u>

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 are being financed through the issuance of Series 1998-B general obligation warrants (Note 6). The Series 1998-B warrants will be 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.

CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

B. Related organization (continued)

In addition, the Board has agreed to pay the City \$109,500 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:

Revenues	
The Board	\$ 109,500
Investment income	18,644
Total revenues	<u>128,144</u>
Expenditures	
Capital outlay (\$1,415,123 to date)	<u>1,302,807</u>
Other financing sources (uses), net	
Proceeds from the issuance of debt	1,500,000
Transfers from City General Fund	15,000
Transfers to Debt Service Fund	(214,296)
Donations (Mountain Brook Sports Corporation)	90,796
Net other financing sources	<u>1,391,500</u>
Excess of revenues and other financing sources over expenditures and other uses	216,837
Fund balance (deficit) at beginning of the year	<u>(112,316)</u>
Fund balance at end of the year	<u>\$ 104,521</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

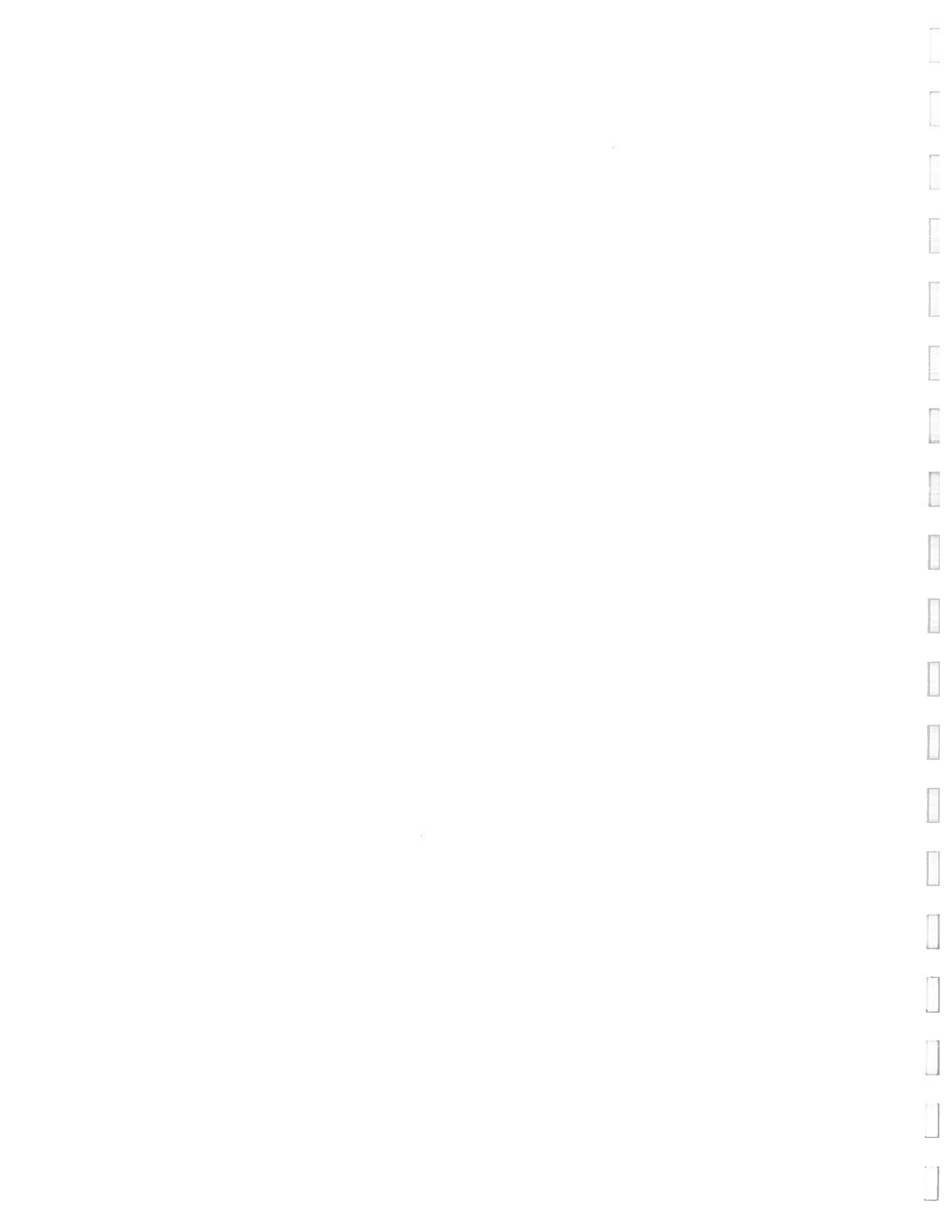
The General Fund is the principal fund of the City and is used to account for all revenues and expenditures applicable to the general operations of city government which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to their use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



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 September 27, 1999.

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 \$1,000,000 after the first \$900,000 in the aggregate during the two year policy term. Workers' compensation cost charged to General Fund operations during 1999 was approximately \$170,500. The accompanying financial statements include an estimated accrual of reported but unpaid workers' compensation claims as of September 30, 1999 in the amount of \$70,544.



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

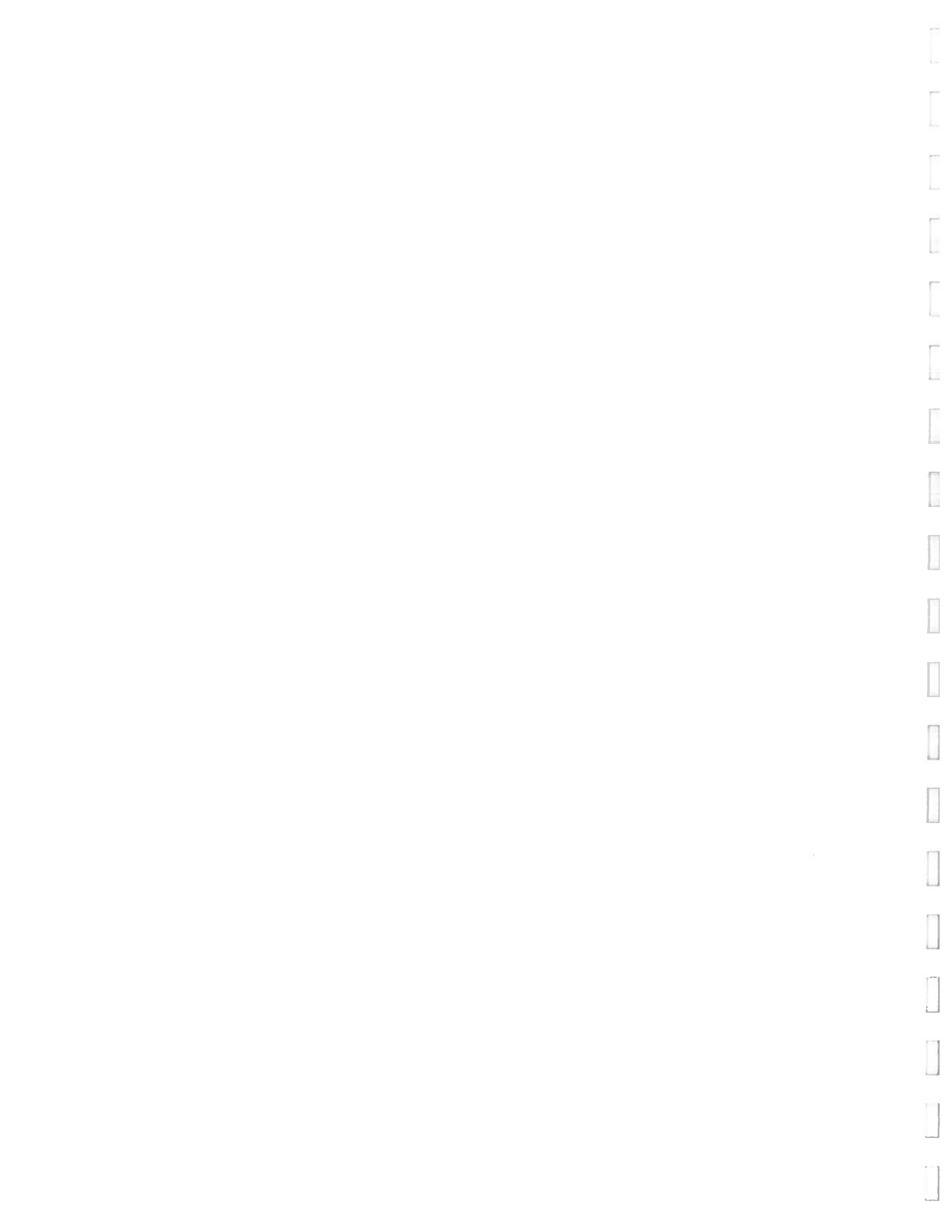
Full-time City employees earn sick leave at the rate of one day per month of service and can accumulate up to sixty days of sick leave. Vacation leave is earned at graduated rates based on length of service (one day per month of service initially, one and one-half days per month of service after twelve 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, 1999 reported in the General Fund totaled \$119,688. The remaining portion of the accrued vacation and sick pay at September 30, 1999 reported in the General Long-Term Debt Account Group totaled \$1,017,655.

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, 1999 reported in the General Fund totaled approximately \$346,000.



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 7).

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. Intrafund transactions

During the course of normal operations, the City incurs numerous transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally reported as operating transfers except in instances where the transfer represents the reimbursement to a fund for expenditures incurred for the benefit of another fund. 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 are conducted by the Jefferson County Commission every five years. The most recent revaluation was conducted during 1999, the effect of which is estimated to increase the City's property tax revenues by more than \$1.7 million, which will be 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	21.7	2.17
Mountain Brook Board of Education	44.7	4.47
City of Mountain Brook General Fund	<u>26.1</u>	<u>2.61</u>
	<u>99.0</u>	<u>\$ 9.90</u>

Q. Sales and use tax

Effective November 1, 1995, the City increased its sales tax to 3% from 2%. The additional one cent sales tax was imposed to provide funds for improvements to the public portions of the City's three commercial villages (Notes 5 and 6). The additional one cent sales tax was scheduled to expire on October 31, 2000; however, the City Council formally repealed the automatic expiration of the additional tax during 1999.

R. 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 \$16.5 million or 79% of the total General Fund revenues during the year ended September 30, 1999. 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 \$4.2 million or 20% of the City's total General Fund revenues during the year ended September 30, 1999.



CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

2. Deposits and investments

The carrying value of cash and temporary investments at September 30, 1999 was as follows:

	City	Component Unit	Total
Pooled cash and equivalents:			
General Fund	\$ 2,340,269	\$ 14,614	\$ 2,354,883
Special Revenue Funds	703,693	0	703,693
Capital Projects Funds	1,724,111	0	1,724,111
Temporarily Restricted	0	(1,450)	(1,450)
Cash on-hand and other cash and equivalents:			
General fund	247,046	45,312	292,358
Debt Service Fund	4,248	0	4,248
Temporarily Restricted	0	95,198	95,198
Permanently Restricted	0	9,221	9,221
Investments:			
General Fund	3,035,230	0	3,035,230
Capital Projects Funds	6,419,964	0	6,419,964
Temporarily Restricted	0	138,508	138,508
Permanently Restricted	0	81,798	81,798
Cash held by trustee under debt indenture agreements - Debt Service Fund	475	0	475
Total cash and temporary investments	<u>\$ 14,475,036</u>	<u>\$ 383,201</u>	<u>\$ 14,858,237</u>

At September 30, 1999, the bank balance or cost, carrying value, and fair value of the cash and temporary investments was as follows:

	Bank Balance or Cost	Carrying Value	Fair Value
Pooled cash and equivalents	\$ 5,162,967	\$ 4,781,237	\$ 4,781,237
Cash on-hand	3,030	3,030	3,030
Other cash and equivalents	450,039	414,769	414,769
U.S. government and agency obligations	9,745,442	9,637,846	9,637,846
Donated equity investment	0	20,880	20,880
Cash held by trustees under debt indenture agreements	475	475	475
Total cash and temporary investments	<u>\$ 15,361,953</u>	<u>\$ 14,858,237</u>	<u>\$ 14,858,237</u>



CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

2. Deposits and investments (continued)

Of the almost \$15.4 million bank balance or cost above, \$345,000 was insured by Federal Depository Insurance (FDIC), \$5.25 million was collateralized under deposit collateral agreements with securities held in safekeeping by either the bank's trust department or the Federal Reserve Bank, \$9.75 million was invested in securities issued by the United States Government or agencies thereof, and approximately \$25,000 was uninsured and uncollateralized.

3. Receivables

Receivables at September 30, 1999 consisted of the following:

	General Fund	Special Revenue	Total
Taxes	\$ 1,313,003	\$ 37,524	\$ 1,350,527
Emergency Communication District (E-911) surcharge	0	17,210	17,210
Mountain Brook Board of Education (Note 1.B).	30,383	0	30,383
Component unit	29,357	0	29,357
Other	46,053	24,999	71,052
Totals	<u>\$ 1,418,796</u>	<u>\$ 79,733</u>	<u>\$ 1,498,529</u>

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, 1999:

	Balance at September 30, 1998	Additions	Disposals/ Retirements/ Completed	Balance at September 30, 1999
General fixed assets				
Land	\$ 694,730	\$ 0	\$ 0	\$ 694,730
Land improvements	2,706,526	8,670	0	2,715,196
Buildings	2,918,069	117,683	0	3,035,752
Furniture and equipment	5,998,171	585,369	(178,120)	6,405,420
Construction in progress	123,400	1,215	(111,482)	13,133
Total cost	<u>12,440,896</u>	<u>712,937</u>	<u>(289,602)</u>	<u>12,864,231</u>
Accumulated depreciation				
Land improvements	92,489	10,446	0	102,935
Buildings	1,575,595	104,900	0	1,680,495
Furniture and equipment	3,693,525	707,696	(149,309)	4,251,912
Total accumulated depreciation	<u>5,361,609</u>	<u>823,042</u>	<u>(149,309)</u>	<u>6,035,342</u>
Net investment in general fixed assets	<u>\$ 7,079,287</u>	<u>\$ (110,105)</u>	<u>\$ (140,293)</u>	<u>\$ 6,828,889</u>



CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

5. Construction in progress and infrastructure improvements

As of September 30, 1999, the City had incurred costs of \$13,133 toward the design and renovation of the Council Chambers. The City intends to renovate the Council Chambers during fiscal 2000 at a cost of approximately \$100,000. However, no commitments have been incurred regarding the planned Council Chamber renovations.

The City agreed to serve as the fiscal agent for certain renovations to be performed at the athletic facilities of the high school. The project is expected to be completed during fiscal 2000 at a total cost of \$1.5 million which was financed through the issuance of \$1.5 million General Obligation Warrants, Series 1998-B (Note 1.B). As of September 30, 1999, the City expended approximately \$1.4 million toward the high school renovations. These expenditures are reported in the Special Revenue (Community) Funds of the accompanying financial statements.

During 1997, the City applied for a federally funded transportation improvement program award to be passed through the State of Alabama Department of Transportation as provided under the 1991 Intermodal Surface Transportation Efficiency Act. The project consists of the extension and improvement of the City's existing sidewalks and walkway system. The total estimated cost of the project is \$321,500 which is to be shared on the basis of 80 percent federal funds, limited to \$257,200, and 20 percent City funds. The project is expected to begin during 2000 and to be completed within one year. The City has not entered into any commitments related to this project. Through September 30, 1999, the city has expended \$23,064 for design, planning, and other professional services incurred for the preparation of this grant application and project design.



CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

6. Long-term debt

Long-term debt outstanding as of September 30, 1999, consisted of the following:

	<u>Balance</u>
\$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%	\$ 880,000
\$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%	1,325,000
\$4,000,000 General Obligation Warrants, Series 1996 dated February 15, 1996 maturing annually on December 1 through the year 2000 plus interest payable on December 1, and June 1 at rates ranging from 3.20% to 3.80%	1,700,000
\$2,300,000 General Obligation Warrants, Series 1995 dated January 10, 1995 with semiannual principal and interest payments due each January 15 and July 15 through January 15, 2000 plus interest at rates ranging from 5.75% to 6.00%	255,000
\$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%	<u>465,000</u>
Total	<u>\$ 4,625,000</u>

The total interest paid by the City during 1999 relative to the above general obligation warrants was \$207,271.



CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

6. Long-term debt (continued)

Following is a summary of long-term debt principal transactions for the year ended September 30, 1999.

General obligation warrant balances at October 1, 1998	\$ 3,835,000
Debt issued:	
\$1,000,000 General Obligation Warrants, Series 1998-A	1,000,000
\$1,500,000 General Obligation Warrants, Series 1998-B	1,500,000
Principal payments:	
\$1,000,000 General Obligation Warrants, Series 1998-A	(120,000)
\$1,500,000 General Obligation Warrants, Series 1998-B	(175,000)
\$4,000,000 General Obligation Warrants, Series 1996	(800,000)
\$2,300,000 General Obligation Warrants, Series 1995	(495,000)
\$1,130,000 General Obligation Warrants, Series 1993	<u>(120,000)</u>
General obligation warrant balances at September 30, 1999	<u>\$ 4,625,000</u>

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 not only by the students, but the community and area athletic clubs as well.

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 1996 warrants were issued to finance the cost of improvements to the public portions of the City's three commercial villages (Note 5). The warrants are being paid from the proceeds of the additional one cent sales tax that became effective November 1, 1995 (Note 1.Q).

The Series 1995 warrants were issued to finance the cost of transferring the employees' defined benefit pension plan coverage to the Employees' Retirement System of Alabama (Note 7). In connection with this transfer, payments were made to employees to compensate them for the difference in benefits between the two plans.



CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

6. Long-term debt (continued)

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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 1,540,000	\$ 169,583	\$ 1,709,583
2001	1,350,000	110,460	1,460,460
2002	505,000	72,815	577,815
2003	425,000	50,485	475,485
2004	395,000	32,235	427,235
2005	410,000	15,540	425,540
Totals	<u>\$ 4,625,000</u>	<u>\$ 451,118</u>	<u>\$ 5,076,118</u>

7. 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.



CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

7. 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. 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, 1999 was 9.45% of covered compensation. The City's matching contribution for the fiscal year ending September 30, 2000 has been actuarially determined to be 9.45% of covered compensation.

For the year ended September 30, 1999, the City's total compensation was approximately \$8.1 million and the City's total covered compensation used to determine the City's pension contribution was approximately \$7.9 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. Following are the pension contributions remitted to the RSA by fiscal year since January 1, 1995:

<u>Year Ended</u> <u>September 30</u>	<u>Employer</u> <u>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

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



CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

7. Pension plan (continued)

C. Funding Progress

Following is the schedule of funding progress obtained from most recent actuarial valuation:

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	\$3,691,456	75.6%	\$7,197,023	51.3%
1997	\$14,482,615	\$18,815,172	\$4,332,537	77.0%	\$7,745,713	55.9%
1998	\$16,250,881	\$20,474,800	\$4,223,919	79.4%	\$7,901,352	53.5%

D. Additional information

Following is additional information obtained from the most recent actuarial valuation prepared as of September 30, 1998:

Valuation date	September 30, 1998
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	200
Number of retired members and beneficiaries	16
Annual retirement allowances	\$ 316,696

8. Post employment benefits

In addition to the pension benefits described in Note 7, 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



CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

8. Post employment benefits (continued)

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. Additionally, the continuation of benefits for early retirees taking advantage of the plan is made annually by City Council resolution.

As of September 30, 1999, there were twenty-two retirees covered under the City's post employment health insurance plan. The total cost incurred for post employment health benefits was approximately \$56,000 for the year ended September 30, 1999.

9. 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 1999 were as follows:

	<u>Amount</u>
Jefferson County Board of Health	\$ 105,902
Maintenance of maps and appraisals	123,232
Birmingham-Jefferson County Transit Authority	60,000
Personnel Board of Jefferson County	61,435
Jefferson County Planning Commission	7,132

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, 1999, were \$23.93 per month for single and multiple family residential units and \$30.70 per month for commercial units. The annual costs incurred under this agreement for the year ended September 30, 1999 were approximately \$2,123,500. Total revenues collected were approximately \$1,305,100.



CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

9. Commitments and contingencies (continued)

The City leases the land on which the Street and Sanitation buildings are located and the adjacent land which is used for organic debris disposal at an annual rate of \$12,000. The lease is scheduled to expire September 30, 2002. The lessee can terminate the lease prior to the scheduled expiration date. Management does not anticipate the lessee to exercise their option to terminate the lease early.

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 which is reported as a general government capital outlay expenditure in the Capital Projects Fund in the accompanying financial statements. In addition, the consortium has agreed to share the costs of razing the buildings on the property and certain other improvements of which the City's estimated portion is approximately \$140,000. 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

10. 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, 1999:

Assessed value of taxable real and personal property as provided by the Jefferson County Tax Assessor	\$ <u>345,848,361</u>
Constitutional debt limit, 20 percent of assessed value	69,169,672
Outstanding long-term debt as of September 30, 1999	<u>4,625,000</u>
Legal Debt Margin as of October 1, 1999	\$ <u><u>64,544,672</u></u>

11. Litigation

Several 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 adequately insured, without merit, or involve such amounts as would not have a material adverse affect on the City's financial statements.

12. Year 2000 disclosures

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the City's operations as early as fiscal 1999.

The City has substantially completed its testing of computer inventory and other electronic equipment in order to determine which systems are not year 2000 ready. Where systems were found not to be year 2000 ready, upgrades or replacements have been installed.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of the related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the City is or will be completely Year 2000 ready, that its remediation efforts will be successful in whole or in part, or that the parties with whom the City conducts business will be Year 2000 ready.

Through January 12, 2000 the City has experienced no problems or service disruptions and no service disruptions with major suppliers as a result of the January 1, 2000 date rollover.



CITY OF MOUNTAIN BROOK, ALABAMA

NOTES TO FINANCIAL STATEMENTS

13. Subsequent event

Effective January 1, 2000, the City's occupational tax rate will be reduced from one percent (1%) to one-half of one percent (1/2%) and the occupational tax is scheduled to be eliminated effective January 1, 2001. Occupational tax revenues in 1999 totaled \$1,770,000. The reduction in year 2000 is expected to lower occupational tax revenues by \$680,000.



SUPPLEMENTARY INFORMATION



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CITY OF MOUNTAIN BROOK, ALABAMA

**COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 1999**

State Shared Gasoline Tax Funds

	<u>Seven Cent</u>	<u>Four Cent</u>	<u>Five Cent</u>	<u>Two Cent</u>
ASSETS				
Cash and temporary investments	\$ 14,014	\$ 148,419	\$ 17,293	\$ 0
Receivables	20,053	11,741	5,729	0
Due from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 34,067</u>	<u>\$ 160,160</u>	<u>\$ 23,022</u>	<u>\$ 0</u>
LIABILITIES				
Bank overdraft	\$ 0	\$ 0	\$ 0	\$ 1,078
Accounts payable	6,034	0	0	0
Due to other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>6,034</u>	<u>0</u>	<u>0</u>	<u>1,078</u>
FUND EQUITY				
Fund balance (deficit):				
Unreserved	<u>28,033</u>	<u>160,160</u>	<u>23,022</u>	<u>(1,078)</u>
Total fund equity	<u>28,033</u>	<u>160,160</u>	<u>23,022</u>	<u>(1,078)</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 34,067</u>	<u>\$ 160,160</u>	<u>\$ 23,022</u>	<u>\$ 0</u>

See notes to financial statements.

Emergency Com- munication District	Drug Asset	D.A.R.E. Program	Com- munity Fund	Correc- tions Fund	Totals
\$ 174,363	\$ 215	\$ 43,604	\$ 306,863	\$ 0	\$ 704,771
17,210	0	0	25,000	0	79,733
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,348</u>	<u>1,348</u>
<u>\$ 191,573</u>	<u>\$ 215</u>	<u>\$ 43,604</u>	<u>\$ 331,863</u>	<u>\$ 1,348</u>	<u>\$ 785,852</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,078
3,558	0	0	27,728	1,348	38,668
<u>0</u>	<u>0</u>	<u>0</u>	<u>3,525</u>	<u>0</u>	<u>3,525</u>
<u>3,558</u>	<u>0</u>	<u>0</u>	<u>31,253</u>	<u>1,348</u>	<u>43,271</u>
<u>188,015</u>	<u>215</u>	<u>43,604</u>	<u>300,610</u>	<u>0</u>	<u>742,581</u>
<u>188,015</u>	<u>215</u>	<u>43,604</u>	<u>300,610</u>	<u>0</u>	<u>742,581</u>
<u>\$ 191,573</u>	<u>\$ 215</u>	<u>\$ 43,604</u>	<u>\$ 331,863</u>	<u>\$ 1,348</u>	<u>\$ 785,852</u>



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CITY OF MOUNTAIN BROOK, ALABAMA

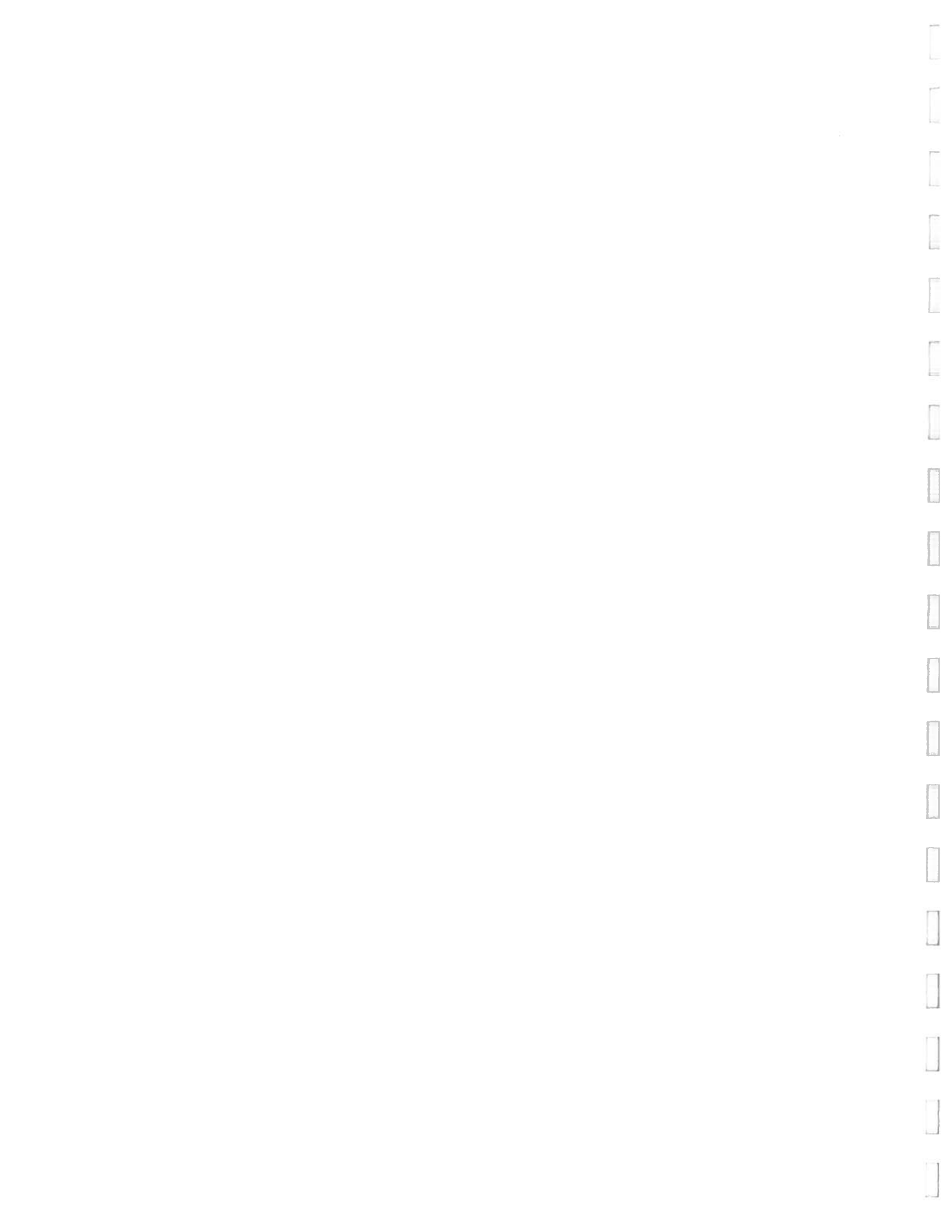
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1999**

State Shared Gasoline Tax Funds

	<u>Seven Cent</u>	<u>Four Cent</u>	<u>Five Cent</u>	<u>Two Cent</u>
Revenues				
Taxes	\$ 217,152	\$ 131,042	\$ 63,895	\$ 492
Intergovernmental	0	0	0	0
Charges for services	2,940	0	0	0
Fines and forfeitures	0	0	0	0
Other operating revenues:				
Investment earnings	75	13,457	5,756	286
Miscellaneous	0	0	0	0
Total revenues	<u>220,167</u>	<u>144,499</u>	<u>69,651</u>	<u>778</u>
Expenditures				
General government	0	0	0	0
Public safety	0	0	0	0
Street and sanitation	228,808	283,222	174,798	9,900
Recreational	0	0	0	0
Total expenditures	<u>228,808</u>	<u>283,222</u>	<u>174,798</u>	<u>9,900</u>
Excess (deficiency) of revenues over expenditures	<u>(8,641)</u>	<u>(138,723)</u>	<u>(105,147)</u>	<u>(9,122)</u>
Other financing sources (uses)				
Revenues - proceeds from warrants	0	0	0	0
Operating transfers in	200,000	0	0	0
Operating transfers out	0	0	0	0
Donations	0	0	0	0
Net other financing sources (uses)	<u>200,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	191,359	(138,723)	(105,147)	(9,122)
Fund balances, beginning	<u>(163,326)</u>	<u>298,883</u>	<u>128,169</u>	<u>8,044</u>
FUND BALANCES, ENDING	<u>\$ 28,033</u>	<u>\$ 160,160</u>	<u>\$ 23,022</u>	<u>\$ (1,078)</u>

See notes to financial statements.

Emergency Com- munication District	Drug Asset	D.A.R.E. Program	Com- munity Fund	Correc- tions Fund	Totals
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 412,581
0	0	43,000	209,500	0	252,500
176,586	0	0	100,000	0	279,526
0	215	0	0	119,683	119,898
6,045	0	938	31,383	31	57,971
25,734	0	0	0	0	25,734
<u>208,365</u>	<u>215</u>	<u>43,938</u>	<u>340,883</u>	<u>119,714</u>	<u>1,148,210</u>
0	0	0	0	131,775	131,775
102,268	0	40,051	0	61,112	203,431
0	0	0	0	0	696,728
0	0	0	1,728,385	0	1,728,385
<u>102,268</u>	<u>0</u>	<u>40,051</u>	<u>1,728,385</u>	<u>192,887</u>	<u>2,760,319</u>
<u>106,097</u>	<u>215</u>	<u>3,887</u>	<u>(1,387,502)</u>	<u>(73,173)</u>	<u>(1,612,109)</u>
0	0	0	2,500,000	0	2,500,000
0	0	0	115,000	79,218	394,218
0	0	0	(436,618)	(6,045)	(442,663)
0	0	0	96,196	0	96,196
<u>0</u>	<u>0</u>	<u>0</u>	<u>2,274,578</u>	<u>73,173</u>	<u>2,547,751</u>
106,097	215	3,887	887,076	0	935,642
<u>81,918</u>	<u>0</u>	<u>39,717</u>	<u>(586,466)</u>	<u>0</u>	<u>(193,061)</u>
<u>\$ 188,015</u>	<u>\$ 215</u>	<u>\$ 43,604</u>	<u>\$ 300,610</u>	<u>\$ 0</u>	<u>\$ 742,581</u>



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CITY OF MOUNTAIN BROOK, ALABAMA
COMBINING BALANCE SHEET - CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

	<u>City Capital Projects</u>	<u>Village Improvements (One Cent) Sales Tax</u>	<u>Sewer Projects</u>
ASSETS			
Cash and temporary investments	\$ <u>5,998,372</u>	\$ <u>2,055,374</u>	\$ <u>82,229</u>
TOTAL ASSETS	<u><u>\$ 5,998,372</u></u>	<u><u>\$ 2,055,374</u></u>	<u><u>\$ 82,229</u></u>
LIABILITIES			
Accounts payable	\$ <u>10,999</u>	\$ <u>11,921</u>	\$ <u>0</u>
Total liabilities	<u>10,999</u>	<u>11,921</u>	<u>0</u>
FUND EQUITY			
Fund balance	<u>5,987,373</u>	<u>2,043,453</u>	<u>82,229</u>
Total fund equity	<u>5,987,373</u>	<u>2,043,453</u>	<u>82,229</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 5,998,372</u></u>	<u><u>\$ 2,055,374</u></u>	<u><u>\$ 82,229</u></u>

See notes to financial statements.

<u>Village Trail System (ISTEA)</u>	<u>Totals</u>
\$ <u>8,100</u>	\$ <u>8,144,075</u>
\$ <u><u>8,100</u></u>	\$ <u><u>8,144,075</u></u>
\$ <u>0</u>	\$ <u>22,920</u>
<u>0</u>	<u>22,920</u>
<u>8,100</u>	<u>8,121,155</u>
<u>8,100</u>	<u>8,121,155</u>
\$ <u><u>8,100</u></u>	\$ <u><u>8,144,075</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, 1999**

	<u>City Capital Projects</u>	<u>Village Improvements (One Cent) Sales Tax</u>	<u>Sewer Projects</u>
Revenues			
Investment earnings	\$ 179,104	\$ 91,022	\$ 3,779
Miscellaneous	102,605	0	0
Total revenues	<u>281,709</u>	<u>91,022</u>	<u>3,779</u>
Expenditures			
General government	61,310	1,061,566	0
Public safety	365,565	0	0
Street and sanitation	29,881	0	0
Recreational	144,699	0	0
Total expenditures	<u>601,455</u>	<u>1,061,566</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>(319,746)</u>	<u>(970,544)</u>	<u>3,779</u>
Other financing sources (uses)			
Operating transfers in	1,946,484	0	0
Donations	0	3,025	0
Operating transfers out	0	0	0
Operating transfers to component unit	9,667	0	0
Net other financing sources (uses)	<u>1,956,151</u>	<u>3,025</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,636,405	(967,519)	3,779
Fund balances, beginning	<u>4,350,968</u>	<u>3,010,972</u>	<u>78,450</u>
FUND BALANCES, ENDING	<u>\$ 5,987,373</u>	<u>\$ 2,043,453</u>	<u>\$ 82,229</u>

See notes to financial statements.

Village Trail System (ISTEA)	Totals
\$ 161	\$ 274,066
0	102,605
<u>161</u>	<u>376,671</u>
6,813	1,129,689
0	365,565
0	29,881
0	144,699
<u>6,813</u>	<u>1,669,834</u>
<u>(6,652)</u>	<u>(1,293,163)</u>
4,177	1,950,661
10,575	13,600
0	0
0	9,667
<u>14,752</u>	<u>1,973,928</u>
8,100	680,765
0	7,440,390
<u>\$ 8,100</u>	<u>\$ 8,121,155</u>



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CITY OF MOUNTAIN BROOK, ALABAMA

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

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Taxes				
Real property	\$ 4,057,761	\$ 4,248,384	\$ 4,126,279	\$ 4,330,842
Sales and use	2,151,025	2,247,303	2,273,681	2,470,595
Occupational	916,461	919,874	940,448	940,614
Utility	694,012	698,500	692,184	717,036
Personal property (automobiles)	373,719	392,464	378,733	364,173
Road and bridge	158,607	166,315	161,705	168,903
Other	262,032	242,952	264,845	287,934
Total taxes	<u>8,613,617</u>	<u>8,915,792</u>	<u>8,837,875</u>	<u>9,280,097</u>
Licenses and permits				
Business	773,161	731,504	752,214	748,685
Construction permits	210,966	240,488	254,382	242,300
Cable TV franchise fees	70,794	73,268	78,329	81,063
Waterworks Board	63,156	57,782	77,705	68,904
Other	44,045	42,045	48,864	42,898
Total licenses and permits	<u>1,162,122</u>	<u>1,145,087</u>	<u>1,211,494</u>	<u>1,183,850</u>
Intergovernmental	<u>64,172</u>	<u>54,900</u>	<u>135,747</u>	<u>38,798</u>
Charges for services				
Garbage fees	684,294	673,069	700,051	1,166,595
Other	53,725	82,401	91,479	154,692
Total charges for services	<u>738,019</u>	<u>755,470</u>	<u>791,530</u>	<u>1,321,287</u>
Fines and forfeitures - court	<u>270,480</u>	<u>256,012</u>	<u>208,950</u>	<u>231,162</u>
Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other operating revenue				
Investment earnings	202,254	189,580	186,825	126,566
Other	42,036	90,238	57,975	56,061
Total other operating revenue	<u>244,290</u>	<u>279,818</u>	<u>244,800</u>	<u>182,627</u>
TOTAL REVENUES	<u>\$ 11,092,700</u>	<u>\$ 11,407,079</u>	<u>\$ 11,430,396</u>	<u>\$ 12,237,821</u>

See notes to financial statements.

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
\$	4,300,663	\$ 4,385,241	\$ 5,926,376	\$ 6,015,502	\$ 6,155,288	\$ 6,171,581	\$ 6,316,472
	2,542,968	2,953,502	3,084,886	4,740,066	5,283,280	5,514,754	5,603,635
	1,109,570	1,132,443	1,334,116	1,314,454	1,590,230	1,649,459	1,769,634
	712,827	759,087	748,829	741,847	782,496	786,231	822,806
	314,397	447,380	474,995	500,853	561,643	651,542	735,010
	167,748	0	407,135	239,535	245,851	250,543	260,666
	367,643	429,459	363,926	566,339	534,258	660,409	624,280
	<u>9,515,816</u>	<u>10,107,112</u>	<u>12,340,263</u>	<u>14,118,596</u>	<u>15,153,046</u>	<u>15,684,519</u>	<u>16,132,503</u>
	900,484	857,850	1,236,821	1,298,425	1,459,497	1,727,688	1,694,072
	261,363	365,168	296,569	320,791	353,329	397,665	348,737
	86,830	90,161	81,039	89,604	91,055	192,935	178,655
	79,957	88,481	78,877	99,506	90,157	92,039	105,794
	43,241	44,763	45,225	49,168	48,440	49,784	51,138
	<u>1,371,875</u>	<u>1,446,423</u>	<u>1,738,531</u>	<u>1,857,494</u>	<u>2,042,478</u>	<u>2,460,111</u>	<u>2,378,396</u>
	<u>30,090</u>	<u>30,922</u>	<u>30,000</u>	<u>30,000</u>	<u>33,803</u>	<u>115,895</u>	<u>30,383</u>
	1,232,587	1,311,763	1,182,621	1,206,168	1,273,898	1,323,450	1,305,134
	149,942	145,216	147,625	248,213	366,782	377,131	377,442
	<u>1,382,529</u>	<u>1,456,979</u>	<u>1,330,246</u>	<u>1,454,381</u>	<u>1,640,680</u>	<u>1,700,581</u>	<u>1,682,576</u>
	<u>240,321</u>	<u>217,468</u>	<u>211,791</u>	<u>272,985</u>	<u>292,448</u>	<u>306,312</u>	<u>294,946</u>
	<u>327,100</u>	<u>116,214</u>	<u>0</u>	<u>0</u>	<u>13,000</u>	<u>0</u>	<u>0</u>
	66,163	97,091	190,478	189,367	271,571	354,697	284,592
	87,457	102,080	47,039	53,777	49,943	241,407	141,117
	<u>153,620</u>	<u>199,171</u>	<u>237,517</u>	<u>243,144</u>	<u>321,514</u>	<u>596,104</u>	<u>425,709</u>
\$	<u>13,021,351</u>	<u>13,574,289</u>	<u>15,888,348</u>	<u>17,976,600</u>	<u>19,496,969</u>	<u>20,863,522</u>	<u>20,944,513</u>

