

Report on the

Jefferson County Commission

Jefferson County, Alabama

October 1, 2000 Through September 30, 2001

Filed: March 29, 2002



Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201

P.O. Box 302251

Montgomery, Alabama 36130-2251

Ronald L. Jones, Chief Examiner

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Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
50 North Ripley Street, Room 3201
Montgomery, Alabama 36104-3833
Telephone (334) 242-9200
FAX (334) 242-1775

Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-14, we submit this report on the Jefferson County Commission for the period October 1, 2000 through September 30, 2001.

SCOPE AND OBJECTIVES

This report encompasses an audit of financial statements of the Jefferson County Commission (the "Commission") and a review of compliance by the Commission with applicable laws and regulations of the State of Alabama and federal financial assistance programs. The audit was conducted in accordance with generally accepted government auditing standards for financial audits. The objectives of this audit were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission has complied with applicable laws and regulations.

CONTENTS OF REPORT

This report includes the following segments:

1. **Report to the Chief Examiner** – contains items pertaining to state legal compliance, agency operations and other matters.
2. **Financial Section** – includes basic financial statements (Exhibits 1 through 6); Notes to the Financial Statements; required supplementary information (Exhibit 7); combining financial statements (Exhibits 8 through 19); a Schedule of Expenditures of Federal Awards (Exhibit 20), which details federal assistance received and expended during the audit period; Notes to the Schedule of Expenditures of Federal Awards; and the **Independent Auditor's Report**, which reports on whether the included financial information constitutes a fair presentation of the financial position and results of financial operations.
3. **Additional Information** – contains basic information related to the Commission (Exhibit 21) and the following reports and items required by generally accepted government auditing standards and/or U.S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits:

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards (Exhibit 22) – a report on internal control related to the financial statements and a report on whether the Commission has complied with laws and regulations which could have a direct and material effect on the Commission's financial statements.

Report On Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 (Exhibit 23) – a report on internal control over compliance with requirements of laws, regulations, contracts and grants applicable to major federal programs and an opinion on whether the Commission complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.

Schedule of Findings and Questioned Costs (Exhibit 24) – a report summarizing the results of the audit findings relating to the financial statements as required by **Government Auditing Standards** and findings and questioned costs for federal awards as required by OMB Circular A-133.

Auditee Response/Corrective Action Plan (Exhibit 25) – a response by the Commission on the results of the audit and corrective action plan for federal audit findings.

AUDIT COMMENTS

The Jefferson County Commission provides for public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services, educational, cultural and recreational services to the citizens of Jefferson County.

The Birmingham Water Works Board (BWWB) and the City of Bessemer, Alabama – Water Service Department (Bessemer Water Service) bills and collects sewer service charges for the Jefferson County Commission (Commission). For the fiscal year ended September 30, 2001, neither BWWB nor Bessemer Water Service engaged an auditor to provide a report on each entity's internal controls that may be relevant to the Commission's internal controls.

AUDIT FINDINGS

- ◆ Procedures were not present to assure that all certificates of deposit for retainage on construction contracts were recorded in the financial records.

- ◆ Procedures were not present to assure that a complete and accurate listing of federal grants and programs was compiled for audit purposes. The list provided did not include all federal programs. Also, state programs and programs belonging to another entity were included on the list.

STATUS OF PRIOR AUDIT

Findings contained in the prior audit have been resolved except as follows:

- ◆ Procedures were not in place to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.

- ◆ At September 30, 2001, the following funds had deficit fund balances:

Road Fund	\$2,927,000
Senior Citizens Activities Fund	\$ 35,000
Capital Improvements Fund	\$4,514,000

- ◆ The Alabama Competitive Bid Law requires that entities obtain competitive bids for purchases of goods and services costing \$7,500.00 or more. The Commission bid gasoline and fuel for a period of three years and awarded the bid to a local vendor. However, the Commission made purchases of gasoline totaling \$9,518.92 from another vendor.

SUMMARY OF FEDERAL COMPLIANCE AND FEDERAL INTERNAL CONTROL

The Commission appeared to have complied, in all material respects, with applicable federal laws and regulations governing its major programs. There were no material weaknesses noted in the internal controls related to major federal programs. However, the following reportable condition was noted:

- ◆ Procedures were not present in the County's Office of Community Development to assure that payroll and fringe benefits amounts used as administrative costs were correctly charged to the program for which they were claimed.

RECOMMENDATIONS

- ◆ Procedures should be implemented to assure that all certificates of deposit for retainage on construction contracts are properly recorded.
- ◆ Procedures should be implemented to assure that a complete and accurate listing of federal grants and programs is compiled for audit purposes.
- ◆ Procedures should be implemented to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.
- ◆ The Commission should eliminate the deficit fund balances.
- ◆ The Commission should comply with the provisions of the Alabama Competitive Bid Law.
- ◆ Procedures should be implemented to assure that payroll and fringe benefits amounts are properly compiled for charges to grants as administrative costs.

Sworn to and subscribed before me this
the 13th day of March, 2002

Sandra E. Shirley
Notary Public

Sworn to and subscribed before me this
the 13th day of March, 2002

Sandra E. Shirley
Notary Public

Sworn to and subscribed before me this
the 13th day of March, 2002

Sandra E. Shirley
Notary Public

Sworn to and subscribed before me this
the 12th day of MARCH, 2002.

Barbara P. Carter
Notary Public

rb

Respectfully submitted,

Elizabeth L. Crowson

Elizabeth L. Crowson
Examiner of Public Accounts

Cathy M. Cook

Cathy M. Cook
Examiner of Public Accounts

Larry S. McPherson

Larry S. McPherson
Examiner of Public Accounts

Melissa T. Johnson

Melissa T. Johnson
Examiner of Public Accounts

Independent Auditor's Report

We have audited the accompanying primary government financial statements of the Jefferson County Commission, as of and for the year ended September 30, 2001, as listed in the table of contents as Exhibits 1 through 6. These financial statements are the responsibility of the Jefferson County Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 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.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the financial position of the primary government, the Jefferson County Commission, as of September 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements, because they do not include the financial data of component units of Jefferson County, as discussed in Note 1, do not purport to, and do not, present fairly the financial position of Jefferson County, as of September 30, 2001, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 26 to the primary government financial statements, the Jefferson County Commission adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement Number 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, an amendment of GASB Statement Number 33, for the year ended September 30, 2001. This resulted in a change to the Jefferson County Commission's method of accounting for certain nonexchange revenues.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2002 on our consideration of the Jefferson County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *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 primary government financial statements of Jefferson County Commission, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 20) as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the combining financial statements (Exhibits 8 through 19) are presented for purposes of additional analysis and are not required parts of the primary government financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the primary government financial statements taken as a whole.

The Schedule of Funding Progress (Exhibit 7) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

February 22, 2002

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Combined Balance Sheet
All Fund Types and Account Groups
September 30, 2001
(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash and Investments	\$ 37,410	\$ 5,571	\$ 158,894	\$ 1,148
Accounts Receivable, Net	28			
Loans Receivable, Net		3,890		
Patient Accounts Receivable, Net				
Interest Receivable		11		
Due from Other Governments	19,333	9,073		418
Advances to Other Funds			19,200	
Property Taxes Receivable, Net	27,416	35,249		
Inventories	252	2,169		
Prepaid Expenses	12	4		
Fixed Assets, Net Where Applicable				
Amount Available in Debt Service Fund				
Accreted Interest				
Warrant Issuance Cost				
Deferred Loss on Early Debt Retirement				
Amount to Be Provided for Payment of General Long-Term Debt				
Amount to Be Provided for Payment of Compensated Absences				
TOTAL ASSETS	\$ 84,451	\$ 55,967	\$ 178,094	\$ 1,566

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only) Current Year
\$ 555,948	\$ 18,641	\$ 666,714	\$	\$	\$ 1,444,326
11,790	7				11,825
		636			4,526
8,732					8,732
353		6,264			6,628
967	3,293				33,084
					19,200
3,427					66,092
1,480	1,133				5,034
1,981	75	2			2,074
2,844,146	19,871	201	391,205		3,255,423
				153,033	153,033
				4,314	4,314
33,673					33,673
2,776					2,776
				131,518	131,518
				10,193	10,193
<u>\$ 3,465,273</u>	<u>\$ 43,020</u>	<u>\$ 673,817</u>	<u>\$ 391,205</u>	<u>\$ 299,058</u>	<u>\$ 5,192,451</u>

Combined Balance Sheet
All Fund Types and Account Groups
September 30, 2001
(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Cash Deficit	\$		\$ 529	\$
Accounts Payable	3,247	2,140		4,985
Deposits Payable				
Advances from Other Funds				
Due to Other Governments	143	4,535		
Deferred Revenues	27,438	35,988		
Accrued Payroll and Taxes	4,808	371		
Accrued Interest Payable			5,861	
Retainage Payable				
Arbitrage Rebate Payable				
Estimated Liability for Compensated Absences	802	395		
Estimated Claims Liability				
Warrants Payable				
Estimated Liability for Landfill Closure/ Postclosure Care Costs				
TOTAL LIABILITIES	36,438	43,958	5,861	4,985
<u>FUND EQUITY</u>				
Retained Earnings				
Investment in General Fixed Assets				
Fund Balances:				
Reserved for Prepaid Expenses	12	4		
Reserved for Advances			19,200	
Reserved for Inventory	252	2,169		
Reserved for Petty Cash	76	2		
Reserved for Mapping and Appraisal	2,961			
Reserved for E-911	(1,088)			
Reserved for CGH Foundation		409		
Reserved for Loan Receivable		3,890		
Reserved for Debt Service			153,033	
Reserved for Trust Requirements				
Reserved for Encumbrances	1,688	17,270		24,356
Reserved for Contingent Refunds				
Reserved for Retirement/Disability Benefits				
Unreserved	44,112	(11,735)		(27,775)
TOTAL FUND EQUITY	48,013	12,009	172,233	(3,419)
TOTAL LIABILITIES AND FUND EQUITY	\$ 84,451	\$ 55,967	\$ 178,094	\$ 1,566

The accompanying Notes to the Financial Statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only) Current Year
\$ 2,493	\$ 2,592	\$	\$	\$	\$ 5,614
20,639	1,662	418			33,091
48					48
19,200					19,200
					4,678
3,427					66,853
1,171	364	18			6,732
16,273					22,134
13,121					13,121
4,465					4,465
6,468	2,633	121		10,193	20,612
	4,640				4,640
1,796,250				288,865	2,085,115
3,355					3,355
1,886,910	11,891	557		299,058	2,289,658
1,578,363	31,129				1,609,492
			391,205		391,205
		2			18
					19,200
					2,421
					78
					2,961
					(1,088)
					409
		636			4,526
					153,033
		2,061			2,061
		15			43,329
		65,833			65,833
		604,713			604,713
					4,602
1,578,363	31,129	673,260	391,205		2,902,793
\$ 3,465,273	\$ 43,020	\$ 673,817	\$ 391,205	\$ 299,058	\$ 5,192,451

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds For the Year Ended September 30, 2001 (In Thousands)

	Governmental Fund Types		
	General	Special Revenue	Debt Service
REVENUES			
Taxes	\$ 64,421	\$ 77,839	\$
Licenses and Permits	59,846		
Intergovernmental	22,040	24,626	812
Charges for Services	19,248	707	8
Indirect Cost Recovery	8,704		
Investment Income	12,021	532	4,265
Miscellaneous	265	4,413	
TOTAL REVENUES	186,545	108,117	5,085
EXPENDITURES			
Current:			
General Government	61,543	14,124	
Public Safety	50,217	1,096	
Highways and Roads		32,282	
Health and Welfare	1,104	8,500	
Culture and Recreation	13,758		
Education	197		
Capital Outlay	1,890	5,988	
Debt Service:			
Principal Retirement			119,345
Interest and Fiscal Charges			9,200
Indirect Cost	14,575	4,463	56
TOTAL EXPENDITURES	143,284	66,453	128,601
Excess of revenues over (under) expenditures	43,261	41,664	(123,516)
OTHER FINANCING SOURCES (USES)			
Proceeds from Debt Transaction			203,443
Bond Discount and Issuance Costs			(1,176)
Operating Transfers In	81	26,084	28,352
Proceeds from Sale of Fixed Assets	55	333	
Operating Transfers Out	(41,351)	(66,195)	(22,100)
TOTAL OTHER FINANCING SOURCES (USES)	(41,215)	(39,778)	208,519
Excess of revenues and other sources over (under) expenditures and other uses	2,046	1,886	85,003
Fund Balances at beginning of year, as restated (Note 27)	45,967	10,123	87,230
Fund Balances at end of year	\$ 48,013	\$ 12,009	\$ 172,233

The accompanying Notes to the Financial Statements are an integral part of this statement.

Capital Projects	Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only) Current Year
\$	\$	\$
		142,260
		59,846
1,495	2,227	51,200
497		20,460
		8,704
74	65	16,957
160	155	4,993
<u>2,226</u>	<u>2,447</u>	<u>304,420</u>
	1,788	77,455
		51,313
4,436		36,718
		9,604
		13,758
		197
29,995		37,873
		119,345
		9,200
	72	19,166
<u>34,431</u>	<u>1,860</u>	<u>374,629</u>
<u>(32,205)</u>	<u>587</u>	<u>(70,209)</u>
		203,443
		(1,176)
24,609		79,126
95		483
<u>(7,285)</u>		<u>(136,931)</u>
<u>17,419</u>		<u>144,945</u>
(14,786)	587	74,736
11,367	2,127	156,814
<u>\$ (3,419)</u>	<u>\$ 2,714</u>	<u>\$ 231,550</u>

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types For the Year Ended September 30, 2001 (In Thousands)

	General		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Taxes	\$ 63,555	\$ 64,421	\$ 866
Licenses and Permits	58,028	59,846	1,818
Intergovernmental	24,870	22,040	(2,830)
Charges for Services	18,361	19,248	887
Indirect Cost Recovery	8,693	8,704	11
Investment Income	4,161	12,021	7,860
Miscellaneous	346	265	(81)
TOTAL REVENUES	178,014	186,545	8,531
EXPENDITURES			
Current:			
General Government	73,651	61,543	12,108
Public Safety	49,456	50,217	(761)
Highways and Roads			
Health and Welfare	1,104	1,104	
Culture and Recreation	13,762	13,758	4
Education	197	197	
Capital Outlay	2,689	1,890	799
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Indirect Cost	12,808	14,575	(1,767)
TOTAL EXPENDITURES	153,667	143,284	10,383
Excess of revenues over (under) expenditures	24,347	43,261	18,914
OTHER FINANCING SOURCES (USES)			
Proceeds from Debt Transaction			
Operating Transfers In	81	81	
Proceeds from Sale of Fixed Assets	172	55	(117)
Bond Discount and Issuance Costs			
Operating Transfers Out	(57,839)	(41,351)	16,488
TOTAL OTHER FINANCING SOURCES (USES)	(57,586)	(41,215)	16,371
Excess of revenues and other sources over (under) expenditures and other uses	(33,239)	2,046	35,285
Fund Balances at beginning of year, as restated (Note 27)	45,967	45,967	
Fund Balances at end of year	\$ 12,728	\$ 48,013	\$ 35,285

Special Revenue

Budget	Actual	Variance Favorable (Unfavorable)
\$ 76,645	\$ 77,839	\$ 1,194
42,187	24,626	(17,561)
489	707	218
417	532	115
4,530	4,413	(117)
<u>124,268</u>	<u>108,117</u>	<u>(16,151)</u>
16,398	14,124	2,274
1,201	1,096	105
34,877	32,282	2,595
12,958	8,500	4,458
9,798	5,988	3,810
4,461	4,463	(2)
<u>79,693</u>	<u>66,453</u>	<u>13,240</u>
<u>44,575</u>	<u>41,664</u>	<u>(2,911)</u>
32,169	26,084	(6,085)
478	333	(145)
<u>(68,758)</u>	<u>(66,195)</u>	<u>2,563</u>
<u>(36,111)</u>	<u>(39,778)</u>	<u>(3,667)</u>
8,464	1,886	(6,578)
10,119	10,123	4
<u>\$ 18,583</u>	<u>\$ 12,009</u>	<u>\$ (6,574)</u>

***Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types
For the Year Ended September 30, 2001
(In Thousands)***

	Debt Service		Variance Favorable (Unfavorable)
	Budget	Actual	
<u>REVENUES</u>			
Taxes	\$	\$	\$
Licenses and Permits			
Intergovernmental	720	812	92
Charges for Services	11	8	(3)
Indirect Cost Recovery			
Investment Income	1,012	4,265	3,253
Miscellaneous			
TOTAL REVENUES	1,743	5,085	3,342
<u>EXPENDITURES</u>			
Current:			
General Government			
Public Safety			
Highways and Roads			
Health and Welfare			
Culture and Recreation			
Education			
Capital Outlay			
Debt Service:			
Principal Retirement	119,345	119,345	
Interest and Fiscal Charges	14,012	9,200	4,812
Indirect Cost	56	56	
TOTAL EXPENDITURES	133,413	128,601	4,812
Excess of revenues over (under) expenditures	(131,670)	(123,516)	8,154
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Debt Transaction	203,443	203,443	
Operating Transfers In	29,368	28,352	(1,016)
Proceeds from Sale of Fixed Assets			
Bond Discount and Issuance Costs	(1,482)	(1,176)	306
Operating Transfers Out	(22,100)	(22,100)	
TOTAL OTHER FINANCING SOURCES (USES)	209,229	208,519	(710)
Excess of revenues and other sources over (under) expenditures and other uses	77,559	85,003	7,444
Fund Balances at beginning of year, as restated (Note 27)	87,230	87,230	
Fund Balances at end of year	\$ 164,789	\$ 172,233	\$ 7,444

The accompanying Notes to the Financial Statements are an integral part of this statement.

Capital Projects

Budget	Actual	Variance Favorable (Unfavorable)
\$	\$	\$
6,679	1,495	(5,184)
1,280	497	(783)
281	74	(207)
317	160	(157)
<u>8,557</u>	<u>2,226</u>	<u>(6,331)</u>
4,436	4,436	
37,175	29,995	7,180
<u>41,611</u>	<u>34,431</u>	<u>7,180</u>
<u>(33,054)</u>	<u>(32,205)</u>	<u>849</u>
24,609	24,609	
	95	95
	(7,285)	(7,285)
<u>24,609</u>	<u>17,419</u>	<u>(7,190)</u>
(8,445)	(14,786)	(6,341)
11,367	11,367	
<u>\$ 2,922</u>	<u>\$ (3,419)</u>	<u>\$ (6,341)</u>

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***Combined Statement of Revenues, Expenses and Changes in Fund
Equity - All Proprietary Fund Types
For the Year Ended September 30, 2001
(In Thousands)***

	Proprietary Fund Types		Totals
	Enterprise	Internal Service	(Memorandum Only) Current Year
Operating Revenues			
Taxes	\$ 3,806	\$	\$ 3,806
Intergovernmental		4,672	4,672
Charges for Services	121,653	20,184	141,837
Other Operating Revenue	219		219
Total Operating Revenues	125,678	24,856	150,534
Operating Expenses			
Provisions for Bad Debt	5,224		5,224
Salaries	56,393	16,665	73,058
Employee Benefits and Payroll Taxes	12,491	4,434	16,925
Utilities	7,173	3,119	10,292
Supplies	12,417	3,477	15,894
Depreciation and Amortization	38,280	2,579	40,859
Outside Services	20,157	8,475	28,632
Services from other Hospitals	4,963		4,963
Jefferson Clinic	7,495		7,495
Office Expense	2,151	2,408	4,559
Closure and Postclosure Care Cost	134		134
Miscellaneous	738	445	1,183
Total Operating Expenses	167,616	41,602	209,218
Operating Income/(Loss)	\$ (41,938)	\$ (16,746)	\$ (58,684)

***Combined Statement of Revenues, Expenses and Changes in Fund
Equity - All Proprietary Fund Types
For the Year Ended September 30, 2001
(In Thousands)***

	Proprietary Fund Types		Totals
	Enterprise	Internal Service	(Memorandum Only) Current Year
<u>Nonoperating Revenues (Expenses)</u>			
Arbitrage Rebates	\$ (1,004)	\$	\$ (1,004)
Interest Revenue	51,464	323	51,787
Miscellaneous Revenue	29	1,435	1,464
Interest Expense	(91,335)		(91,335)
Indirect Cost	(4,733)	(216)	(4,949)
Gain (Loss) on Sale of Fixed Assets	(153)	(26)	(179)
Indirect Cost Recovery		15,471	15,471
Total Nonoperating Revenues (Expenses)	<u>(45,732)</u>	<u>16,987</u>	<u>(28,745)</u>
Income/(Loss) Before Operating Transfers	<u>(87,670)</u>	<u>241</u>	<u>(87,429)</u>
<u>Operating Transfers</u>			
Operating Transfers In	50,623	9,189	59,812
Operating Transfers Out	<u>(1,588)</u>	<u>(419)</u>	<u>(2,007)</u>
Total Operating Transfers	<u>49,035</u>	<u>8,770</u>	<u>57,805</u>
Net Income/(Loss)	(38,635)	9,011	(29,624)
Fund Equity at beginning of year, as restated (Note 27)	<u>1,616,998</u>	<u>22,118</u>	<u>1,639,116</u>
Fund Equity at end of year	<u>\$ 1,578,363</u>	<u>\$ 31,129</u>	<u>\$ 1,609,492</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended September 30, 2001
(In Thousands)

	Proprietary Fund Types		Totals
	Enterprise	Internal Service	(Memorandum Only) Current Year
<u>Cash Flows from Operating Activities</u>			
Operating Income (Loss)	\$ (41,938)	\$ (16,746)	\$ (58,684)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>			
Depreciation and Amortization	38,280	2,579	40,859
(Increase)/Decrease in Accounts Receivable	1,005	19	1,024
(Increase)/Decrease in Patients Receivable	(990)		(990)
(Increase)/Decrease in Interest Receivable	(353)		(353)
(Increase)/Decrease in Prepaid Items	(1,373)	65	(1,308)
(Increase)/Decrease in Due from Governmental Units	546	(770)	(224)
(Increase)/Decrease in Property Taxes Receivable	(3,427)		(3,427)
(Increase)/Decrease in Inventory	108	(113)	(5)
(Increase)/Decrease in Warrant Issuance Costs	(11,783)		(11,783)
(Increase)/Decrease in Deferred Loss on Early Debt Retirement	454		454
Increase/(Decrease) in Accounts Payable	(7,910)	865	(7,045)
Increase/(Decrease) in Advances to Other Funds	19,200		19,200
Increase/(Decrease) in Other Accounts Payable	(248)	(16)	(264)
Increase/(Decrease) in Due To Other Funds		(1)	(1)
Increase/(Decrease) in Deferred Revenues	3,427		3,427
Increase/(Decrease) in Accrued Payroll and Taxes	46	24	70
Increase/(Decrease) in Compensated Absences Payable		177	177
Increase/(Decrease) in Deposits Payable	11		11
Increase/(Decrease) in Retainage Payable	7,006		7,006
Increase/(Decrease) in Interest Payable	2,510		2,510
Increase/(Decrease) in Arbitrage Rebate Payable	1,004		1,004
Increase/(Decrease) in Compensated Absences Payable	407		407
Increase/(Decrease) in Estimated Claims Liability		1,981	1,981
Increase/(Decrease) in Estimated Liability for Landfill Postclosure Costs	93		93
Total Adjustments	48,013	4,810	52,823
Net Cash Provided/(Used) by Operating Activities			
Carried Forward	\$ 6,075	\$ (11,936)	\$ (5,861)

Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended September 30, 2001
(In Thousands)

	<u>Proprietary Fund Types</u>		<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>(Memorandum Only)</u> <u>Current Year</u>
Net Cash Provided/(Used) by Operating Activities			
Brought Forward	\$ 6,075	\$ (11,936)	\$ (5,861)
<u>Cash Flows from Non-Capital Financing Activities</u>			
Operating Transfers In	50,623	9,189	59,812
Operating Transfers Out	(1,588)	(419)	(2,007)
Increase/(Decrease) in Cash Deficit	2,493	447	2,940
Received from Auxiliary Services	29	1,435	1,464
Indirect Cost Recovery		15,471	15,471
Indirect Cost	(4,733)	(216)	(4,949)
Net Cash Provided/(Used) by Non-Capital Financing Activities	46,824	25,907	72,731
<u>Cash Flows from Capital and Related Financing Activities</u>			
Interest Paid	(91,335)		(91,335)
Acquisition of Fixed Assets	(384,053)	(8,352)	(392,405)
Proceeds from Warrant Issuance	275,000		275,000
Principal Payments	(37,635)		(37,635)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(238,023)	(8,352)	(246,375)
<u>Cash Flows from Investing Activities</u>			
Interest and Dividend Income	51,464	323	51,787
Net Cash Provided/(Used) by Investing Activities	51,464	323	51,787
Net Increase/(Decrease) in Cash and Cash Equivalents	(133,660)	5,942	(127,718)
Cash and Investments, Beginning of Year	689,608	12,699	702,307
Cash and Investments, End of Year	\$ 555,948	\$ 18,641	\$ 574,589

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Statement of Changes in Plan Net Assets
Pension Trust Fund
For the Year Ended September 30, 2001
(In Thousands)***

	Pension Trust Fund
<u>Additions</u>	
Investment Income	
Net Appreciation in Fair Value of Investments	\$ 29,064
Interest	23,164
Dividends	2,929
Total Investment Income	<u>55,157</u>
Less: Investment Manager Fees	<u>1,470</u>
Sub-Total	53,687
Contributions	
Members	7,537
Employer	7,544
Total Contributions	<u>15,081</u>
Other	
Pistol Permits	251
Other Income	38
Sub-Total	<u>289</u>
Total Additions	<u>69,057</u>
<u>Deductions</u>	
Net Depreciation in Common Stocks	71,369
Participant Expenses	
Benefits paid to participants and beneficiaries	15,458
Refunds of member contributions	1,283
Interest paid on refunds of member contributions	143
Sub-Total	<u>16,884</u>
Administrative Expenses	
Office Expenses	228
Other Expenses	54
Sub-Total	<u>282</u>
Total Deductions	<u>88,535</u>
Change in Net Assets	(19,478)
<u>Net Assets Held in Trust for Pension Benefits</u>	
Beginning of Year	<u>690,024</u>
End of Year	<u>\$ 670,546</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

For the Year Ended September 30, 2001

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Jefferson County Commission (the "Commission"), except for the exclusion of the component units discussed below, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

In June 1999, The Governmental Accounting Standards Board (GASB) approved Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (hereinafter referred to as the "Statement"). This Statement provides for significant changes in financial reporting for governmental entities. Some of the significant changes include:

- ◆ A Management Discussion and Analysis (MD&A) section providing an analysis of the Commission's overall financial position and results of operations.
- ◆ Financial statements prepared using full accrual accounting for all of the Commission's activities, including reporting infrastructure assets (roads, bridges, etc.).
- ◆ A change in the fund financial statements to focus on major funds.

The Statement provides for a phased-in implementation (based on the total annual revenues of the government) starting in fiscal years ending 2002. The Commission is considered a phase one government and will implement the statement in fiscal year ending September 30, 2002. The Commission is required to prospectively report general infrastructure assets at the same time the Statement is implemented. Retroactive reporting of all major general infrastructure assets is required by or before fiscal year ending September 30, 2006.

A. Reporting Entity

Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting the following criteria: 1) the primary government appoints a voting majority of the organization's governing body and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government or 2) the potential component unit is fiscally dependent on the primary government. A potential component unit is considered fiscally dependent if it does not have the authority to do all three of the following: 1) determine its own budget without another government having the authority to approve and modify that budget, 2) levy taxes or set rates or charges without approval by another government, and 3) issue bonded debt without approval by another government.

Notes to the Financial Statements

For the Year Ended September 30, 2001

Based on the application of the above criteria, the following entities are component units of the Commission: Jefferson Tax Collector – Birmingham and Bessemer Divisions, Tax Assessor – Birmingham and Bessemer Divisions, Revenue Department, Probate Judge – Birmingham and Bessemer Division, Sheriff, Treasurer – Birmingham Division and Deputy Treasurer – Bessemer Division. Separate legal compliance examination reports are issued for these component units and these reports can be obtained from the State of Alabama, Department of Examiners of Public Accounts.

The accompanying financial statements reflect the activity of the Commission (the primary government), and do not include all of the financial activities of the component units listed above as required by generally accepted accounting principles.

B. Fund Accounting

The Commission uses funds and account groups to report on 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 government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, 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.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental fund types are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

General Fund

The Commission primarily received revenues from collections of occupational taxes, county sales taxes, property taxes and revenues collected by the State of Alabama and shared with the County.

Notes to the Financial Statements
For the Year Ended September 30, 2001

Special Revenue Funds

The Commission used the following special revenue funds:

- ◆ **Indigent Care Fund** – This fund is used to account for the expenditure of beverage and sales taxes designated for indigent county residents.
- ◆ **Road Fund** – This fund is used to account for the County’s share of the following taxes: 7-cent and 4-cent per gallon gasoline tax, the 5-cent per gallon supplemental excise tax, the 2-cent per gallon inspection fee, motor vehicle and truck license taxes and fees, and driver’s license revenue. Revenues are earmarked for building and maintaining county roads and bridges.
- ◆ **Senior Citizens’ Activities Fund** – This fund is used to account for the expenditure of federal and county funds to provide social, nutritional, transportation, and other services to elderly residents of Jefferson County.
- ◆ **Bridge and Public Building Fund** – This fund is used to account for the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges.
- ◆ **Community Development Fund** – This fund is used to account for the expenditure of federal block grant funds.
- ◆ **CDBG/EDA Revolving Loan Fund** – This fund is used to account for the Commission’s administration of various loan programs for rental housing rehabilitation and economic development.
- ◆ **Home Grant Fund** – This fund is used to account for the expenditure of funds received from the U.S. Department of Housing and Urban Development.
- ◆ **Emergency Management Fund** – This fund is used to account for the expenditure of funds received for disaster assistance programs.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, the Commission's general long-term debt principal and interest. During the fiscal year ended September 30, 2001, the Commission had one debt service fund.

Notes to the Financial Statements

For the Year Ended September 30, 2001

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). During the fiscal year ended September 30, 2001, the Commission had the following capital projects funds:

- ◆ Capital Improvements Fund – This fund is used to account for the financial resources used in the improvement of major capital facilities.
- ◆ Road Construction Fund – This fund is used to account for the financial resources used in the construction of roads.

Proprietary Fund Types

Proprietary fund types are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services for such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the County (internal service funds).

Enterprise Funds

These funds are used to account for activities where the intent of the Commission is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the Commission decided that periodic income determination is appropriate for capital maintenance, public policy, management control accountability or other purposes.

The Commission operates the following enterprises:

- ◆ Cooper Green Hospital Fund – The fund is used to account for the operations of the Cooper Green Hospital. Operating revenues are derived from net patient charges and reimbursements from third parties including Medicare and Medicaid.
- ◆ County Home Fund – This fund is used to account for the operations of in-patient nursing facilities. Net revenues are received from patient charges and reimbursements from third parties, principally Medicaid.
- ◆ Landfill Operations Fund – This fund is used to account for the operations of the County's landfill systems. Revenues are generated primarily through user charges.

Notes to the Financial Statements

For the Year Ended September 30, 2001

- ◆ **Sanitary Operations Fund** – This fund is used to account for the operations of the County’s sanitary sewer systems. Revenues are generated primarily through user charges, impact fees and designated ad valorem taxes.
- ◆ **Parking Deck Fund** – This fund is used to account for the operations of the County parking deck. Revenues are generated through user charges.

Internal Service Funds

These funds are used to account for the financing of goods and services provided by a county department or agency to other county departments and agencies or to other governmental units on a cost reimbursement basis and for a governmental entity's risk financing activities. During the fiscal year ended September 30, 2001, the Commission had the following internal service funds:

- ◆ **Risk Management Fund** – This fund is used to account for resources to provide insurance needs to County departments.
- ◆ **Personnel Board Fund** – This fund is used to account for resources for providing personnel to County departments and other governmental units by the Jefferson County Personnel Board.
- ◆ **Elections Fund** – This fund is used to account for resources for holding County elections.
- ◆ **Information Services Fund** – This fund is used to account for resources for providing data processing, microfilming and related services to the various County departments.
- ◆ **Fleet Management Fund** – This fund is used to account for resources for providing and maintaining vehicles to County departments.
- ◆ **Central Laundry Fund** – This fund is used to account for resources for providing laundry services to County departments.
- ◆ **Printing Fund** – This fund is used to account for resources for providing printing, postage and related services to County departments.
- ◆ **Building Services Fund** – This fund is used to account for resources for providing building maintenance and other related services for the County.

Notes to the Financial Statements

For the Year Ended September 30, 2001

Fiduciary Fund Types

Fiduciary fund types are used to account for resources held by the Commission in a trustee capacity. Assets of fiduciary fund types do not belong to the Commission; the Commission has a liability to disburse those assets to specific individuals or organizations. These funds include expendable trust and pension trust funds.

Expendable Trust Fund

- ◆ *Stormwater Management Authority Fund* – This fund is used to account for the expenditure of intergovernmental revenues to assist member governing bodies with compliance with federal and state laws relating to storm water discharges.
- ◆ *City of Birmingham Revolving Loan Fund* – This fund is used to account for the Commission's administration of the City of Birmingham revolving loan program for economic development.

Pension Trust Fund

- ◆ *General Retirement System Fund* – This fund is used to account for all transactions related to resources held in trust for the General Retirement System (GRS) for Employees of Jefferson County.

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the Commission's general fixed assets and the unmatured principal of its general long-term debt. These account groups are not funds. They do not reflect available financial resources and related liabilities - but are accounting records of the general fixed assets and general long-term debt and certain associated information.

- ◆ *General Fixed Assets Account Group* – This account group is used to account for all Commission fixed assets except those related to specific proprietary funds.
- ◆ *General Long-Term Debt Account Group* – This account group is used to account for all unmatured long-term liabilities of the Commission except for the long-term liabilities of proprietary funds.

C. Basis of Accounting

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Notes to the Financial Statements

For the Year Ended September 30, 2001

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) consists of retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Commission considers revenue as available if it is collected within 60 days after year-end and can be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues that were accrued are those due from the federal government, State of Alabama, Jefferson County Revenue Department, Jefferson County Tax Collector, Jefferson County Probate Court, and various other Jefferson County agencies, municipalities, County Home residents, landfill customers, clients of Cooper Green, and interest revenue. Other revenues are not material or generally susceptible to accrual because they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types and the pension trust fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Commission reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when all applicable revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Notes to the Financial Statements
For the Year Ended September 30, 2001

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, debt service and capital projects funds. All annual appropriations lapse at fiscal year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting -- under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

E. Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

State statutes authorize the County Commission to invest in obligations of the U.S. Treasury and securities of federal agencies and certificates of deposit.

Investments are stated at fair value or amortized cost. Investments held in escrow for retainage on construction contracts and as surety for purchase commitments are stated at fair value.

F. Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance and reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

G. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2001, are recorded as prepaid items.

Notes to the Financial Statements
For the Year Ended September 30, 2001

I. Fixed Assets

Governmental Funds -- General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

Depreciation is not recorded or provided on general fixed assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Proprietary Funds -- Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using straight-line method. The estimated useful lives are as follows:

	Years
Buildings	28-50
Improvements	28
Equipment	5-30

J. Other Debits

The general long-term debt account group reflects accounts entitled "Amount to Be Provided for Retirement of General Long-Term Debt" and "Amount to Be Provided for Payment of Compensated Absences." These accounts have debit balances and are offset by corresponding payables. They do not constitute assets of the Commission.

K. Compensated Absences

The Commission has a standard leave policy for its full-time employees as to sick and vacation leave.

Notes to the Financial Statements

For the Year Ended September 30, 2001

Vacation Leave

Length of Service	Vacation Leave Earned (Per Month)
0-12 years	1 day
12-25 years	1 1/2 days
Over 25 years	2 days

Vacation earned but not used during the calendar year may be accumulated up to a maximum of forty days. Vacation leave earned in excess of the maximum accumulation must be used by December 31 of each year or it shall be forfeited. A permanent employee terminating from County service in good standing shall be compensated by unused earned vacation not to exceed 40 days.

Sick Leave

Sick leave shall be earned at the rate of one day for each month of service. Sick leave earned but not used during the calendar year may be accumulated with no maximum limit. A permanent employee who resigns or retires from the county in good standing after five years of service may, subject to the approval of the appointing authority, receive pay for fifty percent of the accumulated sick leave not to exceed 30 days.

Compensatory Leave

Eligible county employees covered by provisions of the Fair Labor Standards Act are paid for overtime hours worked at the rate of time-and-one half. In some instances, the employee may be offered compensatory leave.

Maximum limitations of accumulated compensatory time are as follows:

- ◆ Public Safety employees may accrue a maximum of 480 hours
- ◆ All other employees may accrue a maximum of 240 hours

Any employee's accrual of overtime in excess of the maximum limitation shall, within the following pay period, be disposed of by either (a) payment at the current hourly pay step of the employee or (b) granting equivalent time off.

The Commission uses the termination method to accrue its sick leave liability. Termination Payment Method - Under this method an accrual for earned sick leave is made only to the extent it is probable that the benefits will result in termination payment, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

Notes to the Financial Statements
For the Year Ended September 30, 2001

As of September 30, 2001, the liability for accrued vacation and compensatory leave is approximately \$12,837,000. The amounts applicable to the proprietary funds of \$5,568,000 have been recorded in those funds. Only the current portion of \$1,122,000 has been reported as a liability in the governmental funds and fiduciary funds. The remainder of \$6,147,000 has been recorded in the General Long-Term Debt Account Group (GLTDAG).

As of September 30, 2001, the liability for accrued sick leave is approximately \$7,775,000. The amounts applicable to the proprietary funds of \$3,534,000 have been recorded in those funds. Only the current portion of \$195,000 has been reported as a liability in the governmental funds and fiduciary funds. The remainder of \$4,046,000 has been recorded in the General Long-Term Debt Account Group (GLTDAG).

L. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

M. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

N. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the straight-line method.

Bond discount/issue cost of the Series 2000-A Sewer Revenue Capital Improvement Warrants contain deferred costs of \$11,605,000 that are being amortized over 40 years. At September 30, 2001, the unamortized deferred cost of the 2000-A issue was \$11,435,000.

Bond discount/issue cost of the Series 1999-A Sewer Revenue Refunding Warrants contain deferred costs of \$8,003,000 that are being amortized over 40 years. At September 30, 2001, the unamortized deferred cost of the 1999-A issue was \$7,486,000.

Bond discount/issue cost of the Series 1997-A Sewer Revenue Refunding Warrants contain deferred costs of \$9,956,000 that are being amortized over 30 years. At September 30, 2001, the unamortized deferred cost of the 1997-A issue was \$8,407,000.

Notes to the Financial Statements
For the Year Ended September 30, 2001

Bond discount/issue cost of the Series 1997-B Sewer Revenue Refunding Warrants contain deferred costs of \$509,000 that are being amortized over 6 years. At September 30, 2001, the unamortized deferred cost of the 1997-B issue was \$113,000.

Bond discount/issue cost of the Series 1997-C Sewer Revenue Refunding Warrants contain deferred costs of \$946,000 that are being amortized over 18 years. At September 30, 2001, the unamortized deferred cost of the 1997-C issue was \$701,000.

Bond discount/issue cost of the Series 1997-D Sewer Revenue Warrants contain deferred costs of \$6,320,000 that are being amortized over 30 years. At September 30, 2001, the unamortized deferred cost of the 1997-D issue was \$5,355,000.

Bond discount/issue cost of the Series 2001-B General Obligation Warrants contain deferred costs of \$178,000 that are being amortized over 20 years. At September 30, 2001, the unamortized deferred cost of this issue was \$176,000.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as operating transfers.

P. Memorandum Only – Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

O. Property Taxes

Millage rates are levied at the first regular meeting of the Commission in February of each year. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

Notes to the Financial Statements

For the Year Ended September 30, 2001

Bond discount/issue cost of the Series 1997-B Sewer Revenue Refunding Warrants contain deferred costs of \$509,000 that are being amortized over 6 years. At September 30, 2001, the unamortized deferred cost of the 1997-B issue was \$113,000.

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Notes to the Financial Statements
For the Year Ended September 30, 2001

R. Policy re: FASB Pronouncements for Proprietary Activities

The Commission, in accounting for its proprietary activities, follows all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs).

Note 2 – Budgets and Appropriations

The State Legislature enacted the County Financial Control Act of 1935, which is the present statutory basis for county budgeting operations. Under the terms of the County Financial Control Act, each county commission, at some meeting in September of each year, but in any event not later than the first meeting in October must estimate the County's revenues and expenditures and appropriate for the various purposes the respective amounts that are to be used for each purpose. The appropriations must not exceed the total revenues available for appropriation. Expenditures may not legally exceed appropriations.

The budget is usually divided into two parts - an operating budget and a capital budget. The operating budget addresses the immediate problems of providing services, paying personnel, and purchasing equipment. The capital budget address major equipment, furniture purchases, and public works projects.

Budgets may be adjusted during the fiscal year when approved by the County Commission. Any changes must be within the revenues and reserves estimated to be available.

Note 3 – Deposits and Investments

Deposits

The Commission's deposits at year-end were held by financial institutions in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provision contained in the *Code of Alabama 1975*, Sections 41-14A through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Notes to the Financial Statements

For the Year Ended September 30, 2001

Investments

Statutes authorize the Commission to invest in obligations of the U.S. Treasury and federal agency securities. The Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the Commission or its agent in the Commission's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Commission's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or its trust department or agent but not in the Commission's name.

	(In Thousands)		
	Category 1	Recorded Amount	Fair Value
U.S. Government Securities(**)	\$ 635,745	\$ 635,745	\$ 635,745
Repurchase Agreements	218,332	218,332	218,332
Corporate Obligations(*)	170,161	170,160	170,160
Common Stocks(*)	256,791	256,791	256,791
Total Investments	\$1,281,029	\$1,281,029	\$1,281,029

(*) Investments of General Retirement System for Employees of Jefferson County.

(**) Includes \$227,379,000 investments of General Retirement System for Employees of Jefferson County.

The County has entered into contracts for construction of various facilities within Jefferson County. Amounts were provided by some contractors that were used to purchase certificates of deposits and U.S. Government securities to be held by designated financial institutions in the name of the contractors and the Jefferson County Commission in lieu of retainage. These securities totaling \$13,121,000 are included as part of Cash and Investments on Exhibit 1, but are not included in deposits and investments discussed above. They are not covered by collateral agreements between financial institutions and the Jefferson County Commission and the terms of collateralization agreements between the contractors and the financial institutions are not known at this time.

The Commission uses several methods for investing money. The investments managed by the Jefferson County Treasurer are reported at amortized cost. The Commission maintains a portfolio of short-term maturity investments, which are reported at amortized cost. The Commission also maintains a portfolio of intermediate maturity investments that are reported at fair value. The Commission's fiscal agent or custodian provides the fair value to the Commission of all intermediate maturity investments. The Commission is the only investor in its investment portfolios.

Notes to the Financial Statements
For the Year Ended September 30, 2001

Note 4 – Due From Other Governments

Amounts due from other governments included on the accompanying financial statements as of September 30, 2001, are as follows:

	(In Thousands)					Totals
	General Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	Internal Service Funds	
Federal	\$ 444	\$1,114	\$190	\$	\$	\$ 1,748
State	1,216	1,364		357	29	2,966
County	17,648	6,549		610	404	25,211
Municipal	25	46	228		2,860	3,159
Total	\$19,333	\$9,073	\$418	\$967	\$3,293	\$33,084

Note 5 – Advances to Other Funds

The advances to other funds at September 30, 2001, are as follows:

(In Thousands)	
Advances From Other Funds	Sanitary Landfill Operations Fund
<hr/>	
<u>Advances To Other Funds</u>	
Debt Service Fund	\$19,200

Notes to the Financial Statements
For the Year Ended September 30, 2001

Note 6 – Receivables

Accounts Receivable

Amounts recorded as accounts receivable for governmental fund types and proprietary fund types consist primarily of amounts due from individuals less an allowance account for amounts estimated to be uncollectible. The balances for accounts receivable at September 30, 2001, are listed as follows:

	(In Thousands)			Total
	Governmental Fund Type	Proprietary Fund Types		
	General	Enterprise	Internal Service	
Accounts Receivable	\$28	\$14,193	\$7	\$14,288
Less: Allowance Accounts		(2,403)		(2,403)
Net Receivables	\$28	\$11,790	\$7	\$11,825

Patient Receivables

Patient receivables in the proprietary funds are from patients, insurance companies and third-party reimbursement contractual agencies and are recorded less an allowance for uncollectible accounts, charity accounts and other uncertainties. Certain third-party insured accounts (Blue Cross, Medicare, and Medicaid) are based on contractual agreements, which generally result in collecting less than the established rates. Final determination of payments under these agreements are subject to review by appropriate authorities. Doubtful accounts are written off against the allowance as deemed uncollectible and recorded as recoveries of bad debts if subsequently collected.

	(In Thousands)
	Enterprise Funds
Patient Receivables	\$15,205
Less: Allowance Accounts	(6,473)
Net Patient Receivables	\$ 8,732

Notes to the Financial Statements
For the Year Ended September 30, 2001

Loan Receivables

Jefferson County issues long-term loans through the Community Development Office for house repairs of low and moderate-income homeowners and for firms that may not have access to sufficient long-term capital financing. These loans (net an allowance account) totaled \$3,890,000 at September 30, 2001.

Jefferson County, as lead agency, administers a joint grant agreement with the City of Birmingham for Title IX Revolving Loans Funds to provide funding for qualifying private enterprises. At September 30, 2001, the balance of loans receivable (net of an allowance account) for the City of Birmingham totaled \$636,000.

Interest Receivables

Interest receivables for the Commission at September 30, 2001, were as follows:

	(In Thousands)			Total
	Special Revenue Funds	Enterprise Funds	Pension Trust Fund	
Interest Receivables	\$11,000	\$353,000	\$6,264,000	\$6,628,000

Note 7 – Changes in Fixed Assets

A summary of changes in the Commission's general fixed assets is as follows:

	(In Thousands)			Balance September 30, 2001
	Balance October 1, 2000	Additions	Reductions	
Land	\$ 9,024	\$ 1,285	\$	\$ 10,309
Buildings	189,366	951	3	190,314
Improvements Other Than Land/Buildings	7,785	98	7	7,876
Equipment and Furniture	78,032	6,034	6,133	77,933
Construction in Progress	75,737	29,135	99	104,773
Total	\$359,944	\$37,503	\$6,242	\$391,205

Notes to the Financial Statements
For the Year Ended September 30, 2001

A summary of changes in expendable trust fund fixed assets is as follows:

	(In Thousands)			Balance September 30, 2001
	Balance October 1, 2000	Additions	Reductions	
Equipment and Furniture	\$356	\$75	\$4	\$427
Less: Accumulated Depreciation	(157)	(71)	2	(226)
Total	\$199	\$ 4	\$2	\$201

A summary of changes in property, plant, and equipment of proprietary funds is as follows:

Enterprise Funds

	(In Thousands)			Balance September 30, 2001
	Balance October 1, 2000	Additions	Reductions	
Land	\$ 20,313	\$ 15,409	\$ 4,604	\$ 31,118
Buildings	266,564	6,779	15	273,328
Improvements Other Than Land/Buildings	562,851	1,479,968	2,508	2,040,311
Equipment and Furniture	45,171	2,886	2,203	45,854
Construction in Progress	513,085	378,109	77,533	813,661
Sub-Total	1,407,984	1,883,151	86,863	3,204,272
Less: Accumulated Depreciation	(325,452)	(36,695)	2,021	(360,126)
Total	\$1,082,532	\$1,846,456	\$84,842	\$2,844,146

Internal Service Funds

	(In Thousands)			Balance September 30, 2001
	Balance October 1, 2000	Additions	Reductions	
Land	\$ 76	\$	\$	\$ 76
Buildings	6,719			6,719
Improvements Other Than Land/Buildings	548	10	1	557
Equipment and Furniture	13,980	2,967	978	15,969
Construction in Progress	624	5,802		6,426
Sub-Total	21,947	8,779	979	29,747
Less: Accumulated Depreciation	(7,825)	(2,622)	571	(9,876)
Total	\$14,122	\$6,157	\$408	\$19,871

Notes to the Financial Statements
For the Year Ended September 30, 2001

Note 8 – Operating Leases

The Commission is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Commission's account groups. During the fiscal year ended September 30, 2001, the Commission paid a total of \$755,000 for operating leases.

The following is a schedule by fiscal years of future minimum rental payments required under operating leases for facilities that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2001:

Fiscal Year	(In Thousands)
	Facilities and Equipment
2001-2002	\$ 268
2002-2003	265
2003-2004	209
2004-2005	196
2005-2006	198
Thereafter	1,702
Total Minimum Payments Required	<u>\$2,838</u>

Note 9 – County Appropriation Agreement

During the 1989 fiscal year, the Birmingham-Jefferson Civic Center Authority (the "Authority") issued \$132,380,000 in Capital Outlay Special Tax Bonds, Series 1989. The bonds are limited obligations of the Authority, payable solely out of certain tax proceeds to be received by the Authority pursuant to the separate Pledge and Appropriation Agreements between the City of Birmingham and the Authority and Jefferson County and the Authority.

The County levies a special privilege or license tax (the County Occupational Tax) at the rate of one-half of one percent of the gross receipts of each person following a vocation, occupation, calling or profession within the County. In the County Appropriation Agreement, the County agreed to pay the Authority, from proceeds of the County Occupation Tax, the first \$10,000,000 collected in 1989 and in each year thereafter until and including 2008.

Notes to the Financial Statements
For the Year Ended September 30, 2001

Note 10 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains a risk management program in order to minimize its exposures to loss. Risk financing for these various exposures is accomplished through the following methods:

- ◆ **General and Auto Liability** - Self-insured with an established internal service fund to finance losses.
- ◆ **Workers' Compensation** - Self-insured with a retention of \$350,000, with excess coverage for statutory amounts above the retention covered by commercial insurance.
- ◆ **Property Insurance** - Commercial insurance coverage purchased in the amount of \$100 million per occurrence, except a separate annual aggregate of \$50 million flood and earthquake, to include the following sub-limits: 1) \$20 million per occurrence as respects to property in the course of construction, builder's risks and installation or erection; 2) \$10 million per occurrence separately as respects to demolition, increased cost of construction and building ordinance; 3) \$5 million as respects to extra expense and 4) \$1 million as respects to transit.
- ◆ **Boiler and Machinery Insurance** - Commercial insurance coverage purchased in the amount of \$30 million per occurrence.
- ◆ **Hospital and Nursing Home Medical Malpractice and General Liability** - Insured through the County's participation in the Alabama Hospital Association Trust Fund with limits of \$1 million per occurrence with a \$3 million per report year aggregate.

Risk Management negotiates with private providers and administers health, life, accidental death and dismemberment, and dental insurance for its employees and dependents. Jefferson County Commission pays approximately 86% of health, 100% of basic life and accidental death and dismemberment, and the employees pay 100% of dental insurance and other voluntary insurance plans.

Notes to the Financial Statements
For the Year Ended September 30, 2001

The schedule below presents the changes in claims liabilities for the past two years for the three types of self-insured activities; general liability, auto liability, and workers' compensation:

	(In Thousands)							
	General Liability		Auto Liability		Workers' Compensation		Totals	
	2001	2000	2001	2000	2001	2000	2001	2000
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 685	\$551	\$ (25)	\$200	\$1,999	\$2,286	\$2,659	\$3,037
<u>Incurred claims and claim adjustment expenses:</u>								
Provision for insured events of current fiscal year	778	404	412	90	1,072	591	2,262	1,085
Increases in provision for insured events of prior fiscal years	94		155		1,436		1,685	
Total incurred claims and claim adjustment expenses	872	404	567	90	2,508	591	3,947	1,085
<u>Payments:</u>								
Claims and claim adjustment expenses attributable to insured events of current fiscal year	323	270	159	315	1,484	878	1,966	1,463
Claims and claim adjustment expenses attributable to insured events of prior fiscal year								
Totals payments	323	270	159	315	1,484	878	1,966	1,463
Total unpaid claim and claim adjustment expenses at end of fiscal year	<u>\$1,234</u>	<u>\$685</u>	<u>\$383</u>	<u>\$ (25)</u>	<u>\$3,023</u>	<u>\$1,999</u>	<u>\$4,640</u>	<u>\$2,659</u>

Notes to the Financial Statements
For the Year Ended September 30, 2001

Note 11 – Changes in Long-Term Debt

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2001:

	(In Thousands)			
	Debt Outstanding October 1, 2000	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2001
Warrants Payable:				
General Obligations Warrants	\$206,210	\$202,000	\$119,345	\$288,865
Estimated Liability for Compensated Absences	9,673	520		10,193
Total	\$215,883	\$202,520	\$119,345	\$299,058

The following is a summary of proprietary long-term debt transactions for the Commission for the year ended September 30, 2001:

	(In Thousands)			
	Debt Outstanding October 1, 2000	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2001
Warrants Payable:				
Revenue Warrants	\$1,558,885	\$275,000	\$37,635	\$1,796,250
Estimated Liability for Postclosure Landfill Costs	3,262	134	41	3,355
Estimated Claims Liability	2,659	3,947	1,966	4,640
Estimated Liability for Compensated Absences	8,515	586		9,101
Total	\$1,573,321	\$279,667	\$39,642	\$1,813,346

Notes to the Financial Statements
For the Year Ended September 30, 2001

The following is a schedule of debt service requirements to maturity:

Fiscal Year Ended	(In Thousands)				Total Principal and Interest Requirements
	General Obligation Warrants		Revenue Warrants		
	Principal	Interest	Principal	Interest	
September 30, 2002	\$ 17,505	\$ 12,423	\$ 8,495	\$ 95,721	\$ 134,144
2003	18,100	11,703	13,300	95,064	138,167
2004	18,810	11,154	2,595	94,603	127,162
2005	21,785	10,562	8,575	94,349	135,271
2006	16,405	9,723	6,490	93,991	126,609
2007	24,080	8,988	3,730	93,758	130,556
2008	14,430	8,045	3,885	93,601	119,961
2009	15,135	7,309	4,050	93,436	119,930
2010	12,805	6,534	4,220	93,265	116,824
2011	9,810	5,881	4,400	93,086	113,177
2012	9,695	5,420	4,585	92,899	112,599
2013	10,150	4,935	4,785	92,702	112,572
2014	10,620	4,432	4,990	92,494	112,536
2015	11,115	3,907	5,210	92,277	112,509
2016	11,630	3,356	1,215	92,136	108,337
2017	12,170	2,779	28,045	91,317	134,311
2018	12,740	2,173	31,085	89,651	135,649
2019	13,330	1,542	34,355	87,801	137,028
2020	13,950	883	37,960	85,758	138,551
2021	14,600	191	38,330	83,598	136,719
2022			46,195	81,195	127,390
2023			48,490	78,524	127,014
2024			53,670	75,672	129,342
2025			59,500	72,517	132,017
2026			65,810	69,030	134,840
2027			72,855	65,176	138,031
2028			61,105	61,582	122,687
2029			64,325	58,359	122,684
2030			67,675	55,008	122,683
2031			71,160	51,524	122,684
2032			74,815	47,868	122,683
2033			78,655	44,031	122,686
2034			82,840	39,844	122,684
2035			87,410	35,273	122,683
2036			92,240	30,440	122,680
2037			97,525	25,160	122,685
2038			103,290	19,396	122,686
2039			109,055	13,629	122,684
2040			101,960	8,098	110,058
2041			107,375	2,684	110,059
Totals	\$288,865	\$121,940	\$1,796,250	\$2,776,517	\$4,983,572

Notes to the Financial Statements

For the Year Ended September 30, 2001

Note 12 – Issuance of Sewer Warrants

On March 23, 2001, the Jefferson County Commission issued \$275,000,000 in Sewer Revenue Capital Improvement Warrants with interest rates ranging between 4.5 and 5.5 percent to finance improvements to the County's sewer system. The warrants are limited obligations of the County payable solely out of revenues derived from the Sewer Tax and all other monies received derived from the operation of the sewer system remaining after payment of operating expenses.

Note 13 – Warrants Payable-Enterprise Funds

The Sanitary Operations Fund has bonds and warrants payable of \$1,796,250,000 at September 30, 2001. This long-term liability represents 1) the 1997-A Sewer Revenue Refunding Warrants, 2) the 1997-B Taxable Sewer Revenue Refunding Warrants, 3) the 1997-C AWPCA Refunding Warrant, 4) the 1997-D Sewer Revenue Warrants, 5) the 1999-A Sewer Revenue Capital Improvement Warrants and 6) the 2001-A Sewer Revenue Warrants.

In accordance with the bond indentures, the County uses 1) a debt service fund to which it deposits principal and interest amounts due, 2) a reserve fund which is required to be maintained at the lesser of (a) 125% of the average annual debt service, on all outstanding parity securities, (b) the maximum annual debt service on all outstanding parity securities, or (c) 10% of the original principal amount of outstanding parity securities, 3) a rate stabilization fund which is maintained at a balance of 75% of the maximum annual debt service on the outstanding parity securities, 4) a depreciation fund which will grow to an amount equal to or greater than the accumulated depreciation of the Sanitary Operations Fund, and 5) a redemption fund into which the trustee deposits certain insurance or disposition proceeds.

The balances as of September 30, 2001, exceeded the bond indenture requirements and were as follows:

(In Thousands)	
Sewer Reserve Fund	\$54,106
1999 Sewer Reserve Fund	70,133
Sewer Rate Stabilization Fund	61,720
Sewer Depreciation Fund	37,325

Notes to the Financial Statements
For the Year Ended September 30, 2001

Note 14 – Continuing Disclosure

The following is information required for the benefit of the holders of the Series 1997 Sewer Revenue Warrants:

Fiscal Year Ending September 30,	2001	2000	1999	1998	1997	1996	1995
Active Accounts	142,305	142,277	142,042	141,606	140,324	140,146	140,361
Average Daily Treatment Volume (millions of gallons treated)	97	112	119	132	127	130	123
Sewer Charges	\$72,129,478	\$66,834,206	\$57,020,426	\$49,531,824	\$46,950,835	\$44,387,013	\$39,587,914
% Revenues - Largest Customer	2.66%	2.57%	2.93%	2.91%	2.92%	3.08%	2.87%
% Revenues - Top 10 Customers	12.53%	11.99%	11.62%	12.35%	10.37%	13.10%	10.37%

2001 Top Ten Customers	Consumption	Amount
University of Alabama – Birmingham	876,244	\$1,919,492
Birmingham Housing Authority	674,131	1,863,624
US Steel	516,791	1,379,428
Barber Dairies	144,828	1,243,709
Golden Flake	161,290	534,827
Birmingham Board of Education	180,821	523,303
Buffalo Rock	216,133	484,908
Baptist Medical Centers	204,236	439,239
Brookwood Medical Center	127,367	352,688
PEMCO	105,917	299,517

Effective March 1, 1999, January 1, 2000 and January 1, 2001, the County implemented sewer rate increases. The rate increases were implemented in accordance with the Commission's resolutions and the Indenture with the trustee for the Sewer Revenue Warrants.

Note 15 – Extinguishment of Debt

On May 10, 2001, the Jefferson County Commission issued \$82,000,000 in General Obligation Warrants, Series 2001-A, for the purpose of 1) refunding \$7,125,000 of outstanding Series 2000 General Obligation Warrants with a variable interest rate and 2) paying the costs of various capital improvements to County buildings and facilities. The Series 2000 Warrants are considered to be legally defeased and the liability for those warrants has been removed from the general long-term debt account group.

Notes to the Financial Statements
For the Year Ended September 30, 2001

On July 19, 2001, the Commission issued \$120,000,000 in General Obligation Warrants, Series 2001-B, with a variable interest rate for the purpose of refunding \$100,000,000 of outstanding Series 1999 General Obligation Warrants and \$19,000,000 of outstanding Series 1996 General Obligation Warrants. The Series 1996 and 1999 Warrants are considered to be legally defeased and the liability for those warrants has been removed from the Landfill Enterprise Fund and the general long-term debt account group, respectively.

Note 16 – Prior Year Defeasance of Debt

As of September 30, 2001, the following warrants outstanding are considered defeased:

	(In Thousands)
Sewer Revenue Warrants, Series 1988	\$ 27,990
Sewer Revenue Warrants, Series 1992	46,050
Sewer Revenue Warrants, Series 1993	27,380
Sewer Construction Warrants, Series 1977	1,105
Sanitary Sewer Refunding Warrants, Series 1978	10,925
Total Warrants Defeased	<u>\$113,450</u>

Note 17 – Conduit Debt

The Commission issued Limited Obligation School Warrants, Series 2000 in order to finance the costs of acquiring certain public school facilities (the "Leased Property") of the Jefferson County Board of Education (the "Board"), for lease back to the Board. The funds were used to retire the Board's current revenue anticipation warrant dated May 3, 2000. The Board simultaneously executed a capital lease agreement for the aforementioned property and pledged tax proceeds for the lease payments which will approximate debt service requirements under the Jefferson County Commission's Limited Obligation School Warrants, Series 2000. The warrants do not constitute a debt or pledge of the faith and credit of the Jefferson County Commission, and accordingly have not been reported in the accompanying financial statements. Upon repayment of the warrants ownership of the leased property will return to the Board.

As of September 30, 2001, the principal amount outstanding was \$44,045,000.

Notes to the Financial Statements
For the Year Ended September 30, 2001

Note 18 – Segment Information for Enterprise Funds

The Commission operates Enterprise Funds, which provide medical, inpatient nursing care, landfill, sewer and parking services. These funds are intended to be self-supporting through user fees charged to the public for services. Financial segment information as of and for the year ended September 30, 2001, is presented below:

	(In Thousands)					
	Cooper Green Hospital Fund	County Home Fund	Landfill Operations Fund	Sanitary Operations Fund	Parking Deck Fund	Total Enterprise Funds
Operating Revenues	\$31,635	\$ 8,885	\$ 4,078	\$ 80,858	\$222	\$ 125,678
Depreciation, Depletion and Amortization Expense	2,026	353	2,312	33,576	13	38,280
Operating Income or (Loss)	(40,386)	(5,810)	(2,426)	6,708	(24)	(41,938)
Operating Grants, Entitlements and Shared Revenues		59	64	96		219
<u>Operating Transfers:</u>						
In	37,874	7,183	5,566			50,623
(Out)			(1,251)	(337)		(1,588)
Tax Revenues				3,806		3,806
Net Income or (Loss)	(3,960)	890	716	(36,217)	(64)	(38,635)
<u>Property, Plant and Equipment:</u>						
Additions	546	796	730	1,881,080		1,883,152
Deletions	908	181	872	84,904		86,865
Net Working Capital	5,617	1,551	(18,559)	532,792	26	521,427
<u>Bonds and Other Long-Term Liabilities:</u>						
Payable from Operating Revenue	2,315	523	23,004	1,799,426	5	1,825,273
Total Equity	\$15,515	\$10,542	\$29,591	\$1,522,674	\$ 41	\$1,578,363

Notes to the Financial Statements
For the Year Ended September 30, 2001

Note 19 – Construction and Other Significant Commitments

The following is a listing of the outstanding contracts entered into and commitments made for the fiscal year ending September 30, 2001:

Nature of Commitment	(In Thousands)
	Amount
Cahaba Sewer Improvement Project	\$ 32,878
Correctional Facilities Project	2,608
Courthouse Building Renovation Project	3,336
Five Mile Creek Sewer Improvement Project	8,997
Miscellaneous Sewer Improvements - System-Wide	9,946
Highway Improvements	2,737
Home Buyer Assistance Program	2,451
Valley Creek Sewer Improvement Project	133,324
Village Creek Sewer Improvement Project	111,533
Domestic Relations Project	5,676
Central Laundry Project	2,083
United Way Program	5,796
Miscellaneous Equipment	2,493
Totals	\$323,858

Note 20 – Defined Benefit Pension Plan

A. Plan Description

The General Retirement System for Employees of Jefferson County, Alabama (Retirement System) is the administrator of a single-employer, defined benefit pension plan (Plan) covering substantially all employees of Jefferson County, Alabama. The Retirement System was established by Act Number 497, Acts of Alabama 1965, page 717, and provides guidelines for benefits to retired and disabled employees of the County.

The Plan's financial statements are publicly available in the annual report of the General Retirement System for Employees of Jefferson County for the year ended September 30, 2001. The report may be obtained by writing: The General Retirement System for Employees of Jefferson County, Room 303-B Courthouse, Birmingham, Alabama 35263-0003.

Notes to the Financial Statements
For the Year Ended September 30, 2001

B. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The financial statements of the Plan are prepared under the accrual method of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Plan investments are stated at fair value. Quoted market prices are used for all investments.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Unrealized appreciation or depreciation is reflected in the financial statements, when applicable.

Reserves for Contingent Refunds and Retirement and Disability Benefits

Contingent refunds represent all contributions made by members into the Plan until refunded or transferred to the reserve for retirement and disability benefits. Such transfers occur when benefit payments equal or exceed the amount of member contributions, or when a terminated employee has not requested a refund of his personal contributions within five years of termination.

Notes to the Financial Statements
For the Year Ended September 30, 2001

C. Actuarial Information

For the year ended September 30, 2001, the Commission's annual pension contribution of \$7,543,314 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of October 1, 2001, the latest actuarial valuation date, were: (a) 7.0 percent investment rate of return on present and future assets, and (b) projected salary increases of 5.5 percent. Both (a) and (b) include an inflation component of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of October 1, 2001 was 22 years.

The following is a three-year trend information for the Commission:

Fiscal Year Ending	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2001	\$7,543,314	100%	\$0
9/30/2000	\$7,752,354	100%	\$0
9/30/1999	\$7,055,584	100%	\$0

The Schedule of Funding Progress, which is required supplementary information is contained in Exhibit 7.

Note 21 – Other Postemployment Benefits (OPEB)

In addition to the pension benefits described in Note 20, the Commission provides post employment health care benefits, in accordance with a resolution approved by the Commission on September 25, 1990, to employees who meet the following eligibility requirements. Employees must: (1) have been covered by the County group health care plan at the time of retirement, (2) immediately upon retirement begin receiving a retirement pension under the rules and regulations of the General Retirement System for the Employees of Jefferson County and the amount of the pension must be sufficient to cover the required retiree contributions, (3) be under 65 years of age, and (4) not be eligible for Medicare. The Commission adopted a resolution on September 22, 1992 to allow those retirees who are not eligible to receive a retirement pension to participate in the health care plan by prepaying to the Commission the semi-annual premium for the retiree contributions.

Dependents can be covered under an eligible retiree's family plan if the dependents: (1) meet the definition of "who can be covered" in each option's contract, (2) are under 65 years of age, and (3) are not eligible for Medicare.

Notes to the Financial Statements
For the Year Ended September 30, 2001

Coverage ends for retirees and dependents when they become eligible for Medicare or reach age 65. When a retiree with dependent coverage becomes ineligible, the dependent(s) may continue coverage under the General Retirement System for the Employees of Jefferson County until they reach age 65 or become eligible for Medicare.

Currently 264 retirees meet eligibility requirements. The Commission subsidizes a portion of the retirees health care insurance premiums based on the total years of County service and age at retirement. The Commission's subsidy for each covered retired employee ranges from \$197 to \$545 per month and total insurance premiums range from \$223 to \$639. Expenditures for post-retirement health care benefits are made and recognized as premiums are paid. During the year, expenditures of \$276,243.76 were recognized for post-retirement health benefits.

Note 22 – Deficit Fund Balances

At September 30, 2001, the following funds had deficit fund balances:

(In Thousands)	
<u>Special Revenue Funds</u>	
Road Fund	\$2,927
Senior Citizens' Activities	\$ 35
<u>Capital Projects Funds</u>	
Capital Improvement Fund	\$4,514

Note 23 – Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the Commission place a final cover on its landfills when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfills, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfills no longer accept waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfills used during the year.

The estimated liability for landfill closure and postclosure care costs had a balance of \$3,355,000, as of September 30, 2001. This estimate was based on 86% usage (filled) of the Jefferson County Landfill Number 1, 59% usage (filled) of the Jefferson County Landfill Number 2, 7% usage (filled) of the Jefferson County Inert Landfill Number 1, and the remaining liability for the Mt. Olive Sanitary and the Turkey Creek Sanitary Landfills, which were both closed in October 1997.

Notes to the Financial Statements
For the Year Ended September 30, 2001

This estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of September 30, 2001. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Note 24 – Subsequent Events

In February 2002, the Commission issued \$20,065,000 in General Obligation Refunding Warrants, Series 2002-A. This issue refunded the outstanding balance of the 1992 General Obligation Capital Improvement and Capital Appreciation Warrants. In March 2002, the Commission is expected to issue \$110,000,000 in Sewer Revenue Warrants. The proceeds will be used for additional financing of the sanitary sewer upgrade project.

Note 25 – Franchise Taxes

Several counties of the State of Alabama receive a portion of the revenues received by the State for the franchise taxes levied by the State of Alabama on in-state and out-of-state companies under the provisions of the *Code of Alabama 1975*, Section 40-14-41. The State is currently involved in litigation that challenges the constitutionality of the State's franchise tax based on the premise that it violates the Commerce Clause of the U.S. Constitution. The potential liability to the State of Alabama exceeds \$300,000,000. In the event of an unfavorable outcome to the State of Alabama, the several counties of this State may have to refund all the franchise taxes they have received over a period of years or forego the receipt of revenues from this tax until the liability is satisfied.

Note 26 – GASB Statement Number 33

The Commission implemented GASB Statement Number 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and GASB Statement Number 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, an amendment of GASB Statement Number 33, beginning in fiscal year 2001. This Statement required the accrual of some assets and revenues which were not previously recognized in the Commission's financial statements. The most significant of these is the accrual of property, sales and occupational taxes. The accrual of the property taxes, which are levied in the current year but are not available to fund current year operations, results in deferred revenue.

Notes to the Financial Statements
For the Year Ended September 30, 2001

Note 27 – Restatements

On October 1, 2000, the fund balances of the general and special revenue funds were restated as follows:

	(In Thousands)	
	General Fund	Special Revenue Funds
Fund Balance, October 1, 2000, as Previously Reported	\$39,041	\$ 7,122
GASB 33 Accruals	6,926	3,085
Overstatement of Receivables		(84)
Fund Balance, October 1, 2000, as Restated	<u>\$45,967</u>	<u>\$10,123</u>

On October 1, 2000, the fund equity of the enterprise funds was restated as follows:

	(In Thousands)	
	Enterprise Funds	
Fund Equity, October 1, 2000, as Previously Reported		\$ 201,170
Sewer Assets Obtained from the City of Birmingham		1,415,811
Understatement of Fixed Assets in the Prior Year		17
Fund Equity, October 1, 2000, as Restated		<u>\$1,616,998</u>

Note 28 – Interest Rate Swap Agreements

The Commission has entered into interest rate swap agreements with Morgan Guaranty Trust Company of New York (Morgan) and has executed various transactions with Morgan to receive interest payments for periods of up to 40 years based on notional amounts ranging from \$70 to \$200 million. The Commission agreed to pay Morgan interest payments based on the published Bond Market Association (BMA) rates for periods of up to 40 years using the above mentioned notional amounts.

Required Supplementary Information

Schedule of Funding Progress
For the Year Ended September 30, 2001

(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/01/1999	\$534,063	\$445,237	\$(88,826)	120.0%	\$120,691	(73.6%)
10/01/2000	\$595,364	\$517,622	\$(77,742)	115.0%	\$126,520	(61.4%)
10/01/2001	\$642,487	\$550,172	\$(92,315)	116.8%	\$133,919	(68.9%)

Combining Financial Statements

***Combining Balance Sheet
All Special Revenue Funds
September 30, 2001
(In Thousands)***

	Indigent Care Fund	Road Fund	Senior Citizens' Activities Fund
<u>ASSETS</u>			
Cash and Investments	\$ 529	\$ 337	\$
Loans Receivable, Net			
Interest Receivable			
Due from Other Governments	5,880	795	257
Property Taxes Receivable, Net		10,281	
Inventories		2,169	
Prepaid Expenses		2	2
TOTAL ASSETS	6,409	13,584	259
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Cash Deficit			141
Accounts Payable		985	124
Due to Other Governments		4,517	
Deferred Revenues		10,281	18
Accrued Payroll and Taxes		332	11
Estimated Liability for Compensated Absences		396	
TOTAL LIABILITIES		16,511	294
<u>FUND EQUITY</u>			
Fund Balances:			
Reserved for Prepaid Expenses		2	2
Reserved for Inventory		2,169	
Reserved for Petty Cash		1	
Reserved for CGH Foundation	409		
Reserved for Loan Receivable			
Reserved for Encumbrances	141	2,950	73
Unreserved	5,859	(8,049)	(110)
TOTAL FUND EQUITY	6,409	(2,927)	(35)
TOTAL LIABILITIES AND FUND EQUITY	\$ 6,409	\$ 13,584	\$ 259

Bridge and Public Building Fund	Community Development Fund	CDBG-EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Totals Current Year
\$ 2,691	\$ 154	\$ 910	\$ 77	\$ 1,027	\$ 5,571
	11	2,940	796		3,890
392	1,103		642	4	11
24,968					9,073
					35,249
					2,169
					4
28,051	1,268	3,850	1,515	1,031	55,967
	388				529
	738		280	13	2,140
		18			4,535
24,968				721	35,988
	21		1	6	371
				(1)	395
24,968	1,147	18	281	739	43,958
					4
					2,169
				1	2
					409
	154	2,940	796		3,890
	10,991		2,599	516	17,270
3,083	(11,024)	892	(2,161)	(225)	(11,735)
3,083	121	3,832	1,234	292	12,009
\$ 28,051	\$ 1,268	\$ 3,850	\$ 1,515	\$ 1,031	\$ 55,967

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Special Revenue Funds
For the Year Ended September 30, 2001
(In Thousands)***

	Indigent Care Fund	Road Fund	Senior Citizens' Activities Fund
<u>REVENUES</u>			
Taxes	\$ 38,217	\$ 11,996	\$ 5,339
Intergovernmental Charges for Services		7,847	173
Investment Income	7		12
Miscellaneous	4,163	95	5
TOTAL REVENUES	42,387	20,111	5,356
<u>EXPENDITURES</u>			
Current:			
General Government	6,557		6,215
Public Safety			
Highways and Roads		32,282	
Health and Welfare			
Capital Outlay		4,562	25
Indirect Cost	22	3,889	165
TOTAL EXPENDITURES	6,579	40,733	6,405
Excess of revenues over (under) expenditures	35,808	(20,622)	(1,049)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	2,485	20,894	1,574
Proceeds from Sale of Fixed Assets		317	15
Operating Transfers Out	(37,869)	(626)	(524)
TOTAL OTHER FINANCING SOURCES (USES)	(35,384)	20,585	1,065
Excess of revenues and other sources over (under) expenditures and other uses	424	(37)	16
Fund Balances at beginning of year, as restated	5,985	(2,890)	(51)
Fund Balances at end of year	\$ 6,409	\$ (2,927)	\$ (35)

Bridge and Public Building Fund	Community Development Fund	CDBG-EDA Revolving Loan Fund	Home Grant Fund	Emergency Management Fund	Totals Current Year
\$ 27,626	\$	\$	\$	\$	\$ 77,839
697	8,411	2	1,268	1,062	24,626
	223			311	707
360		119	16	18	532
		3	129	18	4,413
28,683	8,634	124	1,413	1,409	108,117
	1,240		112		14,124
				1,096	1,096
	6,638	412	1,450		32,282
	1,225			176	8,500
42	232	20	17	76	5,988
42	9,335	432	1,579	1,348	4,463
28,641	(701)	(308)	(166)	61	66,453
	656	96	277	102	41,664
	1				26,084
(27,101)	(75)				333
(27,101)	582	96	277	102	(66,195)
1,540	(119)	(212)	111	163	(39,778)
1,543	240	4,044	1,123	129	1,886
\$ 3,083	\$ 121	\$ 3,832	\$ 1,234	\$ 292	\$ 12,009

***Combining Balance Sheet
All Capital Projects Funds
September 30, 2001
(In Thousands)***

	Capital Improvements Fund	Road Construction Fund	Totals Current Year
<u>ASSETS</u>			
Cash and Investments	\$ 28	\$ 1,120	\$ 1,148
Due from Other Governments	213	205	418
TOTAL ASSETS	241	1,325	1,566
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts Payable	4,755	230	4,985
TOTAL LIABILITIES	4,755	230	4,985
<u>FUND EQUITY</u>			
Fund Balances:			
Reserved for Encumbrances	21,856	2,500	24,356
Unreserved	(26,370)	(1,405)	(27,775)
TOTAL FUND EQUITY	(4,514)	1,095	(3,419)
TOTAL LIABILITIES AND FUND EQUITY	\$ 241	\$ 1,325	\$ 1,566

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Capital Projects Funds
For the Year Ended September 30, 2001
(In Thousands)***

	Capital Improvements Fund	Road Construction Fund	Totals Current Year
<u>REVENUES</u>			
Taxes			
Intergovernmental	\$ 569	\$ 926	\$ 1,495
Charges for Services		497	497
Investment Income	33	41	74
Miscellaneous		160	160
TOTAL REVENUES	602	1,624	2,226
<u>EXPENDITURES</u>			
Current:			
Highways and Roads		4,436	4,436
Capital Outlay	29,995		29,995
TOTAL EXPENDITURES	29,995	4,436	34,431
Excess of revenues over (under) expenditures	(29,393)	(2,812)	(32,205)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	24,200	409	24,609
Proceeds from Sale of Fixed Assets	95		95
Operating Transfers Out	(7,285)		(7,285)
TOTAL OTHER FINANCING SOURCES (USES)	17,010	409	17,419
Excess of revenues and other sources over (under) expenditures and other uses	(12,383)	(2,403)	(14,786)
Fund Balances at beginning of year	7,869	3,498	11,367
Fund Balances at end of year	\$ (4,514)	\$ 1,095	\$ (3,419)

Combining Balance Sheet
All Enterprise Funds
September 30, 2001
(In Thousands)

	Cooper Green Hospital Fund	County Home Fund
<u>ASSETS</u>		
Cash and Investments	\$	\$ 194
Accounts Receivable, Net	36	
Patient Accounts Receivable, Net	7,144	1,588
Interest Receivable		
Due from Other Governments	357	
Inventories	892	91
Property Taxes Receivable, Net		
Prepaid Expenses	1,976	
Fixed Assets, Net Where Applicable	12,214	9,514
Warrant Issuance Cost		
Deferred Loss on Early Debt Retirement		
TOTAL ASSETS	22,619	11,387
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Cash Deficit	2,460	
Accounts Payable	1,782	126
Advances from Other Funds		
Deposits Payable		48
Deferred Revenues		
Accrued Payroll and Taxes	547	148
Accrued Interest Payable		
Retainage Payable		
Arbitrage Rebate Payable		
Estimated Liability for Compensated Absences	2,315	523
Warrants Payable		
Estimated Liability for Closure/Postclosure Care Costs		
TOTAL LIABILITIES	7,104	845
<u>FUND EQUITY</u>		
Unreserved Retained Earnings	15,515	10,542
TOTAL FUND EQUITY	15,515	10,542
TOTAL LIABILITIES AND FUND EQUITY	\$ 22,619	\$ 11,387

Landfill Operations Fund	Sanitary Operations Fund	Parking Deck Fund	Totals Current Year
\$	\$	\$	\$
754	555,728	26	555,948
	10,999	1	11,790
	353		8,732
	610		353
	497		967
	3,427		1,480
	5		3,427
51,778	2,770,620	20	1,981
176	33,497		2,844,146
	2,776		33,673
52,708	3,378,512	47	2,776
			3,465,273
33			2,493
31	18,700		20,639
19,200			19,200
	3,427		48
49	426	1	3,427
	16,273		1,171
	13,121		16,273
	4,465		13,121
449	3,176	5	4,465
	1,796,250		6,468
3,355			1,796,250
23,117	1,855,838	6	3,355
			1,886,910
29,591	1,522,674	41	1,578,363
29,591	1,522,674	41	1,578,363
\$ 52,708	\$ 3,378,512	\$ 47	\$ 3,465,273

***Combining Statement of Revenues, Expenses and Changes in Fund Equity - All Enterprise Funds
For the Year Ended September 30, 2001
(In Thousands)***

	Cooper Green Hospital Fund	County Home Fund
<u>Operating Revenues</u>		
Taxes	\$	\$
Charges for Services	31,635	8,826
Other Operating Revenue		59
Total Operating Revenues	<u>31,635</u>	<u>8,885</u>
<u>Operating Expenses</u>		
Provisions for Bad Debt	3,555	357
Salaries	27,345	6,995
Employee Benefits and Payroll Taxes	5,446	1,683
Utilities	958	573
Supplies	8,965	1,175
Depreciation and Amortization	2,026	353
Outside Services	10,179	3,393
Services from other Hospitals	4,963	
Jefferson Clinic	7,495	
Office Expense	698	134
Closure and Postclosure Care Cost		
Miscellaneous	391	32
Total Operating Expenses	<u>72,021</u>	<u>14,695</u>
Operating Income (Loss)	<u>(40,386)</u>	<u>(5,810)</u>
<u>Nonoperating Revenues (Expenses)</u>		
Arbitrage Rebates		
Interest Revenue	42	
Miscellaneous Revenue		
Interest Expense	(73)	
Indirect Cost	(1,375)	(484)
Gain/(Loss) On Sale of Fixed Assets	(42)	1
Total Nonoperating Revenues (Expenses)	<u>(1,448)</u>	<u>(483)</u>
Income (Loss) Before Operating Transfers	<u>(41,834)</u>	<u>(6,293)</u>
<u>Operating Transfers</u>		
Operating Transfers In	37,874	7,183
Operating Transfers Out		
Total Operating Transfers	<u>37,874</u>	<u>7,183</u>
Net Income (Loss)	(3,960)	890
Fund Equity at beginning of year, as Restated	19,475	9,652
Fund Equity at end of year	<u>\$ 15,515</u>	<u>\$ 10,542</u>

Landfill Operations Fund	Sanitary Operations Fund	Parking Deck Fund	Totals Current Year
\$	\$	\$	\$
	3,806		3,806
4,014	76,956	222	121,653
64	96		219
4,078	80,858	222	125,678
22	1,290		5,224
2,302	19,724	27	56,393
531	4,825	6	12,491
272	5,322	48	7,173
406	1,869	2	12,417
2,312	33,576	13	38,280
489	6,092	4	20,157
			4,963
			7,495
25	1,294		2,151
134			134
11	158	146	738
6,504	74,150	246	167,616
(2,426)	6,708	(24)	(41,938)
	(1,004)		(1,004)
61	51,360	1	51,464
	29		29
(871)	(90,391)		(91,335)
(389)	(2,444)	(41)	(4,733)
26	(138)		(153)
(1,173)	(42,588)	(40)	(45,732)
(3,599)	(35,880)	(64)	(87,670)
5,566			50,623
(1,251)	(337)		(1,588)
4,315	(337)		49,035
716	(36,217)	(64)	(38,635)
28,875	1,558,891	105	1,616,998
\$ 29,591	\$ 1,522,674	\$ 41	\$ 1,578,363

Combining Statement of Cash Flows
All Enterprise Funds
For the Year Ended September 30, 2001
(In Thousands)

	Cooper Green Hospital Fund	County Home Fund
<u>Cash Flows from Operating Activities</u>		
Operating Income (Loss)	\$ (40,386)	\$ (5,810)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>		
Depreciation and Amortization	2,026	353
(Increase)/Decrease in Accounts Receivable	4	
(Increase)/Decrease in Interest Receivable		
(Increase)/Decrease in Patients Receivable (Net)	(813)	(177)
(Increase)/Decrease in Prepaid Items	(1,368)	
(Increase)/Decrease in Due from Governmental Units	666	
(Increase)/Decrease in Property Taxes Receivable		
(Increase)/Decrease in Inventory	94	(36)
(Increase)/Decrease in Warrant Issuance Costs		
(Increase)/Decrease in Deferred Loss on Early Debt Retirement		
Increase/(Decrease) in Accounts Payable	557	(246)
Increase/(Decrease) in Advances to Other Funds		
Increase/(Decrease) in Other Accounts Payable	(245)	
Increase/(Decrease) in Deferred Revenues		
Increase/(Decrease) in Accrued Payroll and Taxes		12
Increase/(Decrease) in Deposits Payable		11
Increase/(Decrease) in Retainage Payable		
Increase/(Decrease) in Interest Payable		
Increase/(Decrease) in Arbitrage Rebate Payable		
Increase/(Decrease) in Compensated Absences Payable	42	50
Increase/(Decrease) in Estimated Liability for Landfill Postclosure Costs		
Total Adjustments	<u>963</u>	<u>(33)</u>
Net Cash Provided/(Used) by Operating Activities		
Carried Forward	<u>\$ (39,423)</u>	<u>\$ (5,843)</u>

Landfill Operations Fund	Sanitary Operations Fund	Parking Deck Fund	Totals Current Year
\$ (2,426)	\$ 6,708	\$ (24)	\$ (41,938)
2,312	33,576	13	38,280
(8)	1,009		1,005
	(353)		(353)
	(5)		(990)
	(120)		(1,373)
	(3,427)		546
	50		(3,427)
(178)	(11,605)		108
			(11,783)
	454		454
31	(8,252)		(7,910)
19,200			19,200
	(3)		(248)
	3,427		3,427
2	32		46
			11
	7,006		7,006
(67)	2,577		2,510
	1,004		1,004
26	289		407
93			93
21,411	25,659	13	48,013
\$ 18,985	\$ 32,367	\$ (11)	\$ 6,075

Combining Statement of Cash Flows
All Enterprise Funds
For the Year Ended September 30, 2001
(In Thousands)

	Cooper Green Hospital Fund	County Home Fund
Net Cash Provided/(Used) by Operating Activities		
Brought Forward	\$ (39,423)	\$ (5,843)
<u>Cash Flows from Non-Capital Financing Activities</u>		
Operating Transfers In	37,874	7,183
Operating Transfers Out		
Increase/(Decrease) in Cash Deficit	2,460	
Received from Auxiliary Services		
Indirect Cost	(1,375)	(484)
Net Cash Provided/(Used) by Non-Capital Financing Activities	38,959	6,699
<u>Cash Flows from Capital and Related Financing Activities</u>		
Interest Paid	(73)	
Acquisition of Fixed Assets	(541)	(756)
Proceeds from Warrant Issuance		
Principal Payments		
Net Cash Provided/(Used) by Capital and Related Financing Activities	(614)	(756)
<u>Cash Flows from Investing Activities</u>		
Interest and Dividend Income	42	
Net Cash Provided/(Used) by Investing Activities	42	
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,036)	100
Cash and Investments, Beginning of Year	1,036	94
Cash and Investments, End of Year	\$	\$ 194

Landfill Operations Fund	Sanitary Operations Fund	Parking Deck Fund	Totals Current Year
\$ 18,985	\$ 32,367	\$ (11)	\$ 6,075
5,566			50,623
(1,251)	(337)		(1,588)
33			2,493
	29		29
(389)	(2,444)	(41)	(4,733)
3,959	(2,752)	(41)	46,824
(871)	(90,391)		(91,335)
(134)	(382,622)		(384,053)
	275,000		275,000
(22,000)	(15,635)		(37,635)
(23,005)	(213,648)		(238,023)
61	51,360	1	51,464
61	51,360	1	51,464
	(132,673)	(51)	(133,660)
	688,401	77	689,608
\$	\$ 555,728	\$ 26	\$ 555,948

***Combining Balance Sheet
All Internal Service Funds
September 30, 2001
(In Thousands)***

	Risk Management Fund	Personnel Board Fund	Elections Fund
<u>ASSETS</u>			
Cash and Investments	\$ 10,009	\$	\$ 342
Accounts Receivable, Net			
Due from Other Governments		3,219	41
Inventories			
Prepaid Expenses	56		
Fixed Assets, Net Where Applicable	166	83	280
TOTAL ASSETS	10,231	3,302	663
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Cash Deficit		2,592	
Accounts Payable	362	382	12
Accrued Payroll and Taxes	11	51	5
Estimated Liability for Compensated Absences	52	330	48
Estimated Claims Liability	4,640		
TOTAL LIABILITIES	5,065	3,355	65
<u>FUND EQUITY</u>			
Unreserved Retained Earnings	5,166	(53)	598
TOTAL FUND EQUITY	5,166	(53)	598
TOTAL LIABILITIES AND FUND EQUITY	\$ 10,231	\$ 3,302	\$ 663

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals Current Year
\$ 15	\$ 409	\$ 226	\$ 16	\$ 7,624	\$ 18,641
1				6	7
		3	1	29	3,293
	294	11	164	664	1,133
19					75
5,647	2,066	5,553	64	6,012	19,871
5,682	2,769	5,793	245	14,335	43,020
					2,592
336	155	19	44	352	1,662
56	55	8	5	173	364
418	412	63	32	1,278	2,633
					4,640
810	622	90	81	1,803	11,891
					4,872
4,872	2,147	5,703	164	12,532	31,129
4,872	2,147	5,703	164	12,532	31,129
\$ 5,682	\$ 2,769	\$ 5,793	\$ 245	\$ 14,335	\$ 43,020

***Combining Statement of Revenues, Expenses and Changes in Fund
Equity - All Internal Service Funds
For the Year Ended September 30, 2001
(In Thousands)***

	Risk Management Fund	Personnel Board Fund	Elections Fund
<u>Operating Revenues</u>			
Intergovernmental	\$	\$	\$
Charges for Services	2,370	3,796	876
Total Operating Revenues	<u>2,370</u>	<u>3,796</u>	<u>876</u>
<u>Operating Expenses</u>			
Salaries	469	2,315	392
Employee Benefits and Payroll Taxes	596	515	46
Utilities	1	1	5
Supplies	15	66	22
Depreciation and Amortization	56	55	27
Outside Services	976	2,088	17
Office Expense	1,701	120	17
Miscellaneous	9	17	
Total Operating Expenses	<u>3,823</u>	<u>5,177</u>	<u>526</u>
Operating Income	<u>(1,453)</u>	<u>(1,381)</u>	<u>350</u>
<u>Nonoperating Revenues (Expenses)</u>			
Interest Revenue	182		
Miscellaneous Revenue	405		
Indirect Cost		(90)	(76)
Gain (Loss) on Sale of Fixed Assets		(22)	
Indirect Cost Recovery		1,101	
Total Nonoperating Revenues (Expenses)	<u>587</u>	<u>989</u>	<u>(76)</u>
Income (Loss) Before Operating Transfers	<u>(866)</u>	<u>(392)</u>	<u>274</u>
<u>Operating Transfers</u>			
Operating Transfers In		339	206
Operating Transfers Out	(30)		
Total Operating Transfers	<u>(30)</u>	<u>339</u>	<u>206</u>
Net Income	(896)	(53)	480
Fund Equity at beginning of year	<u>6,062</u>		<u>118</u>
Fund Equity at end of year	<u>\$ 5,166</u>	<u>\$ (53)</u>	<u>\$ 598</u>

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals Current Year
\$ 462	\$ 1,490	\$ 1,016	\$ 679	\$ 14,167	\$ 4,672
462	1,490	1,016	679	14,167	20,184
2,537	2,554	442	244	7,712	16,665
534	617	121	58	1,947	4,434
2	126	230		2,754	3,119
270	1,666	15	199	1,224	3,477
1,706	242	42	41	410	2,579
3,093	104	187	62	1,948	8,475
124	24	3	9	410	2,408
117	15		53	234	445
8,383	5,348	1,040	666	16,639	41,602
(7,921)	(3,858)	(24)	13	(2,472)	(16,746)
	8	4		129	323
	2		1	1,027	1,435
(48)			(2)		(216)
	(1)	(4)	(1)	2	(26)
5,236	3,843	48		5,243	15,471
5,188	3,852	48	(2)	6,401	16,987
(2,733)	(6)	24	11	3,929	241
3,146	96	5,393		9	9,189
	(60)			(329)	(419)
3,146	36	5,393		(320)	8,770
413	30	5,417	11	3,609	9,011
4,459	2,117	286	153	8,923	22,118
\$ 4,872	\$ 2,147	\$ 5,703	\$ 164	\$ 12,532	\$ 31,129

Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended September 30, 2001
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
<u>Cash Flows from Operating Activities</u>			
Operating Income (Loss)	\$ (1,453)	\$ (1,381)	\$ 350
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>			
Depreciation and Amortization	56	55	27
(Increase)/Decrease in Accounts Receivable			
(Increase)/Decrease in Prepaid Items			
(Increase)/Decrease in Due from Governmental Units		(802)	26
(Increase)/Decrease in Inventory			
Increase/(Decrease) in Accounts Payable	255	311	10
Increase/(Decrease) in Other Accounts Payable			
Increase/(Decrease) in Due to Other Funds			
Increase/(Decrease) in Accrued Payroll and Taxes	1	5	
Increase/(Decrease) in Compensated Absences Payable	11	34	4
Increase/(Decrease) in Estimated Claims Liability	1,981		
Total Adjustments	<u>2,304</u>	<u>(397)</u>	<u>67</u>
Net Cash Provided/(Used) by Operating Activities			
Carried Forward	<u>\$ 851</u>	<u>\$ (1,778)</u>	<u>\$ 417</u>

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals Current Year
\$ (7,921)	\$ (3,858)	\$ (24)	\$ 13	\$ (2,472)	\$ (16,746)
1,706	242	42	41	410	2,579
5				14	19
(4)				69	65
	9	(2)		(1)	(770)
	(13)	3	(37)	(66)	(113)
221	98	18	(20)	(28)	865
			(9)	(7)	(16)
				(1)	(1)
6	1	(1)		12	24
34	29	(3)	10	58	177
					1,981
1,968	366	57	(15)	460	4,810
\$ (5,953)	\$ (3,492)	\$ 33	\$ (2)	\$ (2,012)	\$ (11,936)

Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended September 30, 2001
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Net Cash Provided/(Used) by Operating Activities			
Brought Forward	\$ 851	\$ (1,778)	\$ 417
<u>Cash Flows from Non-Capital Financing Activities</u>			
Operating Transfers In		339	206
Operating Transfers Out	(30)		
Increase/(Decrease) in Cash Deficit		447	
Received from Auxiliary Services	405		
Indirect Cost Recovery		1,101	
Indirect Cost		(90)	(76)
Net Cash Provided/(Used) by Non-Capital Financing Activities	375	1,797	130
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition of Fixed Assets	(15)	(19)	(205)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(15)	(19)	(205)
<u>Cash Flows from Investing Activities</u>			
Interest and Dividend Income	182		
Net Cash Provided/(Used) by Investing Activities	182		
Net Increase/(Decrease) in Cash and Cash Equivalents	1,393		342
Cash and Investments, Beginning of Year	8,616		
Cash and Investments, End of Year	\$ 10,009	\$	\$ 342

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals Current Year
\$ (5,953)	\$ (3,492)	\$ 33	\$ (2)	\$ (2,012)	\$ (11,936)
3,146	96 (60)	5,393		9 (329)	9,189 (419)
	2		1	1,027	447 1,435
5,236 (48)	3,843	48	(2)	5,243	15,471 (216)
8,334	3,881	5,441	(1)	5,950	25,907
(2,367)	(104)	(5,393)		(249)	(8,352)
(2,367)	(104)	(5,393)		(249)	(8,352)
	8	4		129	323
	8	4		129	323
14	293	85	(3)	3,818	5,942
1	116	141	19	3,806	12,699
\$ 15	\$ 409	\$ 226	\$ 16	\$ 7,624	\$ 18,641

***Combining Balance Sheet
All Fiduciary Fund Types
September 30, 2001
(In Thousands)***

	<u>Expendable Trust Funds</u>		<u>Pension</u>	<u>Totals</u>
	<u>Stormwater Management Authority Fund</u>	<u>City of Birmingham Revolving Loan Fund</u>	<u>Trust Fund General Retirement System</u>	
<u>ASSETS</u>				
Cash and Investments	\$ 1,301	\$ 743	\$ 664,670	\$ 666,714
Loans Receivable, Net		636		636
Interest Receivable			6,264	6,264
Prepaid Expenses	2			2
Fixed Assets, Net Where Applicable	201			201
TOTAL ASSETS	1,504	1,379	670,934	673,817
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Accounts Payable	30		388	418
Accrued Payroll and Taxes	18			18
Estimated Liability for Compensated Absences	121			121
TOTAL LIABILITIES	169		388	557
<u>FUND EQUITY</u>				
Fund Balances:				
Reserved for:				
Prepaid Expenses	2			2
Loans Receivable		636		636
Trust Requirements	1,318	743		2,061
Reserved for Encumbrances	15			15
Contingent Refunds			65,833	65,833
Retirement/Disability Benefits			604,713	604,713
TOTAL FUND EQUITY	1,335	1,379	670,546	673,260
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,504	\$ 1,379	\$ 670,934	\$ 673,817

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Expendable Trust Funds
For the Year Ended September 30, 2001
(In Thousands)***

	Stormwater Management Authority Fund	City of Birmingham Revolving Loan Fund	<u>Totals</u> Current Year
<u>REVENUES</u>			
Intergovernmental	\$ 2,227	\$	\$ 2,227
Investment Income	35	30	65
Miscellaneous	59	96	155
TOTAL REVENUES	<u>2,321</u>	<u>126</u>	<u>2,447</u>
<u>EXPENDITURES</u>			
General Government	1,788		1,788
Indirect Cost	72		72
TOTAL EXPENDITURES	<u>1,860</u>		<u>1,860</u>
Excess of revenues over (under) expenditures	461	126	587
Fund Balances at beginning of year	874	1,253	2,127
Fund Balances at end of year	<u>\$ 1,335</u>	<u>\$ 1,379</u>	<u>\$ 2,714</u>

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2001
(In Thousands)***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U.S. Department of Housing and Urban Development</u>		
<u>Direct Programs</u>		
Community Development Block Grants/Entitlement Grants	14.218	B95-UC-01-0001
	14.218	B96-UC-01-0001
	14.218	B97-UC-01-0001
	14.218	B98-UC-01-0001
	14.218	B99-UC-01-0001
	14.218	B00-UC-01-0001
Revolving Loan Funds	14.218	
Sub-Total Community Development Block Grants/Entitlement Grants		
HOME Investment Partnerships Program	14.239	M96-UC-01-0202
	14.239	M97-UC-01-0202
	14.239	M98-UC-01-0202
	14.239	M99-UC-01-0202
	14.239	M00-UC-01-0202
Sub-Total HOME Program (M)		
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	ALLAGOO65-97
Emergency Shelter Grants Program	14.231	S-99-UC-01-0006
	14.231	S-00-UC-01-0006
Sub-Total Emergency Shelter Grants Program (Direct Programs)		
<u>U.S. Department of Housing and Urban Development</u>		
<u>Passed Through Alabama Department</u>		
<u>of Economic and Community Affairs</u>		
Emergency Shelter Grants Program	14.231	ESG-99-036
	14.231	ESG-00-036
	14.231	ESG-98-036
	14.231	ESG-95-036
Sub-Total Emergency Shelter Grants Program (Passed Through)		
Total Emergency Shelter Grants Program		
Community Development Block Grants-State's Program (M)	14.228	DRI-98-001
Total U.S. Department of Housing and Urban Development		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10-01-1995 To 09-30-2001	\$ 3,219,000	\$ 3,219,000	\$	\$ 63,603
10-01-1996 To 09-30-2001	3,118,000	3,118,000		31,190
10-01-1997 To 09-30-2001	2,838,000	2,838,000		115,836
10-01-1998 To 09-30-2001	2,729,000	2,729,000	799,388	96,617
10-01-1999 To 09-30-2001	2,745,000	2,745,000	1,980,509	917,937
10-01-2000 To 09-30-2001	2,724,000	2,724,000		1,554,714
10-01-1999 To 09-30-2000				2,919,894
	17,373,000	17,373,000	2,779,897	5,699,791
10-01-1996 To 09-30-2001	1,145,000	916,000	147,515	147,515
10-01-1997 To 09-30-2001	1,118,750	895,000	209,408	209,408
10-01-1998 To 09-30-2001	1,176,250	941,000	607,757	607,757
10-01-1999 To 09-30-2001	1,272,500	1,018,000	226,895	226,895
10-01-2000 To 09-30-2001		1,023,000	76,684	76,684
	4,712,500	4,793,000	1,268,259	1,268,259
06-18-1997 To 09-30-2001	1,116,255	1,014,778	95,565	95,564
10-01-1999 To 09-30-2001	97,000	97,000	15,295	15,295
10-01-2000 To 09-30-2001	97,000	97,000	96,553	96,553
	194,000	194,000	111,848	111,848
06-03-1999 To 06-02-2001	342,000	171,000	32,185	32,185
06-02-2000 To 06-02-2002	250,000	125,000	120,870	120,870
06-02-2000 To 06-02-2002	10,294	5,147	5,147	5,147
06-02-2000 To 06-02-2002	49,706	24,853	24,853	24,853
	652,000	326,000	183,055	183,055
	846,000	520,000	294,903	294,903
10-04-1999 To 09-29-2002	1,500,000	1,500,000	833,827	833,827
	25,547,755	25,200,778	5,272,451	8,192,344
	\$ 25,547,755	\$ 25,200,778	\$ 5,272,451	\$ 8,192,344

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2001
(In Thousands)***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U.S. Department of Agriculture</u>		
<u>Passed Through State Department of Education</u>		
Nutrition Cluster:		
School Breakfast Program	10.553	
National School Lunch Program	10.555	
Sub-Total Child Nutrition Cluster		
Food Distribution (N)	10.550	
Sub-Total Passed Through Alabama Department of Education		
<u>Passed Through Alabama Commission on Aging</u>		
Nutrition Program for the Elderly (Commodities)	10.570	
<u>Passed Through State Emergency Management Agency</u>		
Watershed Protection and Flood Prevention	10.904	69-4101-1-44
	10.904	
Sub-Total Watershed Protection and Flood Prevention		
Total U.S. Department of Agriculture		
<u>U.S. Department of Health and Human Services</u>		
<u>Direct Programs</u>		
Consolidated Knowledge Development and Application Program: Targeted Capacity Expansion	93.230	5 H79 TI12422-02
Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease	93.918	6H76HA00098-081
<u>Passed Through Alabama Commission on Aging</u>		
Aging Cluster:		
Title III, Part B - Grants for Supportive Services and Senior Centers - Administrative	93.044	03-01-01-03a
Title III, Part B - Grants for Supportive Services and Senior Centers - Administrative	93.044	03-01-00-03a
Title III, Part B - Grants for Supportive Services and Senior Centers - Social Services	93.044	03-01-01-03a
Title III, Part B - Grants for Supportive Services and Senior Centers - Social Services	93.044	03-01-00-03a
Sub-Total Title III, Part B		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 25,547,755	\$ 25,200,778	\$ 5,272,451	\$ 8,192,344
10-01-2000 To 09-30-2001	40,714	40,714	40,714	40,714
10-01-2000 To 09-30-2001	73,050	73,050	73,050	73,050
	113,764	113,764	113,764	113,764
10-01-2000 To 09-30-2001	7,208	7,208	7,208	7,208
	120,972	120,972	120,972	120,972
10-01-2000 To 09-30-2001	293,615	293,615	293,615	293,615
09-01-2001 To 09-30-2001	225,000	225,000	187,300	187,300
05-01-2001 To 06-01-2001	47,000	47,000	39,950	39,950
	272,000	272,000	227,250	227,250
	686,587	686,587	641,837	641,837
09-30-2000 To 09-29-2003	514,097	514,097	87,690	87,690
01-01-2001 To 12-31-2001	891,150	891,150	1,047,270	1,047,270
10-01-2000 To 09-30-2001	101,822	101,822	101,822	101,822
10-01-1999 To 09-30-2000	64,565	64,565	64,565	64,565
10-01-2000 To 09-30-2001	439,091	439,091	439,091	439,091
10-01-1999 To 09-30-2000	27,101	27,101	27,101	27,101
	632,579	632,579	632,579	632,579
	\$ 28,272,168	\$ 27,925,191	\$ 7,681,827	\$ 10,601,720

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2001
(In Thousands)***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
Title III, Part C - Congregate Nutrition Services	93.045	03-01-01-03a
Title III, Part C - Congregate Nutrition Services	93.045	03-01-00-03a
Title III, Part C - In Home Nutrition Services	93.045	03-01-01-03a
Title III, Part C - In Home Nutrition Services	93.045	03-01-00-03a
Sub-Total Title III, Part C		
Total Aging Cluster		
National Family Caregiver Support Program	93.052	03-01-01-03a
Title XIX - Healthcare Financing Research, Demonstrations and Evaluations: Health Information Counseling and Assistance Grant Program	93.779	03-01-01-03a
Title III, Part F-Disease Prevention and Health Promotion Services	93.043	03-01-01-03a
Title III, Part F-Disease Prevention and Health Promotion Services	93.043	03-01-00-03a
Sub-Total Title III, Part F - Disease Prevention and Health Promotion Services		
Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	03-01-01-03a
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 28,272,168	\$ 27,925,191	\$ 7,681,827	\$ 10,601,720
10-01-2000 To 09-30-2001	552,811	552,811	277,017	277,017
10-01-1999 To 09-30-2000	382,070	382,070	348,250	348,250
10-01-2000 To 09-30-2001	468,818	468,818	367,770	367,770
10-01-1999 To 09-30-2000	62,052	62,052	62,052	62,052
	<u>1,465,751</u>	<u>1,465,751</u>	<u>1,055,089</u>	<u>1,055,089</u>
	<u>2,098,330</u>	<u>2,098,330</u>	<u>1,687,668</u>	<u>1,687,668</u>
10-01-2000 To 09-30-2001	19,934	19,934	19,934	19,934
10-01-2000 To 09-30-2001	61,575	61,575	28,269	28,269
10-01-2000 To 09-30-2001	41,066	41,066	34,736	34,736
10-01-1999 To 09-30-2000	960	960	960	960
	<u>42,026</u>	<u>42,026</u>	<u>35,696</u>	<u>35,696</u>
10-01-2000 To 09-30-2001	9,736	9,736	9,736	9,736
	\$ 29,871,190	\$ 29,524,213	\$ 8,830,551	\$ 11,750,444

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2001
(In Thousands)***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
Title VII, Chapter 2-Long-Term Care Ombudsman Services for Older Individuals	93.042	03-01-01-03a
Title VII, Chapter 2-Long-Term Care Ombudsman Services for Older Individuals	93.042	03-01-0-03a
Sub-Total Title VII, Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals		
Sub-Total Passed Through Alabama Commission on Aging		
<u>Passed Through Administrative Office of Courts</u>		
Grants to States for Access and Visitation Programs	93.597	00-AV-01
Sub-Total Passed Through Administrative Office of Courts		
Total U.S. Department of Health and Human Services		
<u>U.S. Department of Labor</u>		
<u>Direct Program</u>		
Homeless Veterans Reintegration Project	17.805	E-9-5-0-0039
Youth Opportunity Grants (M)	17.263	AZ-10126-00-60
Senior Community Service Employment Program	17.235	D-6135-7-01-81-55
<u>Passed Through Alabama Department of Senior Services</u>		
Senior Community Service Employment Program	17.235	05-502-00-3A
Sub-Total Senior Community Service Employment Program (M)		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Workforce Investment Act	17.255	02
Workforce Investment Act	17.255	92
Sub-Total Workforce Investment Act (M)		
Total U.S. Department of Labor		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 29,871,190	\$ 29,524,213	\$ 8,830,551	\$ 11,750,444
10-01-2000 To 09-30-2001	19,080	19,080	19,080	19,080
10-01-1999 To 09-30-2000	8	8	8	8
	19,088	19,088	19,088	19,088
	2,250,689	2,250,689	1,800,391	1,800,391
07-01-2000 To 06-30-2001	21,000	21,000	14,781	14,781
	21,000	21,000	14,781	14,781
	3,676,936	3,676,936	2,950,132	2,950,132
04-01-2000 To 09-30-2002	562,500	562,500	317,051	317,051
03-20-2000 To 03-20-2001	5,000,000	5,000,000	1,095,196	1,095,196
07-01-2000 To 06-30-2001	418,477	372,377	337,328	337,328
07-01-2000 To 06-30-2001	191,147	172,032	156,815	156,815
	609,624	544,409	494,143	494,143
07-01-2000 To 06-30-2003	2,093,112	2,093,112	1,346,551	1,346,551
07-01-2000 To 06-30-2002	400,767	400,767	64,185	64,185
	2,493,879	2,493,879	1,410,736	1,410,736
	8,666,003	8,600,788	3,317,126	3,317,126
	\$ 38,577,281	\$ 38,165,089	\$ 12,181,546	\$ 15,101,439

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2001
(In Thousands)

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>Federal Emergency Management Agency</u>		
<u>Passed Through State Emergency Management Agency</u>		
Hazard Mitigation Grant	83.548	HMGP1250-0020
Hazard Mitigation Grant	83.548	FMA-PJ-04AL-1999001
Sub-Total Hazard Mitigation Grant (M)		
Public Assistance Grants	83.544	FEMA -1282-DR-AL,PA
Total Emergency Management Agency		
<u>U.S. Department of Justice</u>		
<u>Direct Programs</u>		
Equipment Support Program	16.006	2000-TE-CS-0103
Juvenile Justice and Delinquency Prevention - Special Emphasis	16.541	1999JSFX0021
Local Law Enforcement Block Grants Program	16.592	2000-LB-BX-2047
Public Safety Partnership and Community Policing Grants	16.710	1999SHWX0529
Public Safety Partnership and Community Policing Grants	16.710	1999 CLWX0262
Sub-Total Public Safety Partnership and Community Policing Grants (M)		
Bulletproof Vest Partnership Program	16.607	01004124
	16.607	00000459
Sub-Total Bulletproof Vest Partnership Program		
<u>Passed through Alabama Department of Economic and Community Affairs</u>		
Violence Against Women Formula Grant	16.588	99-WF-PR-006
Violent Offenders Incarceration and Truth in Sentencing Incentive Grant	16.586	96-CV-LCL-005
Total U.S. Department of Justice		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 38,577,281	\$ 38,165,089	\$ 12,181,546	\$ 15,101,439
11-07-2000 To 09-30-2001	1,942,191	1,463,791	910,244	910,244
11-07-2000 To 09-30-2001	84,125	63,094	50,494	50,494
	<u>2,026,316</u>	<u>1,526,885</u>	<u>960,738</u>	<u>960,738</u>
06-01-1999 To 09-30-2001	492,000	369,000	172,581	172,581
	<u>2,518,316</u>	<u>1,895,885</u>	<u>1,133,319</u>	<u>1,133,319</u>
10-01-2000 To 09-30-2001	199,836	199,836	199,836	199,836
07-01-1999 To 09-30-2000	148,942	74,471	35,354	35,354
11-17-2000 To 11-17-2002	752,386	677,147	677,147	677,147
09-01-1999 To 08-31-2002	1,035,670	1,035,670	155,488	155,488
04-01-1999 To 06-30-2002	2,001,925	1,801,732	1,116,672	1,116,672
	<u>3,037,595</u>	<u>2,837,402</u>	<u>1,272,160</u>	<u>1,272,160</u>
03-01-1999 To 02-28-2003	13,616	6,808	6,808	6,808
05-15-2001 To 04-31-2004	7,690	3,845	3,845	3,845
	<u>21,306</u>	<u>10,653</u>	<u>10,653</u>	<u>10,653</u>
05-01-2000 To 08-31-2001	193,867	145,400	138,029	138,029
12-15-1998 To 12-14-1999	325,160	292,644	9,617	9,617
	<u>4,679,092</u>	<u>4,237,553</u>	<u>2,342,796</u>	<u>2,342,796</u>
	\$ 45,774,689	\$ 44,298,527	\$ 15,657,661	\$ 18,577,554

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2001
(In Thousands)***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U.S. Department of Education</u>		
<u>Passed through Alabama Department of Economic and Community Affairs</u>		
Safe and Drug-Free Schools and Communities: State Grants	84.186	99-GV-DR-018
Total U.S. Department of Education		
<u>U.S. Department of Treasury</u>		
<u>Direct Program</u>		
Gang Resistance Education and Training	21.053	ATC010100
Total U.S. Department of Treasury		
<u>U.S. Department of Commerce</u>		
<u>Direct Program</u>		
Economic Development-Technical Assistance	11.303	04-39-03391.02
Total U.S. Department of Commerce		
<u>Other Federal Assistance</u>		
<u>U.S. Department of Energy</u>		
<u>Passed through Alabama Department of Economic and Community Affairs</u>		
Exxon	N/A	1EX SEP00 17
Total Expenditures of Federal Awards		

(M) = Major Program
(N) = Non-cash assistance
(N/A) = Not Available

The accompanying Notes to the Schedule of Expenditures of Federal Awards is an integral part of this schedule.

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 45,774,689	\$ 44,298,527	\$ 15,657,661	\$ 18,577,554
10-01-2001 To 09-30-2001	40,000	40,000	40,000	40,000
	40,000	40,000	40,000	40,000
01-16-2001 To 01-15-2002	33,370	33,370	1,103	1,103
	33,370	33,370	1,103	1,103
07-25-1986 To 09-30-1999				586,594
				586,594
10-01-1999 To 09-30-2000	11,719	9,719	9,719	9,719
	\$ 45,859,778	\$ 44,381,616	\$ 15,708,483	\$ 19,214,970

**Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2001**

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Jefferson County Commission and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the primary government financial statements.

Note 2 – Subrecipients

Of the federal expenditures presented in the schedule, Jefferson County Commission provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Workforce Investment Act	17.255	\$1,080,205
Youth Opportunity Grant	17.263	\$1,050,348
Community Development Block Grant – States Program	14.228	\$ 858,966

Note 3 – Other

Jefferson County issues loans through the Community Development Office for eligible recipients. The following loans were outstanding at September 30, 2001:

		Loans Outstanding	Less: Allowance for Doubtful Accounts	Net Loans Outstanding
Community Development Block Grants/Entitlement Grants	CFDA #14.218	\$2,735,581	\$(121,587)	\$2,613,994
Economic Development Technical Assistance	CFDA #11.303	\$ 527,281	\$ (47,492)	\$ 479,789
HOME Investment Partnership Program	CFDA #14.239	\$ 795,914	\$	\$ 795,914

Additional Information

Commission Members and Administrative Personnel
October 1, 2000 through September 30, 2001

Commission Members		Term Expires
Hon. Gary White, President	Suite 230 Jefferson County Courthouse Birmingham, AL 35263	2002
Hon. Bettye Fine Collins, Member	Suite 220 Jefferson County Courthouse Birmingham, AL 35263	2002
Hon. Jeff Germany, Member	Suite 250 Jefferson County Courthouse Birmingham, AL 35263	2002
Hon. Chris McNair, Member	5328 Molton Gray Drive Birmingham, AL 35228	Resigned March 29, 2001
Hon. Mary M. Buckelew, Member	Suite 210 Jefferson County Courthouse Birmingham, AL 35263	2002
Hon. Steve Small, Jr., Member	Suite 240 Jefferson County Courthouse Birmingham, AL 35263	2002

Administrative Personnel

Mr. Steve Saylor, Finance Director	Room 810 Jefferson County Courthouse Birmingham, AL 35263
Mr. Travis Hulsey, Assistant Finance Director	Room 810 Jefferson County Courthouse Birmingham, AL 35263
Mr. Danny Panos, Chief Accountant	Room 820 Jefferson County Courthouse Birmingham, AL 35263

***Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance With
Government Auditing Standards***

We have audited the financial statements of the Jefferson County Commission (the "Commission") as of and for the year ended September 30, 2001, and have issued our report thereon dated February 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Commission in the Report to the Chief Examiner.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 99-1 and 2001-1.

***Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance With
Government Auditing Standards***

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of management, other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

February 22, 2002

Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of the Jefferson County Commission with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2001. The Jefferson County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Jefferson County Commission's management. Our responsibility is to express an opinion on the Jefferson County Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Jefferson County Commission's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Jefferson County Commission's compliance with those requirements.

In our opinion, the Jefferson County Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2001.

Internal Control Over Compliance

The management of the Jefferson County Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Jefferson County Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

***Report on Compliance With Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance With OMB Circular A-133***

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Jefferson County Commission's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2001-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management, other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

February 22, 2002

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2001

Section I - Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unqualified
 Internal control over financial reporting:
 Material weakness(es) identified? Yes X No
 Reportable condition(s) identified that are
 not considered to be material weakness(es)? X Yes None reported
 Noncompliance material to financial
 statements noted? Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? Yes X No
 Reportable condition(s) identified that are not
 considered to be material weakness(es)? X Yes None reported
 Type of opinion issued on compliance for
 major programs: Unqualified
 Any audit findings disclosed that are required
 to be reported in accordance with
 Section 510(a) of Circular A-133? X Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.239	HOME Investment Partnerships Program
14.228	Community Development Block Grants/State's Program
17.235	Senior Community Service Employment Program
17.255	Workforce Investment Act
17.263	Youth Opportunity Grants
83.548	Hazard Mitigation Grant
16.710	Public Safety Partnership and Community Policing Grants

Dollar threshold used to distinguish Between
 Type A and Type B programs: \$471,254
 Auditee qualified as low-risk auditee? X Yes No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2001

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
99-1	Internal Control	<p><u>Finding:</u> Procedures were not in place to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.</p> <p><u>Recommendation:</u> Procedures should be implemented to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.</p>	
2001-1	Internal Control	<p><u>Finding:</u> Procedures were not present to assure that all certificates of deposit for retainage on construction contracts were recorded in the financial statements.</p> <p><u>Recommendation:</u> Procedures should be implemented to assure that all certificates of deposit for retainage on construction contracts are properly recorded.</p>	

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2001

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2001-2	14.239	U.S. Department of Housing and Urban Development; Direct Program; HOME Investment Partnerships Program	<p><u>Finding:</u> Procedures were not present in the County's Office of Community Development to assure that payroll and fringe benefits amounts used as administrative costs were correctly charged to the program for which they were claimed.</p> <p><u>Recommendation:</u> Procedures should be implemented to assure that payroll and fringe benefits amounts are properly compiled for charges to grants as administrative costs.</p>	
	14.228	U.S. Department of Housing and Urban Development; Passed through Alabama Department of Economic and Community Affairs; Community Development Block Grants – State's Program		
	17.255	U.S. Department of Labor; Passed through Alabama Department of Economic and Community Affairs; Workplace Investment Act		
	17.263	U.S. Department of Labor; Direct Program; Youth Opportunity Grant		
	83.548	Federal Emergency Management Agency; Passed through Alabama Emergency Management Agency; Hazard Mitigation Grant Program		

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Auditee Response/Corrective Action Plan

JEFFERSON COUNTY COMMISSION



GARY WHITE - PRESIDENT
MARY M. BUCKELEW
BETTYE FINE COLLINS
JEFF GERMANY
STEVE SMALL, JR.

GARY WHITE-COMMISSIONER

Finance and General Services

STEVE F. SAYLER
Finance Director
TRAVIS A. HULSEY
Assistant Finance Director
Finance Department
Suite 810 Courthouse
716 Richard Arrington, Jr. Blvd. N.
Birmingham, Alabama 35203
Telephone (205) 325-5762

Corrective Action Plan For the Year Ended September 30, 2001

As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organization*, Section .315(c), the Jefferson County Commission has prepared and hereby submits the following Correction Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2001.

Finding #1999-1: Procedures were not in place to ensure compliance with all provisions between the Commission and Bessemer Water Service for sewer billing services.

Response: The County test checks various transactions with the Water Service. Although we cannot force them to improve their operations, we feel these compensating controls will help uncover most material problems with the Water Service.

Finding #2001-1: Procedures were not present to assure that all certificates of deposit for retainage on construction contracts were recorded in financial records.

Response: The Finance Department and Sewer Department are working together to institute proper procedures.

Finding #2001-2: Procedures were not present in the County's Office of Community Development to assure that payroll and fringe benefits amounts used as administrative costs were correctly charged to the program for which they were claimed.

Response: Community Development is improving their procedures to hopefully reduce or eliminate these errors.

**Other Matters in Report to the Chief Examiner
For the Year**

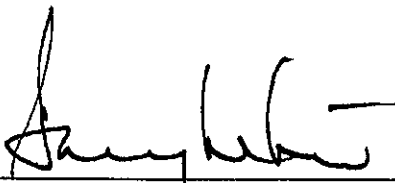
Finding: At September 30, 2001, the following fund had deficit fund balance:

Road Fund	\$2,927,000
Senior Citizen's Activities Fund	\$ 35,000
Capital Improvements Fund	\$4,514,000

Response: The Jefferson County Commission supplements the operations from the General Fund. The Commission transfers the supplementary cash at appropriate times during the fiscal year and we will not overfund the cash account in order to eliminate the fund balance deficit. We will maintain cash accounts with a zero balance for funds that are not self sustaining. We will not overfund the fund's accounts in order to eliminate the fund balance deficits.

Finding: The Alabama Competitive Bid Law requires that entities obtain competitive bids for purchases of goods and services costing \$7,500.00 or more. The Commission bid gasoline and fuel for a period of three years and awarded the bid to a local vendor. However, the Commission made purchases of gasoline totaling \$9,518.92 from another vendor.

Response: The Finance Director cancelled the credit agreement with the nonwinning vendor in 2001.



Gary White, President of County Commission