Report on the

Jefferson County Commission

Jefferson County, Alabama

October 1, 2003 through September 30, 2004

Filed: March 25, 2005

Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

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Ronald L. Jones
Chief Examiner

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, 2003 through September 30, 2004.

SCOPE AND OBJECTIVES

This report encompasses an audit of the 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 government auditing standards generally accepted in the United States of America for financial audits. The objectives of the 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. ***Independent Auditor's Report*** **–** reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations.

3. ***Management's Discussion and Analysis (MD&A)*** – a component of Required Supplementary Information (RSI) prepared by the management of the Commission introducing the basic financial statements and providing an analytical overview of the Commission's financial activities for the year. This information is supplementary information required by the Governmental Accounting Standards Board (GASB). This information has not been audited, and as a result, no opinion is provided about the fairness of the information in accordance with generally accepted accounting principles.

4. ***Financial Section*** – includes basic financial statements (Exhibits 1 through 10), and notes to the financial statements.

5. ***Required Supplementary Information*** – includes Budget to Actual Comparisons (Exhibits 11 through 14) which contain supplementary information required by the Governmental Accounting Standards Board. The MD&A discussed above is also considered RSI.

6. ***Supplementary Information*** – includes combining statements for nonmajor governmental funds, nonmajor enterprise funds, internal service funds and agency funds (Exhibits 15 through 24), a Schedule of Expenditures of Federal Awards (Exhibit 25), which details federal awards expended during the audit period and Notes to the Schedule of Expenditures of Federal Awards.

7. ***Additional Information*** – contains basic information related to the Commission (Exhibit 26) 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 Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards (Exhibit 27) – a report on internal control related to the financial statements and 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 28) – 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 29) – 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.

Summary Schedule of Prior Audit Findings (Exhibit 30) – a report, prepared by the Commission, on the status of all audit findings included in the prior audit's Schedule of Findings and Questioned Costs relative to federal awards.

Auditee Response/Corrective Action Plan (Exhibit 31) – 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) bill and collect sewer service charges for the Commission. For the fiscal year ended September 30, 2004, Bessemer Water Service had not engaged an auditor to provide a report on the entity's internal controls that may be relevant to the Commission's internal controls.

The Commission has entered into various interest rate swap agreements as discussed in Note 23 of the Notes to the Financial Statements. The following is a history of the Commission's net swap transactions to date.

Fiscal Year	Income	Expense	Net
1997	$ 713,395.89	$	$ 713,395.89
1998	5,434,814.00	1,620,406.12	3,814,407.88
1999			
2000		492,417.62	(492,417.62)
2001	20,410,647.18	9,106,981.48	11,303,665.70
2002	22,539,219.62	22,825,576.70	(286,357.08)
2003	41,843,172.67	66,970,833.38	(25,127,660.71)
2004	76,176,713.02	150,793,614.24	(74,616,901.22)
Total	$167,117,962.38	$251,809,829.54	$(84,691,867.16)

This indicates that the Commission had to pay $84,691,867.16 more in interest than required by bond covenants.

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.

STATUS OF PRIOR AUDIT

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

- Procedures were not in place to ensure that all customers who are receiving sewer services are being billed. Although the Commission's Sewer Billing Department notifies Bessemer Water Service to activate new sewer customers, this does not always occur.

- 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, 2004, the following funds had deficit fund balances or deficit net assets.

Road Fund	$4,755,220.71
Bridge and Public Building Fund	$ 39,955.29
Senior Citizens' Activities Fund	$ 756,085.67
Capital Improvements Fund	$ 372,508.02
Personnel Fund	$ 23,969.84

RECOMMENDATIONS

- Procedures should be implemented to ensure that all customers who receive sewer services are billed for the service.

- Procedures should be implemented to assure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.

- The Commission should eliminate deficit fund balances and deficit net assets.

Sworn to and subscribed before me this
the 16th day of March, 2005.

Cheryl S McAlister
Notary Public

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the 16th day of March, 2005.

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Notary Public

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Respectfully submitted,

Elizabeth L. Crowson

Elizabeth L. Crowson
Examiner of Public Accounts

Angela G. Money

Angela G. Money
Examiner of Public Accounts

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Larry S. McPherson
Examiner of Public Accounts

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Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jefferson County Commission (the "Commission"), as of and for the year ended September 30, 2004, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents as Exhibits 1 through 10. These financial statements are the responsibility of the Jefferson County Commission's management. Our responsibility is to express opinions 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 opinions.

The financial statements referred to above include only the primary government, the Jefferson County Commission, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Commission's legal entity. The financial statements do not include financial data of the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Jefferson County, as of September 30, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government, the Jefferson County Commission, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated February 9, 2005 on our consideration of the Jefferson County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A) and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 11 through 14) are not required parts of the basic financial statements but are 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 25) 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 15 through 24) are presented for purposes of additional analysis and are not a required part of the basic 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.

Ronald L. Jones

Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

February 9, 2005

Management's Discussion and Analysis
(Required Supplementary Information)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Jefferson County, Alabama's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2004. Please read it in conjunction with County's basic financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- The County's total net assets decreased $90 million, or 6%. Net assets of business-type activities decreased $74 million, or 6%, net assets of governmental activities reflected a $16 million, or 9%, decrease.

- $333 million of the decrease in total current and other assets and long-term liabilities is due to reclassification of Deferred Loss on Refunding in the sanitary operations fund.

- $140 million of the decrease in total current and other assets is reflected in the increase in capital assets, primarily from business-type activities.

- Total revenues decreased $25 million, or 5%. However, total program expenses decreased $45 million, or 7%.

- Charges for services from business-type activities increased almost $12 million as a result of the sewer rate going from $4.90 per hundred cubit feet of water used to $5.39.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (pages 1 through 4) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements (begin on page 5) tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the County as a Whole

Our analysis of the County as a whole begins on page iii. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. The County's net assets – the difference between assets and liabilities – can be thought of as one way to measure its financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors need to be considered, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two kinds of activities:

- Governmental activities – Most of the County's basic services are reported here, including general government, public safety, highways and streets, health and welfare, and culture and recreation. Property and sales taxes, occupation license fees, and state grants finance most of these activities.

- Business-type activities – The County charges fees to users to help it cover all or most of the cost of certain services it provides. The County's indigent care hospital, nursing home, landfill, sanitary operations, and parking facilities are reported here.

Reporting the County's Most Significant Funds

Our analysis of the County's funds begins on page vi. The fund financial statements begin on page 5 and provide detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County Commission established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's three types of funds – governmental, proprietary, and fiduciary – use different accounting approaches.

- Governmental funds – Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We described the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom or immediately following the fund financial statements.

- Proprietary funds – When the County charges users for the services it provides – whether to outside users or to other departments of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the County's other programs and activities – such as the County's Building Services Fund.

- Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources are not available to support the County's own programs.

THE COUNTY AS A WHOLE

The County's combined net assets decreased approximately $90 million, or 6%, from a year ago, while the previous year showed a $110 million decrease, or 7%. The analysis below focuses on the net assets and changes in net assets, as reflected in the following condensed statements, of the County's governmental and business-type activities.

Net Assets
FY 2003 Restated
($000 omitted)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets and Liabilities						
Current and Other Assets	$ 346,421	$ 335,339	$ 843,441	$ 1,422,778	$ 1,189,862	$ 1,758,117
Capital Assets	282,842	271,478	3,378,607	3,249,376	3,661,449	3,520,854
Total Assets	629,263	606,817	4,222,048	4,672,154	4,851,311	5,278,971
Long-term Liabilities	327,155	294,308	2,941,752	3,279,693	3,268,907	3,574,001
Other Liabilities	140,248	134,693	52,715	90,548	192,963	225,241
Total Liabilities	467,403	429,001	2,994,467	3,370,241	3,461,870	3,799,242
Net Assets						
Invested in Capital Assets, net of related debt	104,450	(24,687)	1,121,098	365,100	1,225,548	340,413
Restricted	27,124	152,481	674,765	995,878	701,889	1,148,359
Unrestricted	30,286	50,022	(568,282)	(59,065)	(537,996)	(9,043)
Total Net Assets	$ 161,860	$ 177,816	$ 1,227,581	$ 1,301,913	$ 1,389,441	$ 1,479,729

Net assets of the County's governmental activities decreased by approximately $15.9 million, or 9%. However, the components of net assets showed a much greater change from the prior year. Long-term liabilities increased $33 million, or 11% due to increased long-term debt, and other liabilities increased $6 million, or 4%, due to reclassifications. Net assets invested in capital assets, net of related debt, increased $129 million. Restricted net assets decreased $125 million, or 82%. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements decreased by $20 million, or 39%.

Changes in Net Assets
($000 omitted)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues:						
Charges for Services	$ 44,341	$ 52,085	$ 171,268	$ 159,423	$ 215,609	$ 211,508
Operating grants	55,796	55,617		-	55,796	55,617
Capital grants	1,128	427		-	1,128	427
General revenues:						
Property taxes	81,986	73,436	4,630	4,113	86,616	77,549
Sales tax	67,340	63,920		-	67,340	63,920
Other taxes	10,059	10,528		-	10,059	10,528
Occupational license	58,824	55,089		-	58,824	55,089
Investment earnings	2,745	5,953	32,600	69,057	35,345	75,010
Other general revenues	2,915	10,189	300	72	3,215	10,261
Total revenues	325,134	327,244	208,798	232,665	533,932	559,909
Program Expenses						
General government	111,829	121,127		-	111,829	121,127
Public safety	70,884	71,248		-	70,884	71,248
Highways and roads	40,875	41,901		-	40,875	41,901
Welfare	13,253	16,453		-	13,253	16,453
Culture and recreation	15,860	18,250		-	15,860	18,250
Education	234	231		-	234	231
Interest and fiscal charges	13,614	14,234		-	13,614	14,234
Hospital		-	77,952	74,526	77,952	74,526
Nursing operations		-	15,965	16,306	15,965	16,306
Landfill		-	7,022	7,090	7,022	7,090
Sanitary operations		-	256,559	287,898	256,559	287,898
Parking		-	174	307	174	307
Total expenses	266,549	283,444	357,672	386,127	624,221	669,571
Excess (deficiency) before special items and transfers	58,585	43,800	(148,874)	(153,462)	(90,289)	(109,662)
Net transfers	(74,542)	(46,097)	74,542	46,097	-	-
Increase (decrease) in net assets	$ (15,957)	$ (2,297)	$ (74,332)	$ (107,365)	$ (90,289)	$ (109,662)

The County's total revenues decreased $25 million, or 5% from the previous year. The total cost of all programs and services decreased $45 million, or 7%.

Governmental Activities

Total revenue from governmental activities decreased $2 million, or 0.6%, from the prior year. However, individual revenue components both increased and decreased by various amounts.

Charges for services decreased $8 million, or 15%. $6 million of this decrease is due to discontinuing the Children's Disproportionate Share Fund program with Children's Hospital. The County funds all expenses of the Jefferson County Personnel Board and then is reimbursed on a percentage basis by all jurisdictions served by the Board. During the year, the Board incurred approximately $2.7 million more in expenses than the prior year, resulting in $2 million of additional reimbursements to the County from the other jurisdictions for their allocated portions.

Property Taxes for governmental activities increased $8.5 million from last year. This is primarily due to ongoing annual re-appraisal projects by the Board of Equalization. An increase of $3.4 million in sales tax and $3.7 in occupational licenses reflects the improving economic climate in the County.

Total program expenses for governmental funds decreased $17 million, or 6%, from last year. There were several programs which showed notable decreases.

General government expenses decreased approximately $9 million, or 8%. $6.75 million of this decrease is due to discontinuing the Children's Disproportionate Share Fund program with Children's Hospital. Increases in employees' salaries and benefits were offset by close management attention to budgeted and actual expenditures.

Public safety expenses remained virtually unchanged even with increases in the costs of salaries and benefits.

The following presents the cost of each of the County's five largest programs – general government, public safety, highways and roads, welfare, and culture and recreation – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Governmental Activities
($000 omitted)

	Total Cost of Services		Net Cost of Services	
	2004	2003	2004	2003
General government	$ 111,829	$ 121,127	$ 39,955	$ 45,543
Public safety	70,884	71,248	66,189	64,856
Highways and roads	40,875	41,901	30,291	30,509
Welfare	13,253	16,453	(861)	1,692
Culture and recreation	15,860	18,250	15,860	18,250
All others	13,848	14,465	13,850	14,465
Totals	$ 266,549	$ 283,444	$ 165,284	$ 175,315

Business-type Activities

Total revenues for business-type activities decreased $23 million, or 10%, due predominantly to investment earnings. The decrease in investment earnings was offset by an increase in charges for services of $12 million or 7%. On January 1, 2004, the sewer rate increased from $4.90 per hundred cubic feet of water used to $5.39 per hundred cubic feet. Real property revaluations resulted in the property tax increase.

Practically the entire $28 million decrease in program expenses for business-type activities was from sanitary operations. This decrease is due to decrease activity in sanitary operations resulting from studies conducted to best complete Consent Decree improvements.

THE COUNTY'S FUNDS

The General Fund went from a $17 million net decrease in fund balance last year to a net increase of $2 million during the current year. Factors contributing to this were as follows:

- A net change of Fund Balance of $2 million this year replaced a $17 million deficiency last year. Total revenues increased $7 million while total expenditures increased only $5 million. Operating transfers from the Capital Improvements Fund and Debt Service Fund increased $6.9 million.

- Operating transfers from the General Fund decreased $16 million from the prior year. The major beneficiaries of these were the Road Fund ($16.6 million), Office of Senior Citizen's Services ($2.3 million), Cooper Green Hospital ($1.5 million), Nursing Home ($6.1 million), and the Landfill Fund ($1.7 million).

The Road Fund's fund balance decreased $1 million from FY 2003. A $2.6 million increase in FY 2004 revenue reinforced by virtual equal expenditures was offset by a $5.8 million decrease in operating transfers in and a $1 million operating transfer out.

The Indigent Care Fund's fund balance increased $6 million form FY 2003. A $2 million increase in Sales Tax, $.75 million dollar decrease in expenditures due to discontinuing the Children's Disproportionate Share Fund program, and $3.41 million less operating transfers out contributed to this increase.

The Bridge and Public Building Fund's fund balance remained virtually unchanged. The $3.6 million increase in Ad Valorem taxes was matched by operating transfers out.

The Cooper Green Hospital Fund's fund balance increased $18.6 million from FY 2003. The fund's FY 2003 negative $9.5 million change in net assets was replaced with a FY 2004 $18.6 change in net assets. Offsetting operating transfer decreases of $3.41 million from the Indigent Care Fund were operating transfers of $1.5 million from the General Fund and $32 million from the Capital Improvement Fund.

The Sanitary Operations Fund's fund balance decreased $90.5 million from the FY 2003 restated fund balance. Although the sanitary operations fund had $3.5 million operating income, non-operating expenses, primarily excess on interest expense over revenue of $77 million and $12 million amortization of bond issue costs caused -$90.5 million change in net assets.

BUDGETS

Throughout the year, the original budget is amended to reflect changes in funding needs. The County has established policies and procedures for amending the budget. Statements reflecting original and final budgets, plus actual compared to final budget amounts, are shown on pages 84 through 92 for the general fund and all major special revenue funds.

Perhaps most notable is the lack of material budgetary activity. Strong management pressure at all levels for cost containment resulted in few budget amendments and $16 million decrease in governmental program expenditures and $28 million decrease in business-type program expenditures.

CAPITAL ASSET AND DEBT ADMININSTRATION

Capital Assets

At the end of fiscal year 2004, the County had $3.6 billion invested in a broad range of capital assets, including buildings, roads, bridges, public safety equipment, and sewer lines. This amount represents a net increase (including additions and deductions) of $140 million, or 4%, over the previous year.

Capital Assets, net
FY 2003 Restated
($000 omitted)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	$ 13,429	$ 12,103	$ 46,566	$ 45,920	$ 59,995	$ 58,023
Buildings and Improvements	49,277	56,260	1,095,204	882,805	1,144,481	939,065
Equipment	23,753	28,241	9,213	11,969	32,966	40,210
Infrastructure	23,937	19,150	1,186,868	1,222,263	1,210,805	1,241,413
Construction in Progress	172,446	155,724	1,040,756	1,086,419	1,213,202	1,242,143

Major additions during the year were predominantly in construction in progress. Amounts expended on construction projects during the year were $1.1 million on Bessemer courthouse renovations, $2.5 million for courtrooms in the Criminal Justice Center, and $1.2 million for renovations of the Personnel Board space. The County has budgeted approximately $266 million for construction contracts for fiscal year 2005, principally for building renovations, road construction, and sewer improvements.

Debt

At year-end, the County had $3.59 billion in general obligation and revenue warrants outstanding versus $3.56 billion last year, an increase of less than 1%.

Outstanding Debt
($000 omitted)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General Obligation Warrants (backed by the County)	$ 330,825	$ 297,830	$ -	$ -	$ 330,825	$ 297,830
Revenue Warrants (backed by Sewer fees)	-	-	3,269,115	3,271,710	3,269,115	3,271,710
	$ 330,825	$ 297,830	$ 3,269,115	$ 3,271,710	$ 3,599,940	$ 3,569,540

New debt of $51 million in general obligation warrants was issued during the year. The general obligation warrants were issued to refund the outstanding balance of a prior issue and reimburse the County for prior capital expenditures. The majority of the sewer revenue bonds are refundings of previously-issued bonds, with the proceeds of all the bonds being used to upgrade and expand the sanitary sewer system.

CURRENTLY KNOWN FACTS AND CONDITIONS

On January 1, 2005, the residential sewer rate increased from $5.39 per hundred cubic feet of water used to $5.93 per hundred cubic feet, or an increase of 10%. Assuming the same volume of water consumption as last year, next year's sewer revenue as recorded in the business-type activities would increase approximately $12 million.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Office of the Finance Director, 716 Richard Arrington, Jr. Boulevard North, Suite 810, Birmingham, Alabama 35203.

Statement of Net Assets
September 30, 2004
(In Thousands)

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Investments	$ 49,547	$ 11,037	$ 60,584
Accounts Receivable, Net	78	17,922	18,000
Loans Receivable, Net	3,341		3,341
Patient Accounts Receivable, Net		10,345	10,345
Property Taxes Receivable, Net	79,983	4,374	84,357
Interest Receivable	9	3,136	3,145
Due from Other Governments	55,337	1,093	56,430
Inventories	3,668	2,094	5,762
Prepaid Expenses	57	550	607
Deferred Charges - Issuance Costs		1,420	1,420
Total Current Assets	192,020	51,971	243,991
Noncurrent Assets:			
Deferred Charges - Issuance Costs		49,268	49,268
Advances Due from Other Funds	19,906	(19,906)	
Restricted Assets - Noncurrent	134,495	762,108	896,603
Capital Assets, Net of Depreciation	282,842	3,378,607	3,661,449
Total Noncurrent Assets	437,243	4,170,077	4,607,320
Total Assets	629,263	4,222,048	4,851,311
Liabilities			
Current Liabilities:			
Accounts Payable	4,951	16,576	21,527
Deposits Payable		26	26
Due to Other Governments	5,838		5,838
Deferred Revenue	84,676	4,603	89,279
Accrued Wages and Benefits Payable	7,017	2,059	9,076
Accrued Interest Payable	6,781	21,961	28,742
Retainage Payable	1,306	13,008	14,314
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Warrants Payable	21,175	4,365	25,540
Add: Unamortized Premiums	570		570
Less: Deferred Loss on Refunding	(256)	(10,748)	(11,004)
Estimated Liability for Landfill Closure/ Postclosure Care Costs		41	41
Estimated Liability for Compensated Absences	1,927	824	2,751
Estimated Claims Liability	6,263		6,263
Total Current Liabilities	$ 140,248	$ 52,715	$ 192,963

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

	Governmental Activities	Business-Type Activities	Total
Noncurrent Liabilities:			
Portion Due or Payable After One Year:			
Arbitrage Rebate Payable	$	$ 1,260	$ 1,260
Warrants Payable	309,650	3,264,750	3,574,400
Add: Unamortized Premiums	4,075		4,075
Less: Deferred Loss on Refunding	(1,153)	(333,560)	(334,713)
Estimated Liability for Landfill Closure/ Postclosure Care Costs		3,259	3,259
Estimated Liability for Compensated Absences	14,583	6,043	20,626
Total Noncurrent Liabilities	327,155	2,941,752	3,268,907
Total Liabilities	467,403	2,994,467	3,461,870
Net Assets			
Invested in Capital Assets, Net of Related Debt	104,450	1,121,098	1,225,548
Restricted for:			
Debt Service	13,079	279,116	292,195
Capital Projects		382,641	382,641
Other Purposes	14,045	13,008	27,053
Unrestricted	30,286	(568,282)	(537,996)
Total Net Assets	$ 161,860	$ 1,227,581	$ 1,389,441

Statement of Activities
For the Year Ended September 30, 2004
(In Thousands)

	Expenses	Indirect Expense Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	$ 111,829	$ (2,808)	$ 39,873	$ 29,193
Public Safety	70,884	2,790	3,078	3,279
Highways and Roads	40,875		1,381	9,203
Welfare	13,253	16	9	14,121
Culture and Recreation	15,860			
Education	234	2		
Interest and Fiscal Charges	13,614			
Total Governmental Activities	266,549		44,341	55,796
Business-Type Activities:				
Hospital	77,952		28,595	
Nursing Operations	15,965		10,200	
Landfill	7,022		3,477	
Sanitary Operations	256,559		128,711	
Parking	174		285	
Total Business-Type Activities	357,672		171,268	
Total Primary Government	$ 624,221	$	$ 215,609	$ 55,796

General Revenues:
Taxes:
Property Taxes
Sales Tax
Other Taxes
Occupational License
Unrestricted Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year, as Restated (Note 24)

Net Assets End of Year

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

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities	Business-Type Activities	Totals
$	$ (39,955)	$	$ 39,955
1,128	(66,189)		66,189
	(30,291)		30,291
	861		(861)
	(15,860)		15,860
	(236)		236
	(13,614)		13,614
1,128	(165,284)		165,284
		(49,357)	49,357
		(5,765)	5,765
		(3,545)	3,545
		(127,848)	127,848
		111	(111)
		(186,404)	186,404
$ 1,128	(165,284)	(186,404)	351,688
	81,986	4,630	86,616
	67,340		67,340
	10,059		10,059
	58,824		58,824
	2,745	32,600	35,345
	2,915	300	3,215
	(74,542)	74,542	
	149,327	112,072	261,399
	(15,957)	(74,332)	(90,289)
	177,817	1,301,913	1,479,730
	$ 161,860	$ 1,227,581	$ 1,389,441

Balance Sheet - Governmental Funds
September 30, 2004
(In Thousands)

	General Fund	Indigent Care Fund
Assets		
Cash and Investments	$ 4,149	$ 6,504
Accounts Receivable, Net	34	
Loans Receivable, Net		
Property Taxes Receivable, Net	34,993	
Interest Receivable		
Due from Other Governments	34,527	6,608
Inventories	149	
Prepaid Expenses	22	
Advances Due from Other Funds		
Total Assets	73,874	13,112
Liabilities and Fund Balances		
Liabilities:		
Cash Deficit		
Accounts Payable	969	
Due to Other Governments	229	
Deferred Revenue	36,864	
Retainage Payable		
Accrued Wages and Benefits Payable	5,365	
Accrued Interest Payable		
Estimated Liability for Compensated Absences	1,142	
Total Liabilities	44,569	
Fund Balances:		
Reserved for:		
Advances Due from Other Funds		
Inventories	149	
Petty Cash	91	
Mapping and Reappraisal	1,259	
E911	(126)	
Cooper Green Hospital Foundation		279
Debt Service		
Encumbrances	5,798	
Prepaid Expenses	22	
Loans Receivable		
Unreserved Reported in:		
General Fund	22,112	
Special Revenue		12,833
Capital Projects		
Total Fund Balances	29,305	13,112
Total Liabilities and Fund Balances	$ 73,874	$ 13,112

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

Road Fund	Bridge and Public Building Fund	Other Governmental Funds	Total Governmental Funds
$ 990	$ 1,183	$ 159,656	$ 172,482
		2	36
		3,341	3,341
13,122	31,868		79,983
		9	9
846	443	4,118	46,542
2,329			2,478
6		5	33
		19,906	19,906
17,293	33,494	187,037	324,810
		2,275	2,275
220		2,119	3,308
5,609			5,838
13,808	33,534	470	84,676
1,306			1,306
689		94	6,148
		6,781	6,781
415			1,557
22,047	33,534	11,739	111,889
		19,906	19,906
2,329			2,478
		1	92
			1,259
			(126)
			279
		148,843	148,843
677		21,664	28,139
6		5	33
		3,341	3,341
			22,112
(7,766)	(40)	(8,949)	(3,922)
		(9,513)	(9,513)
(4,754)	(40)	175,298	212,921
$ 17,293	$ 33,494	$ 187,037	$ 324,810

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Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
September 30, 2004
(In Thousands)

Total Fund Balances - Governmental Funds (Exhibit 3)			$	212,921
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:				
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets were added as net capital assets in the following amount:				259,628
Deferred Loss on Early Retirement of Debt is Not Reported in the Funds				1,409
Deferred charges related to premiums on long-term liabilities are not reported in the funds.				(4,645)
Internal Service funds are used by management to charge the costs of certain activities and risk management to individual funds. The assets and liabilities of certain internal service funds are included in the statement of net assets.				35,237
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:				
General Obligation Warrants Payable	$	(330,825)		
Estimated Liability for Compensated Absences	$	(11,865)		
Total Long-Term Liabilities				(342,690)
Total Net Assets - Governmental Activities (Exhibit 1)			$	161,860

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2004
(In Thousands)

	General Fund	Indigent Care Fund
Revenues		
Taxes	$ 71,144	$ 41,216
Licenses and Permits	65,208	
Intergovernmental	21,982	
Charges for Services	23,103	
Indirect Cost Recovery	13,619	
Miscellaneous	376	2,055
Interest	2,200	1
Total Revenues	197,632	43,272
Expenditures		
Current:		
General Government	73,322	2,250
Public Safety	62,155	
Highways and Roads		
Welfare	848	
Culture and Recreation	15,784	
Education	234	
Capital Outlay	2,842	
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Debt Issuance Costs		
Indirect Costs	17,952	2
Total Expenditures	173,137	2,252
Excess (Deficiency) of Revenues Over Expenditures	24,495	41,020
Other Financing Sources (Uses)		
Debt Issued		
Premiums on Debt Issued		
Sale of Capital Assets	67	
Transfers In	6,921	
Transfers Out	(29,411)	(34,489)
Total Other Financing Sources (Uses)	(22,423)	(34,489)
Net Change in Fund Balances	2,072	6,531
Fund Balances at Beginning of Year, as Restated (Note 24)	27,233	6,581
Fund Balances at End of Year	$ 29,305	$ 13,112

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

Road Fund	Bridge and Public Building Fund	Other Governmental Funds	Total Governmental Funds
$ 14,316	$ 32,708	$	$ 159,384
			65,208
8,490	713	25,740	56,925
332		1,061	24,496
			13,619
110		630	3,171
	48	460	2,709
23,248	33,469	27,891	325,512
		13,100	88,672
		2,446	64,601
34,898			34,898
		10,487	11,335
			15,784
			234
758		23,218	26,818
		18,025	18,025
		13,614	13,614
		692	692
3,945	6	965	22,870
39,601	6	82,547	297,543
(16,353)	33,463	(54,656)	27,969
		51,020	51,020
		791	791
124			191
16,615		98,230	121,766
(1,000)	(33,500)	(99,979)	(198,379)
15,739	(33,500)	50,062	(24,611)
(614)	(37)	(4,594)	3,358
(4,140)	(3)	179,892	209,563
$ (4,754)	$ (40)	$ 175,298	$ 212,921

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Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2004 (In Thousands)

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)			$	3,358
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:				
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($26,818) exceeded depreciation ($13,366) in the current period.				13,452
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.				
Debt Issued:				
Refunding Warrants	$	(51,020)		
Premium on Refunding		(791)		
Repayments:				
Principal	$	18,025		(33,786)
Some expenditures reported in the governmental funds are deferred on the statement of net assets, this includes bond issuance costs and premiums				692
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The current year increases in Estimated Liability for Compensated Absences ($23) was exceeded by the Amortization of Deferred Charges ($310).				287
Governmental Funds Report Proceeds from Sale of Fixed Assets as other financing sources. However, the Statement of Activities reports a gain or loss on the sale of capital assets. The difference between the Proceeds from Sale of Capital Assets ($191) and the Loss on the Sale of Capital Assets ($258).				(449)
Internal service funds are used by management to charge the costs of certain activities, such as building services and risk management to individual funds. The net revenue and expense of certain internal service funds is reported with governmental activities.				489
Change in net assets of governmental activities (Exhibit 2)			$	(15,957)

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

Statement of Net Assets - Proprietary Funds
September 30, 2004
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Assets		
Current Assets:		
Cash and Investments	$ 5,955	$ 4,695
Accounts Receivable, Net	65	16,797
Patient Accounts Receivable, Net	8,172	
Property Taxes Receivable, Net		4,374
Interest Receivable		3,136
Due from Other Governments	250	843
Inventories	1,154	886
Prepaid Expenses	535	11
Deferred Charges - Issuance Costs		1,411
Total Current Assets	16,131	32,153
Noncurrent Assets:		
Deferred Charges - Issuance Costs		49,128
Restricted Assets - Noncurrent Cash		762,108
Capital Assets, Net Where Applicable	11,105	3,310,147
Total Noncurrent Assets	11,105	4,121,383
Total Assets	$ 27,236	$ 4,153,536

Other Enterprise Funds	Totals	Internal Service Funds
$ 387	$ 11,037	$ 21,688
1,060	17,922	41
2,173	10,345	
	4,374	
	3,136	
	1,093	8,798
54	2,094	1,190
4	550	24
9	1,420	
3,687	51,971	31,741
140	49,268	
	762,108	
57,355	3,378,607	23,213
57,495	4,189,983	23,213
$ 61,182	$ 4,241,954	$ 54,954

Statement of Net Assets - Proprietary Funds
September 30, 2004
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Liabilities		
Current Liabilities:		
Cash Deficit	$	$
Accounts Payable	1,645	14,770
Deposits Payable		
Deferred Revenue		4,603
Accrued Wages and Benefits Payable	947	763
Accrued Interest Payable		21,940
Retainage Payable		13,008
Estimated Liability for Compensated Absences	264	436
Warrants Payable		4,365
Less: Deferred Loss on Refunding		(10,748)
Estimated Liability for Landfill Closure/ Postclosure Care Costs		
Estimated Claims Liability		
Total Current Liabilities	2,856	49,137
Noncurrent Liabilities:		
Advances Due to Other Funds		
Arbitrage Rebate Payable		1,260
Warrants Payable		3,264,750
Less: Deferred Loss on Refunding		(333,560)
Estimated Liability for Landfill Closure/ Postclosure Care Costs		
Estimated Liability for Compensated Absences	1,934	3,199
Total Noncurrent Liabilities	1,934	2,935,649
Total Liabilities	4,790	2,984,786
Net Assets		
Invested in Capital Assets, Net of Related Debt	11,105	1,072,395
Restricted for:		
Debt Service		279,116
Capital Projects		382,641
Other Purposes		13,008
Unrestricted	11,341	(578,410)
Total Net Assets	$ 22,446	$ 1,168,750

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

Other Enterprise Funds	Totals	Internal Service Funds
$	$	$ 7,852
161	16,576	1,642
26	26	
	4,603	
349	2,059	870
21	21,961	
	13,008	
124	824	370
	4,365	
	(10,748)	
41	41	
		6,263
722	52,715	16,997
19,906	19,906	
	1,260	
	3,264,750	
	(333,560)	
3,259	3,259	
910	6,043	2,719
24,075	2,961,658	2,719
24,797	3,014,373	19,716
37,598	1,121,098	23,213
	279,116	
	382,641	
	13,008	
(1,213)	(568,282)	12,025
$ 36,385	$ 1,227,581	$ 35,238

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2004
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Operating Revenues		
Taxes	$	$ 4,630
Intergovernmental		
Charges for Services	28,595	127,757
Other Operating Revenue		954
Total Operating Revenues	28,595	133,341
Operating Expenses		
Provision for Bad Debt	1,679	
Salaries	28,009	20,681
Employee Benefits and Payroll Taxes	6,003	6,038
Materials and Supplies	11,093	1,380
Utilities	952	6,072
Outside Services	11,874	6,212
Services from Other Hospitals	5,116	
Jefferson Clinic	7,100	
Office Expense	2,580	2,795
Depreciation	1,633	86,652
Landfill Closure and Postclosure Care Costs		
Miscellaneous	205	7
Total Operating Expenses	76,244	129,837
Operating Income (Loss)	(47,649)	3,504
Nonoperating Revenues (Expenses)		
Interest Expense		(109,468)
Interest Revenue	13	32,586
Miscellaneous	19	141
Amortization of Bond Issue Costs		(12,159)
Indirect Costs	(1,708)	(3,784)
Gain/(Loss) on Sale of Capital Assets		(1,311)
Indirect Cost Recovery		
Total Nonoperating Revenues (Expenses)	(1,676)	(93,995)
Operating Transfers		
Transfers In	67,979	30
Transfers Out		
Total Operating Transfers	67,979	30
Change in Net Assets	18,654	(90,461)
Total Net Assets - Beginning of Year, as Restated (Note 24)	3,792	1,259,211
Total Net Assets - End of Year	$ 22,446	$ 1,168,750

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

Other Enterprise Funds	Totals	Internal Service Funds
$	$ 4,630	$
		10,674
13,907	170,259	22,888
55	1,009	
13,962	175,898	33,562
	1,679	
9,411	58,101	21,885
2,725	14,766	5,963
1,329	13,802	3,043
874	7,898	3,411
2,670	20,756	12,495
	5,116	
	7,100	
1,121	6,496	2,992
2,997	91,282	2,858
202	202	
	212	17
21,329	227,410	52,664
(7,367)	(51,512)	(19,102)
(200)	(109,668)	
1	32,600	35
41	201	951
(9)	(12,168)	
(1,623)	(7,115)	(859)
99	(1,212)	13
		17,381
(1,691)	(97,362)	17,521
7,800	75,809	3,379
(1,267)	(1,267)	(1,308)
6,533	74,542	2,071
(2,525)	(74,332)	490
38,910	1,301,913	34,748
$ 36,385	$ 1,227,581	$ 35,238

Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2004
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Cash Flows from Operating Activities		
Cash Received for Services	$ 27,931	$ 127,168
Other Operating Revenues		6,394
Cash Payments to Employees	(33,896)	(26,618)
Cash Payments for Goods and Services	(40,993)	(31,055)
Net Cash Provided (Used) by Operating Activities	(46,958)	75,889
Cash Flows from Non-Capital Financing Activities		
Operating Transfers Out		
Operating Transfers In	67,979	30
Received from Auxiliary Services		
Increase/(Decrease) in Cash Deficit	(12,371)	
Miscellaneous	19	141
Indirect Cost	(1,708)	(3,784)
Indirect Cost Recovery		
Net Cash Provided (Used) by Non-Capital Financing Activities	53,919	(3,613)
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	(1,016)	(220,941)
Sale of Capital Assets		122
Interest Paid		(107,000)
Principal Payments on Warrants		(2,595)
Retainage Payments		(2,376)
Arbitrage Payments		(1,123)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,016)	(333,913)
Cash Flows from Investing Activities		
Interest Received	13	31,936
Net Cash Flows Provided by Investing Activities	13	31,936
Net Increase/(Decrease) in Cash	5,958	(229,701)
Cash and Investments, Beginning of Year		941,765
Restatement (Note 24)	(3)	54,739
Cash and Investments, Beginning of Year, as Restated	(3)	996,504
Cash and Investments, End of Year	5,955	766,803
Displayed As:		
Cash and Investments	5,955	4,695
Restricted Assets - Noncurrent Cash		762,108
	$ 5,955	$ 766,803

Other Enterprise Funds	Totals	Internal Service Funds
$ 13,185	$ 168,284	$ 22,840
55	6,449	8,249
(12,008)	(72,522)	(27,458)
(5,877)	(77,925)	(21,526)
(4,645)	24,286	(17,895)
(1,267)	(1,267)	(1,308)
7,800	75,809	3,379
		951
	(12,371)	2,006
42	202	
(1,623)	(7,115)	(859)
		17,381
4,952	55,258	21,550
(5)	(221,962)	(1,242)
98	220	37
(192)	(107,192)	
	(2,595)	
	(2,376)	
	(1,123)	
(99)	(335,028)	(1,205)
1	31,950	35
1	31,950	35
209	(223,534)	2,485
179	941,944	19,280
(1)	54,735	(77)
178	996,679	19,203
387	773,145	21,688
387	11,037	21,688
	762,108	
$ 387	$ 773,145	$ 21,688

Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2004
(In Thousands)

	Cooper Green Hospital Fund	Sanitary Operations Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$ (47,649)	$ 3,504
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	1,633	86,652
(Increase)/Decrease in Prepaid Expenses	1,736	(3)
(Increase)/Decrease in Accounts Receivable	(23)	143
(increase)/Decrease in Patient Receivables	(639)	
(Increase)/Decrease in Due from Other Governments		79
(Increase)/Decrease in Property Taxes Receivable		(810)
(Increase)/Decrease in Inventories	1	60
Increase/(Decrease) in Accounts Payable	(2,133)	(14,646)
Increase/(Decrease) in Deferred Revenue		809
Increase/(Decrease) in Due to Other Funds		
Increase/(Decrease) in Deposits Payable		
Increase/(Decrease) in Accrued Wages Payable	192	120
Increase/(Decrease) in Estimated Liability for Compensated Absences	(76)	(19)
Increase/(Decrease) in Estimated Claims Liability		
Increase/(Decrease) in Landfill Postclosure Costs		
Total Adjustments	691	72,385
Net Cash Provided (Used) by Operating Activities	$ (46,958)	$ 75,889

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

Other Enterprise Funds	Totals	Internal Service Funds
$ (7,367)	$ (51,512)	$ (19,102)
2,997	91,282	2,858
(2)	1,731	108
(125)	(5)	(12)
(596)	(1,235)	
	79	(2,460)
	(810)	
2	63	(67)
(25)	(16,804)	158
	809	
192	192	
(8)	(8)	
74	386	259
52	(43)	130
		233
161	161	
2,722	75,798	1,207
$ (4,645)	$ 24,286	$ (17,895)

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Statement of Fiduciary Net Assets - Fiduciary Funds
September 30, 2004
(In Thousands)

		Agency Funds
Assets		
Cash and Investments	$	2,995
Loans Receivable, Net		387
Total Assets		3,382
Liabilities		
Due to External Organizations		2,262
Due to Other Governments		1,120
Total Liabilities	$	3,382

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

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 accounting principles generally accepted in the United States of America (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 government's accounting policies are described below.

In June 1999, the GASB approved Statement Number 34 ***Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments***. This Statement provides for significant changes in financial reporting for state and local governments. Some of the significant changes include:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Jefferson County Commission's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting.
- Reporting infrastructure assets (roads, bridges, etc.).
- Recording of depreciation expense on all capital assets.
- A change in the fund financial statements to focus on major funds.
- Budget comparison schedules, containing the original budget and amended final budget, for the general fund and each major special revenue fund.

These and other changes are reflected in the accompanying government-wide and fund financial statements (including the notes to the financial statements). The Jefferson County Commission implemented the provisions of the Statement in the 2002 fiscal year. The Commission will retroactively report infrastructure (assets acquired prior to October 1, 2001) by or before the 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.

Based on the application of the above criteria, the following entities are component units of the Commission: Jefferson County 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.

Also, the General Retirement System for Employees of Jefferson County, Alabama is a component unit of the Jefferson County Commission. The financial statements for the General Retirement System can be reviewed at the Jefferson County Courthouse, Room 430, Birmingham, Alabama.

Additionally, the Jefferson County Employee Benefit Trust is a component unit of the Jefferson County Commission. In April 2003, the Jefferson Commission sponsored the formation of the Jefferson County Employee Benefit Trust. The Trust provides for certain health and medical care benefits of the employees of Jefferson County. Financial information relating to the Jefferson County Employee Benefit Trust can be obtained from: Jefferson County Employee Benefit Trust, Room A-610 North Annex Courthouse, Birmingham, Alabama 35203.

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. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Commission reports the following major governmental funds:

- ***General Fund*** – The general fund is the primary operating fund of the Commission. It is used to account for financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes, occupational taxes, county sales taxes and revenues collected by the State of Alabama and shared with the Commission.

- ***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 Commission'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.

- ***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.

Other non-major governmental funds are as follows:

- ***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.

- ***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 Fund*** – this fund is used to account for the accumulation of resources for, and the payment of, the Commission's principal and interest on governmental bonds.

- ***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.

The Commission reports the following major enterprise funds:

- ***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.

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

Other non-major enterprise funds are as follows:

- ***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 Commission's landfill systems. Revenues are generated primarily through user charges.

- ***Parking Deck Fund*** – This fund is used to account for the operations of the County parking deck. Revenues are generated through user charges.

Also reported on Exhibits 7 and 8 are 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. These funds are as follows:

- ***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 Commission.

The Commission also reports the following fiduciary fund type:

Agency Funds

- ***Storm Water Management Authority Fund*** – This fund is used to account for resources held by the Commission in a custodial capacity for Storm Water Management Authority, Inc.

- ***City of Birmingham Revolving Loan Fund*** – This fund is used to account for resources held by the Commission in a custodial capacity for the City of Birmingham's revolving loan program.

The Commission reports the following fund types:

Proprietary Fund Types

- ***Enterprise Funds*** – These funds report the activities for which fees are charged to external users for goods or services. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from the fees.

- ***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.

Fiduciary Fund Type

- ***Agency Funds*** – These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other government.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the government's enterprise function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Commission has not elected to follow subsequent private-sector guidance.

D. Assets, Liabilities, and Net Assets/Fund Balances

1. Deposits and Investments

Cash includes cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the proprietary fund type considers all cash and investments to be cash.

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 reported at fair value, based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost. The Commission reports all money market investments – U. S. Treasury bills and bankers' acceptances having a remaining maturity at time of purchase of one year or less – at amortized cost. Investments held in escrow for retainage on construction contracts and as surety for purchase commitments are stated at fair value.

2. Receivables

All trade, property tax, loans and patient receivables are shown net of an allowance for uncollectibles.

Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 60 days.

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 determinations 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	$24,747
Allowance Accounts	(14,402)
Net Patient Receivables	$10,345

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 $3,341,000 at September 30, 2004.

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, 2004, the balance of loans receivable (net of an allowance account) for the City of Birmingham totaled $387,000.

Millage rates for property taxes 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 the following 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.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects and amounts due from the state and other local governments.

3. Inventories

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

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Assets

Certain resources set aside for the repayment of certain general obligation and sewer revenue warrants, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Also, various amounts in the Sanitary Operation Fund are classified as restricted because they are limited by bond covenants for the construction on various ongoing sewer projects.

6. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Such 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. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	$100,000	40 years
Equipment and Furniture	$ 1,000	5-10 years
Roads	$250,000	15 years
Bridges	$250,000	40 years
Sewer System Assets	$250,000	25 years

GASB Statement Number 34 requires the Commission to report and depreciate new infrastructure assets effective with the beginning of fiscal year 2002. These infrastructure assets are likely to be the largest asset class of the Commission. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period of up to four years. The Commission will retroactively report its infrastructure built or acquired since June 30, 1980 by the beginning of fiscal year 2006.

The majority of governmental activities infrastructure assets are roads and bridges. The Association of County Engineers has determined that due to the climate and materials used in road construction, the base of the roads in the County will not deteriorate and therefore should not be depreciated. The remaining part of the roads, the surface, will deteriorate and will be depreciated. The entire costs of bridges in the County will be depreciated.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond/Warrant premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Bond discount/issue cost of the Series 2003-C Sewer Revenue Refunding Warrants contain deferred costs of $23,965,000 that are being amortized over 40 years. At September 30, 2004, the unamortized deferred charge of the 2003-C issue was $23,239,000.

Bond discount/issue cost of the Series 2003-B Sewer Revenue Refunding Warrants contain deferred costs of $10,814,000 that are being amortized over 40 years. At September 30, 2004, the unamortized deferred charge of the 2003-B issue was $10,418,000.

Bond discount/issue cost of the Series 2003-A Sewer Revenue Refunding Warrants contain deferred costs of $28,000 that are being amortized over 12 years. At September 30, 2004, the unamortized deferred charge of the 2003-A issue was $24,000.

Bond discount/issue cost of the Series 2002-C Sewer Revenue Refunding Warrants contain deferred costs of $13,346,000 that are being amortized over 40 years. At September 30, 2004, the unamortized deferred charge of the 2002-C issue was $12,661,000.

Bond discount/issue cost of the Series 2002-A Sewer Revenue Warrants contain deferred costs of $1,607,000 that are being amortized over 40 years. At September 30, 2004, the unamortized deferred charge of the 2002-A issue was $1,503,000.

Bond discount/issue cost of the Series 2001-A Sewer Revenue Warrants contain deferred costs of $11,605,000 that are being amortized over 40 years. As a result of portions of this issue being defeased by the aforementioned 2003-C, 2003-B and 2002-C issues $10,426,000 in costs were removed from the financial statements. At September 30, 2004, the unamortized deferred charge of the 2001-A issue was $567,000.

Bond discount/issue cost of the Series 1997-A Sewer Revenue Refunding Warrants contained deferred costs of $9,956,000 that are being amortized over 40 years. At September 30, 2004, the unamortized deferred charge of the 1997-A issue was $2,112,000.

Bond (premium)/issue cost of the Series 2004-A General Obligation Capital Improvement Warrants contain deferred costs of ($99,000) that are being amortized over 20 years. At September 30, 2004, the unamortized deferred credit of the 2004-A issue was ($98,000).

Bond (premium)/issue cost of the Series 2003-A General Obligation Refunding Warrants contain deferred costs of ($4,764,000) that are being amortized over 20 years. At September 30, 2004, the unamortized deferred credit of the 2003-A issue was ($4,131,000).

Bond (premium)/issue cost of the Series 2002-A General Obligation Warrants contain deferred costs of ($589,000) that are being amortized over 5 years. At September 30, 2004, the unamortized deferred credit of the 2002-A issue was ($290,000).

Bond (premium)/issue cost of the Series 2001-A General Obligation Warrants contain deferred costs of ($682,000) that are being amortized over 10 years. At September 30, 2004, the unamortized deferred credit of the 2001-A issue was ($444,000).

Bond discount/issue cost of the Series 2001-B General Obligation Warrants contain deferred costs of $379,000 attributable to general governmental operations and $179,000 attributable to Landfill Operations that are being amortized over 20 years. At September 30, 2004, the unamortized deferred charge of the 2001-B issue was $317,000 for the governmental funds and $149,000 for enterprise funds.

8. Compensated Absences

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

Vacation Leave

Length of Service	Vacation Leave Earned (Per Month)
0-12 years	1 day
12-25 years	1 ½ 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.

As of September 30, 2004, the liability for accrued vacation and compensatory leave is approximately $14,540,000. Of this amount $10,297,000 is reported in the government activities, and $4,243,000 is reported in the business-type activities.

As of September 30, 2004, the liability for accrued sick leave is approximately $8,837,000. Of this amount, $6,213,000 is reported in the government activities, and $2,624,000 is reported in the business-type activities.

9. Net Assets/Fund Equity

Net assets are reported on the government-wide and proprietary fund financial statements and are required to be classified for accounting and reporting purposes into the following net asset categories:

- ***Invested in Capital Assets, Net of Related Debt*** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.

- ***Restricted*** – Constraints imposed on net assets by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

- ***Unrestricted*** – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Commission.

Fund equity is reported in the fund financial statements. Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds (Exhibit 5) and the Statement of Activities of Governmental Activities (Exhibit 2)

One element of the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 6) states that "the net revenue and expense of certain internal service funds is reported with governmental activities." The details of this are as follows:

	(In Thousands)
Revenues:	
Charges for Services	$ 8,049
Interest	36
Transfers In	3,379
Total Revenues	11,464
Expenses:	
General Government	9,058
Public Safety	311
Highways and Roads	168
Health and Welfare	54
Culture and Recreation	76
Transfers Out	1,308
Total Expenses	10,975
Total Revenues Over Expenses	$ 489

Note 3 – Stewardship, Compliance, and Accountability

A. Budgets

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

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.

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.

B. Deficit Fund Balances/Net Assets of Individual Funds

At September 30, 2004, the following governmental funds had a deficit fund balance:

	(In Thousands)
Road Fund	$4,754
Bridge and Public Building Fund	$ 40
Senior Citizens Fund	$ 756
Capital Improvement Fund	$ 372

The Personnel Board Fund, an Internal Service Fund, had deficit net assets of $24,000 at September 30, 2004.

Note 4 – Deposits and Investments

Deposits

The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 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 fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

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	Reported Amounts	Fair Value
U. S. Government Securities	$285,248	$285,248	$285,248
Repurchase Agreements	392,621	392,621	392,621
Certificate of Deposit	5,000	5,000	5,000
Total Investments	$682,869	$682,869	$682,869

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 $14,648,000 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.

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2004, was as follows:

	(In Thousands)			
	Balance 10/01/2003, as Restated (*)	Additions	Deletions	Balance 9/30/2004
Governmental Activities:				
Capital Assets, not Being Depreciated				
Land	$ 12,103	$ 1,405	$ (79)	$ 13,429
Construction in Progress	155,724	16,738	(16)	172,446
General Infrastructure – C.I.P.	19,150	4,787		23,937
Total Capital Assets, not Being Depreciated	186,977	22,930	(95)	209,812
Capital Assets Being Depreciated:				
Buildings	197,884			197,884
Improvements Other than Land/Building	8,436	9	(14)	8,431
Maintenance Equipment	4,826	28	(4)	4,850
Motor Vehicle (Non Fleet)	18,806	571	(255)	19,122
Office Furniture and Fixtures	4,494	52	(63)	4,483
Motor Vehicle Fleet	37,103	1,177	(2,531)	35,749
Miscellaneous Equipment	38,041	3,293	(793)	40,541
Total Capital Assets Being Depreciated	309,590	5,130	(3,660)	311,060
Less Accumulated Depreciation for:				
Buildings	(145,424)	(6,471)		(151,895)
Improvements Other than Land/Building	(4,636)	(521)	14	(5,143)
Maintenance Equipment	(4,373)	(198)	4	(4,568)
Motor Vehicle (Non Fleet)	(11,668)	(1,503)	194	(12,977)
Office Furniture and Fixtures	(2,540)	(391)	63	(2,868)
Motor Vehicle Fleet	(28,236)	(3,472)	2,508	(29,200)
Miscellaneous Equipment	(28,212)	(3,669)	502	(31,379)
Total Accumulated Depreciation	(225,089)	(16,225)	3,284	(238,030)
Total Capital Assets, Being Depreciated, Net	83,501	(11,095)	(376)	73,030
Governmental Activities Capital Assets, Net	$ 271,478	$ 11,835	$ (471)	$ 282,842

(*) Capital Assets were restated to correct prior year errors. Total amount of restatement $1,999,000.

	(In Thousands)				
	Balance 10/01/2003	Additions	Deletions	Reclassification	Balance 9/30/2004
Business-Type Activities:					
Capital Assets, not Being Depreciated					
Land	$ 45,920	$ 480	$	$ 166	$ 46,566
Construction in Progress	1,086,419	220,751	(10)	(266,404)	1,040,756
Total Capital Assets, not Being Depreciated	1,132,339	221,231	(10)	(266,238)	1,087,322
Capital Assets Being Depreciated:					
Buildings	394,336		(5)	124,731	519,062
Improvements Other than Land/Building	899,038		(1,458)	141,507	1,039,087
Infrastructure North	533,317				533,317
Infrastructure South	882,493				882,493
Maintenance Equipment	5,971				5,971
Motor Vehicle (Non Fleet)	9,046	13	(161)		8,898
Office Furniture and Equipment	10,047		(5)		10,042
Motor Vehicle Fleet	11,644		(548)		11,096
Miscellaneous Equipment	13,958	702	(46)		14,614
Total Capital Assets Being Depreciated	2,759,850	715	(2,223)	266,238	3,024,580
Less Accumulated Depreciation for:					
Buildings	(144,035)	(13,687)	3		(157,719)
Improvements Other than Land/Building	(266,534)	(38,732)	40		(305,226)
Infrastructure North	(70,617)	(13,333)			(83,950)
Infrastructure South	(122,930)	(22,062)			(144,992)
Maintenance Equipment	(5,610)	(147)			(5,757)
Motor Vehicle (Non Fleet)	(4,562)	(785)	161		(5,186)
Office Furniture and Fixtures	(9,532)	(94)	4		(9,622)
Motor Vehicle Fleet	(8,915)	(1,096)	548		(9,463)
Miscellaneous Equipment	(10,078)	(1,346)	44		(11,380)
Total Accumulated Depreciation	(642,813)	(91,282)	800		(733,295)
Total Capital Assets, Being Depreciated, Net	2,117,037	(90,567)	(1,423)	266,238	2,291,285
Business-Type Activities Capital Assets, Net	$3,249,376	$130,664	$(1,433)	$	$3,378,607

Depreciation expense was charged to functions/programs of the primary government as follows:

	(In Thousands)
Governmental Activities:	
General Government	$ 7,932
Public Safety	1,866
Highways and Roads	3,463
Health and Welfare	105
Total Depreciation Expense – Governmental Activities	$13,366

	(In Thousands)
Business-Type Activities:	
Hospital	$ 1,633
Nursing Operations	320
Landfill	2,674
Sanitary Operations	86,653
Parking Services	2
Total Depreciation Expense – Business-Type Activities	$91,282

Note 6 – 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 (the "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, 2004. The report may be reviewed at the Jefferson County Courthouse, Room 430, Birmingham, Alabama.

B. Funding Policy

Employees of the Commission are required by statute to contribute 6 percent of their gross salary to the Retirement System. The Commission is required to contribute amounts equal to participant contributions. The plan also receives from the County a percentage of the proceeds from the sale of pistol permits.

C. Annual Pension Cost

For the year ended September 30, 2004, the Commission's annual pension contribution of $9,258,000 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, 2003, 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 funding excess is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of October 1, 2004 was 15 years.

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

(In Thousands)			
Fiscal Year Ending	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2004	$9,258	100%	$0
9/30/2003	$8,580	100%	$0
9/30/2002	$8,189	100%	$0

D. Schedule of Funding Progress

(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	UAAL as of Percentage of Covered Payroll [(b-a)/c]
9/30/2002	$676,094	$610,321	($65,773)	110.8%	$144,465	(45.5%)
9/30/2003	$720,939	$651,635	($69,303)	110.6%	$151,206	(45.8%)
9/30/2004	$769,274	$689,976	($79,298)	111.5%	$151,337	(52.4%)

Note 7 – Other Postemployment Benefits (OPEB)

In addition to the pension benefits described in Note 6, 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.

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 392 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 $12.25 to $713 per month, and total insurance premiums range from $288 to $835. Expenditures for post-retirement health care benefits are made and recognized as premiums are paid. During the year, expenditures of $583,000 were recognized for post-retirement health benefits.

Note 8 – Construction and Other Significant Commitments

Nature of Commitment	(In Thousands) Amount
Cahaba River Sewer Improvements	$ 5,860
Consent Decree Improvements	6,223
Consulting Services	546
East Village Creek Sewer Improvements	4,736
Five Mile Creek Sewer Improvements	14,621
HOME Grant Projects	2,706
Hopewell Pump Station	12,443
Integrated Tax System	687
Lower Valley Creek Sewer Improvements	6,011
Miscellaneous Sewer Rehabilitation	7,089
Morris Kimberly Sewer Rehabilitation	910
Personnel Board Consulting	1,231
Personnel Department Renovations	2,505
Probate Information Management System	2,316
Purchase of Land for Construction Project	675
Purdes Creek Sewer Improvements	6,977
Shades Creek Sewer Improvements	11,702
Turkey Creek Sewer Improvements	8,375
Upper Valley Creek Sewer Improvements	3,197
Valley Creek Sewer Improvements	46,097
Village Creek Sewer Improvements	14,618
Warrior River Sewer Improvements	11,371
Youth Services Grant	6,663
Total	$177,559

Note 9 – Contingent Liabilities

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The Jefferson County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total contribution which at September 30, 2004 amounted to $10,000.

The Commission is a defendant in various lawsuits. Management is unable to predict the outcome of the litigation, but believes it has strong grounds upon which to defend these proceedings. Accordingly, no provision for possible loss, if any, is included in the financial statements.

Note 10 – Deferred Revenues

Governmental funds and proprietary funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and proprietary funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2004, the various components of deferred revenue and unearned revenue reported in the governmental funds and proprietary funds were as follows:

	(In Thousands)	
	Unavailable	Unearned
Ad Valorem Taxes Receivable	$84,361	$4,447
Grant Drawdowns Prior to Meeting All Eligibility Requirements		471
Total Deferred/Unearned Revenue	$84,361	$4,918

Note 11 – Lease Obligations

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 as part of the Commission's capital assets. During the fiscal year ended September 30, 2004, total costs paid by the Commission were $1,208,000 for governmental activities and $340,000 for business-type activities.

Future minimum lease payments (in thousands) at September 30, 2004, were as follows:

Fiscal Year Ending	(In Thousands) Governmental Activities
September 30, 2005	$ 477
2006	436
2007	402
2008	383
2009	359
2010-2014	1,886
2015-2019	949
Total	$4,892

Note 12 – 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.

Note 13 – Long-Term Debt

The General Obligation Warrants Series 2001-A dated April 1, 2001, were issued for the purposes of acquiring, constructing and equipping various improvements to county facilities and to refund the Series 2000 General Obligation Warrants.

The General Obligation Warrants Series 2001-B dated April 1, 2001, were issued for the purpose of refunding the series 1996 and 1999 General Obligation Warrants.

The General Obligation Warrants Series 2002-A dated March 1, 2002, were issued for the purpose of refunding the County's Series 1992 General Obligation Warrants.

The General Obligation Capital Improvement and Refunding Warrants Series 2003-A dated March 1, 2003, were issued for the purpose of refunding the County's Series 1993 General Obligation Warrants and for the purposes of acquiring, constructing and equipping various improvements to county facilities.

The General Obligation Capital Improvement Warrants Series 2004-A dated August 1, 2004, were issued for the purpose of funding various capital improvements.

The Sewer Revenue Warrants Series 1997-A dated February 1, 1997, were issued to refund various Sewer Revenue Warrants.

The Sewer Revenue Warrants Series 2001-A dated March 1, 2001, were issued for the purpose of funding various sewer improvements.

The Sewer Revenue Warrants Series 2002-A dated March 1, 2002, were issued for the purpose of funding various sewer improvements.

The Sewer Revenue Refunding Warrants Series 2002-C dated October 1, 2002, were issued for the purpose of refunding portions of the 1997-D Sewer Revenue Warrants, the 1999-A Sewer Revenue Refunding Warrants, and the 2001-A Sewer Revenue Warrants.

The Sewer Revenue Warrants Series 2002-D dated November 1, 2002, were issued for the purpose funding various sewer improvements. This issue was refunded and defeased within the same fiscal year. See the description of the Sewer Revenue Refunding Warrants Series 2003-C below.

The Sewer Revenue Warrants Series 2003-A dated January 1, 2003, were issued for the purpose of refunding the Series 1997-C Sewer Revenue Warrants.

The Sewer Revenue Refunding Warrants Series 2003-B dated May 1, 2003, were issued for the purpose of refunding portions of the 1997-A Sewer Revenue Refunding Warrants, the 1997-D Sewer Revenue Warrants, the 1999-A Sewer Revenue Refunding Warrants, the 2001-A Sewer Revenue Warrants, the 2002-B Sewer Revenue Warrants, and the 2002-D Sewer Revenue Warrants.

The Sewer Revenue Refunding Warrants Series 2003-C dated August 1, 2003, were issued for the purpose of refunding portions of the 1997-A Sewer Revenue Refunding Warrants, the 1997-D Sewer Revenue Warrants, the 1999-A Sewer Revenue Refunding Warrants, the 2001-A Sewer Revenue Warrants, the 2002-B Sewer Revenue Warrants, and the 2002-D Sewer Revenue Warrants.

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2004.

	(In Thousands)				
	Debt Outstanding October 1, 2003	Issued/ Increased	Repaid/ Decreased	Debt Outstanding September 30, 2004	Amounts Due Within One Year
Governmental Activities:					
General Obligation Warrants	$ 297,830	$51,020	$(18,025)	$ 330,825	$ 21,175
Add: Unamortized Premiums	5,112	99	(566)	4,645	570
Less: Deferred Loss on Refunding	(1,665)		256	(1,409)	(256)
Estimated Claims Liability	6,030	2,187	(1,954)	6,263	6,263
Estimated Liability of Compensated Absences	16,146	1,602	(1,238)	16,510	1,927
Governmental Activities Long-Term Liabilities	323,453	54,908	(21,527)	356,834	29,679
Business-Type Activities:					
Arbitrage Rebate Payable	2,383		(1,123)	1,260	
Revenue Warrants	3,271,710		(2,595)	3,269,115	4,365
Less: Deferred Loss on Refunding	(355,056)		10,748	(344,308)	(10,748)
Estimated Liability for Landfill Postclosure Costs	3,139	202	(41)	3,300	41
Estimated Liability of Compensated Absences	6,910	52	(95)	6,867	824
Business-Type Activities Long-Term Liabilities	$2,929,086	$ 254	$ 6,894	$2,936,234	$ (5,518)

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the debt service fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds and internal service funds.

The warrants payable that pertain to the Commission's business-type activities are paid by the Sanitary Operations Fund. These warrants are limited obligations of the County and are secured by a pledge and assignment of the revenues (other than tax revenues) from the County's sanitary sewer system.

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

	(In Thousands)				
	Governmental Activities General Obligation Warrants		Business-Type Activities Revenue Warrants		Total Principal and Interest Requirements
Fiscal Year Ending	Principal	Interest	Principal	Interest	to Maturity
September 30, 2005	$ 21,175	$ 14,315	$ 4,365	$ 125,773	$ 165,628
2006	15,980	14,301	3,855	125,610	159,746
2007	23,725	13,312	6,430	125,412	168,879
2008	14,430	12,358	6,685	123,760	157,233
2009	15,135	11,619	15,150	123,318	165,222
2010-2014	64,245	49,303	161,510	601,699	876,757
2015-2019	78,220	34,785	215,480	563,266	891,751
2020-2024	97,915	39,085	317,205	513,620	967,825
2025-2029			457,210	434,103	891,313
2030-2034			513,900	344,548	858,448
2035-2039			839,050	226,231	1,065,281
2040-2044			728,275	40,106	768,381
Totals	$330,825	$189,078	$3,269,115	$3,347,446	$7,136,464

Warrant Issuance Costs and Premiums

The Commission has issuance costs, gains/losses on refunding of debt, as well as premiums in connection with the issuance of its warrants. The issuance costs, gains/losses on refunding and premiums are being amortized using the straight-line method.

The balance in these accounts for the governmental activities are as follows:

	(In Thousands)	
	Deferred Charges on Refunding	Premium
Total Deferred Charges on Refunding and Premiums	$1,793	$5,756
Amount Amortized Prior Years	128	644
Balance Deferred Charges on Refunding and Premiums	1,665	5,112
Current Year Additions		99
Current Amount Amortized	256	566
Balance Deferred Charges on Refunding and Premiums	$1,409	$4,645

The balance in these accounts for business-type activities are as follows:

	(In Thousands)	
	Issuance Costs	Deferred Charges on Refunding
Total Issuance Costs, Deferred Charges on Refunding	$108,779	$360,618
Amount Amortized Prior Years	56,687	5,562
Balance Issuance Costs, Deferred Charges on Refunding	52,092	355,056
Current Amount Amortized	1,404	10,748
Balance Issuance Costs, Deferred Charges on Refunding	$ 50,688	$344,308

Prior Year Defeasance of Debt

In prior years, the Commission defeased certain revenue warrants by placing the proceeds of the new warrants in an irrevocable trust to provide for all future debt service payments of the old warrants. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Commission's financial statements. At September 30, 2004, the total of $2,608,390,000 of warrants outstanding are considered defeased.

Note 14 – Warrants Payable-Enterprise Funds

The Sanitary Operations Fund has bonds and warrants payable of $3,269,115,000 at September 30, 2004. This long-term liability represents 1) the 1997-A Sewer Revenue Refunding Warrants, 2) the 2001-A Taxable Sewer Revenue Capital Improvement Warrants, 3) the 2002-A Sewer Revenue Capital Improvement Warrants, 4) the 2002-C Sewer Revenue Refunding Warrants, 5) the 2003-A Sewer Revenue Refunding Warrants, 6) the 2003-B Sewer Revenue Refunding Warrants, and 7) the 2003-C Sewer Revenue Refunding 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, 5) a debt service reserve fund to be established at an amount equal to 10% of the original principal amount.

The balances as of September 30, 2004, exceeded the bond indenture requirements and were as follows:

	(In Thousands)
Sewer Reserve Fund	$54,095
1999 Sewer Reserve Fund	$61,264
Sewer Rate Stabilization Fund	$27,958
Sewer Depreciation Fund	$50,065
2002-B Sewer Reserve Fund	$54,874
2002-D Reserve Fund	$30,632

Note 15 – 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,	2004	2003	2002	2001
Active Accounts	145,099	143,056	143,038	142,305
Average Daily Treatment Volume (millions of gallons treated)	100	120	116	97
Sewer Charges	$127,825,621	$92,409,648	$84,470,770	$72,129,478
% Revenue - Largest Customer	3.23%	3.98%	2.74%	2.66%
% Revenue - Top Ten Customers	11.40%	12.66%	11.13%	12.53%

2004 Top Ten Customers	Consumption	Amount
University of Alabama - Birmingham	494,655	$2,524,076
USX	491,787	$1,671,188
Birmingham Housing	145,455	$ 769,411
PEMCO	118,033	$ 627,836
Golden Flake	117,866	$ 613,527
Brookwood Medical Center	115,001	$ 610,496
SMI Steel	112,679	$ 599,298
Barbers Dairies	140,925	$ 516,322
Samford University	94,740	$ 502,286
The Children's Hospital	91,366	$ 485,336

Effective March 1, 1999, January 1, 2000, January 1, 2001, January 1, 2002, January 1, 2003, and January 1, 2004, 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 16 – 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 $3,300,000 as of September 30, 2004. This estimate was based on 57% usage (filled) of the Jefferson County Landfill Number 1, and 76% usage (filled) of the Jefferson County Landfill Number 2, and the remaining liability for the Mt. Olive Sanitary and the Turkey Creek Sanitary Landfills which were both closed October 1997.

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, 2004. 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 17 – Conduit Debt Obligations

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, 2004, the principal amount outstanding was $39,585,000.

Note 18 – 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 $500,000, with excess coverage for statutory amounts above the retention covered by commercial insurance.

- ***Property Insurance*** – Commercial insurance coverage purchased in the amount of $150 million per occurrence, except a separate annual aggregate of $50 million flood and earthquake, to include the following sub-limits: 1) the County participates in an Owner Controlled Insurance Program with respects to property in the course of construction, builder's risks and installation or erection; 2) $10 million per occurrence as included in the $150 million loss limit subject to the policy terms and conditions; 3) $5 million as respects to extra expense and 4) $500,000 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*** – Medical professional employees purchase individual insurance protection that is applicable to their County employment. Jefferson County Commission reimburses premiums for medical malpractice - professional liability insurance coverage for County medical professional employees in amounts up to $120 per year. Coverage consists of $1 million per occurrence and $6 million aggregate.

Risk Management administers health insurance and negotiates with private providers to provide health, life, accidental death and dismemberment, vision, and dental insurances for its employees and dependents. Jefferson County Commission pays approximately 83% of health, 100% of basic life and accidental death and dismemberment, and the employees pay 100% of dental and vision insurance and other voluntary insurance plans.

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:

	General Liability 2004	General Liability 2003	Auto Liability 2004	Auto Liability 2003	Workers' Compensation 2004	Workers' Compensation 2003	Totals 2004	Totals 2003
	(In Thousands)							
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	$1,690	$ 260	$620	$704	$3,720	$2,074	$6,030	$3,038
Incurred Claims and Claim Adjustment Expenses:								
Provision for Insured Events of Current Fiscal Year	239	148	150	38	1,798	827	2,187	1,013
Increases/Decreases (-) in Provision for Insured Events of Prior Fiscal Years		1,485		(46)		2,008		3,447
Total Incurred Claims and Claim Adjustment Expenses	239	1,633	150	(8)	1,798	2,835	2,187	4,460
Payments:								
Claims and Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year	95	203	159	76	1,700	1,189	1,954	1,468
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Years								
Total Payments	95	203	159	76	1,700	1,189	1,954	1,468
Total Unpaid Claims and Claim Adjustment Expenses at End of Fiscal Year	$1,834	$1,690	$611	$620	$3,818	$3,720	$6,263	$6,030

Employee Health Insurance

Employees may obtain health care services through participation in the County’s group health insurance plan. The County’s risk financing activities associated with the County group health insurance, such as the risks of loss related to medical and prescription drug claims, are administered through the Jefferson County Employee Benefit Trust.

The County purchases additional commercial insurance to pay claims exceeding $250,000.

The schedule below presents health claims information for the fiscal year ended September 30, 2004:

Balance 10/01/2003	Claims Incurred	Claims Paid	Balance 9/30/2004
(In Thousands)			
$1,500	$26,021	($23,871)	$3,650

Note 19 – Advances to Other Funds

The amounts due to/from other funds at September 30, 2004, were as follows:

	(In Thousands)
	Advances from Other Funds
	Sanitary Landfill Operations Fund
Advances To Other Funds	
Debt Service Fund	$19,906

Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2004, were as follows:

	(In Thousands)			
	Transfers In			
	General Fund	Road Fund	Cooper Green Hospital	Sanitary Operations
Transfers Out				
General Fund	$	$16,615	$ 1,490	$29
Indigent Care Fund			34,489	
Road Fund				
Bridge and Public Building Fund				
Nonmajor Governmental Funds	6,916		32,000	
Internal Service Funds	5			1
Nonmajor Proprietary Funds				
Totals	$6,921	$16,615	$67,979	$30

The Commission typically used transfers to fund ongoing operating subsidies and to transfer the portion from the Nonmajor Governmental Funds to the Debt Service Fund to service current-year debt requirements and from the Indigent Care Fund to Cooper Green Hospital Fund to provide for hospital operations.

(In Thousands)			
Transfers In			
Nonmajor Governmental Funds	Internal Service Funds	Nonmajor Proprietary Funds	Totals
$ 2,964	$ 513	$7,800	$ 29,411
			34,489
1,000			1,000
33,500			33,500
58,800	2,263		99,979
700	602		1,308
1,266	1		1,267
$98,230	$3,379	$7,800	$200,954

Note 20 – Subsequent Events

On December 14, 2004, the Commission levied a one cent sales tax for education purposes under the provisions of the ***Code of Alabama 1975***, Section 40-12-4. The sales tax became effective January 1, 2005.

The Commission issued Limited Obligation School Warrants, Series 2004-A in the amount of $650,000,000, Series 2005-A in the amount of $200,000,000, and Series 2005-B in the amount of $200,000,000. The warrants were issued to provide grants to the various boards of education located in Jefferson County to fund capital improvements or debt retirement. The principal and interest on these warrants will be paid solely from the proceeds of the special sales tax levied for educational purposes.

On December 28, 2004, the Commission approved a plan to withdraw funds from the sewer debt service reserve fund and substitute one or more surety bonds or other comparable bond insurance policies. These funds will be used to pay the costs of capital improvements to the County's sanitary sewer system, thereby reducing the need to issue additional sewer revenue warrants.

Note 21 – Deficit Cash Balance

As of September 30, 2004, the following funds had deficit cash balances:

	(In Thousands)
Senior Citizens Fund	$ 1,451
Community Development Fund	824
Personnel Board Fund	7,852
Total Governmental Activities	$10,127

Note 22 – 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. The State has received an unfavorable ruling; however, a settlement order has not been issued by the courts. 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 until the liability is satisfied.

Note 23 – Interest Rate Swap Agreements

2002-C Sewer Refunding Warrants

Objective of the Swaps - In October 2002, the County entered into three (3) swaps to synthetically refund outstanding Bonds that provided the County with present value savings of $57,529,050.67 or 7.939% of the Refunded Bonds. The swap structure was used as a means to increase the County's savings, when compared against fixed-rate bonds at the time of issuance in October 2002. The intention of the swaps was to effectively change the County's interest rate on the bonds to a fixed rate.

Terms - The Swaps were executed with JPMorgan Chase Bank, Lehman Brothers Special Financing and Bank of America, NA with notional amounts of $539,446,000, $190,054,000 and $110,000,000 respectively. The swaps commenced on October 25, 2002 and mature on February 1, 2040. Under the swaps, the County pays a fixed rate of 3.92% and receives a variable rate computed as 67% of the 1-Month London Interbank Offered Rate (LIBOR). The swaps have a combined notional amount of $839,500,000 and the associated variable-rate bonds have a $839,500,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions.

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.9200%
Variable Payment from Counterparty	67% of LIBOR	1.2328%
Net Interest Rate Swap Payments		2.6872%
Variable-Rate Bond Payments		1.6084%
Synthetic Interest Rate on Bonds		4.2956%

Fair Value - As of September 30, 2004, the swaps had a negative fair value of $53,514,396.62. Since the coupons on the County's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value of the swap was estimated using the zero-coupon method. This method involves computing and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the current yield curve. The discount rates used are the spot interest rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap.

Risks - As of September 30, 2004, the County is not exposed to counterparty credit risk because each of the total swap portfolios, documented under each of the respective ISDA Master Agreements with JPMorgan Chase Bank, Lehman Brothers Special Financing and Bank of America, NA had a negative fair value. If the total swap portfolio's fair value, documented under an ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value with a threshold of zero. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. Each of the Schedules to the Master Agreement include an "additional termination event." Under this provision, the swaps may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swaps, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swaps may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swaps expose the County to basis risk should the relationship between LIBOR and the bonds converge, changing the synthetic rate on the bonds.

Swap Payments and Associated Debt - As of September 30, 2004, debt service requirements of the debt and net swap payments, assuming current interest rates remain the same, for their term were as follows.

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2005	$	$ 13,503	$ 22,559	$ 36,062
2006		13,503	22,559	36,062
2007	2,700	13,481	22,523	38,704
2008	2,800	13,437	22,449	38,686
2009-2013	16,300	66,439	111,002	193,741
2014-2018	20,200	64,975	108,555	193,730
2019-2023	79,600	62,277	104,048	245,925
2024-2028	145,850	50,965	85,149	281,964
2029-2033	27,700	44,797	74,844	147,341
2034-2038	471,050	25,580	42,737	539,367
2039-2040	73,300	1,721	2,875	77,896
Totals	$839,500	$370,678	$619,300	$1,829,478

2003-B1 - B7 Sewer Refunding Warrants

Objective of the Swap - In May of 2003, the County entered into a swap to synthetically refund outstanding Bonds that provided the County with present value savings of $64,675,743.91 or 7.009% of the Refunded Bonds. The swap structure was used as a means to increase the County's savings, when compared against fixed-rate bonds at the time of issuance in May of 2003. The intention of the swap was to effectively change the County's interest rate on the bonds to a fixed rate.

Terms - The Swap was executed with JPMorgan Chase Bank. The swap commenced on May 1, 2003 and matures on February 1, 2042. Under the swap, the County pays a fixed rate of 3.678% and receives a variable rate computed 67% of the 1-Month London Interbank Offered Rate (LIBOR). The swap has a notional amount of $1,035,800,000 and the associated variable-rate bond has a $1,035,800,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions.

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.6780%
Variable Payment from Counterparty	67% of LIBOR	1.2328%
Net Interest Rate Swap Payments		2.4452%
Variable-Rate Bond Payments		1.5379%
Synthetic Interest Rate on Bonds		3.9831%

Fair Value - As of September 30, 2004, the swap had a negative fair value of $31,167,029.64. Since the coupons on the County's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value of the swap was estimated using the zero-coupon method. This method involves computing and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the current yield curve. The discount rates used are the spot interest rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap.

Risks - As of September 30, 2004, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under an ISDA Master Agreement with JPMorgan Chase Bank, had a negative fair value. If the total swap portfolio's fair value, documented under an ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value with a threshold of zero. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swap, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swap exposes the County to basis risk should the relationship between LIBOR and the bonds change, causing the synthetic rate on the bonds to change.

Swap Payments and Associated Debt - As of September 30, 2004, debt service requirements of the debt and net swap payments, assuming current interest rates remain the same, for their term were as follows.

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2005	$	$ 15,930	$ 25,327	$ 41,257
2006		15,930	25,327	41,257
2007		15,930	25,327	41,257
2008		15,930	25,327	41,257
2009-2013	29,150	78,561	124,909	232,620
2014-2018	35,075	76,098	120,993	232,166
2019-2023	141,675	68,660	109,166	319,501
2024-2028	170,675	58,604	93,178	322,457
2029-2033	218,525	43,659	69,416	331,600
2034-2038	70,550	32,242	51,264	154,056
2039-2042	370,150	10,486	16,672	397,308
Totals	$1,035,800	$432,030	$686,906	$2,154,736

2003-C Sewer Refunding Warrants

Objective of the Swaps - In August 2003, the County entered into two (2) swaps to synthetically refund outstanding Bonds that provided the County with present value savings of $85,000,000 or 8.43% of the Refunded Bonds. The swap structure was used as a means to increase the County's savings, when compared against fixed-rate bonds at the time of issuance in August 2003. The intention of the swaps was to effectively change the County's interest rate on the bonds to a fixed rate.

Terms - The Swaps were executed with JPMorgan Chase Bank and Bank of America, NA with notional amounts of $789,018,750 and $263,006,250 respectively. The swaps commenced on August 7, 2003 and mature on February 1, 2042. Under the swaps, the County pays a fixed rate of 3.596% and receives a variable rate computed as the BMA Municipal Swap Index (BMA) until February 1, 2005 and 67% of the 1-Month London Interbank Offered Rate (LIBOR) thereafter. The swaps have a combined notional amount of $1,052,025,000 and the associated variable-rate bond has a $1,052,025,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions.

	Terms	Rates
Interest Rate Swap (up to 2/1/2005):		
Fixed Payment to Counterparty	Fixed	3.5960%
Variable Payment from Counterparty	BMA	1.6900%
Net Interest Rate Swap Payments		1.9060%
Variable-Rate Bond Payments		1.4835%
Synthetic Interest Rate on Bonds		3.3895%

	Terms	Rates
Interest Rate Swap (after 2/1/2005):		
Fixed Payment to Counterparty	Fixed	3.5960%
Variable Payment from Counterparty	67% of LIBOR	1.2328%
Net Interest Rate Swap Payments		2.3632%
Variable-Rate Bond Payments		1.4835%
Synthetic Interest Rate on Bonds		3.8467%

Fair Value - As of September 30, 2004, the swaps had a negative fair value of $17,335,600.85. Since the coupons on the County's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value of the swap was estimated using the zero-coupon method. This method involves computing and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the current yield curve. The discount rates used are the spot interest rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap.

Risks - As of September 30, 2004, the County is not exposed to counterparty credit risk because each of the total swap portfolios, documented under each of the respective ISDA Master Agreements with JPMorgan Chase Bank and Bank of America, NA, had a negative fair value. If the total swap portfolio's fair value, documented under an ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value with a threshold of zero. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. Each of the Schedules to the Master Agreement includes an "additional termination event." Under this provision, the swaps may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swaps or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swaps may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swaps expose the County to basis risk should the relationship between BMA and the bonds change, causing the synthetic rate on the bonds to change.

Swap Payments and Associated Debt - As of September 30, 2004, debt service requirements of the debt and net swap payments, assuming current interest rates remain the same, for their term were as follows.

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2005	$	$ 15,607	$ 22,457	$ 38,064
2006		15,607	24,861	40,468
2007		15,607	24,861	40,468
2008		15,607	24,861	40,468
2009-2013	14,575	77,510	123,473	215,558
2014-2018	69,750	75,559	120,365	265,674
2019-2023	39,200	70,625	112,505	222,330
2024-2028	98,850	65,231	103,912	267,993
2029-2033	244,750	51,566	82,144	378,460
2034-2038	178,250	38,710	61,664	278,624
2039-2042	406,650	11,597	18,474	436,721
Totals	$1,052,025	$453,226	$719,577	$2,224,828

2001-B General Obligation Refunding Warrants

Objective of the Swap - In April of 2001, the County entered into a swap to synthetically refund outstanding Bonds that provided the County with present value savings of $7,341,000 or 7.30% of the Refunded Bonds. The swap structure was used as a means to increase the County's savings, when compared against fixed-rate bonds at the time of issuance in April of 2001. The intention of the swap was to effectively change the County's interest rate on the bonds to a fixed rate.

Terms - The Swap was executed with JPMorgan Chase Bank. The swap commenced on April 19, 2001 and matures on April 1, 2011. Under the swap, the County pays a fixed rate of 4.295% and receives a variable rate computed as the BMA Municipal Swap Index (BMA). The swap has a notional amount of $120,000,000 and the associated variable-rate bond has a $120,000,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. JP Morgan Chase has the right to cancel the swap on or after April 1, 2008.

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	4.2950%
Variable Payment from Counterparty	BMA	1.6900%
Net Interest Rate Swap Payments		2.6050%
Variable-Rate Bond Payments		1.6700%
Synthetic Interest Rate on Bonds		4.2750%

Fair Value - As of September 30, 2004, the swap had a negative fair value of $9,814,831.81. Since the coupons on the County's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value of the swap was estimated using the zero-coupon method. This method involves computing and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the current yield curve. The discount rates used are the spot interest rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap. The fair value of the option was estimated using the Trinomial option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks - As of September 30, 2004, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under an ISDA Master Agreement, with JPMorgan Chase Bank had a negative fair value. If the total swap portfolio's fair value, documented under an ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value with a threshold of zero. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swap or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swap exposes the County to basis risk should the relationship between BMA and the bonds change, causing the synthetic rate on the bonds to change. The swap increases the County's exposure to variable interest rates starting on April 1, 2008 and thereafter, since JPMorgan Chase has the option to terminate the Swap.

Swap Payments and Associated Debt - As of September 30, 2004, debt service requirements of the debt and net swap payments, assuming current interest rates remain the same, for their term were as follows.

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2005	$	$ 2,004	$ 3,126	$ 5,130
2006		2,004	3,126	5,130
2007		2,004	3,126	5,130
2008		2,004	3,126	5,130
2009-2013	19,845	9,858	15,377	45,080
2014-2018	58,275	6,505	10,147	74,927
2019-2021	41,880	1,420	2,215	45,515
Totals	$120,000	$25,799	$40,243	$186,042

2002-A Sewer Revenue Warrants

Objective of the Swap - As a means of lowering its borrowing costs, when compared against fixed-rate bonds at the time of issuance in February 2002, the County entered into an interest rate swap in connection with its $110,000,000 variable rate revenue warrants. The intention of the swap was to effectively change the County's interest rate on the bonds to a fixed rate.

Terms - The Swap was executed with JPMorgan Chase Bank. The swap commenced on February 15, 2002 and matures on February 15, 2042. Under the swap, the County pays a fixed rate of 5.06% and receives a variable rate computed as the BMA Municipal Swap Index (BMA). The swap has a notional amount of $110,000,000 and the associated variable-rate bonds have an $110,000,000 principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions.

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	5.0600%
Variable Payment from Counterparty	BMA	1.6900%
Net Interest Rate Swap Payments		3.3700%
Variable-Rate Bond Payments		1.7000%
Synthetic Interest Rate on Bonds		5.0700%

Fair Value - As of September 30, 2004, the swap had a negative fair value of $15,893,342.52. Since the coupons on the County's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value of the swap was estimated using the zero-coupon method. This method involves computing and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the current yield curve. The discount rates used are the spot interest rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap.

Risks - As of September 30, 2004, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under an ISDA Master Agreement with JPMorgan Chase Bank, had a negative fair value. If the total swap portfolio's fair value, documented under an ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value with a threshold of zero. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swap, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swap exposes the County to basis risk should the relationship between BMA and the bonds change, causing the synthetic rate on the bonds to change.

Swap Payments and Associated Debt - As of September 30, 2004, debt service requirements of the debt and net swap payments, assuming current interest rates remain the same, for their term were as follows.

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2005	$	$ 1,870	$ 3,707	$ 5,577
2006		1,870	3,707	5,577
2007		1,870	3,707	5,577
2008		1,870	3,707	5,577
2009-2013		9,350	18,535	27,885
2014-2018		9,350	18,535	27,885
2019-2023		9,350	18,535	27,885
2024-2028		9,350	18,535	27,885
2029-2033		9,350	18,535	27,885
2034-2038		9,350	18,535	27,885
2039-2042	110,000	6,545	12,975	129,520
Totals	$110,000	$70,125	$139,013	$319,138

Various Amounts of the 1997-A, 2001-A, 2002-C Sewer Revenue Warrants

Objective of the Swap - The County's asset/liability strategy is to have a mixture of fixed and variable rate debt. Historically variable rate debt has provided cheaper funding. Since the fixed rate received on the swap was higher than BMA historically averages, the County decided to synthetically create variable rate debt. In January of 2001, the County entered into a fixed-to-variable interest rate swap for $200 million of various outstanding bonds. In May of 2001, the County executed a short-term interim reversal of this swap to lock in a positive spread of 1.52% per year until February of 2004.

Terms - The Swap was executed with JPMorgan Chase Bank. Under the swap and short-term interim reversal, the County received a fixed payment of 1.52% per year until February 1, 2004. The Notional of the Swap is $200 million and matures on January 1, 2016; the interim reversal expired on February 1, 2004 and JPMorgan Chase Bank executed its option to cancel the swap on February 1, 2004 and maintains the option to reinstate the agreement on or after February 1, 2009. If the agreement is reinstated, the County pays a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 5.069%.

Fair Value - As of September 30, 2004, the swap had a negative fair value of $5,502,335.08. The fair value of the option was estimated using the Trinomial option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks - As of September 30, 2004, the County is not exposed to counterparty credit risk because the swap has been cancelled and can't be reinstated until 2009. Furthermore, if in 2009 or thereafter, the swap is reinstated and the fair value becomes positive, then Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swap, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The County has contingent variable rate exposure that on or after February 1, 2009 the counterparty will exercise its option to reinstate the swap.

Various Amounts of the 2002-A, 2002-C, 2003-B-8 Sewer Revenue Warrants

Objective of the Swap - The County's asset/liability strategy is to have a mixture of fixed and variable rate debt. Historically variable rate debt has provided cheaper funding. Since the fixed rate received on the swap was higher than the BMA historically averages the County decided to synthetically create variable rate debt. In January of 2001, the County entered into a fixed-to-variable interest rate swap for $175 million of various outstanding bonds to become effective February of 2002. In May of 2001, the County executed a short-term interim reversal to become effective February of 2002 of this swap to lock in a positive spread 1.455% per year until February of 2004.

Terms - The Swap was executed with JPMorgan Chase Bank. Under the swap and short-term interim reversal, the County received a fixed payment of 1.455% per year until February 1, 2004. The Notional of the Swap is $175 million and matures on January 1, 2016. The interim reversal expired on February 1, 2004 and JPMorgan Chase Bank executed its option to cancel this swap on February 1, 2004 and maintains the option to reinstate the agreement on or after February 1, 2009. If the agreement is reinstated, the County pays a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 5.225%.

Fair Value - As of September 30, 2004, the swap and short-term interim reversal had a negative fair value of $4,465,420.88. The fair value of the option was estimated using the Trinomial option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks - As of September 30, 2004, the County is not exposed to counterparty credit risk because the swap has been cancelled and can't be reinstated until 2009. Furthermore, if in 2009 or thereafter, the swap is reinstated and the fair value becomes positive, then Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swap, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The County has contingent variable rate exposure that on or after February 1, 2009 the counterparty will exercise its option to reinstate the swap.

The 2/1/2042 maturity of the 2002-A Sewer Revenue Warrants

Objective of the Swap - The County's asset/liability strategy is to have a mixture of fixed and variable rate debt. Historically variable rate debt has provided cheaper funding. Since the fixed rate received on the swap was higher than the BMA historically averages the County decided to synthetically create variable rate debt. In February of 2001, the County entered into a fixed-to-variable interest rate swap for $70 million of various outstanding bonds to become effective February of 2002. In May of 2001, the County executed a short-term interim reversal to become effective February of 2002 of this swap to lock in a positive spread 1.225% per year until February of 2007.

Terms - The Swap was executed with JPMorgan Chase Bank. Under the short-term interim reversal, in effect as of September 30, 2004, the County is receiving BMA and paying 3.9450% fixed rate until February 1, 2007 unless cancelled by the counterparty on or after February 1, 2005. Once the short-term interim reversal matures or is cancelled, the County will pay a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 5.17%. The Notional of the Swap is $70 million and matures on February 1, 2031. JPMorgan Chase Bank has the option to cancel this swap on or after February 1, 2007.

	Terms	Rates
Rates applicable until February 1, 2007		
Interest Rate Swap:		
Fixed Payment to Counterparty		0.0000%
Variable Payment from Counterparty to 2/1/2007		1.2250%
Net Interest Rate Swap Payments to 2/1/2007		(1.2550%)
Variable-Rate Bond Payments		1.7000%
Synthetic Interest Rate on Bonds to 2/1/2007		0.4750%

	Terms	Rates
Rates applicable after February 1, 2007		
Interest Rate Swap:		
Variable Payment from Counterparty	BMA	1.6900%
Fixed Payment to Counterparty		5.1700%
Net Interest Rate Swap Payments		(3.4800%)
Variable-Rate Bond Payments		1.7000%
Synthetic Interest Rate on Bonds		(1.7800%)

Fair Value - As of September 30, 2004, the swap and short-term interim reversal had a negative fair value of $600,267.11. The fair value of the swap was estimated using the zero-coupon method. This method involves computing and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the current yield curve. The discount rates used are the spot interest rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap. The fair value of the option was estimated using the Trinomial option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks - As of September 30, 2004, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under an ISDA Master Agreement with JPMorgan Chase Bank, had a negative fair value. If the total swap portfolio's fair value, documented under an ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value with a threshold of zero. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swap, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. After February 1, 2004, the swap increases the County's exposure to variable interest rates. As BMA increases, the County's net payments on the swap increase. The counterparty may terminate the agreement on or after February 1, 2007.

Swap Payments and Associated Debt - As of September 30, 2004, debt service requirements of the debt and net swap payments, assuming current interest rates remain the same, for their term were as follows.

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2005	$	$ 1,190	$ (858)	$ 332
2006		1,190	(858)	332
2007		1,190	(1,647)	(457)
2008		1,190	(2,436)	(1,246)
2009-2013		5,950	(12,180)	(6,230)
2014-2018		5,950	(12,180)	(6,230)
2019-2023		5,950	(12,180)	(6,230)
2024-2028		5,950	(12,180)	(6,230)
2029-2031	70,000	2,975	(6,090)	66,885
Totals	$70,000	$31,535	$(60,609)	$40,926

2002-A Sewer Revenue Warrants

Objective of the Swap - The County's asset/liability strategy is to have a mixture of fixed and variable rate debt. Historically variable rate debt has provided cheaper funding. Since the fixed rate received on the swap was higher than the BMA historically averages the County decided to synthetically create variable rate debt. In October of 2003, the County entered into a fixed-to-variable interest rate swap for $110 million of the 2002-A bonds.

Terms - The Swap was executed with Bank of America, NA. Under the swap, the County will pay a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 4.815%. The Notional of the Swap is $110 million. The swap commences on April 1, 2004 and matures on February 1, 2024. Bank of America has the option to cancel this swap on or after April 1, 2005.

	Terms	Rates
Interest Rate Swap:		
Variable Payment from Counterparty	BMA	1.6900%
Fixed Payment to Counterparty	Fixed	4.8150%
Net Interest Rate Swap Payments		(3.1250%)
Variable-Rate Bond Payments		1.7000%
Synthetic Interest Rate on Bonds		(1.4250%)

Fair Value - As of September 30, 2004, the swap had a positive fair value of $20,057.88. The fair value of the swap was estimated using the zero-coupon method. This method involves computing and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the current yield curve. The discount rates used are the spot interest rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap. The fair value of the option was estimated using the Trinomial option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks - As of September 30, 2004, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under an ISDA Master Agreement with Bank of America, NA, had a negative fair value. If the total swap portfolio's fair value, documented under an ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value with a threshold of zero. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swaps, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swap increases the County's exposure to variable interest rates. As BMA increases, the County's net payments on the swap increase. The counterparty may terminate the agreement on or after April 1, 2005.

Swap Payments and Associated Debt - As of September 30, 2004, debt service requirements of the debt and net swap payments, assuming current interest rates remain the same, for their term were as follows.

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2005	$	$ 1,870	$ (3,438)	$ (1,568)
2006		1,870	(3,438)	(1,568)
2007		1,870	(3,438)	(1,568)
2008		1,870	(3,438)	(1,568)
2009-2013		9,350	(17,188)	(7,838)
2014-2018		9,350	(17,188)	(7,838)
2019-2023		9,350	(17,188)	(7,838)
2024-2028		9,350	(17,188)	(7,838)
2029-2033		9,350	(17,188)	(7,838)
2034-2038		9,350	(17,188)	(7,838)
2039-2042	110,000	6,545	(12,031)	104,514
Totals	$110,000	$70,125	$(128,911)	$ 51,214

Various Amounts of the 1997-A, 2001-A, 2003-A Sewer Revenue Warrants

Objective of the Swap - The County's asset/liability strategy is to have a mixture of fixed and variable rate debt. Historically variable rate debt has provided cheaper funding. Since the fixed rate received on the swap was higher than the BMA historically averages the County decided to synthetically create variable rate debt. In October of 2003, the County entered into a fixed-to-variable interest rate swap for $111,825,000 of various amounts effective May 1, 2004.

Terms - The Swap was executed with JP Morgan Chase Bank. Under the swap, the County will pay a variable rate equivalent to the Bond Market Association Municipal Swap Index (BMA) and receives a fixed rate of 4.325%. The Notional of the Swap is $111,825,000 and matures on February 1, 2024. JPMorgan Chase Bank has the option to cancel this swap on or after November 1, 2005.

	Terms	Rates
Interest Rate Swap:		
Variable Payment from Counterparty	BMA	1.6900%
Fixed Payment to Counterparty	Fixed	4.3250%
Net Interest Rate Swap Payments		(2.6350%)
Variable-Rate Bond Payments		0.0000%
Synthetic Interest Rate on Bonds		(2.6350%)

Fair Value - As of September 30, 2004, the swap had a positive fair value of $626,491.69. The fair value of the swap was estimated using the zero-coupon method. This method involves computing and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the current yield curve. The discount rates used are the spot interest rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap. The fair value of the option was estimated using the Trinomial option-pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks - As of September 30, 2004, the County is not exposed to counterparty credit risk because the total swap portfolio, documented under an ISDA Master Agreement with JPMorgan Chase Bank, had a negative fair value. If the total swap portfolio's fair value, documented under an ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value with a threshold of zero. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swaps, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swap increases the County's exposure to variable interest rates. As BMA increases, the County's net payments on the swap increase. The counterparty may terminate the agreement on or after November 1, 2005.

Swap Payments and Associated Debt - As of September 30, 2004, debt service requirements of the debt and net swap payments, assuming current interest rates remain the same, for their term were as follows.

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2005	$	$ 5,284	$ (2,832)	$ 2,452
2006	3,855	5,189	(2,781)	6,263
2007	3,730	5,003	(2,681)	6,052
2008	3,885	4,816	(2,581)	6,120
2009	4,050	4,621	(2,476)	6,195
2010	4,220	4,417	(2,367)	6,270
2011	4,400	4,205	(2,253)	6,352
2012	4,585	3,984	(2,135)	6,434
2013	4,785	3,754	(2,012)	6,527
2014	4,990	3,514	(1,883)	6,621
2015	5,210	3,263	(1,748)	6,725
2016	1,215	3,105	(1,664)	2,656
2017	2,840	3,005	(1,610)	4,235
2018	3,385	2,852	(1,528)	4,709
2019	3,995	2,671	(1,431)	5,235
2020	4,680	2,457	(1,317)	5,820
2021	3,900	2,246	(1,204)	4,942
2022	4,685	2,035	(1,091)	5,629
2023	5,575	1,783	(956)	6,402
2024	6,565	1,485	(1,023)	7,027
2025	7,675	1,135		8,810
2026	8,920	727		9,647
2027	10,315	254		10,569
Totals	$107,460	$71,805	$(37,573)	$141,692

Restructuring of 2002A, 2002C and 2003B Swaps

Objective of the Swap - The County is always looking for ways to manage potential negative carry or basis loss between the floating rates on the County's existing Variable Rate or Auction Bonds and the index used on the swaps. The index used on the original swaps is equal to the historical trading relationship between BMA and LIBOR and should be a good hedge over the life of the agreement but is currently causing negative carry due to the low interest rate environment. In June 2004, the County restructured the swaps to create an index that better correlates year to year from 67% of LIBOR to 56% of 1-Month London Interbank Offered Rate (LIBOR) plus a fixed spread of 49 basis points.

Terms - The swaps were executed with Bear Stearns Capital Markets & Bank of America, NA. and had combined notional amounts of $1,567,778,000 and $379,847,000, respectively. The 2002A swap with a notional of $110,000,000 commenced on June 24, 2004 and matures on February 1, 2042. The 2002C swap with a notional of $824,700,000 commences on February 1, 2011 and matures on February 1, 2040. The 2003B swap with a notional of $1,012,925,000 commences on August 1, 2012 and matures on February 1, 2042. The County's floating legs of the Swaps are equal to the BMA index on the 2002-A Swap and 67% of 1-Month USD-LIBOR-BBA on the 2002-C and 2003-B Swaps and that the Counterparties' floating legs of the Swap are equal to 56% of 1-Month London Interbank Offered Rate (LIBOR) plus a fixed spread of 49 basis points. The County also received an upfront payment of $25,448,000. The Counterparties' floating legs were structured to historically match the BMA index and the remaining spread was paid as the upfront payment to the County.

	Terms	Rates
Interest Rate Swap (BMA Basis Swap):		
Variable Payment to Counterparty	BMA	1.6900%
Variable Payment from Counterparty	56% of LIBOR + .0049	1.5204%
Net Interest Rate Swap Payments		0.1696%
Variable-Rate Bond Payments		1.7000%
Synthetic Interest Rate on Bonds		1.8696%

Fair Value - As of September 30, 2004, the swaps had a negative fair value of $35,961,103.31. The fair value of the swap was estimated using the zero-coupon method. This method involves computing and summing the present value of each future net settlement that would be required by the swap terms if future spot interest rates match the forward rates implied by the current yield curve. The discount rates used are the spot interest rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap.

Risks - As of September 30, 2004, the County is not exposed to counterparty credit risk because each of the total swap portfolios, documented under each of the respective ISDA Master Agreements with Bear Stearns Capital Markets & Bank of America, NA., each had a negative fair value. If the total swap portfolio's fair value, documented under an ISDA Master Agreement, becomes positive at some point in the future, Alabama law requires the Counterparty to post collateral against the total swap portfolio's fair value with a threshold of zero. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. Each of the Schedules to the Master Agreement include an "additional termination event." Under this provision, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies ("S&P") or lower than Baa2 by Moody's Investor's Service, Inc. ("Moody's") and the County has not, within 10 days, either (1) executed and delivered a collateral agreement satisfactory in form and substance to the Counterparty providing for the collateralization of the County's obligations under the Swaps, or (2) obtained an insurance policy satisfactory in form and substance to the Counterparty by a financial insurer satisfactory to the Counterparties (a "Substitute Credit Provider") insuring the prompt and timely performance of the County's obligations hereunder. Furthermore, the swap may be terminated if the long-term sewer revenue indebtedness of the County is rated lower than BBB- by S&P or lower than Baa3 by Moody's and the County has not, within 10 days, obtained an insurance policy satisfactory in form and substance to the Counterparty by a Substitute Credit Provider insuring the prompt and timely performance of the County's obligations hereunder. The swaps expose the County to basis risk and tax risk should the relationship between LIBOR and the bonds converge, changing the synthetic rate on the bonds. Tax Risk is the possibility that there could be changes in the structure of the federal tax system or in the marginal tax rates, which could cause LIBOR to permanently trade at a higher percentage than the historical relationships that were used to structure the swaps.

Swap Payments and Associated Debt - As of September 30, 2004, debt service requirements of the debt and net swap payments, assuming current interest rates remain the same, for their term were as follows.

	(In Thousands)			
	Variable Rate Bonds		Interest Rate	
Fiscal Year Ending	Principal	Interest	Swaps Net	Total
September 30, 2005	$	$ 1,870	$ 187	$ 2,057
2006		1,870	187	2,057
2007		1,870	187	2,057
2008		1,870	187	2,057
2009-2013		9,350	933	10,283
2014-2018		9,350	933	10,283
2019-2023		9,350	933	10,283
2024-2028		9,350	933	10,283
2029-2033		9,350	933	10,283
2034-2038		9,350	933	10,283
2039-2042	110,000	6,545	653	117,198
Totals	$110,000	$70,125	$6,999	$187,124

Note 24 – Restatements

As of October 1, 2003, the beginning fund balances of the governmental funds was restated to correct prior year errors and the reallocation of interest.

	(In Thousands)					
	General Fund	Indigent Care Fund	Road Fund	Bridge and Public Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance, September 30, 2003, as Previously Reported	$27,724	$6,638	($4,139)	$27	$180,052	$210,302
Restatements to Correct Prior Year Errors	(5)		(1)		244	238
Restatement to Correct Allocation of Interest	(486)	(57)		(30)	(404)	(977)
Fund Balance, September 30, 2003, as Restated	$27,233	$6,581	($4,140)	$ (3)	$179,892	209,563
Net Assets September 30, 2003						176,671
Restatement of Capital Assets						1,999
Restatements to Correct Prior Year Errors						202
Restatement to Correct Allocation of Interest						(1,055)
Governmental Activities Net Assets September 30, 2003						$177,817

As of October 1, 2003, the beginning net assets of the proprietary funds was restated to correct prior year errors, to record escrow restructuring bank accounts, and to record the reallocation of interest.

The net assets of the proprietary funds was restated as follows:

	(In Thousands)			
	Cooper Green Hospital Fund	Sanitary Operations Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Fund Equity, September 30, 2003, as Previously Reported	$3,817	$1,204,468	$38,916	$1,247,201
Restatements to Correct Prior Year Errors	(22)	4	(5)	(23)
Restatement to Record Escrow Restructuring Accounts		56,708		56,708
Restatement to Correct Allocation of Interest	(3)	(1,969)	(1)	(1,973)
Fund Equity, September 30, 2003, as Restated	$3,792	$1,259,211	$38,910	1,301,913
Net Assets September 30, 2003				1,247,201
Restatements to Correct Prior Year Errors				(23)
Restatement to Record Escrow Restructuring Accounts				56,708
Restatement to Correct Allocation of Interest				(1,973)
Business-Type Activities Net Assets September 30, 2003				$1,301,913

The net assets of the discreetly presented internal service funds was restated as follows:

	(In Thousands) Internal Service Funds
Net Assets, September 30, 2003, as Previously Reported	$34,861
Restatements to Correct Prior Year Errors	(35)
Restatement to Correct Allocation of Interest	(78)
Net Assets, September 30, 2003, as Restated	$34,748

Note 25 – Jointly Governed Organization

The Jefferson County Commission, along with numerous municipalities and other counties, participate in the Storm Water Management Authority, Inc. (the "Authority"). This organization provides storm water analysis services to the citizenry of these governments. The Commission does not have an ongoing financial interest or any responsibility in the management of the Authority. However, the Commission has entered into an agreement to act in a custodial capacity relating to receipts and disbursements of funds for the Authority.

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2004
(In Thousands)

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	$ 118,272	$ 71,590	$ 71,138
Licenses and Permits	63,973	63,973	65,208
Intergovernmental	21,002	22,116	21,982
Charges for Services	22,217	22,362	23,103
Indirect Cost Recovery		13,628	13,619
Miscellaneous	17,449	3,739	376
Interest		253	2,200
Total Revenues	242,913	197,661	197,626
Expenditures			
Current:			
General Government	159,566	78,346	73,322
Public Safety	57,412	57,571	62,155
Welfare	546	848	848
Culture and Recreation		15,831	15,784
Education		236	234
Capital Outlay		2,945	2,842
Indirect Costs		17,997	17,952
Total Expenditures	217,524	173,774	173,137
Excess (Deficiency) of Revenues Over Expenditures	$ 25,389	$ 23,887	$ 24,489

	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
(1)	$ 6	$ 71,144
		65,208
		21,982
		23,103
		13,619
		376
		2,200
	6	197,632
		73,322
		62,155
		848
		15,784
		234
		2,842
		17,952
		173,137
	$ 6	$ 24,495

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2004
(In Thousands)

	Budgeted Amounts		Actual Amounts
	Original	**Final**	**Budgetary Basis**
Other Financing Sources (Uses)			
Sale of Capital Assets	$	$ 2	$ 67
Transfers In	10,000	6,916	6,921
Transfers Out	(30,312)	(33,091)	(29,411)
Total Other Financing Sources (Uses)	(20,312)	(26,173)	(22,423)
Net Change in Fund Balances	5,077	(2,286)	2,066
Fund Balances at Beginning of Year, as Restated	22,363	27,728	29,106
Fund Balances at End of Year	$ 27,440	$ 25,442	$ 31,172

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

Net Changes in Fund Balance - General Fund - Budgetary Basis	$ 2,066
(1) The Commission budgets motor vehicle property tax as it is collected, rather than on the modified accrual basis.	6
Net Changes in Fund Balance for General Fund (Exhibit 5)	$ 2,072

(2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
	$	$ 67
		6,921
		(29,411)
		(22,423)
	6	2,072
(2)	(1,873)	27,233
	$ (1,867)	$ 29,305

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Indigent Care Fund For the Year Ended September 30, 2004 (In Thousands)

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	$ 40,097	$ 40,097	$ 41,216
Miscellaneous	6,854	6,854	2,055
Interest	4	4	1
Total Revenues	46,955	46,955	43,272
Expenditures			
Current:			
General Government	7,947	7,947	2,250
Indirect Costs	2	2	2
Total Expenditures	7,949	7,949	2,252
Excess (Deficiency) of Revenues Over Expenditures	39,006	39,006	41,020
Other Financing Sources (Uses)			
Transfers Out	(34,450)	(34,483)	(34,489)
Total Other Financing Sources (Uses)	(34,450)	(34,483)	(34,489)
Net Change in Fund Balances	4,556	4,523	6,531
Fund Balances at Beginning of Year, as Restated	6,639	6,639	6,581
Fund Balances at End of Year	$ 11,195	$ 11,162	$ 13,112

Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
$	$ 41,216
	2,055
	1
	43,272
	2,250
	2
	2,252
	41,020
	(34,489)
	(34,489)
	6,531
	6,581
$	$ 13,112

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Road Fund
For the Year Ended September 30, 2004
(In Thousands)

	Budget Amounts Original	Budget Amounts Final	Actual Amounts Budgetary Basis
Revenues			
Taxes	$ 14,950	$ 14,950	$ 14,311
Intergovernmental	7,998	9,033	8,490
Charges for Services	175	218	332
Miscellaneous	228	31	110
Total Revenues	23,351	24,232	23,243
Expenditures			
Current:			
Highways and Roads	38,221	35,303	34,898
Capital Outlay		787	758
Indirect Costs		3,945	3,945
Total Expenditures	38,221	40,035	39,601
Excess (Deficiency) of Revenues Over Expenditures	(14,870)	(15,803)	(16,358)
Other Financing Sources (Uses)			
Sale of Capital Assets		202	124
Transfers In	14,870	16,616	16,615
Transfers Out		(1,000)	(1,000)
Total Other Financing Sources (Uses)	14,870	15,818	15,739
Net Change in Fund Balances		15	(619)
Fund Balances at Beginning of Year, as Restated			(3,452)
Fund Balances at End of Year	$	$ 15	$ (4,071)

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

Net Changes in Fund Balance - Road Fund - Budgetary Basis	$ (619)
(1) The Commission budgets motor vehicle property tax as it is collected, rather than on the modified accrual basis.	5
Net Changes in Fund Balance for Road Fund (Exhibit 5)	$ (614)

(2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
(1)	$ 5	$ 14,316
		8,490
		332
		110
	5	23,248
		34,898
		758
		3,945
		39,601
	5	(16,353)
		124
		16,615
		(1,000)
		15,739
	5	(614)
(2)	(688)	(4,140)
	$ (683)	$ (4,754)

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Bridge and Public Building Fund For the Year Ended September 30, 2004 (In Thousands)

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	$ 32,982	$ 32,982	$ 32,695
Intergovernmental	713	713	713
Interest	80	80	48
Total Revenues	33,775	33,775	33,456
Expenditures			
Indirect Costs	6	6	6
Total Expenditures	6	6	6
Excess (Deficiency) of Revenues Over Expenditures	33,769	33,769	33,450
Other Financing Sources (Uses)			
Transfers Out	(33,769)	(33,500)	(33,500)
Total Other Financing Sources (Uses)	(33,769)	(33,500)	(33,500)
Net Change in Fund Balances		269	(50)
Fund Balances at Beginning of Year, as Restated	27		1,668
Fund Balances at End of Year	$ 27	$ 269	$ 1,618

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

Net Changes in Fund Balance - Bridge and Public Building Fund - Budgetary Basis	$ (50)
(1) The Commission budgets motor vehicle property tax as it is collected, rather than on the modified accrual basis.	13
Net Changes in Fund Balance for Bridge and Public Building Fund (Exhibit 5)	$ (37)

(2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

	Budget to GAAP Difference Over (Under)	Actual Amounts GAAP Basis
(1)	$ 13	$ 32,708
		713
		48
	13	33,469
		6
		6
	13	33,463
		(33,500)
		(33,500)
	13	(37)
(2)	(1,671)	(3)
	$ (1,658)	$ (40)

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Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds
September 30, 2004
(In Thousands)

	Senior Citizens' Activities Fund	Community Development Fund	CDBG-EDA Revolving Loan Fund
Assets			
Cash and Investments	$	$	$ 2,241
Accounts Receivable, Net			
Loans Receivable, Net		135	1,200
Interest Receivable		9	
Due from Other Governments	1,007	1,869	
Prepaid Expenses	2		
Advances Due from Other Funds			
Total Assets	1,009	2,013	3,441
Liabilities and Fund Balances			
Liabilities			
Cash Deficit	1,451	824	
Accounts Payable	291	666	2
Deferred Revenue			
Accrued Wages and Benefits Payable	23	53	
Accrued Interest Payable			
Estimated Liability for			
Compensated Absences		1	
Total Liabilities	1,765	1,544	2
Fund Balances			
Reserved for:			
Advances Due to Other Funds			
Petty Cash			
Debt Service			
Encumbrances	84	10,936	
Prepaid Expenses	2		
Loans Receivable		135	1,200
Unreserved Reported in:			
Special Revenue Funds	(842)	(10,602)	2,239
Capital Projects Funds			
Total Fund Balances	(756)	469	3,439
Total Liabilities and Fund Balances	$ 1,009	$ 2,013	$ 3,441

Home Grant Fund	Emergency Management Fund	Debt Service Fund	Capital Improvements Fund	Road Construction Fund	Totals
$ 488	$ 940	$ 155,670	$ 296	$ 21	$ 159,656
				2	2
2,006					3,341
					9
996	1			245	4,118
	3				5
		19,906			19,906
3,490	944	175,576	296	268	187,037
					2,275
108	249	46	668	89	2,119
470					470
2	16				94
		6,781			6,781
	(1)				
580	264	6,827	668	89	11,739
		19,906			19,906
	1				1
		148,843			148,843
	1,324		7,132	2,188	21,664
	3				5
2,006					3,341
904	(648)				(8,949)
			(7,504)	(2,009)	(9,513)
2,910	680	168,749	(372)	179	175,298
$ 3,490	$ 944	$ 175,576	$ 296	$ 268	$ 187,037

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended September 30, 2004
(In Thousands)

	Senior Citizens' Activities Fund	Community Development Fund	CDBG-EDA Revolving Loan Fund
Revenues			
Intergovernmental	$ 7,106	$ 13,465	$
Charges for Services		9	
Miscellaneous	450		1
Interest	2		51
Total Revenues	7,558	13,474	52
Expenditures			
Current:			
General Government	9,588	3,368	
Public Safety			
Welfare		9,691	196
Capital Outlay	9	98	
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Debt Issuance Costs			
Indirect Costs	306	371	16
Total Expenditures	9,903	13,528	212
Excess (Deficiency) of Revenues Over Expenditures	(2,345)	(54)	(160)
Other Financing Sources (Uses)			
Debt Issued			
Premiums on Debt Issued			
Transfers In	2,339	412	16
Transfers Out			
Total Other Financing Sources (Uses)	2,339	412	16
Net Change in Fund Balances	(6)	358	(144)
Fund Balances at Beginning of Year, as Restated	(750)	111	3,583
Fund Balances at End of Year	$ (756)	$ 469	$ 3,439

Home Grant Fund	Emergency Management Fund	Debt Service Fund	Capital Improvements Fund	Road Construction Fund	Totals
$ 656	$ 2,346	$ 1,038	$ 1,129	$	$ 25,740
		3		1,049	1,061
159	20				630
34	2	371			460
849	2,368	1,412	1,129	1,049	27,891
144					13,100
	2,446				2,446
600					10,487
	348		19,351	3,412	23,218
		18,025			18,025
		13,614			13,614
		692			692
21	113	138			965
765	2,907	32,469	19,351	3,412	82,547
84	(539)	(31,057)	(18,222)	(2,363)	(54,656)
		51,020			51,020
		791			791
49	113	34,766	58,160	2,375	98,230
		(61,800)	(38,179)		(99,979)
49	113	24,777	19,981	2,375	50,062
133	(426)	(6,280)	1,759	12	(4,594)
2,777	1,106	175,029	(2,131)	167	179,892
$ 2,910	$ 680	$ 168,749	$ (372)	$ 179	$ 175,298

Combining Statement of Net Assets - Nonmajor Enterprise Funds
September 30, 2004
(In Thousands)

	County Home Fund	Landfill Operations Fund
Assets		
Current Assets:		
Cash and Investments	$ 203	$ 66
Accounts Receivable, Net		1,059
Patient Accounts Receivable, Net	2,173	
Inventories	54	
Prepaid Expenses	4	
Deferred Charges - Issuance Costs		9
Total Current Assets	2,434	1,134
Noncurrent Assets:		
Capital Assets, Net Where Applicable	8,657	48,692
Deferred Charges - Issuance Costs		140
Total Noncurrent Assets	8,657	48,832
Total Assets	11,091	49,966
Liabilities		
Current Liabilities:		
Accounts Payable	159	
Deposits Payable	26	
Accrued Wages and Benefits Payable	276	72
Accrued Interest Payable		21
Estimated Liability for Compensated Absences	66	58
Estimated Liability for Landfill Closure/ Postclosure Care Costs		41
Total Current Liabilities	527	192
Noncurrent Liabilities:		
Advances Due to Other Funds		19,906
Estimated Liability for Landfill Closure/Postclosure Care Costs		3,259
Estimated Liability for Compensated Absences	484	426
Total Noncurrent Liabilities	484	23,591
Total Liabilities	1,011	23,783
Net Assets		
Invested in Capital Assets, Net of Related Debt	8,657	28,935
Unrestricted	1,423	(2,752)
Total Net Assets	$ 10,080	$ 26,183

Parking Deck Fund	Totals
$ 118	$ 387
1	1,060
	2,173
	54
	4
	9
119	3,687
6	57,355
	140
6	57,495
125	61,182
2	161
	26
1	349
	21
	124
	41
3	722
	19,906
	3,259
	910
	24,075
3	24,797
6	37,598
116	(1,213)
$ 122	$ 36,385

Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended September 30, 2004
(In Thousands)

	County Home Fund	Landfill Operations Fund
Operating Revenues		
Charges for Services	$ 10,148	$ 3,474
Other Operating Revenue	52	3
Total Revenues	10,200	3,477
Operating Expenses		
Salaries	7,544	1,846
Employee Benefits and Payroll Taxes	2,137	582
Materials and Supplies	1,149	176
Utilities	616	227
Outside Services	2,149	423
Office Expense	1,102	19
Depreciation	320	2,674
Closure and Postclosure Care Costs		202
Total Operating Expenses	15,017	6,149
Operating Income (Loss)	(4,817)	(2,672)
Nonoperating Revenues (Expenses)		
Interest Expense		(200)
Interest Revenue	1	
Miscellaneous		41
Amortization of Bond Issue Costs		(9)
Indirect Costs	(948)	(664)
Gain/(Loss) on Sale of Capital Assets	1	98
Total Nonoperating Revenues (Expenses)	(946)	(734)
Operating Transfers		
Transfers In	6,100	1,700
Transfers Out	(1)	(1,266)
Total Operating Transfers	6,099	434
Changes in Net Assets	336	(2,972)
Total Net Assets - Beginning of Year, as Restated	9,744	29,155
Total Net Assets - End of Year	$ 10,080	$ 26,183

Parking Deck Fund		Totals
$ 285	$	13,907
		55
285		13,962
21		9,411
6		2,725
4		1,329
31		874
98		2,670
		1,121
3		2,997
		202
163		21,329
122		(7,367)
		(200)
		1
		41
		(9)
(11)		(1,623)
		99
(11)		(1,691)
		7,800
		(1,267)
		6,533
111		(2,525)
11		38,910
$ 122	$	36,385

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2004
(In Thousands)

	County Home Fund	Landfill Operations Fund
Cash Flows from Operating Activities		
Cash Received for Services	$ 9,552	$ 3,348
Other Revenues	52	3
Cash Payments to Employees	(9,623)	(2,360)
Cash Payments for Goods and Services	(5,038)	(707)
Net Cash Provided (Used) by Operating Activities	(5,057)	284
Cash Flows from Non-Capital Financing Activities		
Operating Transfers Out	(1)	(1,266)
Operating Transfers In	6,100	1,700
Miscellaneous		42
Indirect Cost	(948)	(664)
Net Cash Provided (Used) by Non-Capital Financing Activities	5,151	(188)
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	(5)	
Proceeds from Sale of Capital Assets	1	97
Interest Paid		(192)
Net Cash Provided (Used) by Capital and Related Financing Activities	(4)	(95)
Cash Flows from Investing Activities		
Interest Received	1	
Net Cash Flows Provided by Investing Activities	1	
Net Increase/(Decrease) in Cash	91	1
Cash and Investments, Beginning of Year	113	65
Restatement	(1)	
Cash and Investments, Beginning of Year - as Restated	112	65
Cash and Investments, End of Year	$ 203	$ 66

Parking Deck Fund	Totals
$ 285	$ 13,185
	55
(25)	(12,008)
(132)	(5,877)
128	(4,645)
	(1,267)
	7,800
	42
(11)	(1,623)
(11)	4,952
	(5)
	98
	(192)
	(99)
	1
	1
117	209
1	179
	(1)
1	178
$ 118	$ 387

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2004
(In Thousands)

	County Home Fund	Landfill Operations Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$ (4,817)	$ (2,672)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	320	2,674
(Increase)/Decrease in Prepaid Expenses	(2)	
(Increase)/Decrease in Accounts Receivable		(125)
(increase)/Decrease in Patient Receivables	(596)	
(Increase)/Decrease in Inventories	2	
Increase/(Decrease) in Accounts Payable	(14)	(13)
Increase/(Decrease) in Due to Other Funds		192
Increase/(Decrease) in Deposits Payable	(8)	
Increase/(Decrease) in Accrued Wages and Benefits Payable	58	16
Increase/(Decrease) in Estimated Liability for Compensated Absences		51
Increase/(Decrease) in Landfill Postclosure Costs		161
Total Adjustments	(240)	2,956
Net Cash Provided (Used) by Operating Activities	$ (5,057)	$ 284

Parking Deck Fund	Totals
$ 122	$ (7,367)
3	2,997
	(2)
	(125)
	(596)
	2
2	(25)
	192
	(8)
	74
1	52
	161
6	2,722
$ 128	$ (4,645)

Combining Statement of Net Assets - Internal Service Funds
September 30, 2004
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Assets			
Current Assets:			
Cash and Investments	$ 8,267	$	$ 22
Accounts Receivable, Net			
Due from Other Governments		8,298	424
Inventories			
Prepaid Expenses	21	2	
Total Current Assets	8,288	8,300	446
Noncurrent Assets:			
Capital Assets, Net Where Applicable	33	906	781
Total Noncurrent Assets	33	906	781
Total Assets	8,321	9,206	1,227
Liabilities			
Current Liabilities:			
Cash Deficit		7,852	
Accounts Payable	4	845	1
Accrued Wages and Benefits Payable	26	142	9
Estimated Liability for Compensated Absences	10	47	4
Estimated Claims Liability	6,263		
Total Current Liabilities	6,303	8,886	14
Noncurrent Liabilities:			
Estimated Liability for Compensated Absences	71	344	32
Total Noncurrent Liabilities	71	344	32
Total Liabilities	6,374	9,230	46
Net Assets			
Invested in Capital Assets, Net of Related Debt	33	906	781
Unrestricted	1,914	(930)	400
Total Net Assets	$ 1,947	$ (24)	$ 1,181

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$ 742	$ 302	$ 86	$ 120	$ 12,149	$ 21,688
33				8	41
	6		40	30	8,798
	220	6	222	742	1,190
1					24
776	528	92	382	12,929	31,741
4,545	1,774	7,767	23	7,384	23,213
4,545	1,774	7,767	23	7,384	23,213
5,321	2,302	7,859	405	20,313	54,954
					7,852
231	246		27	288	1,642
141	106	15	10	421	870
64	54	5	5	181	370
					6,263
436	406	20	42	890	16,997
470	399	36	35	1,332	2,719
470	399	36	35	1,332	2,719
906	805	56	77	2,222	19,716
4,545	1,774	7,767	23	7,384	23,213
(130)	(277)	36	305	10,707	12,025
$ 4,415	$ 1,497	$ 7,803	$ 328	$ 18,091	$ 35,238

Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended September 30, 2004
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Revenues			
Intergovernmental	$	$ 10,011	$ 663
Charges for Services	1,382		
Total Revenues	1,382	10,011	663
Operating Expenses			
Salaries	647	3,939	557
Employee Benefits and Payroll Taxes	211	930	55
Materials and Supplies	15	149	52
Utilities			11
Outside Services	510	4,959	104
Office Expense	49	383	37
Depreciation	54	101	73
Miscellaneous			
Total Operating Expenses	1,486	10,461	889
Operating Income (Loss)	(104)	(450)	(226)
Nonoperating Revenues (Expenses)			
Interest Revenue	15		
Miscellaneous			
Indirect Costs		(245)	(106)
Gain/(Loss) on Sale of Capital Assets			
Indirect Cost Recovery		1,371	
Total Nonoperating Revenues (Expenses)	15	1,126	(106)
Operating Transfers			
Transfers In	62		600
Transfers Out	(5)	(700)	
Total Operating Transfers	57	(700)	600
Changes in Net Assets	(32)	(24)	268
Total Net Assets Beginning of Year, as Restated	1,979		913
Total Net Assets End of Year	$ 1,947	$ (24)	$ 1,181

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$	$	$	$	$	$ 10,674
727	1,107	645	744	18,283	22,888
727	1,107	645	744	18,283	33,562
4,005	2,740	389	250	9,358	21,885
938	831	150	67	2,781	5,963
181	1,175	35	261	1,175	3,043
2	43	2		3,353	3,411
3,106	60	7	131	3,618	12,495
763	705	345	3	707	2,992
2,005	197	8	17	403	2,858
1		16			17
11,001	5,751	952	729	21,395	52,664
(10,274)	(4,644)	(307)	15	(3,112)	(19,102)
				20	35
	59			892	951
(508)					(859)
	7	2		4	13
8,106	4,105	75	37	3,687	17,381
7,598	4,171	77	37	4,603	17,521
1,714	600	400		3	3,379
				(603)	(1,308)
1,714	600	400		(600)	2,071
(962)	127	170	52	891	490
5,377	1,370	7,633	276	17,200	34,748
$ 4,415	$ 1,497	$ 7,803	$ 328	$ 18,091	$ 35,238

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2004
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Cash Flows from Operating Activities			
Cash Received for Services	$ 1,383	$	$
Other Revenues		7,862	387
Cash Payments to Employees	(844)	(4,806)	(614)
Cash Payments for Goods and Services	(307)	(4,878)	(227)
Net Cash Provided (Used) by Operating Activities	232	(1,822)	(454)
Cash Flows from Non-Capital Financing Activities			
Operating Transfers Out	(5)	(700)	
Operating Transfers In	62		600
Received from Auxiliary Services			
Increase/(Decrease) in Cash Deficit		2,090	
Indirect Cost		(245)	(106)
Indirect Cost Recovery		1,371	
Net Cash Provided (Used) by Non-Capital Financing Activities	57	2,516	494
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(7)	(694)	(19)
Proceeds from Sale of Capital Assets			
Net Cash Provided (Used) by Capital and Related Financing Activities	(7)	(694)	(19)
Cash Flows from Investing Activities			
Interest Received	15		
Net Cash Flows Provided by Investing Activities	15		
Net Increase/(Decrease) in Cash	297		21
Cash and Investments, Beginning of Year	8,012		1
Restatement	(42)		
Cash and Investments, Beginning of Year, as Restated	7,970		1
Cash and Investments, End of Year	$ 8,267	$	$ 22

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$ 713	$ 1,107	$ 647	$ 705	$ 18,285	$ 22,840
					8,249
(4,856)	(3,543)	(561)	(317)	(11,917)	(27,458)
(4,125)	(2,257)	(408)	(451)	(8,873)	(21,526)
(8,268)	(4,693)	(322)	(63)	(2,505)	(17,895)
				(603)	(1,308)
1,714	600	400		3	3,379
	59			892	951
		(84)			2,006
(508)					(859)
8,106	4,105	75	37	3,687	17,381
9,312	4,764	391	37	3,979	21,550
(303)	(73)		(3)	(143)	(1,242)
	15	18		4	37
(303)	(58)	18	(3)	(139)	(1,205)
				20	35
				20	35
741	13	87	(29)	1,355	2,485
1	290		149	10,827	19,280
	(1)	(1)		(33)	(77)
1	289	(1)	149	10,794	19,203
$ 742	$ 302	$ 86	$ 120	$ 12,149	$ 21,688

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2004
(In Thousands)

	Risk Management Fund	Personnel Board Fund	Elections Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income/(Loss)	$ (104)	$ (450)	$ (226)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	54	101	73
(Increase)/Decrease in Prepaid Expenses	108	(2)	
(Increase)/Decrease in Accounts Receivable			
(Increase)/Decrease in Due from Other Governments		(2,149)	(275)
(Increase)/Decrease in Inventory			
Increase/(Decrease) in Accounts Payable	(73)	615	(23)
Increase/(Decrease) in Accrued Wages Payable	9	39	2
Increase/(Decrease) in Estimated Liability for Compensated Absences	5	24	(5)
Increase in Estimated Claims Liability	233		
Total Adjustments	336	(1,372)	(228)
Net Cash Provided (Used) by Operating Activities	$ 232	$ (1,822)	$ (454)

Information Services Fund	Fleet Management Fund	Central Laundry Fund	Printing Fund	Building Services Fund	Totals
$ (10,274)	$ (4,644)	$ (307)	$ 15	$ (3,112)	$ (19,102)
2,005	197	8	17	403	2,858
2					108
(13)				1	(12)
	1	1	(39)	1	(2,460)
	43	(2)	(51)	(57)	(67)
(74)	(318)	(1)	(6)	38	158
30	22	3	3	151	259
56	6	(24)	(2)	70	130
					233
2,006	(49)	(15)	(78)	607	1,207
$ (8,268)	$ (4,693)	$ (322)	$ (63)	$ (2,505)	$ (17,895)

Combining Statement of Fiduciary Net Assets
Agency Funds
September 30, 2004
(In Thousands)

	Storm Water Management Authority Fund	City of Birmingham Revolving Loan Fund	Totals
Assets			
Cash and Investments	$ 2,262	$ 733	$ 2,995
Loans Receivable, Net		387	387
Total Assets	2,262	1,120	3,382
Liabilities			
Due to External Organizations	2,262		2,262
Due to Other Governments		1,120	1,120
Total Liabilities	$ 2,262	$ 1,120	$ 3,382

Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended September 30, 2004
(In Thousands)

	Balance October 1, 2003	Additions	Deductions	Balance September 30, 2004
Storm Water Management Authority Fund				
Assets				
Cash and Investments	$ 2,462	$ 1,572	$ 1,772	$ 2,262
Prepaid Expenses	1		1	
Total Assets	2,463	1,572	1,773	2,262
Liabilities				
Due to External Organizations	2,463	1,572	1,773	2,262
Total Liabilities	2,463	1,572	1,773	2,262
City of Birmingham Revolving Loan Fund				
Assets				
Cash and Investments	963	45	275	733
Loans Receivable, Net	405	9	27	387
Total Assets	1,368	54	302	1,120
Liabilities				
Due to Other Governments	1,368	54	302	1,120
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and Investments	3,425	1,617	2,047	2,995
Loans Receivable, Net	405	9	27	387
Prepaid Expenses	1		1	
Total Assets	3,831	1,626	2,075	3,382
Liabilities				
Due to External Organizations	2,463	1,572	1,773	2,262
Due to Other Governments	1,368	54	302	1,120
Total Liabilities	$ 3,831	$ 1,626	$ 2,075	$ 3,382

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
U. S. Department of Agriculture		
Passed Through Alabama Department of Education		
Food Donation (N)	10.550	
Nutrition Cluster:		
School Breakfast Program	10.553	
National School Lunch Program	10.555	
Sub-Total Nutrition Cluster		
Sub-Total Passed Through Alabama Department of Education		
Passed Through Alabama Department of Senior Services		
Nutrition Services Incentive	10.570	
Total U. S. Department of Agriculture		
U. S. Department of Commerce		
Direct Program		
Economic Development - Technical Assistance	11.303	04-39-3391.02
Total U. S. Department of Commerce		
U. S. Department of Housing and Urban Development		
Direct Programs		
Community Development Block Grants/Entitlement Grants	14.218	B00-UC-01-0001
	14.218	B01-UC-01-0001
	14.218	B02-UC-01-0001
	14.218	B03-UC-01-0001
Related Revolving Loan Funds	14.218	
Sub-Total Community Development Block Grants/Entitlement Grants		
HOME Investment Partnerships Program	14.239	M99-UC-01-0202
	14.239	M00-UC-01-0202
	14.239	M01-UC-01-0202
	14.239	M02-UC-01-0202
	14.239	M03-UC-01-0202
Sub-Total HOME Investment Partnerships Program		
Emergency Shelter Grants Program	14.231	S01-UC-01-0006
	14.231	S02-UC-01-0006
	14.231	S03-UC-01-0006
Sub-Total Emergency Shelter Grants Program (Direct Programs)		
Passed Through Alabama Department of Economic and Community Affairs		
Emergency Shelter Grants Program	14.231	ESG-03-009
Total Emergency Shelter Grants Program		
Total U. S. Department of Housing and Urban Development		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
10/01/2003 - 09/30/2004	$ 4,693.75	$ 4,693.75	$ 4,693.75	$ 4,693.75
10/01/2003 - 09/30/2004	35,356.80	35,356.80	35,356.80	35,356.80
10/01/2003 - 09/30/2004	65,076.80	65,076.80	65,076.80	65,076.80
	100,433.60	100,433.60	100,433.60	100,433.60
	105,127.35	105,127.35	105,127.35	105,127.35
10/01/2003 - 09/30/2004	319,636.07	319,636.07	319,636.07	319,636.07
	424,763.42	424,763.42	424,763.42	424,763.42
07/25/1986 - 09/30/2004				422,136.49
				422,136.49
10/01/2000 - 09/30/2004	2,724,000.00	2,724,000.00		437,993.42
10/01/2001 - 09/30/2004	2,809,000.00	2,809,000.00	186,252.63	453,119.41
10/01/2002 - 09/30/2004	2,773,000.00	2,773,000.00	2,773,000.00	680,971.07
10/01/2003 - 09/30/2004	2,596,000.00	2,596,000.00	295,342.07	1,682,510.80
10/01/2003 - 09/30/2004				1,940,588.68
	10,902,000.00	10,902,000.00	3,254,594.70	5,195,183.38
10/01/1999 - 09/30/2004	1,272,500.00	1,018,000.00	99,736.00	99,736.00
10/01/2000 - 09/30/2004	1,240,675.00	1,023,000.00	28,067.57	28,067.57
10/01/2001 - 09/30/2004	1,274,331.00	1,051,000.00	346,226.83	346,226.83
10/01/2002 - 09/30/2004	1,308,750.00	1,047,000.00	98,522.77	98,522.77
10/01/2003 - 09/30/2004	1,308,750.00	1,047,000.00	143,006.29	143,006.29
	6,405,006.00	5,186,000.00	715,559.46	715,559.46
10/01/2001 - 09/30/2004	96,000.00	96,000.00	144.91	144.91
10/01/2002 - 09/30/2004	96,000.00	96,000.00	5,491.86	5,491.86
10/01/2003 - 09/30/2004	95,000.00	95,000.00	95,000.00	95,000.00
	287,000.00	287,000.00	100,636.77	100,636.77
05/27/2003 - 05/26/2005	400,000.00	200,000.00	156,443.20	156,443.20
	687,000.00	487,000.00	257,079.97	257,079.97
	17,994,006.00	16,575,000.00	4,227,234.13	6,167,822.81
	$ 18,418,769.42	$ 16,999,763.42	$ 4,651,997.55	$ 7,014,722.72

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. Department of Justice		
Direct Programs		
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2002-DD-BX-0027
	16.580	2003-DD-BX-0248
Sub-Total Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program		
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-2182
Bulletproof Vest Partnership Program	16.607	
Public Safety Partnership and Community Policing Grants (M)	16.710	1999-SH-WX-0529
	16.710	2002-SH-WX-0654
	16.710	2002-HS-WX-0038
	16.710	2002-CK-WX-0011
	16.710	2003-UL-WX-0016
	16.710	2003-CK-WX-0276
Sub-Total Public Safety Partnership and Community Policing Grants (M)		
Gang Resistance Education and Training	16.737	2004-JV-FX-0100
Passed Through Alabama Department of Economic and Community Affairs		
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	02-JF-C3-009
	16.540	02-JF-C3-014
Sub-Total Juvenile Justice and Delinquency Prevention - Allocation to States		
Total U. S. Department of Justice		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 18,418,769.42	$ 16,999,763.42	$ 4,651,997.55	$ 7,014,722.72
05/01/2002 - 10/31/2004	2,390,160.00	2,390,160.00	1,043,334.20	1,043,334.20
07/01/2003 - 06/30/2005	496,750.00	496,750.00	38,250.00	38,250.00
	2,886,910.00	2,886,910.00	1,081,584.20	1,081,584.20
09/22/2003 - 09/21/2005	346,098.00	311,488.00	311,488.00	311,488.00
10/01/2003 - 09/30/2004	5,316.98	5,316.98	5,316.98	5,316.98
09/01/1999 - 08/31/2003	1,035,670.00	1,035,670.00	210,811.49	210,811.49
09/01/2002 - 08/31/2005	517,870.00	517,870.00	163,022.40	163,022.40
09/01/2002 - 02/28/2005	75,250.00	75,250.00	46,151.09	46,151.09
10/01/2001 - 03/31/2004	800,000.00	800,000.00	800,000.00	800,000.00
06/01/2003 - 05/31/2006	750,000.00	750,000.00	185,453.35	185,453.35
02/20/2003 - 02/19/2005	496,750.00	496,750.00	113,746.13	113,746.13
	3,675,540.00	3,675,540.00	1,519,184.46	1,519,184.46
01/01/2004 - 12/31/2004	42,096.00	42,096.00	41,986.49	41,986.49
08/01/2003 - 10/15/2004	36,470.00	36,470.00	31,977.25	31,977.25
10/01/2003 - 10/30/2004	62,590.00	62,590.00	62,590.00	62,590.00
	99,060.00	99,060.00	94,567.25	94,567.25
	7,055,020.98	7,020,410.98	3,054,127.38	3,054,127.38
	$ 25,473,790.40	$ 24,020,174.40	$ 7,706,124.93	$ 10,068,850.10

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. Department of Labor		
Direct Program		
Youth Opportunity Grants (M)	17.263	AZ-10126-00-60
Passed Through Senior Service America, Inc.		
Senior Community Service Employment Program	17.235	AD-10530-00-55
Passed Through Alabama Department of Senior Services		
Senior Community Service Employment Program	17.235	05-502-99-3A
Total Senior Community Service Employment Program		
Passed Through Alabama Department of Economic and Community Affairs		
Welfare-to-Work Grants to States and Localities	17.253	92WTW
WIA Cluster:		
WIA Adult Program	17.258	22
WIA Adult Program	17.258	32
WIA Adult Program	17.258	42
Sub-Total WIA Adult Program		
WIA Youth Activities	17.259	22
WIA Youth Activities	17.259	32
WIA Youth Activities	17.259	42
Sub-Total WIA Youth Activities		
WIA Dislocated Workers	17.260	22
WIA Dislocated Workers	17.260	32
WIA Dislocated Workers	17.260	42
Sub-Total WIA Dislocated Workers		
Total WIA Cluster (M)		
Total U. S. Department of Labor		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 25,473,790.40	$ 24,020,174.40	$ 7,706,124.93	$ 10,068,850.10
03/20/2000 - 06/30/2005	19,804,385.00	19,804,385.00	3,394,591.89	3,394,591.89
07/01/2003 - 06/30/2004	404,852.00	358,277.00	299,348.00	299,348.00
07/01/2003 - 06/30/2004	190,778.00	171,700.00	145,289.00	145,289.00
	595,630.00	529,977.00	444,637.00	444,637.00
07/01/2001 - 09/28/2004	3,750,665.00	3,750,665.00	1,492,203.42	1,492,203.42
07/01/2002 - 06/30/2004	1,159,894.59	1,159,894.59	468,644.81	468,644.81
07/01/2003 - 06/30/2005	1,476,317.00	1,476,317.00	988,989.25	988,989.25
07/01/2004 - 06/30/2006	196,965.00	196,965.00	21,597.27	21,597.27
	2,833,176.59	2,833,176.59	1,479,231.33	1,479,231.33
07/01/2002 - 06/30/2004	1,110,011.00	1,110,011.00	530,617.24	530,617.24
07/01/2003 - 06/30/2005	857,166.00	857,166.00	857,166.00	857,166.00
07/01/2004 - 06/30/2006	887,896.00	887,896.00	367,474.52	367,474.52
	2,855,073.00	2,855,073.00	1,755,257.76	1,755,257.76
07/01/2002 - 06/30/2004	1,115,349.93	1,115,349.93	641,869.84	641,869.84
07/01/2003 - 06/30/2005	1,193,004.00	627,854.00	232,418.12	232,418.12
07/01/2004 - 06/30/2006	350,517.00	350,517.00	20,906.90	20,906.90
	2,658,870.93	2,093,720.93	895,194.86	895,194.86
	8,347,120.52	7,781,970.52	4,129,683.95	4,129,683.95
	32,497,800.52	31,866,997.52	9,461,116.26	9,461,116.26
	$ 57,971,590.92	$ 55,887,171.92	$ 17,167,241.19	$ 19,529,966.36

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Forward		
U. S. Department of Education		
Passed Through Alabama Department of Economic and Community Affairs		
Safe and Drug-Free Schools and Communities - State Grants	84.186	02-GV-DR-038
Total U. S. Department of Education		
U. S. Department of Health and Human Services		
Direct Programs		
Cooperative Agreements to Improve the Health Status of Minority Populations	93.004	US2MPOWH10-01-0
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	H57/CCH423134-01
Health Care and Other Facilities	93.887	4C76HF00183-01-01
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	6H76HA00098-10-03
	93.918	6H76HA00098-11-00
Sub-Total Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease		
Passed Through Alabama Department of Senior Services		
Special Programs for the Aging		
Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	03-01-04-03a
Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	03-01-04-03a
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	03-01-04-03a
Aging Cluster:		
Title III, Part B - Grants for Supportive Services and Senior Centers - Administration	93.044	03-01-04-03a
Title III, Part B - Grants for Supportive Services and Senior Centers - Social Services	93.044	03-01-04-03a
Sub-Total Title III, Part B		
Title III, Part C - Nutrition Services - Congregate Meals	93.045	03-01-04-03a
Title III, Part C - Nutrition Services - In-Home Meals	93.045	03-01-04-03a
Sub-Total Title III, Part C		
Total Aging Cluster		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 57,971,590.92	$ 55,887,171.92	$ 17,167,241.19	$ 19,529,966.36
02/01/2004 - 09/30/2004	25,000.00	25,000.00	16,795.15	16,795.15
	25,000.00	25,000.00	16,795.15	16,795.15
09/30/2002 - 09/29/2007	309,354.00	309,354.00	219,018.00	219,018.00
09/15/2003 - 09/14/2007	241,198.00	241,198.00	159,792.00	159,792.00
09/20/2003 - 09/19/2004	987,673.00	957,381.00	550,000.00	550,000.00
01/01/2003 - 12/31/2003	1,015,955.00	1,015,955.00	25,000.00	25,000.00
01/01/2004 - 12/31/2004	965,345.00	965,345.00	877,530.00	877,530.00
	1,981,300.00	1,981,300.00	902,530.00	902,530.00
10/01/2003 - 09/30/2004	10,900.00	10,294.00	9,810.00	9,810.00
10/01/2003 - 09/30/2004	30,113.00	28,440.00	27,102.00	27,102.00
10/01/2003 - 09/30/2004	46,703.00	41,803.00	33,986.45	33,986.45
10/01/2003 - 09/30/2004	113,233.00	113,233.00	113,233.00	113,233.00
10/01/2003 - 09/30/2004	711,253.26	682,471.26	564,035.17	564,035.17
	824,486.26	795,704.26	677,268.17	677,268.17
10/01/2003 - 09/30/2004	830,343.00	820,575.00	573,085.27	573,085.27
10/01/2003 - 09/30/2004	574,896.00	571,169.00	505,497.63	505,497.63
	1,405,239.00	1,391,744.00	1,078,582.90	1,078,582.90
	2,229,725.26	2,187,448.26	1,755,851.07	1,755,851.07
	$ 63,833,557.18	$ 61,669,390.18	$ 20,842,125.86	$ 23,204,851.03

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	**Federal CFDA Number**	**Pass-Through Grantor's Number**
Sub-Total Brought Forward		
Title IV - and Title II - Discretionary Projects	93.048	90AM2580-13-03
Alzheimer's Disease Demonstration Grants to States	93.051	AD-01-03-03a
National Family Caregiver Support	93.052	03-01-04-03a
Centers for Medicare and Medicaid Services (CMS) Research,	93.779	SHIP-01-02-3A
Demonstrations and Evaluations	93.779	SHIP-01-03-3A
	93.779	SHIP-01-04-3A
Total Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations		
Total U. S. Department of Health and Human Services		
U. S. Department of Homeland Security Passed Through Alabama Department of Economic and Community Affairs		
Hazard Mitigation Grant	97.039	HMGP1208-0025
	97.039	HMGP1214-0023
	97.039	FMA-PJ-04AL-2000001
Sub-Total Hazard Mitigation Grant		
Total U. S. Department of Homeland Security		
Total Expenditures of Federal Awards		

(M) = Major Program
(N) = Non-cash Assistance

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

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 63,833,557.18	$ 61,669,390.18	$ 20,842,125.86	$ 23,204,851.03
10/01/2003 - 09/30/2004	35,033.00	35,033.00	14,921.00	14,921.00
10/01/2003 - 09/30/2004	12,745.00	12,745.00	12,745.00	12,745.00
10/01/2003 - 09/30/2004	604,236.56	553,741.56	377,743.86	377,743.86
10/01/2003 - 09/30/2004	2,774.00	2,774.00	2,774.00	2,774.00
10/01/2003 - 09/30/2004	19,035.00	19,035.00	19,035.00	19,035.00
10/01/2003 - 09/30/2004	44,573.00	44,573.00	10,114.00	10,114.00
	66,382.00	66,382.00	31,923.00	31,923.00
	6,555,362.82	6,425,119.82	4,095,422.38	4,095,422.38
05/01/2001 - 04/30/2004	263,353.00	263,353.00	944.74	944.74
05/01/2001 - 04/30/2004	259,755.00	259,755.00	67,242.32	67,242.32
07/03/2001 - 07/02/2004	25,400.00	25,400.00	2,500.00	2,500.00
	548,508.00	548,508.00	70,687.06	70,687.06
	548,508.00	548,508.00	70,687.06	70,687.06
	$ 65,100,461.74	$ 62,885,799.74	$ 21,350,145.78	$ 23,712,870.95

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

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 basic 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
Community Development Block Grant – Entitlement Grants	14.218	$2,426,249.41
Emergency Shelter Grants Program	14.231	$ 247,077.21
Welfare-to-Work Grants to States and Localities	17.253	$1,373,851.80
Workforce Investment Act:		
WIA Cluster:		
WIA Adult Program	17.258	
WIA Youth Activities	17.259	
WIA Dislocated Workers	17.260	
Total Workforce Investment Act		$3,328,425.59
Youth Opportunity Grant	17.263	$3,514,131.35
Hazard Mitigation Grant	97.039	$ 17,192.68

Note 3 – Other

Jefferson County issues loans through the Community Development Office for eligible recipients. The following loans were outstanding at September 30, 2004:

	CFDA Number	Loans Outstanding	Less: Allowance for Doubtful Accounts	Net Loans Outstanding
Economic Development Technical Assistance	11.303	$ 253,468.31	($ 22,796.11)	$ 230,672.20
Community Development Block Grants/Entitlement Grants	14.218	$1,056,135.09	($ 63,553.19)	$ 992,581.90
HOME Investment Partnership Program	14.239	$2,264,121.79	($258,000.00)	$2,006,121.79

Additional Information

Commission Members and Administrative Personnel

October 1, 2003 through September 30, 2004

Commission Members			**Term Expires**
Hon. Larry P. Langford	President	Suite 240 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Mary M. Buckelew	Member	Suite 210 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Bettye Fine Collins	Member	Suite 220 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Shelia Smoot	Member	Suite 250 Jefferson County Courthouse Birmingham, AL 35263	2006
Hon. Gary White	Member	Suite 230 Jefferson County Courthouse Birmingham, AL 35263	2006

<u>Administrative Personnel</u>

Mr. Steve Sayler	Finance Director	Room 810 Jefferson County Courthouse Birmingham, AL 35263

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jefferson County Commission as of and for the year ended September 30, 2004, which collectively comprise the Jefferson County Commission's basic financial statements and have issued our report thereon dated February 9, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County 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 an opinion 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 Jefferson County 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 2003-1.

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 caused by error or fraud 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 believe none of the reportable conditions described above are material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jefferson County Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 Jefferson County Commission in the Report to the Chief Examiner.

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 9, 2005

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, 2004. 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, 2004.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over compliance and its operation that we consider to be 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 9, 2005

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)?	______ Yes	__X__ 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?	______ Yes	__X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
16.710	Public Safety Partnership and Community Policing Grants
17.263	Youth Opportunity Grants
17.258, 17.259 and 17.260	Workforce Investment Act Cluster

Dollar threshold used to distinguish Between Type A and Type B programs:	$653,168.47	
Auditee qualified as low-risk auditee?	__X__ Yes	______ No

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
99-1	Internal Control	**Finding:** Procedures were not in place to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services. **Recommendation:** Procedures should be implemented to ensure compliance with all contract provisions between the Commission and Bessemer Water Service for sewer billing services.	
2003-1	Internal Control	**Finding:** Procedures were not in place to ensure that all customers who are receiving sewer service are being billed. The County Sewer Billing Department notifies Bessemer Water Service to activate new sewer customers. **Recommendation:** Procedures should be implemented to ensure that all customers who receive sewer service are billed for the service.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			No matters were reportable.	

Summary Schedule of Prior Audit Findings

JEFFERSON COUNTY COMMISSION

LARRY P. LANGFORD, PRESIDENT
MARY M. BUCKELEW
BETTYE FINE COLLINS
SHELIA SMOOT
GARY WHITE

LARRY P. LANGFORD–COMMISSIONER
Finance and General Services

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

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2004

As required by the Office of Management and Budget (OMB) Circular No. A-133, ***Audits of States, Local Governments, and Non-Profit Organizations*** Section ___.315(b), the Jefferson County Commission has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2004.

Finding Ref. No.	Status of Prior Audit Finding
2003-2	Corrective action was taken.

Steve Sayler
Finance Director

Auditee Response/Corrective Action Plan

JEFFERSON COUNTY COMMISSION

LARRY P. LANGFORD, PRESIDENT
MARY M. BUCKELEW
BETTYE FINE COLLINS
SHELIA SMOOT
GARY WHITE

LARRY P. LANGFORD–COMMISSIONER
Finance and General Services

STEVE F. SAYLER
Finance Director

Finance Department
Suite 810 Courthouse
716 Richard Arrington, Jr. Blvd. N.
Birmingham, Alabama 35203
Telephone (205) 325-5762

VIA Email
Nicole.Peagler@examiners.state.al.us

Examiners of Public Accounts
Attn: Nicole Peagler
County Audit Division
P.O. Box 302251
Montgomery, AL 36130

Corrective Action Plan
For the Year Ended September 30, 2003

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, 2004.

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 #2003-1: Procedures were not in place to ensure that all customers who are receiving sewer service are being billed. The County Sewer Billing Department notifies Bessemer Water Service to activate new sewer customers

Response: See response to 1999-1 above. Also, the County has added an inspector in the Sewer Billing Office to assist with locating these billing problems.

Other Matters in Report to the Chief Examiner
For the Year

Finding: At September 30, 2004, the following funds had deficit fund balances:

Road Fund	$ 4,755,220.71
Bridge and Public Building Fund	$ 39,955.29
Senior Citizens' Activities Fund	$ 756,085.67
Capital Improvements Fund	$ 372,508.02
Personnel Fund	$ 23,969.84

Response: The Jefferson County Commission supplements the operations from the General Fund. The Commission transfers the supplementary cash 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.

Steve Sayler, Director of Finance of County Commission